



Making a positive difference
for energy consumers

To All Interested Parties

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Dear Colleague,

Price benchmarks in gas and electricity markets

Ofgem published a Call for Evidence in June 2013 on how market participants contribute to and use electricity and gas price benchmarks produced by Price Reporting Agencies (PRAs), and whether the current processes are fit for purpose. Ofgem does not currently have direct regulatory oversight of the PRAs and one part of the Call for Evidence was aimed at exploring whether greater regulation was required. Since its publication there have been two important developments.

- In September 2013, the European Commission published a legislative proposal for a draft Regulation on financial benchmarks.¹ This included proposals intended to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts in the European Union, including certain gas and electricity benchmarks.
- IOSCO published a consultation on 18 December 2013 (which closed on 24 January) regarding the extent to which the Principles for Oil PRAs are suitable to be extended to other commodity markets and any possible changes that might be required. IOSCO is also considering closer alignment of the Oil Principles with its Principles for Financial Benchmarks.

Both proposals will significantly change the oversight afforded to PRAs and the arrangements in place when Ofgem consulted in June 2013. Ofgem will consider the outcome of both initiatives before deciding on its next steps. In the interim, we strongly support extending the scope of the IOSCO Oil PRA principles to price assessments for gas and electricity markets on a voluntary basis.

In December 2011, REMIT came into effect. This introduced European wide prohibitions on market abuse in wholesale gas and electricity markets, including manipulation of energy market benchmarks. When fully implemented, market participants will be required to report details of their trading activity to ACER. This will improve regulators' visibility of the market and in turn the activities of the PRAs.

Yours faithfully,

Rachel Fletcher
Senior Partner, Markets

¹ [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0314\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0314(COD)&l=en)