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20 September 2018

Cathryn Scott
Wholesale Markets and Commercial
Ofgem
10 South Colonnade,
Canary Wharf
London
E14 4PU

Dear Cathryn,

Secure and Promote: Response to open letter dated 9th August 2018

Drax Group is a UK-based energy company with interests in electricity generation and non-domestic supply. We welcome this opportunity to provide comments on the Secure and Promote open letter of 9th August 2018.

We observe that the market has evolved rapidly since the introduction of Secure and Promote Licence Condition. There has been a marked increase in new suppliers entering the market. In addition, the majority of the large vertically integrated domestic suppliers have divested, or have plans to divest, their generation or supply portfolios. Furthermore, the energy landscape has changed significantly, with a trend towards a Smart, decarbonised and decentralised energy system.

We support Ofgem's decision to pause and reflect on the objectives of the Secure and Promote Licence Condition in light of changing market conditions. A suspension of the Market Making Obligation (MMO) will ensure the remaining obligated parties do not incur disproportionate costs and provide an opportunity to assess the impact of the MMO's removal. This is a reasonable action consistent with Ofgem's previous guidance, the original evidence supporting the Secure and Promote programme and the final decision to introduce the MMO.

We agree that the MMO should be suspended ahead of the winter period, rather than during it. This will enable the market to adjust to new arrangements ahead of the winter peak, avoiding the potential for complicated changes during a traditional period of market tightness.

We also support a review of the underlying requirement for a Market Maker during 2019. Should it be necessary to continue with a Market Maker function, then we support the development of a reasonable and proportionate model, such as a tendered service with costs socialised across all market participants.

Please feel free to contact me, should you wish to discuss any aspect of our response.

Drax Group plc.

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Yours sincerely,

Submitted via email

Paul Youngman
Regulation Manager