



Department for
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Jonathan Brearley
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Dear Jonathan,

I am writing to you to welcome the recent outcome of National Grid Electricity System Operator's (NG:ESO) review of balancing markets, and your subsequent letter committing to pursuing suitable intervention in the market.

In a challenging and volatile market, now more than ever we need to closely scrutinise and hold energy companies – and our market mechanisms - to a high standard that the British public rightly expect.

With that in mind, I am concerned to hear from NG:ESO's review that the costs to balancing the GB power system rose to £1.5 billion between November 2021 and February 2022, up from the 3-year average of £500 million between 2017-2020 across the same period. I understand that the cost of energy has increased, driven by global pressures, and the balancing markets costs are not immune to these price rises. However, as noted in the review, we have all observed a pattern of concerning behaviour occurring from a handful of participants in the balancing markets.

It is critical in all times that consumers pay a fair price for their energy. Although this behaviour, as noted in your letter, did not seem to contravene market rules, it did contribute to the increase in balancing costs in 2021/2022. I welcome your commitment to review the rules surrounding balancing markets and to implement any changes necessary – my officials stand ready to assist your team in implementing any suitable solutions.

I would welcome an update on these matters, and further steps being taken, utilising the full range of regulatory tools at your disposal. We should be challenging ourselves to introduce expediently and ahead of this winter wherever possible.

I'd like to take this opportunity to thank you for all the work that you and Ofgem have done to protect consumers in the current market.

Yours sincerely,

RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy & Industrial Strategy

Copy:
Fintan Slye, Executive Director, National Grid ESO