

Tom Corcut
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By email: wholesalemarketoperation@ofgem.gov.uk

6 November 2019

Dear Tom

Subject: Secure and Promote, Ofgem open letter dated 08 October 2019

We – a group of independent generators (EPUK Investments; Triton Power; InterGen; Calon Energy and VPI Immingham) and suppliers (Ovo, Octopus and Shell Energy Retail) - are writing to express concern that the Market Making Obligation (MMO) is due to be suspended before an appropriate alternative liquidity support measure has been developed, as proposed in your open letter of 8 October 2019.

We agree with Ofgem that the design of the MMO, linked as it has been to vertical integration, has become increasingly obsolete. We likewise understand that, as the number of market makers is likely to decrease to one, it becomes inevitable that Ofgem will suspend the obligation.

However, we are concerned that Ofgem is proposing to suspend the obligation without a more appropriate alternative being put immediately in place. We believe this will result in a material deterioration in GB wholesale market liquidity. This will make it harder and more expensive for independent generators and retailers to buy and sell power, which will lessen competition and increase costs for GB consumers.

Since the MMO was introduced, churn has increased by around 20%, spreads for the mandated products have decreased from around 1% to 0.3%, and several new suppliers and generators have entered the market. We are concerned that liquidity will fall back to even lower levels without it. Out of 41 respondents to Ofgem's last Open Letter on MMO changes, 30 respondents — predominately independent suppliers, generator and energy traders — were against its suspension for this reason.

Given there is a clear majority of GB market participants who consider that a measure to support GB wholesale market liquidity is both necessary and desirable, we urge Ofgem to commit to a clear timetable to develop and implement an alternative liquidity support measure as soon as possible, and by Spring 2020 at the latest.

Regards



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I Hughes

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Head of Policy & Regulation Strategy.



TRITON POWER

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