

Tom Corcutt  
Deputy Director, Wholesale Markets  
Ofgem  
Commonwealth House  
32 Albion Street  
Glasgow  
G1 1LH

6 November 2019

Dear Tom

### **Proposed suspension of the Secure and Promote Licence Condition**

I am writing in response to Ofgem's open letter of 8 October proposing to suspend the Secure & Promote Market Making Obligation (MMO) in the event that RWE Generation plc is released from Schedule B of Special Condition AA of its Generation Licence. We note that following the publication of the open letter, Ofgem consented on 29 October 2019 to RWE's request that this schedule no longer has effect in their Electricity Generation Licences.

We fully support the proposed suspension of the MMO. It is a pragmatic move in light of Ofgem's decision in relation to RWE and other industry announcements that may reduce the number of obligated parties even further to one. Any continuation of the MMO would result in the two remaining obligated parties unfairly shouldering market making costs and risks previously shared across six parties.

Therefore, we agree with your concerns that in these circumstances the policy will be less effective in meeting its objectives and that the two remaining obligated parties would be subject to disproportionate and discriminatory costs and credit risk.

We would not expect suspension of the MMO to have a significant adverse impact on suppliers for the following reasons:

- Ofgem has been signalling to market participants since November 2018 to prepare for suspension of the MMO.
- The Supplier Market Access (SMA) rules remain in place guaranteeing market access on fair terms to Eligible Suppliers.
- Reference prices will still be available through Price Reporting Agencies (PRAs). PRAs will continue to report estimated prices of forward trades on a daily basis and brokers and exchanges will continue to operate market places with live trade orders. Recent trade prices are readily available as a subscription service.
- No evidence for a risk to liquidity from vertical integration was found by the CMA Energy Market Investigation; and market behaviour, in general, is now tightly

regulated following implementation of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT).

We note that, regardless of the proposal to suspend the MMO, Ofgem remains committed to considering whether interventions to support liquidity are still required and if so, whether they can be improved upon. In this context, we believe the suspension represents a useful opportunity to monitor the natural state of levels of market liquidity and hence provide a valuable comparative baseline for that assessment. However, for that monitoring to be meaningful, it would most likely have to be conducted over a minimum 12-month period to ensure that the various seasonal factors have been captured appropriately. We provided Ofgem with details and further views on longer-term options being considered in our response to the Liquidity Workshop Questionnaire which we submitted on 16 October 2019.

Should you wish to discuss any of these points further then please do not hesitate to contact me or my colleague Gerry Hoggan ([gerry.hoggan@scottishpower.com](mailto:gerry.hoggan@scottishpower.com)).

Yours sincerely,



**Richard Sweet**  
Head of Regulatory Policy