

## **CHAPTER: One**

**Question 1:** Do you agree with the objectives we have identified?

Yes

**Question 2:** Do you think there are other objectives we should be considering?

You should re-consider the role of financial as well as physical curve products. If day-ahead auctions such as N2EX are being supported by the Big 6 and they are selling a significant volume there then independent suppliers may be forced to N2EX to secure their power. If this is the case and the independent suppliers are selling at fixed prices to their customers then the independent suppliers will need N2EX forward swaps to be available so they can hedge their price risk. This is how the Scandinavian and German markets evolved.

## **CHAPTER: Two**

**Question 3:** Do you agree with our views on market developments since summer 2011?

Yes

**Question 4:** What specific further developments would be necessary to meet our objectives?

I don't know

**Question 5:** Do you agree that objectives one and two are current priorities given market developments?

Yes

## **CHAPTER: Three**

**Question 6:** Do you agree that the MA is the appropriate mechanism to meet our immediate objectives?

No. I believe that MM or SSR would have a greater likelihood of achieving your objectives than MA. Smaller market participants such as I&C customers and small suppliers are using continuous trading (i.e. the OTC forward market) because:

- It always the participant to execute their hedging strategy at their convenience rather than on a date dictated by an auction
- In the case of suppliers, they will be signing up clients every day and will wish to hedge their exposure as soon as their clients is signed up

**Question 7:** Do you agree that, at the present time, the other mechanisms identified would not be appropriate for Ofgem to pursue?

No – I think it is premature to stop investigating MM, SSR or promotion of more financial products and more clearing.

## **CHAPTER: Four**

**Question 8:** Do you agree with the key features of the MA we set out?

You say "Bids and offers need to reflect market prices, including the cost of generation" I would expect bids and offers to be very highly influenced by the prices that are being published in the OTC market. I can't imagine buyers or sellers moving their bids significantly away from OTC prices. Therefore the MA will end up being a complex mechanism that ends up delivering the same prices as the OTC market. I don't know why you mention "the cost of generation" – it has long been the ambition of customers to buy from generators "at cost" but this desire comes from wishful thinking rather than any understanding of how commodity markets function. In your proposals you should not set false expectations that cannot be delivered.

Have you published any reviews of other auctions? The French VPP auctions were organised in very different circumstances (i.e. a monopoly market) but may offer some interesting lessons.

**Question 9:** Do you consider it appropriate to have buy-side rules in place and do you have any comments on the detail of such rules?

[Given my lack of enthusiasm for MA I have no comment on the remaining questions.](#)

**CHAPTER: Five**

**Question 10:** Do you consider that there are benefits and risks to the approaches that we have not identified?

**Question 11:** Which approach do you consider is best placed to deliver our objectives at least in terms of cost and risk?

**Question 12:** Do you consider that both approaches are able to meet our objectives?