

On Behalf of the  
Market Council for:



**N2EX Market Council – NASDAQ OMX Offices – 131 Finsbury Pavement, London EC2**

**9th March 2010**

**Attendance:**

JD - Jon Doughty (Chair) – E.ON

LP - Lee Priestley - Accord

PB - Paul Beynon - RWE

HR - Hans Randen - NP Spot

HB - Hanna Blomfeldt - NP Spot

CR - Chris Regan – EDF Energy

JH - Jason Hall - NASDAQ OMX

GR - Geir Reigstad – NASDAQ OMX

MJ - Mike Jackson – E.ON

RS - Richard Sarti - NP Spot

JL - Jon Lewington – RBS Sempra

SW - Stefan Wilhelms – NASDAQ OMX

DM - Dave McGuinness - FHC

FV - Fredrik Voss (via phone) – NASDAQ OMX

CP - Chris Page - RWE

**Apologies:**

Caroline Bradford – Accord

Sofie Mollenbach – Vitol

John Grey – EDF Trading

## **AGENDA:**

1. Terms of reference, role of Market Council
2. Agreement of individuals to roles
3. Schedule of meetings
4. Prompt Market Launch, performance, issues and initiatives
5. N2EX Programme of Work for 2010
6. Member Modification Proposals
7. Modification/Change Management Process
8. Status of Member Readiness and New Applications
9. AOB

## **MINUTES:**

### **1. Terms of Reference - Role of Market Council (MC)**

**The Market Council was formally opened by the Chair and was presented with a draft Terms of Reference for consideration (document attached).**

- **JD** - Intention is for the MC to be a 'Sounding board for market participants'.
- **JD** - Representatives to act for the benefit of the wider market as opposed to pursuing the interests of their employer
- **JD** - Current MC group is now fixed
- **JD** - Formal MC election to take place in November for all positions – one vote per N2EX Member
- **PB** – prerequisite that all MC members are employed by an 'active market participant' at N2EX – status to be confirmed by N2EX
- **PB** – MC to be a cross-section of the UK Power Market – mixture is vital – 6 categories IPP's/Utilities/Investment Banks/GCMs/Brokers/Rep for Industrial Users and Small generators
- **CP** – MC minutes to be published on N2EX website – to engage non members
- **JH** – N2EX participation to be non-voting
- **PB** – to produce new clause on membership and voting regulations
- **MJ / RS** – vital to encourage small participants onto MC – N2 to engage with small participants in this regard

- **JH / PB** – Brokers are to be engaged – 2 non-voting positions to be reserved for Broker Members at N2EX
- **HR** – MC to have broad remit and ability to discuss regulatory issues, interconnector issues etc.
- **JD** – MC should allow scope for closed sessions for voting members only (active participants on N2EX)

**Actions –**

*N2EX – Publish Minutes on Web*

*PB – Invite Brokers to nominate two representatives for the MC*

*N2EX – To engage with Industrial Users and Small Generators – find representative*

*PB – To produce draft changes to TOR for new clause on membership and voting regulations*

**2. Key Roles for MC 2010**

**The Market Council sought to establish key roles for the coming year – MC Chairperson, IS Lead and Spot Market Lead.**

- **JD** – Expressed his regrets at being unable to continue as chair and opened the position to the table
- **JL** – Suggested an N2EX representative to fill the role of Chair
- **PB** – Concerned that an N2EX chair would be ill-suited to managing a conflict scenario between N2EX and members
- **PB** – Accepted role as chairman to run until the full MC Election in November
- **JD** – MC seeks an IS Lead to replace Jeremy Locke – No volunteers were forthcoming
- **LP** – to investigate potential acceptance of Caroline Bradford for the role
- **AC** – IS Lead key to Spot Launch and Release timescales
- **JD** – to define role of IS Lead further
- **MJ** – Accepted position as Spot Project Lead for the Industry

**Actions -**

*JD – Define IS Lead further*

*ALL – Consider potential candidates for the IS Lead*

**3. Schedule of MC meetings for 2010**

**The Market Council considered the necessary frequency and timing of meetings for the coming year.**

- **JD** – Considerable workload for MC in 2010 requires monthly meetings
- MC agreed that meetings will take place every 2<sup>nd</sup> Tuesday monthly from Noon (next meeting 13<sup>th</sup> April)

**Actions –**

*JH – To send out calendar requests for the coming year*

#### **4. Prompt Market Launch, performance, issues and initiatives**

**The Market Council reviewed the activity levels since launch, progress with membership and discussed areas for improvement.**

