
CALL FOR INPUT

To: Office of Gas and Electricity Markets, Ofgem
Attn: Domestic Market Management Team – WholesaleMarketPolicy@ofgem.gov.uk

West Burton Energy (WBE) owns the 1300MW West Burton B CCGT and 50MW Battery Energy Storage System assets in Nottinghamshire, UK. WBE is wholly owned by various funds managed by EIG Partners.

The purpose of our letter is to provide our comments in response to the request for a call for input on the Transmission Constraint License Condition (TCLC), published on the 7th of December 2023. WBE welcomes the desire of Ofgem to continue to reduce the burden on consumer bills during the cost-of-living crisis and ensuring that generators do not make excessive profits from a transmission constraint.

WBE wants to express their concern that there is currently little evidence that expanding the current TCLC will help to reduce constraint costs and consumer bills. Whilst we note the graph (Figure 1) provided in the Call for Input documentation details a consistent year-on-year increase in constraint costs, it fails to take into context any of the market conditions that have been experienced over the previous two years. For example, the extreme volatility in gas prices and the impact that has had on the marginal cost of generation over that period resulting in increased overall costs of generation and costs associated with operating in the market have been reflected in the wholesale market.

The fundamental lack of transparency in relation to constraints remains a key issue - if constraints, whether linked to bids or offers, were obvious then the licence can be fairly applied, and investigations would be swift. We do not believe that any expansion of this condition should be considered until there is sufficient transparency in place for industry participants.

WBE finds the suggestion of a price cap to be unreasonable and anti-competitive. As exemplified by the SVT mechanism, a price cap will never be suitable for all potential market conditions and require a change to the rules under stress conditions. A firm cap without formulaic logic would be overly constraining and remove competition whereas a formulaic one will struggle during extreme market conditions. We therefore find this to be an unrealistic and overly complicated suggestion and as such should not be considered further.

WBE also disagrees with Ofgem's proposal for expanding the TCLC to cover unlicensed generators. As the TCLC is an extension of the standard generation licence we do not see how this can be attained effectively. A better solution for this would be to tackle the practice of unlicensed generators specifically with either a supplementary code modification or expanding the generation licence to all generators.

Fundamentally WBE believes that the most effective way to reduce constraint costs and consumer bills is by targeting the root cause of the constraints by committing to significant and rapid investment in the national infrastructure, which lacks competition, sufficient incentives, and entities hold inherent market power. We believe that it is unreasonable to constrict generators further in a competitive market without sufficient evidence to support the intended outcome. The investigations have on average taken approximately 2-3 years to conclude and presumably absorbed significant effort and time from Ofgem as well as the parties involved. The TCLC conditions clearly have not been easy to prove, a widening of this condition is not necessary and adds complexity to the market. In our opinion breaches of this nature can be prosecuted via REMIT and the Competitions Act, hence there is no need to extend the remit of TCLC.

In conclusion, we would not like to see an expansion of the current Transmission Constraint Licence Condition without sufficient evidence that there is a consumer benefit and significant merit to the changes proposed.

Your faithfully

Christopher Terry
West Burton Energy

By email
