



# European Spot Gas Markets – General Methodology Consultation

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**Link to current methodology:**

<http://www.icis.com/energy/gas/europe/spot-market-methodology/>

## Background

ICIS is implementing a process of rolling consultation on all of its pricing methodologies. Consultation paper GMC01/13 is part of this formal process and covers all of the ICIS primary price points included in the publication European Spot Gas Markets (ESGM)

The consultation asked both general questions about the suitability of the ICIS ESGM methodology and questions addressing specific gas market issues.

## Summary of all formal responses

This summary takes into account all responses, both confidential and public.

The majority responded that the current ICIS gas methodologies provide a reliable measure of market value. Only one company commented specifically on the existing all-day index methodology, saying it functions well and the methodology is sound. Two companies however, said that the closing assessment methodology does not provide a reliable measure, because of its reliance on a “snap shot” of market activity.

The majority of respondents felt that a closing index based on a weighted average of deals would provide a reliable measurement of physical market value.

Among the respondents expressing an opinion on the timing of a closing index, there was greatest consensus that it should be based on trades done within a window between 16:00 and 16:30 UK time, but with no consensus on the length of window. One respondent suggested an index based on the last 1,000MWh of trades. Another company suggested ICIS investigate an earlier closing period to coincide better with trading in continental Europe.

The majority of respondents expressed a preference for indirect provision of trades data to ICIS via OTC brokers. One company suggested it would be preferable to provide trades data to price reporting organisations after it had defined the channel it would use to comply with transaction reporting requirements under REMIT regulation.

Of those who wanted to see a new, deals-based closing index there was no consensus over whether it should replace the existing, closing assessment methodology or be published in parallel.

Several respondents felt that a deals-based, closing methodology could provide a reliable measure of value for contracts other

than the NBP and TTF Day-ahead, but there was no consensus over which other contracts would be suitable. Two respondents commented that liquidity would need to be measured before this could happen and that any index may need to be adapted to fit contracts with lower liquidity.

## ICIS Initial Decision

The responses do not provide any feedback indicating ICIS should change its current, all day and all month deals-based index methodologies. Nor did the formal consultation provide consensus that the current closing assessment methodology should be replaced.

However, responses to this consultation do show consensus that a deals-based closing index methodology would provide a reliable measure of closing market value. ICIS will therefore develop a new pricing methodology to provide this.

ICIS proposes to run a new closing index alongside certain closing assessments in a first phase lasting at least six months. After six months of publication, ICIS will analyse the reliability of this index. It will also go back to market participants for feedback on the reliability of the index and potential replacement of the existing assessments.

ICIS requires additional time to develop a detailed methodology for the closing index price series, particularly in light of the lack of market participant consensus on many points of detail. ICIS is in the process of analysing historical trades data to underpin this methodology. It aims to publish a detailed methodology proposal and an indicative launch date for the new prices series in Q2 2013.

Please note that ICIS will continue to measure market trends and activity and gather feedback from participants on all of the markets for which it provides pricing. We would welcome continued feedback from market participants during this development period.

To provide further comments or feedback on the ICIS gas market methodology for ESGM, please contact Louise Boddy or Ed Cox:

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