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Pricing benchmarks in gas and electricity markets - a call for evidence – RWE response

Dear Graham,

We welcome the opportunity to respond to Ofgem's call for evidence. This response is provided on behalf of RWE npower, RWE Generation SE and RWE Supply and Trading GmbH.

Our answers to the specific questions raised in the document are set out below.

CHAPTER 2: Review

Question 1: Do you agree with our assessment of the issues?

We agree that reliable information is essential to well functioning gas and electricity markets and that it is important that there is confidence in the integrity of price benchmarks. It is important that both market participants and sectoral regulators share this confidence. Ofgem has also correctly identified that while some types of regulation may deliver positive benefits, others, such as greater scrutiny of information flows, may increase the perception of risk and decrease participation and undermine price determination.

CHAPTER 3: Way forward

Question 2: What is your company's policy on providing information to price reporters or other price benchmarking services?

In general, we limit the information that we supply to price reporters or other price benchmarking services. Information that is provided is done so within the framework of a company-wide Code of Conduct. This sets out, inter alia, the policies that staff must adhere to when providing data and the internal compliance arrangements.

Question 3: In what ways do you use benchmark prices provided by price reporting agencies or other price benchmarking services?

Our preference is to use indices that are liquid, transparent, representative and based on actual trades in order to provide robust prices to provide a transparent basis for trading. We use a number of indices derived from screen-based trading, either from auctions or windows (trading periods). Our use of indices derived from price reporting is currently limited and largely offered to meet customer requirements.

Question 4: Do you use a single price provider only or a combination or variety of prices?

We use a variety of providers.

Question 5: What are your views on the terms of the IPRO code of conduct and the various published methodologies of the price reporting services with particular reference to gas and electricity markets?

We believe that the Standards and associated Guidelines set out in the IPRO Code of Conduct provide an appropriate framework to improve the transparency and integrity of the assessment processes and the prices produced. Where we have reviewed published methodologies, they appear to produce robust prices.

Question 6: In the context of GB gas and electricity markets, do you consider the current arrangements whereby price reporting agencies operate under a self-regulatory regime are fit for purpose?

We have no strong concerns with the current self-regulatory regime and are confident that publication of methodologies provides transparency. Consulting on methodologies allows parties to challenge them. In terms of potential Ofgem measures, any concerns could, where appropriate, be addressed by the option to facilitate improved self regulation rather than intrusive regulatory interventions.

Question 7: Are there any other issues that you wish to raise in the context of this call for evidence?

Effective from next year, gas and electricity transactional data is expected to be provided to NRAs throughout the EU in accordance with the obligations contained in REMIT. Such data will allow NRAs, including Ofgem, to determine prices for particular traded periods, or products, with the utmost accuracy as, unlike existing index based price assessments, all trades will be incorporated. Such information will enable Ofgem to better assess the accuracy of price assessments and index based prices published by existing GB price reporting agencies and exchange platform operators. Ofgem may also seek to publish its own price indices based on this data, to the extent it is entitled to do so and doesn't distort competition in information provision as a consequence.

If you have any comments or wish to discuss the contents of this letter then please do not hesitate to contact me.

Yours sincerely

By email so unsigned

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Economic Regulation