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20th September 2018

Market Making Obligation Letter Dated 9th August 2018

Dear Cathryn,

SmartestEnergy welcomes the opportunity to respond to Ofgem's letter on the Market Making Obligation (MMO) dated 9th August 2018.

SmartestEnergy is an aggregator of embedded generation in the wholesale market, an aggregator of demand and frequency services and a supplier in the electricity retail market, serving large corporate and group organisations. As such we are also an active trader on the electricity wholesale market.

Please note that our response is not confidential.

SmartestEnergy's response

We note that Ofgem is seeking views on a suspension of the MMO pending completion of a wider review during 2019. We are of the view that, not only should the MMO be suspended in the short term but that the arrangements should be abolished in the longer term. Our reasons for this, which we have articulated in previous consultations on the subject, are as follows:

- i) The MMO does not improve overall liquidity; it merely concentrates trading within the windows and takes liquidity away from other periods of the day.
- ii) The MMO is not an equal obligation and never has been. Any obligation based on size was always going to be discriminatory and random. The decision to remove the MMO from Centrica's licence has brought this inequality into even greater focus.
- iii) It is difficult to get away from the conclusion that operating under the MMO could be classed as market abuse because there is no intention to execute a trade which relates to a commercial requirement.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
Head of Regulatory Affairs