

Graham Knowles,  
Wholesale Market Performance  
Ofgem  
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18<sup>th</sup> December 2013

## **Wholesale power market liquidity: statutory consultation on the 'Secure and Promote' licence condition**

Dear Graham,

We welcome the opportunity to respond to the above consultation, this response is provided on behalf of RWE npower plc, RWE Generation SE, RWE Supply and Trading GmbH and the UK subsidiary of RWE Innogy GmbH, RWE npower renewables Limited.

Our comments relate to the wording of the licence condition.

### **Schedule 1**

No comments

### **Schedule 2**

No comments

### **Schedule A**

1. We note that under the draft guidance issued alongside the draft licence condition that the intention is that this obligation only needs to be met once by a company group. However as written, schedule A requires each licensee to comply with this schedule and further, makes no provision for an affiliate to comply with the licence condition on behalf of the obligated parties within a company group. It would be our intention within the RWE group for RWE Supply and Trading GmbH (RWEST) to fulfil the obligation on behalf of the RWE obligated parties. RWEST does not hold a generation Licence and is therefore not an obligated licensee.
2. What is the reason for using 'working day' as opposed to 'business day'? Our understanding of the definition of 'working day' is that it can include Saturdays and Sundays whereas 'business days' are Monday to Friday excluding bank holidays. 'Business Days' would seem to be the logical term to use and would avoid confusion. Business Day is also a defined term in the Balancing and Settlement Code.

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3. We are concerned that we could be faced with requests for trading documentation from large number of 'eligible suppliers' on day one. This would place an unmanageable burden on our group making it difficult to respond to the requests within the time-scales set out in the licence condition. We would propose that the licence condition include quotas for maximum number of responses. We believe that we can reasonably respond on up to 5 requests per week.
4. Under clause 5, could you provide clarity on whether the meeting needs to be face to face or whether conference calls would be sufficient (which given logistics is our strong preference). In addition, we would understand that our obligation to provide a summary of open negotiation points could be met by the provision of a marked-up GTMA which is the approach adopted across the market but would ask that you advise if this is not the case.
5. Under clause 11, if in our case RWEST fulfils the obligation on behalf of the RWE group, is it acceptable for the information to be placed on the RWEST website?
6. The licence condition refers to a "credit transparency form", we would like to see this as early as possible.
- 7 Under 16(3) of Schedule A and 12 of Schedule B is a list of products included in a table. Underneath the table is an explanation, "In the table above, Peak, Baseload, Week, Month, Quarter and Season have their generally accepted meanings as applicable in the market at the relevant time". We believe that post October 2014 Gregorian contracts rather than EFA contracts fall under this meaning and thus EFA contracts would not qualify. Leaving this ambiguous may encourage players to make markets in either Gregorian or EFA which could dilute liquidity.

## **Schedule B**

8. We are concerned that there is no provision for force majeure as there are a number of issues which are outside of our control, specifically what tolerances will there be:
  - for either 3<sup>rd</sup> party or RWE IT system failures?
  - if we have an emergency evacuation just prior to or during an obligated period?
9. As above in Schedule A, we are concerned with the use of 'working day' and for the same reasons would prefer the use of 'Business Day'.
10. As discussed previously, we are concerned with the wording in section 4(c) which specifies that:

(c) The licensee may not nominate a person as Nominee in relation to a month if that person is also nominated as Nominee in relation to that month:

- (i) by two other Relevant Licensees, or
- (ii) if the Nominee is itself a Relevant Licensee or an affiliate of a Relevant Licensee, by one other Relevant Licensee.

Would RWE as a group would be considered a Relevant Licence, or whether each of the following entities would be deemed a Relevant Licensee on an individual basis?

- RWE npower plc
- Npower Cogen Trading Limited
- Gwynt Y Mor Offshore Wind Farm Limited

- NPower Direct Limited
- Galloper Wind Farm Ltd
- RWE Npower Renewables (Stallingborough) Limited
- Triton Knowle Offshore Windfarm Ltd
- Channel Energy Ltd

Under AA.5 a Relevant Licensee is a holder of a generation licence.

If the latter, we are concerned that RWE group may not be compliant by using RWEST in delivering the obligation on behalf of the RWE obligated parties even though RWEST is the group entity best placed to comply with the license condition on the group's behalf.

11. Clause 5(d) - We can request that this is the case and we can write it into a market making agreement but we cannot guarantee that a third party will deliver this.
12. Clause 6(a) makes it clear that bids and offers for each product must be posted on a qualifying platform at all times. Taken literally, this is impossible as, if we were to change prices we would be out of the market for a short period. What if a broker 'pulls' a price before confirming a trade – there will be a few seconds when we are out of the market but have not technically traded.
13. Clause 9(a) – Currently some platforms do not have the capability to simultaneously take bids/offers for 5 and 10MW blocks. The obligation should be for 5 or 10MW and we believe it should be 10MW as 5MW is likely to result in a reduction of liquidity.
14. Clause 9(b) - As worded we believe that if RWEST were to carry out this activity on behalf of the obligated licensees within the RWE group then it would have to post bids/offers for 5, 10, 15 and 20MW blocks, we do not believe this is the intention of this clause and would suggest that the clause is in need of clarification.
15. Clause 10 needs clarification, as presently worded it seems to restrict trading activity. We could cease trading once the 30MW differential has traded. We could carry on trading at non-obligated market spreads which may then result in our net position dropping below the net 30MW position. What happens then, are we in breach of the obligation, would we need to move spreads to the obligated spreads. It will be very difficult to monitor adhere to this. We suggest that when the 30MW limit has been reached that the obligation has been met for that window and subsequent trades do not count.

Should you wish to discuss any of this response, please contact me.

Yours sincerely

By email and therefore not signed

*Alan McAdam*  
*Economic Regulation Manager*  
*UK Markets*