

Ofgem
9 Millbank
London
SW1P 3GE
April 30th 2013

Chris Logue
European Policy Manager

Chris.logue@nationalgrid.com
Direct tel +44 (0) 1926 656733
Mobile +44 (0) 7880 784888

www.nationalgrid.com

Dear Joanna,

Re: Response to Ofgem's REMIT Open Letter

National Grid through its subsidiaries National Grid Gas (NGG) and National Grid Electricity Transmission (NGET) operate major gas and electricity transmission networks in Great Britain (GB). This response is sent on behalf of the TSO businesses of NGG and NGET. In this covering letter we welcome the opportunity to respond and comment on the registration process and transparency.

National Grid supports the concepts underpinning the REMIT regulation. In addition to the specific questions in the consultation we have elaborated on two of the main issues associated with REMIT. These are firstly, that the timeframe for implementation of the reporting of transaction and fundamental data requirements does not adequately take account of IS system changes to achieve/facilitate this, and secondly that, whilst the stated intention is to avoid this, the scope of the framework could lead to inefficient duplication of existing reporting obligations on TSOs.

Timeframe for implementation

National Grid welcomes the recent update to ACER's Recommendations on Remit Records of Transactions balancing and transportation, and would further welcome the alignment of TSO REMIT obligations within relevant Network Code development processes. For all market participants including National Grid, the largest area of uncertainty and risk are the time lines for implementation of the registration, and data transfer requirements. The current GB regime and associated energy and capacity clearing processes are supported by complex and integrated IT systems within the TSO and network users' organisations which could require significant development to comply with the proposed REMIT processes. Care has to be taken to ensure that new processing requirements to extract, manage and transfer data cause no unintended consequence on the systems. This requires meticulous planning of the work required, including end to end system testing, and often additional resource to ensure the continuity and integrity of systems. The standard process for new releases of functionality into core systems can take up to 18 to 24 months dependent on the release window. The current situation is particularly uncertain as the regulation foresees implementation of the registration requirements by Ofgem within 3 months of the adoption of the implementing acts and data and transaction reporting within 6 months of the implementing acts. If the scope of ACER's Recommendations on REMIT Records of

Transaction is fully reflected in the implementing acts these accelerated timescales to introduce system changes appear significantly challenging and potentially costly.

Scope of reporting

We agree with the proposition in REMIT that the reporting of fundamental data to ACER according to Article 8(5) is strictly "for the purpose of monitoring trading in wholesale energy markets" and "the reporting obligations on market participants shall be minimised by collecting the required information or parts thereof from existing sources where possible". We believe that the existing obligations under Regulation EC 715/2009 and EC 714/2009 provide sufficient fundamental data for ACER to competently discharge its duties. Any further obligations should be identified through an appropriate use case with the benefits elaborated in order to limit any unnecessary indirect costs, to consumers, through extraneous data capture, storage or analysis. We also recommend that implementation be developed through the existing transparency and Network Code governance processes to avoid duplication of both data items and reporting channels. This approach would ensure that administrative burdens are reduced and that reporting obligations are co-ordinated and proportionate to meeting the objective of "monitoring trading in wholesale energy markets".

Way forward

National Grid encourages Ofgem, through its work with ACER, to review the priority data items and timescales to enable effective implementation. Where applicable this should be aligned with relevant Network Code developments. It is not clear from the ACER Recommendations document the necessity for all the data items requested, the use case of the data, or the criteria used to determine the frequency of data provision. In our opinion many of the data items in Annex IV of the ACER Recommendations could be requested via information requests from Ofgem to relevant market participants. This would ensure both efficient data provision and minimise data overload on regulatory authorities.

In summary, the aim for National Grid and its stakeholders is that there is sufficient certainty and clarity as to the REMIT reporting requirements and mechanisms in place to achieve/facilitate these to enable National Grid to fully understand and efficiently discharge its obligations.

We are grateful for the opportunity to comment on this consultation and would be happy to expand on any of the points we have raised.

Yours faithfully

[by email]

Chris Logue
European Policy Manager

National Grid answers to the consultation questions.

