

Graham Knowles,
Wholesale Market Performance,
Ofgem, 9 Millbank, London, SW1P 3GE.

Email to: gb.markets@ofgem.gov.uk

19 December 2013.

Dear Graham,

Wholesale power market liquidity: statutory consultation on the 'Secure and Promote' Impact Assessment

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

In line with the response that we submitted to you in August 2013, our view is that the costs of implementing the Secure and Promote licence condition will be higher than the cost estimates included in Ofgem's Impact Assessment in the following categories:

- **Set-up costs** (figure 3 of the document): We think that Ofgem's low case is too low. We estimate the set-up cost to be around £200-300,000.
- **Ongoing costs** (figure 4 of the document): In line with our previous response to Ofgem in August, we would expect ongoing costs to be significantly higher than presented to us. Please refer to our August estimate. This estimated a £45 million cost of credit, based on 300TWh extra liquidity split among the obligated parties, an electricity price of £60 MWh and an initial margin set at 10%. Even if we adjust this estimate for netting benefits and a lower initial margin, this still gives ongoing costs that exceed Ofgem's cost estimate significantly. As Ofgem have also noted, we also need to add transaction costs and additional staff costs in terms of time to this figure.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Ravi Baga on 020 7752 2143, or myself.

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I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Angela Pearce".

Angela Pearce
Corporate Policy and Regulation Director