

To Whom It May Concern,

Corus welcome the opportunity to comment on the Summer 10 liquidity assessment for the GB Power Markets (Ref 95/10). The assessment is a major step forward in Ofgem taking the issue of market liquidity more seriously. Whether or not regulatory action is required remains to be seen, however, Corus would welcome a more liquid market as evidenced by higher churn levels, and higher liquidity on the forward market.

Please find below comments in response to the three questions asked in the Consultation paper.

### **Proposed Metrics**

#### **1) Do you agree that the proposed framework provides an adequate range of evidence for assessing market liquidity?**

Yes, it does provide a broad range of evidence. However, it is possible that some energy market participants are hedging their power positions through the gas market and using trades in the Spark Gap. Monitoring of Spark or Dark Spread trading may also provide an insight into how liquidity is impacted by behaviour in other traded markets.

There are a couple of areas which the metrics shed little or no light on:-

- i) It is also not clear from the metrics how liquidity in the power markets reflects and inter-relates with liquidity in the gas markets.
- ii) It is not clear how the 'non-traded' market operates, this is important when many end-users have no idea whether the physical power they are delivered has actually been traded or not.

The value of the framework will only emerge over time as trends become apparent and are observed. It is indeed likely that the metrics will evolve over time.

### **Preliminary Assessment**

#### **1) Do you agree with the assessment of the metrics in this chapter?**

Yes

#### **2) Do you have any comment on the level of improvement in the metrics that would make a significant difference for market participants?**

Overall the negatives seem to outweigh the positives, there is therefore little to make any significant difference for end consumers of power. The wide bid-offer spreads mean that end-consumers, many of whom pay prices based on offer prices may be losing out. Also, churn appears to be only satisfactory in the near term market, creating wide bid offer spreads further out.

Regards,

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