

**Phil Slarks
GB Markets
Ofgem
9 Millbank
London
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09th August 2013

Dear Phil,

Total Gas & Power Ltd (TGP) Response to Ofgem's final proposals for a secure and promote licence condition

Thank you for providing TGP with the opportunity to respond to the consultation on potential intervention measures to enhance liquidity in the GB power market and the secure and promote licence condition.

TGP is the largest Industrial and Commercial (I&C) gas supplier in the UK and also an electricity supplier supplying 1-2% of the I&C power market. TGP also has a large Trading division actively trading in UK and European Gas and Power markets.

TGP have previously discussed with Ofgem our serious concerns about the lack of liquidity in the wholesale electricity market, especially in forward markets and responded to previous consultations on this subject. Illiquid markets create a barrier to entry and market inefficiencies that risk leaving customers paying more for their supplies than they would if competition were effective.

TGP welcomes and fully supports Ofgem's attempt to improve liquidity in wholesale markets and as such has answered the specific questions that were asked in the consultation that relate to Ofgem's proposals.

TPG believes that Ofgem should set some measurable outputs to judge the success or otherwise of any measures that are implemented. For example TGP does not believe that Ofgem should measure success on prices (as they are likely to go up), but on new market entry, market liquidity and feedback from non big 6 suppliers. This would also allow Ofgem to review the impacts of the changes and if necessary consider other, or additional, measures such as a full self supply restriction which TGP believes should remain an option.

Should you wish to discuss in any more details please do not hesitate to contact me,



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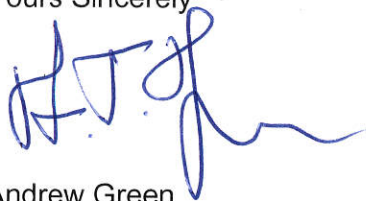
Total Gas & Power Limited VAT Registration No.689638949 Registered in England No. 2172239

Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF

TOTAL

TOTAL GAS & POWER

Yours Sincerely



Andrew Green

Head of Regulation
Total Gas & Power
UK Energy Retail



TOTAL

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Chapter one

Question 1: Do you agree with our updated assessment of the wholesale market?

Yes, TGP agrees with Ofgem's updated assessment of the wholesale market and fully supports Ofgem's attempts to improve market liquidity and trading facilities for non-vertically integrated suppliers in the UK.

Question 2: Do you agree with our conclusion that we should intervene in the market in the form of the 'Secure and Promote' licence condition set out in this document?

Yes we agree with Ofgem's proposed way forward with respect to a Secure and Promote Market Making licence condition and rationale for intervention outlined in Ofgem's consultation document.

Chapter two

Question 3: Do you agree with our proposed legal approach to S&P?

Yes, TGP agrees that obligations should be specified in Generation Licences and that these proposals should be implemented as quickly as possible.

Question 4: Do you agree with our proposals for who should face the obligations under S&P?

Yes, TGP agrees with Ofgem's proposals for who should face Secure and Promote obligations and the rationale behind the selection of those licensees.

Chapter three

Question 5: Do you have any views on our final proposals for the Supplier Market Access rules, particularly those aspects listed under 'key outstanding design questions'?

TGP generally agrees with Ofgem's proposals on Market Access Rules but would like to comment specifically on the product range that should be made available:

Clip size – TGP agrees with the proposal of 0.5MW minimum clip size

Products – TGP would require Base and Peaks:

Week +1, Week +2, Week+3, Week +4

Month +1, Month+2, Month +3, Month +4, Month +5, Month +6

Quarter +1, Quarter +2, Quarter +3 Quarter+ 4, Quarter +5 and Quarter +6

Season +1, Season +2, Season+3, Season+4, Season+5, Season+ 6, Season+7, Season+8

Customers are looking for price certainty out to 4 years in the future and therefore Suppliers will need to hedge their position to these timescales, hence the requirement through to Season +8. Suppliers will also need to purchase more granular contracts than month ahead alone in line with changes in our forecast so the availability of weeks and months would enable suppliers to trim their position and a liquid prompt and curve would result.

Question 6: Are there any further areas that these rules should cover?

No

Chapter four

Question 7: Do you have any comments on our proposed detailed design for the market making obligation, particularly those listed under 'key outstanding design questions'?

TGP would like to comment on the following specific design issues:

Third Parties

If a Licensee nominated a third party to meet their obligations TGP would suggest that it should be one of the current active brokers typically recognised by the market via Trayport. It is important that the counterparty selected did not expose suppliers to a larger credit/risk compared with dealing directly with one of the Big 6

Spreads

The spreads proposed are very similar to the spreads currently seen in the market place and therefore would be very unlikely to improve liquidity. TGP would therefore support much tighter spreads, not based on a percentage of price, but simply a spread. There is no reason why power with a price of £70 deserves a different spread obligation than power with a price of £50. TGP would propose an arbitrary number that is tight enough to be tradable, but wide enough to give a market maker room for margin (e.g. 20 pence per MWh).

Availability

The problem with an overall percentage availability across the month is that this may not be evenly distributed across the month which would not necessary suit Supplier's purchasing requirements. TGP would therefore propose a much higher figure than 50% availability across the month to ensure availability on every day of the month (and prevent occurrences such as front loading all the availability at the beginning or end of the month.) TGP would support guaranteed availability on every day of the month for as longer period as possible so a figure of 90% would more realistically achieve this.

Question 8: Do the detailed elements of the proposed market making obligation appropriately balance costs and risk for the licensees?

Subject to the above points in question 7, generally yes



Question 9: Do you believe that an industry-run tender process could more successfully deliver our proposals for a market maker? If so, do you have views on how we can solve the practical challenges we have identified?

Our preference is for the big 6 to be obligated rather than an industry-run tender process.

Chapter five

Question 10: Do you agree with our analysis of the costs, risks and benefits of intervening in the near-term market?

Yes

Question 11: Do you agree that we should not intervene in near-term markets at this stage?

Yes



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