

Rachel Fletcher  
Partner Wholesale Market  
The Office of Gas and Electricity Markets  
9 Millbank London  
SW1P 3GE  
26th of March 2013

Dear Rachel,

**Re Update on the Electricity Balancing Significant Code Review (EBSCR) and request for comments on proposed new process to review future trading arrangements**

Utilidex is a software company which provides data platforms, consultancy and IT services to energy market participants.

Please find below comments from Utilidex on your recent consultation.

1. Do you agree Ofgem should launch a project to create a high level design for the future electricity trading arrangements?

*Yes, now is a good time to consider a new high level design for future electricity trading arrangements. The future focus should be to create a new and simplified electricity and gas trading arrangement that genuinely encourages a better allocation of energy resources (including renewables), future market and product innovation and flexibility and, encourages an increase in genuine market participation and market liquidity.*

2. What key issues should be examined as part of a work stream on future GB trading arrangements?

*Below are 4 aspects which require careful consideration to achieve successful future electricity trading market.*

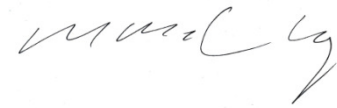
- i) The efficient integration of renewable energy requires a change to the current balancing mechanism. If forecasted renewable energy is closer to actual renewable energy despatched it should help everybody. The 1 hour gate closure process effectively wastes energy and does not incentivise end users to drive batch usage of energy when the wind blows/ and or the sun shines. We believe that to achieve the maximum price for renewable energy on the spot market and the best cost allocation for the consumer then this 1 hour notice window should be eliminated for physical notifications from renewable power. Physical notification adjustments from this asset class would therefore be permitted up until final gate closure.*
- ii) In order to deliver firm electricity supply from gas fired power plants in volatile markets with greater electricity intermittency then gas supply to these very same power plants needs to be delivered firmly too. The onus should be the gas generation owner/operator but also on National Grid to perform this task. In particular there is an opportunity to couple more closely the gas and electricity systems that National Grid own in order to provide a more "intelligent" market. This will ensure no future bottleneck in gas supply will cause in turn a bottleneck in electricity supply.*
- iii) It would be helpful if the UK's trade arrangements, transaction messaging and market rules were brought in line with European standards where appropriate, in a phased approach. This would greatly simplify the IT landscape required to trade in the UK market which in turn would over the long-term, save costs and support liquidity and competition. This would be a sensible initiative for both wholesale and retail markets.*
- iv) Demand Side Response initiatives, though embryonic in terms of overall footprint in the UK is a key activity to providing a better allocation of energy resources within the distribution grid. We believe that both the electricity and gas distribution grids should participate in this market (perhaps purchasing directly to make up for energy losses from embedded renewable generation and gas from waste) and perform simple system operator interventions to ensure local energy demand and supply imbalances are co-ordinated. It is too early to prescribe how these micro markets will emerge but what is important they are not stifled by legacy thinking and prescriptive market design.*

3. What form should the process take?

*This is a tough question but we'd request that Ofgem review some of the lessons that have been learnt with past consultations and avoid an overly complex market design. Normally the simplest markets are the most attractive and the most efficient.*

If you should have any questions on the above commentary please don't hesitate to contact me at your convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'mccloskey', written in a cursive style.

Mike McCloskey

Director of Innovation and Client Services – Utilidex

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