



Joanna Whittington
Partner
Ofgem
9 Millbank
London
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1 May 2013

Dear Joanna,

Regulation on wholesale energy market integrity and transparency (REMIT)

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

This response will comment on the issues associated with the ownership of physical assets.

EDF Energy agrees with Ofgem that the main objective of REMIT should be to promote confidence that prices on wholesale electricity and gas markets are set in an efficient manner and that individuals or companies do not profit from market abuse. We would add that in order to achieve this objective the reporting guidelines and enforcement policy across Europe and between national players must be consistent. Ofgem must play its role in ensuring that this happens.

Reliable price formation requires the timely and consistent reporting of relevant information on the status and availability of physical assets. In this respect it is clear that market participants should apply the requirements of Article 4 of REMIT in consistent ways, and take the same approach (both in terms of the data they are publishing and by when) in response to the requirement to publicly disclose information in an effective and timely manner and before trading on this information. Therefore, benchmarking of the different approaches that REMIT market participants are taking in publishing relevant information should be a priority for Ofgem, with the findings published to help establish best practice and achieve the consistency intended by the Regulation.

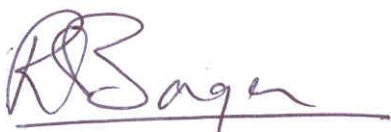
We also believe that Ofgem should, as a matter of course, monitor the activity of market participants including the timing of market transactions and the publication of information, and use of the exclusions under Article 3(4)(a) and (b) from the insider dealing prohibition. This should be considered a regulatory "hygiene factor" as this is an area where these trades create a *prima facie* need for scrutiny.

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Our responses to the specific questions contained in Ofgem's open letter are set out in the attached. Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Sebastian Eyre on 020 7752 2167, or myself.

Yours sincerely,

A handwritten signature in purple ink that reads "Ravi Baga".

Ravi Baga
Head of Upstream Policy & Regulation

Attachment

Detailed Comments:

Transparency

3. What do you see as the advantages and disadvantages of moving towards the use of transparency platforms, either at EU level, regional or national level?

Advantages of centralised platforms

- consistency of data inputs by market participants,
- the scope for developing simpler unified processes,
- the likelihood of increased accuracy at the aggregated level,
- access to information will clearly be easier and faster with a centralised platform,
- providing the ability to group information at the regional level as this is most likely to encourage cross border change.

Disadvantages of centralised platforms

While ACER considers that the use of transparency platforms is likely to be the most effective way to disseminate inside information, its guidance on the application of Article 3 and 4 in circumstances when such platforms are not available creates a potential problem. While ACER makes clear that in such circumstances a market participant should not be regarded as having breached its obligation to publish inside information, it states that a market participant would not be allowed to trade while the platform was unavailable. As a consequence, market participants will most likely maintain their own arrangements for the publication of inside information, thereby potentially undermining the concept of central platforms. It also raises the question of what would happen if central platforms evolve to be the only or main route for the publication of inside information. A breakdown of the platform, based on ACER's guidance, would in effect mean that the market would be suspended.

4. Are there significant differences between the needs of electricity and gas market participants for a transparency platform? If so, what are these?

EDF Energy believes the principles behind the reporting of information in the two markets should remain consistent however we recognise differences. Within-day balancing when compared with end of day balancing requires greater granularity of data for effective regulation. Another issue is the number and nature of market participants in both markets. Gas markets include internationally traded LNG which will be outside the jurisdiction of the EU yet will have an impact on the market. It is likely that only terminal operators would have **information** on cargoes but they are not necessarily market participants. It is EDF Energy's view that these terminal operators should be responsible for publishing information under REMIT.

5. What are the characteristics of an effective transparency platform? Do you see any issues in using transparency platforms to meet your REMIT obligations?

The key issues are the speed of information delivery, reliability and accuracy.

- For regulated parties there must be clear responsibilities between a participant, the platform provider and Regulator. This is vital in the area of liability on fail and fallback on fail.
- For users it must be customer focussed. Platforms should be simple and quick to use and provide confidence in the quality of data from all participants.

As indicated above, EDF Energy considers the liability implications (and resulting commercial / reputational risk) associated with a central platform operationally outside of users control to be the major issue for advancement.

6. Who are the main users in your organisation of inside information disclosed by other market participants? What information do you need published on such platforms by all participants?

Market analysts and traders at EDF Energy access and review the inside information disclosed by other market participants. We therefore support that all participants are publishing data to the same standards of quality, transparency, completeness and timeliness. It is a general feature of the GB wholesale electricity market that more information is available for nearer term rather than longer term timeframes. If liquidity is to be encouraged in forward markets, and transparency of information aids price discovery in support of liquidity, then more information should be published on transparency platforms (including 3rd package platforms such as www.bmreports.com) covering timeframes accessible by forward markets.

7. What is an appropriate GB gas market threshold for inside information disclosure and why?

Currently, there is an asymmetry between the power and gas markets in terms of information that is routinely published. Notwithstanding our comments above about the different approaches being taken by electricity market participants, significantly more information is made available in the power market making it more transparent compared to the gas market. This is partly due to the adoption of the 100MW threshold in the forthcoming transparency guideline which is routinely used by electricity market participants for their REMIT publications. We therefore support the adoption of a nominal reporting threshold for the gas markets. We suggest a threshold of no more than 2.5mcm/day, recognising that publication of lower volumes might be necessary when the market is tight. We also suggest Ofgem develop a specific methodology to define the market reporting arrangements in such times. This will be important to unify the approach of other European markets that, because of their particular circumstances, are likely to require different reporting volumes.

EDF Energy
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