



Electricity Market Reform Project  
Department of Energy and Climate Change  
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Argus Media Ltd is pleased to respond to the Department of Energy and Climate Change (DECC) consultation on Electricity Market Reform (ERM).

Argus is a leading global price reporting agency (PRA) for over-the-counter (OTC) energy markets. The company has over 40 years' experience in covering physical energy markets. Argus launched its coverage of wholesale electricity trading in 1999 and now provides daily OTC price references and analysis for 12 national markets.

Argus has been reporting OTC electricity prices for the UK market since 1999, initially covering the CfD market which settled against prices in the England and Wales Electricity Pool, and subsequently the physical market which was created by the launch of New Electricity Trading Arrangements (Neta). Argus price data are provided to paying subscribers on a non-discriminatory basis.

Argus price indexes and market-close assessments are widely used by the UK electricity industry and trading community as the basis for offtake agreements and for a range of mark-to-market, risk management and analysis functions. Argus has noted particular growth in the use of its indexes in recent years in the renewable energy sector, particularly among developers of wind power facilities in the UK.

Before the creation of the single GB wholesale electricity market, Argus month-ahead prices were used by Ofgem in a formula to determine wholesale prices in Scotland.

Argus is a significant provider of OTC price references across a range of energy markets, including European coal where the API2 coal index is acknowledged as the industry benchmark for contract pricing. Other Argus indexes include the Argus North Sea Index (ANSI) for propane and butane prices, which is used as a benchmark for European LPG; and North Sea crude price assessments, which the UK government uses in calculating the market value of a number of grades for taxation purposes.

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### Argus response to consultation questions

#### **Question 10: How important do you think greater liquidity in the wholesale market is to the effective operation of the FIT with CfD model? What reference price or index should be used?**

Argus believes existing liquidity in the wholesale electricity market is sufficient to enable effective price discovery, and by extension the provision of price references for the settlement of a CfD.

Argus wishes to highlight its proprietary volume-weighted price indexes and closing prices assessments as independent, accurate and robust wholesale electricity price benchmarks against which the proposed CfD could be settled.

#### Methodology

The methodologies for all Argus indexes and price assessments are transparent and published on the company website ([www.argusmedia/methodology](http://www.argusmedia/methodology)). Argus employs a global compliance officer who manages a rolling programme of internal audits to ensure compliance with stated methodologies and policies.

#### Argus volume-weighted indexes

Argus provides daily transaction-based indexes for the following forward trading periods in the UK wholesale market: Day ahead; weekend ahead; week ahead; month ahead; season ahead. The indexes are weighted by the volume of transaction and are based on OTC trades reported voluntarily by market participants to Argus. Transactions are archived and made available to Argus subscribers.

Argus also provides cumulative indexes, which are rolling volume-weighted averages for the period in which each indexed contract is the first contract ahead.

#### Argus end-of-day price assessments

In addition to volume-weighted indexes, Argus provides a full forward curve of daily closing price assessments for the UK market out to seven seasons ahead. The Argus curve reflects best bids and offers at the OTC market close.

#### Concluding remarks

In closing, Argus appreciates this opportunity to input into the ERM consultation. The company welcomes further dialogue with DECC both on its general reporting of UK power market prices and on the potential use of its price references in new market instruments.

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## Appendix 1.

Argus is a leading European energy price reporting agency (PRA). The company is an independent provider of market price information, data and market commentary for European and international natural gas, electricity, crude oil, petroleum products, emissions and coal markets.

Argus' assessments of open-market OTC energy prices are extensively used by European and other governments as independent references for taxation and other purposes, by major energy producers and consumers as price references in long-term supply contracts, and by market participants for portfolio mark-to-market, counterparty exposure management and a wide range of investment and market analysis purposes.

Argus operates in an open, competitive and efficient marketplace of price reporting agencies. These agencies are long established, respected and extensively used providers of post-trade price transparency on energy markets. Other price reporting agencies include Platts, Icis (including Icis-Heren), OMR, Opis, Kortes, APPI and Rim. Thomson Reuters and Bloomberg also compete in this space.

Argus was founded in 1970. It has European staff in London (HQ), Hanover, Paris, Bucharest, Porto, Rome, Stockholm, Vienna, Warsaw, Kiev, Moscow. Its reports are available on a non-discriminatory basis to anyone subscribing.

PRAs help level the playing field between participants in the OTC energy markets by providing subscription access, on standard terms, to post-trade price information. Argus is committed to, and is an active proponent of, market transparency.

On a daily basis, Argus' well trained expert market reporters identify prevailing prices in OTC energy markets through the application of detailed and rigorous methodologies. These are publicly available online at [www.argusmedia.com/methodology](http://www.argusmedia.com/methodology). The company has robust governance and operates a rigorous and transparent controls framework. A global compliance officer oversees a rolling programme of audits and ensures full adherence to the company's compliance policy — available at [www.argusmedia.com/compliance](http://www.argusmedia.com/compliance).

Further information on Argus can be found at [www.argusmedia.com](http://www.argusmedia.com).

