



Department for
Energy Security
& Net Zero

Michael Shanks MP
Minister for Energy

Department for Energy Security & Net
Zero
55 Whitehall
London
SW1A 2HP

Jonathan Brearley
Chief Executive, Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

www.gov.uk

25th February 2025

Dear Jonathan,

Following my Oral Statement in the House on Monday 10th February, confirming the government's intention to enter into a contract for large-scale biomass generation from 2027, I wanted to write to you to set out next steps to continue to build public confidence in Drax's compliance with sustainability requirements.

This deal represents a significant step on the road to a clean power system and will make a significant contribution to the UK's security of supply in the coming years. Biomass can provide semi dispatchable power at times of peak demand, without crowding out lower-cost wind and solar.

However, I was clear in my statement that Drax cannot continue to operate as it has done in the past, and I want to reiterate that commitment here. The public rightly expect that the security of supply benefits from this new contract must go hand-in-hand with value for money and compliance with stricter sustainability standards.

There has been a significant increase in public, media, and Parliamentary interest in Drax's compliance with the sustainability requirements under current arrangements. The debate in the House on Monday raised a number of important questions around the status of Ofgem's investigations into Drax, the role the internal KPMG reports played in these investigations, and the ongoing role for the regulator in assuring compliance with the new contract's sustainability standards.

I recognise that the investigation into Drax that concluded in August 2024 was complex and comprehensive. You have recently confirmed to the Energy Security and Net Zero Select Committee that the investigation included engagement with whistleblowers in addition to the review of a large number of Drax records. This clarity helped remove any doubts about the robustness of Ofgem's conclusions.

As you will be aware my officials also accessed the KPMG reports and discussed with your team how these were considered as part of your investigation. We were reassured by those discussions and understand that these were dutifully considered as part of your investigation, and that you retain confidence in the robustness of its outcomes.

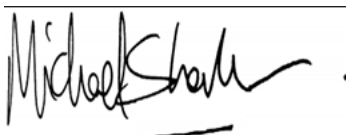
However, to further build public confidence, it would be helpful for a public statement from Ofgem to provide greater insight into the nature of its investigation and conclusions.

I recognise that the KPMG reports are internal, fact-finding documents and I respect the fact that these were produced for Drax under legal privilege; pressing Drax to release the reports themselves would be disproportionate. However I would also ask you to consider using this public statement to explain how the KPMG reports were considered in the investigation, as you have clarified with the Select Committee. I also ask that greater transparency is provided on Ofgem's position in relation to Drax's reporting in the years following the CP20 data, that led to the sizeable redress payment.

Separately, I welcome the full, independent audit you have asked Drax to carry out – and pay for – to provide further assurance that the findings of the investigation into CP20 profiling data are being implemented correctly. I would be grateful if you could continue to provide DESNZ officials with regular updates on the progress of this work.

DESNZ officials will continue to work closely with Ofgem and the Low Carbon Contracts Company to develop the sustainability assurance arrangements that will apply in the new contract, and I am grateful for your continuing support for this work.

Best wishes,

A handwritten signature in black ink, reading "Michael Shanks", with a horizontal line above it and a short horizontal line below the end of the signature.

Michael Shanks MP
Minister for Energy