

**CONFIDENTIAL RESPONSE OF CENTRICA ENERGY LIMITED (“CEL”) TO THE COMPETITION AND
MARKETS AUTHORITY (“CMA”) LETTER OF 10 MAY 2016 REGARDING THE COMPLETED
ACQUISITION BY INTERCONTINENTAL EXCHANGE INC. (“ICE”) OF TRAYPORT INC. (“TRAYPORT”)**

INTRODUCTION

1. CEL notes the opportunity, further to our submission of 9 March 2016 during the Phase I investigation, to comment at the start of the CMA’s Phase II investigation into the completed acquisition by ICE of Trayport. The majority of our views on this acquisition were captured in our submission to the CMA of 9 March 2016. However, we have set out below a few further thoughts which may help the CMA to frame its thinking at the start of its Phase II investigation.
2. This response contains information confidential to CEL and therefore should not be published by the CMA. As requested, we have also provided a redacted non-confidential version of this submission for publication.

POTENTIAL IMPACT ON COMPETITION

3. As we set out in our submission of 9 March 2016, CEL believes that ICE and Trayport compete in providing energy market participants access to electronic trading venues. In certain segments, particularly UK gas, we believe that ICE and Trayport are the only real market access options available.
4. It is important that the CMA recognises the key role of market liquidity when assessing the transaction. For a market access provider to be viable, customers must be able to access sufficient liquidity through that provider. Building up access to this liquidity and aggregation takes time and significant investment. In our response to question 6 in our submission of 9 March 2016, we noted that Chicago Mercantile Exchange (“CME”) and European Energy Exchange (“EEX”) offered some limited competition to the parties. CME have a small (but growing) presence in the futures market; however, until they have reached a significant market share (with accompanying liquidity and aggregation), they will not be a fully viable alternative.
5. It may be of interest for the CMA to study the example of Griffin Markets¹ to understand the importance of liquidity and aggregation. In 2013, Griffin tried to establish themselves as an

¹ See www.griffinmarkets.com

alternative market access provider, offering cheaper brokered fees using the WebICE service.

6. However, on 6 June 2014, Griffin announced that they were switching their services to Trayport. A copy of the announcement is attached at Annex 1.

7. [REDACTED]

8. As it currently stands, Trayport provides aggregation for other key exchanges such as CME and EEX. [REDACTED]

[REDACTED]

9. CEL believes that the importance of aggregation may be seen as a barrier to entry for potential competitors, and also restricts the ability of clients to react to changes in price. Factors such as transparency in pricing and liquidity would take precedent. As always, CEL would need to see a critical mass of volume transition to the new exchange before a new exchange would provide a viable alternative.

10. Finally, [REDACTED] Switching to an alternative provider would be a costly exercise and, in addition to the aggregation requirements, this may constitute a further restriction on ability and willingness to switch in response to (for example) a price increase.

-

ANNEX ONE

GRIFFIN MARKETS ANNOUNCEMENT DATED 6 JUNE 2014

See attached PDF file

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]