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Tom Corcut,
Deputy Director, Wholesale Markets
Ofgem
10 South Colonnade
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Sent via email to wholesalemarketoperation@ofgem.gov.uk

6th November 2019

Dear Tom,

Secure and Promote - October 2019 Update

InterGen remains the only genuinely independent generator active in the GB market with a track record of developing, constructing and operating large scale thermal power generation projects. We have been active in the market since the 1990s and therefore bring a unique perspective to issues regarding the GB wholesale electricity market.

We agreed with the conclusions drawn in your letter to stakeholders of 6th November 2018 that the “MMO (Market Making Obligation) is having a significant influence on trading activity in the market and the availability of products that are important for some market participants’ hedging activity” and that “it would not be in consumers’ interests to suspend the MMO immediately”. Since the MMO has been introduced, we have seen an improvement in product availability, more robust prices, and greater opportunity to hedge in the prompt and on the curve. As a result, we have to date urged Ofgem to maintain the obligation.

Recent market developments have, we agree, made the structure of the MMO untenable due to the changing structure of the original vertically integrated obligated parties. However, we remain concerned that there has not been a robust assessment of the implication of the MMO’s suspension, and, moreover, a clear timetable setting out the plans for an alternative solution to be implemented.

If Ofgem do as stated and immediately suspend the obligation they should in parallel implement rigorous monitoring of liquidity levels and ensure to undertake a full review in the immediate period following the suspension and share this analysis with market. Furthermore, it is essential that an enduring solution is implemented as soon as possible and at the latest ahead of Winter 2020. InterGen have supported options around a centralised market maker and believe that this is something that could be implemented in relatively short period of time.

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In the absence of the MMO InterGen is concerned that access to the market for smaller generators and suppliers will be further eroded, and the impact on their ability to trade needs to be observed closely. Consumers ultimately pay the price for illiquid markets with reduced competition, and Ofgem should have a plan in place for intervention if liquidity drops to pre-MMO levels.

InterGen urges Ofgem to commit to a schedule for the delivery of an enduring solution, as a 'wait and see' approach may have significant impacts for independent generators and retailers who rely on the liquidity provided by the MMO.

Yours Faithfully,



Lisa Mackay,

Commercial Director

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