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Statutory Consultation on the proposed licence condition to prohibit potential abuse of transmission constraints by generators in the balancing mechanism

Dear Marta,

RWE welcomes the opportunity to respond to the Ofgem statutory consultation on the proposed licence condition to prohibit potential abuse of transmission constraints by generators in the balancing mechanism. We are responding on behalf of RWE Supply and Trading GmbH and RWE Generation plc. This is a non-confidential response.

We welcome the fact that Ofgem have significantly modified the scope of the existing licence condition and that the new proposal relates specifically to circumstance 2 (behaviour's in relation to reducing generation on behalf of the SO). However, we maintain that circumstance 2 is equally addressed under the REMIT Regulation in terms of the Article 5 "Prohibition of market manipulation".

We note that Ofgem are proposing that the licence condition would be a permanent feature of the standard Generation Licence and therefore no longer subject to a time limit. This is significant change to generation licences and we believe that it would be appropriate for such a condition to contain a provision for a further review, perhaps every five years.

We have only one comment on the proposed drafting of the licence condition. We believe that the definition of "relevant arrangements" should relate to bids (where generators are reducing output) and not to offers since the licence condition relates only to circumstances where electricity generators are reducing generation. Therefore the definition should be amended as follows:

"Relevant Arrangements " means arrangements entered into by the licensee and the system operator within the Balancing Mechanism, and the entering of such arrangements shall include the making of a bid ~~or offer~~ by the licensee whether or not that bid ~~or offer~~ is accepted by the system operator.

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If you have any comments or wish to discuss the issues raised in this letter then please do not hesitate to contact me.

Yours faithfully

By email

Bill Reed
Market Development Manager.