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FAO David Jones  
Elexon  
4<sup>th</sup> Floor, 350 Euston Road  
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17 January 2012

Dear David,

**BSCCo Business Plan 2012/13**

Drax Power Limited ("Drax") is the operating subsidiary of Drax Group plc and the owner and operator of Drax Power Station in North Yorkshire. In March 2009, Drax acquired an electricity supply business, Haven Power Limited ("Haven"); Haven supplies small and medium sized business customers and provides an alternative route to market for some of Drax's power output.

Drax welcomes the opportunity to provide comments on the BSCCo Business Plan for 2012/13 and would like to highlight a number of key points.

Drax welcomes the numerous references throughout the document regarding protecting and improving the delivery of core BSC services. This should be the number one priority for Elexon, as it has been since the introduction of NETA. Moreover, Drax takes comfort from Elexon's commitment to engage and consult with industry on its plans to expand its role. Such stakeholder engagement is essential to provide transparency and to help the wider industry understand what it is that Elexon aims to achieve from such plans. It is only with continued industry engagement that Elexon will increase industry support for its potential future activities.

Drax notes the statement made in the Business Plan that "we [Elexon] recognise that, during this year, our governance will change". This comment is somewhat premature. Change to Elexon's vires is not inevitable, particularly if the four conditions, as set out by Ofgem in its open letter consultation, cannot be met. A further item of note is that the addition of the Warm Home Reconciliation Contract to the BSC arguably demonstrates that the current framework can be adapted to meet new regulatory challenges.

In addition, Drax notes the work Elexon intends to undertake to analyse the costs associated with a change in its governance structure and vires. Drax believes that, at this stage, the most important task is to ensure the industry better understands how core BSC services, assets and data access would be safeguarded via ring fencing (under a Subsidiary Model) or protection arrangements in a BSC service contract (under a Contract Model). These important details are still unclear to many industry participants.

The resulting models and protection mechanisms should then be evaluated against the four conditions established by Ofgem to ensure that a change in Elexon's vires can be achieved without a detrimental impact to the delivery of core BSC services. Only after the models have been demonstrated to meet the four conditions should a detailed cost benefit analysis be conducted. Throughout this process, it will be critical that market participants have the opportunity to scrutinise the work to ensure an informed debate is possible.

It is of concern that Elexon has made provision in the SMART Metering element of the Market Development budget for a bid for the DCC role. It is understood that this provision would cover the preparation of a bid through to the final agreement of the undertaking. Drax does not believe this is consistent with condition one in Ofgem's recent open letter consultation, which states "any investment in non-BSC activities and the assumption of the associated risks should not be imposed upon BSC parties

by virtue of their membership of the BSC". For this reason, Drax believes this provision should be removed from the budget.

It will also be important to ensure that any amendment to the pricing methodology covering the provision of data to non-BSC Parties is transparent. Stakeholder engagement will be important to ensure a fair outcome for all parties concerned, including new market entrants.

Finally, Drax welcomes Elexon's work (along with National Grid) on the establishment and administration of the Cross Codes Forum. In addition, Drax is supportive of Elexon's additional market and regulatory monitoring work surrounding issues such as SMART, REMIT and the development of the European Network Codes. This work has helped to better inform market participants and will help ensure that the BSC arrangements remain fit for purpose.

If you would like to discuss any of the views expressed in this response, please feel free to contact me.

Yours sincerely,

By email

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Regulation and Policy  
Drax Power Limited