

Representation

Draft Modification Report

0471S - Amending the start time that a Day-ahead Market Offer can be accepted

Consultation close out date: 27 January 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: InterGen UK Ltd
Representative: Murray Rennie
Date of Representation: 24 January 2014

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

InterGen has been an integral part of the UK generation fleet since 1998 and currently has 1.5GW of merchant capacity in operation. As one of the UK's largest independent generators, we actively trade in the prompt and forward wholesale power, carbon and gas markets. As a CCGT operator we trade spark spreads and are taking on additional price risk if we cannot lock in the gas/power spread. This can have a particular impact upon the prices we currently submit to the power auction, especially at weekends, due to the lack of liquidity in the gas market.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

InterGen is pleased to note that although only weekend liquidity has been identified as an issue this modification is to be requested for 7 days. We note that Bank Holidays can result in a similar situation with regards to liquidity.

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?

InterGen understands and agrees with the Modification Panel that this should be a self-governance modification.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

InterGen agrees that this modification would have a positive impact upon Objective D. The opening of the OCM market at 08:00 would enable Ofgem's requirement for a liquid and transparent wholesale Electricity market, which is essential for EMR.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

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Other than the costs identified by Xoserve, InterGen would face no additional costs.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

InterGen would wish to see the shortest possible lead-time prior to the modification being implemented. Any delay could result in InterGen not being able to offer capacity to the Day Ahead electricity at a reflective price due to uncertainty on the gas price and the associated risk.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Yes.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

InterGen is pleased that this issue has been raised and welcome the opportunity to reply to this consultation.

InterGen requires a liquid forward wholesale power and gas markets to be able to hedge our existing assets effectively. Currently the shape required is only available in the prompt market which leads to cash flow volatility and uncertainty for our shareholders thereby discouraging them from longer term investments in our existing assets and new development projects.