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By email only

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OVO response to Ofgem's 'Statutory Consultation on Inflexible Offers Licence Condition'

Dear Luke,

OVO welcomes Ofgem's proposed new licence condition prohibiting electricity generators from gaining excessive benefit from inflexible offers in the Balancing Mechanism (BM).

Over the last 18 months, we have witnessed unprecedented volatility within the GB energy market with significant rises in wholesale energy prices. This had a material impact on energy customers, with the cost of failure mutualised onto customer bills at a time of rising cost of living and broader financial pressures on households. Therefore, potential interventions should ensure that energy markets consider costs to consumers.

We are supportive of this approach as it should lead to more predictable price signals in the market and potentially reduce shaping costs and BSUoS. The updated Ofgem draft guidance provides the clarity we previously requested, in understanding the definition of 'excessive benefits' and 'reasonable profits' realised by generators.

As a result, we view this as being a positive step for the market as it should reduce the costs incurred by the ESO to balance the system, and ultimately reduce costs passed to consumers.

We continue to support ongoing consideration of broader market reforms by Ofgem that will contribute to the reduction of higher balancing costs, alongside the introduction of this proposed licence condition. We welcome future communications from Ofgem on the progress of these reforms and the assessment of further potential interventions.

Should you have any questions, please contact policy@ovoenergy.com.

Kind regards,

Samantha Cannons
Regulation Manager, OVO