

Jeffrey Barretto
Energy Policy Directorate
Department of Trade & Industry
Room 2119
1 Victoria Street
London SW1H 0ET

27 April 2001

Dear Mr Barretto

DTI Consultation – Proposed Modifications to Licence Conditions

EIUG has consistently argued the case for licence conditions to prevent market abuse by generators. As you are aware, prior to the consultation being announced, we wrote to the Energy Minister on this specific matter, urging him to consider what additional regulatory measures were required. We therefore welcome the opportunity to register our enthusiastic support for the two proposed licence conditions, save for the inclusion of time limiting clauses.

We see no reason why the proposed clauses should be time-limited. We believe that the potential to abuse market power is likely to be a continuing feature of the generation market, so the conditions to prohibit such behaviour should be enduring. If, over time, evidence shows the clauses to be redundant or otherwise undesirable, they may be withdrawn by modifying the licences through the normal regulatory process.

The consultation paper refers to the government's desire to align the regulatory framework for gas and electricity and, in respect of system balancing, draws a parallel with the arrangements for gas shippers. We note that the network code does not contain a 'sunset clause' as far as shipper behaviour is concerned.

Finally, we believe that it is entirely appropriate to insist on these measures given the proven history of improper behaviour by generators under the pool system. Regardless of past behaviour, we would be suspicious of the integrity of any generator who objected to these conditions.