- MC expressed general satisfaction with performance, participation and volume levels since launch
- **JH** – N2EX satisfied with launch – Volumes and Membership steadily increasing – Currently 12 members – Av. Auction Volume 8GWh – Av. OTR Volume 15GWh per day – Data sheet attached as supplement – Currently 51 firms engaged in membership process to some degree
- **AC** – welcomed prospect of Accord, Scottish Power and First Hydro being added as members shortly
- **AC** – raised notification error from 25<sup>th</sup> Feb and issues with Invoices – difficulty now being dealt with by N2EX
- **MJ** – Suggested solution to avoid Notification errors – Use Overwrite until day ahead and then additive beyond
- **GR** – proposed N2EX Incident Reporting to be regular Agenda Item at Market Council
- **PB** – Stressed need to improve Data provision – both on ftp and through Data Vendors
- **JH** – N2EX to produce daily data file to increase Market Data distribution
- **JL** – Request to increase set blocks within Sapri and improve functionality for deletions
- **CP** – Request to N2EX to produce reference prices for Base, Peak and Blocks from Auction
- **MJ** – Request to N2EX to change wording on website from Open Positions to Open Cleared Positions

#### **Actions –**

*GR – To request NOMXS to produce Incident Report prior to each MC*

*RS – To investigate Data Provision status at NPS and status with Data Vendors*

*HB – To investigate requested changes to Sapri*

#### **5. N2EX Programme of Work for 2010**

**The Market Council heard two presentations from NP Spot and NOMXC on the forthcoming Spot and Derivatives initiatives.**

- **HB** – Gave a presentation on the current Spot Power initiative being run by NP Spot – suggested target launch date of June 2010
- **MJ** – Aired concern at running Derivatives and Spot launch concurrently
- **AC** – Recommended running spot and derivatives separately and suggested that there is greater market demand for Financial Power Derivatives

- **LP** - Development of Short term position management systems is critical to the Spot Project success and Timeline
- **MC** – Consensus that a Summer Launch for Spot UK Power was unattainable from a Market Perspective
- **JH** – Presented NOMX plans for launching UK Baseload futures – Launch is now targeted for June 2010 – Offering to be launched on Click/Secur and require a separate UK Banking Setup as detailed in presentation
- **MC** – Accepted Derivatives structure and launch programme proposed by NOMX
- **LP** – Stressed need to discuss which reference price would be used for Derivatives at the next MC
- **PB** – Request for further clarity on N2EX plans for Physical and Derivative Gas contracts
- **GR** – Nat Gas now top priority within NOMX and plans to be discussed during the April MC

**Actions –**

*ALL – Review plans for Spot Market Launch and come back with achievable timescales*

*HB - Hold participant session on useability of Spot Platform*

*N2EX – To begin discussions with upstream Gas players on the coordination of Gas and Power markets*

**6. Member Modification Proposals**

**The Market Council had asked for suggestions from the Council Members prior to the meeting. Several modifications were presented and considered.**

**i) Early Auction Closure**

- **PB** – Proposed that the Auction Closure should be brought forward to 9am – key advantage was to allow interaction with the French Interconnector
- **LP** – Voiced concern over this and the potential impact upon volumes currently trading in the OTR Market
- **MC** – Agreed that N2EX should consult with Participants and establish whether the preference is for a 9am or 9.30am closure

**Action –**

*JH/RS – To poll members on preference for Auction Closure Timing*

**ii) Month Ahead Physical Baseload Contract for OTR Platform**

- **CP** – Proposed that N2EX make clearing available for Month Ahead Physical OTC contracts – suggested easy fit with current membership
- **PB** – Supported the proposal and hoped for increased speculative activity and the potential for Capacity Plays
- **GR** – Expressed concerns over liquidity in the contract and the potential impact on the coming financial derivatives launch

- MC – Participants expressed unanimous interest and appetite for the contract and requested N2EX to investigate the routes and timeline for making such a contract available – N2EX to report back on status at the April MC

**Action –**

*GR/JH – To report back on feasibility and timing for possible contract launch at next MC*

*CP – To provide business case for Month Ahead Baseload contract*

**iii) Merging of the Saturday and Sunday Auctions into a single 48hr Weekend Auction**

- **PB** – Described current uncertainties in the separate Saturday and Sunday auction and expressed preference for them to be merged into a single event.
- **HR** – Concerned at the impact this could have on the existing procedures and volumes
- **HB** – Concerned at the technical adaptations required in Sapri – N2EX to report back on feasibility and preference

**Action –**

*HR – To report back on possibility of change at next MC*

**7. Modification/Change Management Process**

- **Discussion postponed to next meeting**

**8. Status of Member Readiness and New Applications**

- **Discussion postponed to next meeting – (Member Status Grid attached)**

**9. AOB**

- **No items raised**

**Next Meeting – Tuesday April 13<sup>th</sup> at Noon – 131 Finsbury Pavement**

