

Graham Knowles
Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Ecotricity Group Ltd
Unicorn House
Russell Street
Stroud
GL5 3AX

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Ecotricity Reference No.: 405
holly.tomlinson@ecotricity.co.uk
01453 769301

The Renewable Energy Company Ltd (Ecotricity) Response to Pricing benchmarks in gas and electricity markets – a call for evidence

Dear Graham Knowles,

Ecotricity is an independent supplier and generator. We have around 75,000 domestic and non-domestic customer accounts, 55 windmills and the country's first solar park. As a small market participant, our direct involvement in the processes which serve to inform price reporting and benchmarking is minimal. However, we agree with the problems described in Ofgem's analysis and recognise the significant impact that these can have on the market overall.

Rather than responding to each individual question we have decided to provide Ofgem with a brief overview of our experience and concerns with the issue at hand.

Ecotricity agrees with Ofgem's review of the issues. Although we do not provide information to price reporting agencies, we utilise benchmark prices as indicators of the market; and therefore their influence on all of our commercial decisions is significant. We primarily use ICIS Heren; but have some access to other services through Bloomberg.

We recognise the lack of regulation for price reporting agencies opens the system to the dangers of manipulation and misreporting. However, we would like to draw Ofgem's attention to another (and a potentially more significant) risk, which is that of traders providing inaccurate information for the purpose of these services. Indeed, it is not clear from Ofgem's analysis, whether this risk is being accounted for. Whilst we agree that strengthening the regulatory framework for agencies could prove beneficial to the market, we also suggest that Ofgem consider reviewing the other side of the coin, which is the level of transparency associated with traders' provision of information. One possible option for achieving this objective is to establish a reporting mechanism; whereby bodies such as Elexon collect and report trade price information alongside trade volume notifications. This would allow Ofgem to draw a more complete and accurate view of the market.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769301 or holly.tomlinson@ecotricity.co.uk.

Yours sincerely



Holly Tomlinson
Head of Regulation, Compliance & Projects (Acting)