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

National Grid welcomes Ofgem's commitment to provide further clarity to the registration arrangements. From the ACER Public Consultation on REMIT Registration Format Evaluation of Responses, the following areas would benefit from additional clarification in the manual

- clarification of how consistency between NRA registration schemes will be maintained
- the clarification of what is meant by "the individual identified as responsible for operational and trading decisions and communication" – currently this appears to be one individual for each role
- clarification of the corporate requirements for associated undertakings/ parent companies
- clarification of ultimate beneficiary – From a GB regime perspective how this relates to neutrality arrangements
- how the two phase registration process as outlined in ACER Public Consultation Evaluation of Responses document will work in practice and the relevant timescales for completion of each phase of the process
- provision of examples of the fields specified in the ACER Decision Document

2. ACER may make extracts of the participant register publically available, provided that commercially sensitive information is not disclosed. What registration data on market participants would you value being made public by ACER? What data would you be concerned about being made public in this way?

National Grid broadly supports ACER's view of the registration information that may be made public and the type of information that is considered personal and commercially confidential information which will not be made public

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?

For the obligation to publish inside information, a single EU platform for reporting inside information could have several advantages. From a user perspective one platform covering all market participants postings would offer the simplest pathway to information provided that the platform was easy to use, access and understand. As long as access to, and use, of the platform was non-discriminatory, efficient and enabled market participants to discharge their obligations consistently, securely and in a timely fashion, then a single EU platform would be advantageous. With any new development that could affect market participants' IS systems and processes, it is important that timeframes are realistic to enable a successful implementation.

An important issue facing the development of a centralised EU platform is market participant acceptance. Market participants currently discharge their obligations through publication on

their own websites. This efficiently discharges their obligations with minimum cost. An additional advantage is that failover and contingency arrangements also remain within the organisation's control. A centralised hub could be viewed as an unnecessary duplication of these processes, and introduce an additional layer of risk, without any corresponding benefit to the market participant. Governance and security issues will also be important for market participants to ensure the accuracy of the data posted.

For the wider obligations under REMIT to transfer data to ACER, using transparency platforms may not be the best solution for all market participants and all types of data that may be required. This would need to be determined on a case by case basis. As noted above timeframes need to be detailed and realistic in order to implement system changes efficiently. To reduce the overall cost to market participants the utmost care must also be taken to avoid double reporting. This applies not only to existing and future financial regulation, but also to the obligations on TSOs to provide data under Regulation EC 715/2009 and EC 714/2009 and existing and future Network Codes.

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

As noted in question 3 it is unclear when referring to a "transparency platform" whether it is a platform to address publication of inside information, or to also address the other reporting/information requirements envisaged by REMIT. In the context of fulfilling the obligations arising from Article 4 we believe there might be some differences between the needs of Electricity and Gas markets but these may be overcome given appropriate timescales for consultation and implementation and clarity over the technical requirements.

It is noted that the future development plans for the existing ENTSOG Transparency platform, and the ENTSO-E Transparency platform being developed for reporting information under the forthcoming Transparency Regulation, are scoped to include publication of inside information under Article 4 of 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?

For the publication of insider information an effective platform should be measured for its ease of use for both seekers and posters of inside information. The facility to quickly update/find any posted information is also important for all users of such a system. As noted in question three market participants would also need assurance that the platform is secure and robust, given REMIT obligations for timely disclosure and inability to trade until published

National Grid would be cautious as to widening the scope of a centralised transparency platform beyond the publishing of insider information without a sufficiently robust use case for the data being provided. It is our view that the transfer of transparency data items in ACER's Recommendations on REMIT Records of Transaction, needs to be developed in line with the existing obligations and processes outlined in Regulation EC 714/2009 and EC 715/2009. It is highly likely that the measures envisaged within ACER's Recommendations on REMIT Records of Transaction will introduce inefficiencies, without an appropriate impact analysis and use case for the data collected. For instance, aggregated capacity information is currently published on ENTSOG's transparency platform. ACER recommends that in addition to this existing requirement, disaggregated non-anonymous shipper capacity data is transferred to ACER. If included in the Commission's Implementing Acts this would require

significant system changes and may require code changes to the GB regime. These implications have not been foreseen in the drafting of the ACER Recommendations or the existing timelines published by the Commission and envisaged in the REMIT regulation.

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?

Inside information disclosed by other market participants is viewed by National Grid's Electricity and Gas Control Room staff. The information as published on market participant's websites including the GB REMIT site is sufficient to inform operational decision making.

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

As the GB gas transmission system operator National Grid would not urge any particular threshold for inside information disclosure. The decision we take to publish information is taken to comply with the regulation and is not defined by specific thresholds.