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Regulation on wholesale energy market integrity and transparency (REMIT)

We refer to Ofgem's open letter dated 15th March 2013 and the attendance of Louise Van Rensburg and Alisdair Yuille of Ofgem at the Gas Forum's Trading and Wholesale Markets Group on 17th April 2013.

At the meeting, there was a general discussion about REMIT and Ofgem's open letter. However, the Group also agreed to send a formal response to the open letter and the opinions canvassed from the Group.

The opinions fall into two broad categories, an overall opinion on the broad principles which should underpin the implementation of REMIT in the UK which is set out in the body of this letter and some more detailed responses to the specific questions raised in the open letter which are included in a schedule to this letter.

In terms of the two main areas under review, the Gas Forum offers the following observations and comments:

Transparency

Ultimately we would welcome the creation of a single reporting platform across all European markets reflecting the multi-national activities of a large, and probably growing number, of market participants. Not only would this improve overall levels of transparency, but reduce administrative burdens and compliance risk for participants. As you are aware the issue of liability does need to be resolved if a central transparency platform can be relied upon removing the need for duplication of reporting. In the short term, and until the liability issue is resolved, some members will continue to make use of the National Grid platform and make individual arrangements for publication via proprietary websites etc...

Information disclosure thresholds

Certainly the lack of guidance in this area is problematic, with an expectation that there will be a tendency to "over-report" for fear of being in breach of REMIT provisions. As discussed at the meeting with Ofgem, markets are best served by the publication of meaningful information which will have a bearing on the physical operation of the market. Information "saturation" will not only increase costs associated with market monitoring, but reduce the value of the information. On this basis, the Gas Forum would welcome the development of guidance pertaining to thresholds, although we understand that it is unlikely that a specific threshold would be legally binding, but nonetheless useful in providing rough benchmarks.

On this basis The Gas Forum would welcome the opportunity to explore the possibility of developing guidance thresholds. At the highest level we see merit in considering both static and variable levels, varying in accordance with overall levels of demand, for example. In order to develop thinking in this area, we would welcome the opportunity to meet with Ofgem and understand the various tests it might consider employing to measure, for example temporal market power.

We trust that our comments are helpful and if you have any further questions then please get in touch

Yours sincerely



David Faragher
Chair – Gas Forum Trading and Wholesale Group

Schedule

Question 1: *1. Are there specific issues you would like the user manual to cover or other questions you have about registration?*

Where an operator of a facility is publishing inside information on behalf of a market participant or multiple market participants but is not itself active on the wholesale energy market we presume that they would be expected to register? We request that Ofgem confirms our understanding.

Will a de-minimis threshold apply where, for example, an entity may have less than a specified number of contracts or some similar threshold?

Question 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?*

Please see the relevant section regarding transparency detailed above.

Following on from the point raised in question 1, any transparency platform should have terms and conditions which would allow an operator of a facility to publish inside information on behalf of its users (market participants), regardless of whether that operator is itself a market participant.

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

The Gas Forum is only concerned with the needs of the gas market.

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

Please see the relevant section regarding transparency detailed above

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

Some sections of the industry have been using the 10mcm/d gas flow rate as stipulated in the guidance concerning gas supply disruptions and near real time data publication at aggregated system entry points, whereas we are aware that others have taken a different view as to what level might be appropriate, and have adopted lower thresholds.

In terms of taking this forward, please see the relevant section regarding information disclosure thresholds detailed above.