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Dear Mr MacFaul

30 July 2013

Re: Pricing benchmark in gas and electricity markets – a call for evidence

Our ref. 20130731

DONG Energy is one of the leading energy groups in Northern Europe. Headquartered in Denmark, we have an interest in several European markets and cover a wide range of energy sector activities. In the UK, we are the market leading developer and operator of offshore wind farms. Together with our partners we have a current portfolio of 1.6 GW of operational projects, 600 MW of projects under construction, and a strong pipeline of future projects. DONG Energy Sales supplies around 2.5bn m³ of natural gas to 11.4% of the non-domestic gas market in the UK and has recently entered the non-domestic electricity market.

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DONG Energy welcomes the opportunity to respond to the Ofgem call for evidence into pricing benchmarks in gas and electricity markets. Given the whistle-blower incident in 2012 and Ofgem's investigation, this is a timely opportunity to review the key factors that determine the ability of price reporting agencies to make price assessments that represent a fair reflection of the market.

DONG Energy does not take an active part in providing information to price reporters or other benchmarking services for either gas or power. However, as we are active on the price exchanges, it is likely that publicly available information regarding our trades may be used as part of a market assessment.

Whilst DONG Energy does not provide information to price reporting agencies (or other price benchmarking services), we do use benchmarking services as a reference for settlement quotes when trading. Typically, we use a single price provider and do not calculate using a basket of indices.

It is our view that the approach to creating a competitive market with high liquidity should focus upon price transparency. One way to achieve a greater level of price transparency would be to increase, or even enforce, the use of the current exchanges. These exchanges provide effective clearing services and excellent price transparency which would mitigate concerns regarding market prices and reduce some of the barriers to entry for new market entrants.

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DONG Energy would be pleased to discuss any of the points raised in this short response. Should you have any questions, please contact Jane Cooper on 7811 5490.

Yours sincerely



Jane Cooper
Regulatory Affairs Advisor
DONG Energy