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Trading Facilities, and other interested  
parties

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Date: 21 September 2015

Dear Colleague

**Decision to modify the electricity generation licence of Secure and Promote licensees – market making on the afternoons of the preceding business day to the 25 December and 1 January**

On 28 July 2015, Ofgem published a statutory consultation on modifying Special Condition AA of the electricity generation licence<sup>1</sup> in respect of the Schedule B market making obligations.<sup>2</sup>

Under Schedule B of the licence condition, the six obligated licensees are required to post bids and offers for each of the mandated products during the two trading windows on every business day (market making obligations).<sup>3</sup>

The statutory consultation set out our proposal to remove the requirement to post bids and offers on the afternoons of the preceding business day to 25 December and 1 January. Four responses were received in response to the consultation which closed on 26 August 2015. We have placed the responses, none of which were confidential, on the Ofgem website.

In this letter we set out our decision, after consideration of these responses, to direct the modification to the licence condition.

**Points raised in response**

The responses support the modification, considering it to be an appropriate response given the dearth of trading activity on the above-mentioned afternoons, and given the undue risk created by posting prices when there is an effective closure of the markets for underlying fuels.

Only one respondent commented on whether we should undertake an impact assessment agreeing with us that an impact assessment is not necessary. Two respondents agreed that the modification supported the policy intent of Schedule B of Secure and Promote, namely to:

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<sup>1</sup> Special Condition AA is known as 'Secure and Promote'.

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-modifying-electricity-generation-licence-secure-and-promote-licensees-market-making-afternoons-preceding-business-day-25-december-and-1-january>

<sup>3</sup> As defined by the Balancing and Settlement Code (BSC) available at <https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/>

- make products available when they are likely to be demanded, and
- create robust prices for those products when the prices are required.

After considering the responses to the statutory consultation, we consider that changing the licence condition in this instance is a proportionate response and provides clarity to market participants as to when market making will take place.

It remains appropriate to direct the licence modification to be made in line with that proposed. The modification is set out in the Decision Notice published alongside this letter.

### **Next steps**

A Decision Notice under Section 11A(1)(a) of the Electricity Act 1989 is appended to this letter.

Following the publication of the Decision Notice today, any relevant party that wishes to appeal the Authority's decision to the Competition and Markets Authority (CMA) may do so on or before 19 October 2015. If no successful appeal is forthcoming, the modification to the licence condition will have effect on and from 17 November 2015.

Should you have any questions regarding this letter or the appended Decision Notice, please contact Yasmin Valji, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or on Direct Dial: 020 3263 9774 or by email to [wholesalemarketoperation@ofgem.gov.uk](mailto:wholesalemarketoperation@ofgem.gov.uk).

Yours faithfully,

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