

Pros:

- product IDs are a short and efficient way of describing order or trade details;
- product IDs more closely match the level of information that brokers typically hold regarding an order;
- efficient processing – different data sets can be quickly matched and compared using three fields;
- can describe orders and trades for “abstract concepts” like spreads (time spreads, interproduct spreads, spark and dark spreads, ratio spreads etc.).

Cons:

- cannot describe an order or deal for which a ProductID has not been issued.

2. Explicitly (using a delivery profile) – describing the details of the commodity delivery in enough detail to allow the constituent pieces to be viewed as a whole so the delivery profile of the trade or order to be understood.

Cons:

- load shapes can be potentially huge in size;
- delivery profiles do not work for spread orders or spread trades;
- large scale duplication of data – sending the entire profile with every change to every order or trade.

Suggested approach

Orders and trades for all standard contracts should be referenced by Product ID, start date and end date. No delivery profile information should be required

Anything that does not have a Product ID is by definition a non-standard contract.

TRUM / Annex I Approach

The approach as detailed in Annex I and TRUM seems to require both approaches to be used, which could incur the overhead of both and provide the combined downside of both approaches.

The major concerns are the large quantities and unnecessary duplication of data, particularly in relation to providing order history data which typically exceeds trade data by a factor of about 20.

If the delivery profile approach is adopted, the amount of data sent for processing will be magnified significantly.

Additionally, for contract identification there is a combination of two relevant fields - Contract ID and Contract name.

There is wording in the agency FAQ that it would expect there to be some industry standard codes in use:

“Organised market places shall submit to the Agency information relating to each wholesale energy product they admit to trading, in order to allow the Agency to draw up the list of products.”

However, there is no clarification as to whether this list of products supplies any data that relates to the Annex I data. For example, contract names or IDs.

If a standard product ID is supplied, in combination with a DeliveryStartDate and DeliveryEndDate this should be enough to identify the contract without needing a delivery profile.

Contract Type

There is a strong suggestion that that different platforms and marketplaces characterise contracts differently – such as “Day ahead”.

It is also possible for a single order to be floated as more than one type. For example, a single order to offer a spread between two different commodities, two different markets or qualities of commodity, or a spread between the bilateral and cleared market – further reinforcing the need for a generic “OTC” type in order to be able to identify equivalent contracts.

Issues with Delivery Profile Section

The delivery profile approach as specified in Annex I raises a number of issues.

It assumes that there is only a delivery point or zone to each trade. However, this is not the case for spread trades.

Taking spread trades in a physical market - which are broken down into constituent physical legs - as an example, should these be reported as orders for the spread or the legs for the trade? It is not possible to report orders for legs as the spread at that point is an abstract concept – the legs of which do not exist until the spread order trades and either an algorithm decides the appropriate leg level or a leg level is achieved by bilateral negotiation).

The “Duration” and “Load type” fields do not seem to make sense. The Duration is calculable from the delivery start and end date (but how do you handle a duration that is not on the list?). The Load Type having a fixed list puts a huge constraint on what can be handled. For example, how would you indicate a UK overnight trade, or a German 0-6?

Griffin suggests that both of these fields be removed as the data can be inferred from other places. EFETnet made an attempt to specify a “Load type” but this caused so many problems it was hard coded to “Custom”.

“Days of the Week” makes no allowances for bank holidays, which can be different for different markets. Griffin suggests removing this field because if delivery intervals are specified this becomes unnecessary.

“Load Delivery Intervals” is the way to describe deal delivery profiles if that is necessary. However, the previous examples provided by ACER where it was suggested that a German peak trade could be simply represented as 08:00-20:00 will not work. This is because the field was requested in UTC (which has no concept of daylight savings, but is necessary to

support contracts that span the daylight savings changes). But the market convention is that peak hours are peak hours local time, which does adjust for daylight savings.

The solution would be to use the delivery intervals but it would require a delivery interval per interval of the trade – so every peak non-baseload trade would for example have approx. 260 intervals (one per weekday of the year). Some would start at 07:00 UTC (8 AM German local time in winter), some at 06:00 UTC (8 AM German local time in Summer) .

This is a significant problem, as a simple change to an order for a long term peakload or other shaped trade will generate an enormous amount of data, which is unnecessary if there is a link to a previously defined master product list. In these circumstances, all that is needed is (a) “Germany Peakload”; (b) “starts on 1st Jan 2015”; and (c) “ends on 1st Jan 2016”.

“Delivery Capacity” if implemented as specified would result in unfamiliar multiples of the expected figure. For example, for an interval for a peak trade which is 12 hours, on a 15MW peak contract, the amount to be entered in the “Delivery Capacity” if the unit was MWh would be: 180 (15MW x 12 hours). Whereas, more intuitively, the Quantity unit should be in MW and the “Delivery Capacity” would then be 15 which is what would be naturally expected.

Quantity unit – this needs a master list, ideally tied to a product, otherwise how would you handle for example NBP units? Would you expect Therms or kTherms or “Thousand therms” for example?

In summary, Griffin suggests negating the Delivery Profile section and using product IDs with a start and end date.

Proposal for OTC markets

Product Definition

ACER, as per its statement above, should create and maintain a master list of products and definitions and assign each an ACER code.

This should ideally be human readable rather than an ID number. This similar to the definition of “Product” in the ACER document “Note on the distinction between a product and a contract”.

Examples could be something like or similar to:

DE-PWR-Base, DE-PWR-Peak, DE-PWR-OffPk

UK-GAS-NBP, NL-GAS-TTF, FR-GAS-PEGN

UK-PWR-Block2a, UK-PWR-Base

UK-Spark-Dirty, UK-Spark-Clean

Contract Definition

The ACER definition of a contract seems to, for an OTC market, add an unnecessary level of complication.

If the intention is to allow a comparison of orders and trades for comparable “contracts” across venues (which would seem to be a key benefit of collecting this data), having a common contract code across marketplaces is a key requirement.

The “Contract Type” should not be necessary for OTC markets due to the possibility of misunderstanding.

How does ACER propose to deal with the reporting of both order and transactions on spread trades? There are many different spread types that it needs to consider and support:

- Inter-product spreads
- Inter-product spreads where one leg is financial
- Inter-period spreads
- Spark spreads
- Dark spreads
- Clean spreads
- Ratio spreads, where an order is for x units of one commodity and 3x units of another
- Bilateral/Cleared spreads, where the traded product is an order for a buy for example of a bilateral contract and a sell of a physically equivalent cleared contract. Example would be a UK Gas EFP spread , which would result if traded in a bilateral purchase of physical NBP gas, and an offsetting ICE Cleared sale of physical NBP gas Futures. This is an example of an OTC “abstract” order if when executed could result in one trade reportable under remit and the other side reportable under EMIR.

All of these could be handled if the preferred option of using a reference to a Product ID and a start/end date was implemented.