



Consultation Response

By email to gb.markets@ofgem.gov.uk

4 May 2012

Camilla Egginton

GB Markets

Ofgem

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Dear Ms Egginton

ELEXON's response to Ofgem's consultation: 'Retail Market Review: Intervention to enhance liquidity in the GB power market'

We welcome the opportunity to contribute some observations in response to this consultation.

The views expressed in this response are those of ELEXON Limited alone, and do not seek to represent those of the Parties to the Balancing and Settlement Code (BSC).

We have the following observations.

Use of BSC data to calculate the sales obligation

We note that the sales obligation on each obligated party will be calculated from BSC production energy account data for the previous year to each party and its affiliates "as collected by ELEXON"¹. This would also include "output from generation plant which is not owned by the obligated party, but which has been reallocated to the production account of the party or their affiliates..." We confirm that we can supply these data if required to do so.

Submission of Energy Contract Volumes into the BSC imbalance process

The operator of the Mandatory Auction may need to be registered as an Energy Contract Volume Notification Agent (ECVNA), as power exchanges are currently. This would enable the operator to submit contracts made under the auction process to the central BSC Energy Contract Volume Aggregation Agent and so the contracts would be recognised under the BSC for calculating BSC Parties' imbalances.

¹ Paragraph 4.27 and footnote 26 on page 29 of the consultation document.



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Similarity of the potential Industry Liquidity Document to an existing Code, such as the BSC

We have no view, and it would not be appropriate for us to take a view, on the relative merits of Approach One or Approach Two to identifying the service provider or providers underpinning the Mandatory Auction arrangement as set out in Chapter 5 of the consultation. And our observation below is not intended to convey a preference.

In consultation Approach One, the draft licence conditions state that there will be a document (the Industry Liquidity Document - ILD) that will provide for the governance of the Mandatory Auction including how the volume commitment is calculated. The ILD appears to be very similar to a mini code.

The observation that the ILD is similar to a mini code is reinforced by the draft licence conditions and the statement in the consultation (paragraph 4.8 of Appendix 4) that it will be modified "similar to a very simple code modification process". The ILD would have an ILD Committee, similar to the BSC Panel, which would consider and produce modification reports for the Authority.

If Approach One is adopted, and given the similarity the BSC, it would be efficient and take advantage of synergies with our existing work to appoint ELEXON to operate the ILD administration and change process². This would avoid creating another new body and take advantage of the long experience (over ten years) that we have in such a similar administration role.

If you would like to discuss any areas of our response, please contact me on 020 7380 4253, or by email at steve.wilkin@elexon.co.uk.

Yours sincerely

Steve Wilkin
Senior Market Advisor

² In our latest annual customer satisfaction survey, 100% of respondents said that ELEXON implements change well or very well.