

Peter Hain MP  
Minister of State for Energy  
Department of Trade & Industry  
1 Victoria Street  
London SW1H 0ET

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Dear Minister

### **NETA – Prevention of Gaming by Generators**

Thank you very much for giving your time to see EIUG on 15 March. I trust it was useful to hear our concerns about developments in the energy markets – we were certainly encouraged to hear your constructive comments about market reforms, and of course the imminent introduction of NETA.

As you know, EIUG strongly supported Ofgem's initiative to introduce market abuse conditions into generators licences, as we were painfully aware of the proven abuses that took place under the pool system. We have high hopes that these abuses will be a thing of the past under NETA but, whilst recognising the Competition Commission's findings on the matter, are concerned that gaming might be still possible. This is a particular concern for the period immediately after go-live, before the new system has settled down and the benchmarks of its operation in practice have fully established themselves.

We think it is significant that all but two generators were persuaded to sign up to the market abuse licence conditions - removing these conditions, albeit on legal advice, therefore amounts to an alarming regulatory concession. We are also aware that it has been considered necessary to give additional powers (beyond general competition legislation) in the Californian market to control generator's behaviour, specifically the practice of withdrawing plant in order to push up prices.

We would urge you to consider what additional measures could be taken under the Utilities Act to strengthen regulation in this area.