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Our Reference:

Your Reference:

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Dear Eileen,

## **Electricity Generation Licence Condition 18**

Thank you for the opportunity to respond to this consultation on the disapplication of certain provisions from Powergen's generation licence. We agree with Ofgem's recommendation that there are no compelling reasons to switch on SLC 18 in all generation licences. We also believe that, as a minimum, one of Powergen's disapplication requests should be accepted, and that any other requests from other generators should be treated in the same way.

More specifically, we believe that, as a minimum, Powergen's request for paragraphs 7 to 17 of SLC 18 to be disappplied, should be accepted. However, given the level of competition in the generation market and Ofgem's views of the benefits that BETTA will bring to the GB market, we firmly believe that the licence condition should be removed in its entirety, if not now then when changes are made to licences for BETTA. Our reasons for these views are given below.

1. Conditions in the marketplace have significantly changed since the introduction of the original licence condition. At the time, the market shares of Powergen, National Power and Nuclear Electric merited the imposition of such a condition. Their current generation market shares no longer do so.
2. The Competition Act provides sufficient powers and remedies, should there be any concern that parties are restricting or distorting competition.
3. As well as the remedies provided in the Competition Act, competition in generation itself has significantly increased since the original licence condition was put in place, and there are therefore no grounds for the condition to be imposed on all generators.
4. Given that there is no compelling reason to have the condition switched on for all generators, it is inequitable for it to be switched on for Powergen, when there would be generators with larger market shares but without the condition switched on.
5. If the NETA market mechanisms are to be relied upon to provide security of supply, then there should be no significant administrative interference in that.

6. The first of Powergen's requests should be accepted. Should Ofgem have concerns as to the behaviour of Powergen in relation to information submitted under the Grid Code, Ofgem have sufficient powers that would enable them to request such information. There is therefore no reason for paragraph 9 to remain.
7. Given the competitiveness of the generation market, the fact that the disapplication of paragraphs 7 to 17 means in effect that SLC 18 is redundant, and given Ofgem's views on the increase in competition that will be provided by BETTA, SLC 18 should be removed from all licences in its entirety, if not now then in the process of licence changes for BETTA.
8. The removal of SLC 18 would be consistent with Ofgem's declared aim of withdrawing from the regulation of competitive markets

Yours sincerely

Rob McDonald  
Group Regulation Manager