According to Moffatt Associates' latest quarterly survey, the majority of market participants are concerned about the costs of more stringent transactions reporting and are sceptical that such reporting would help regulators identify or prevent market abuse.

Transactions Reporting and Monitoring

In recent years, there has been a significant increase in market trading of gas and power with a large proportion of trades taking place in the opaque OTC market.

This fact combined with the sharp rise in gas and power prices in recent months has prompted the EU Commission to ask ERGEG[1] and CESR to investigate whether or not there is a case for more monitoring of pre and post-trade transactions.

To test market opinion on some of the issues, Moffatt Associates conducted a survey amongst 30 traders and policy-makers from across the EU.

The results reveal a lack of certainty about the likely impact of more transactions monitoring on liquidity but more participants do believe that it could have a positive rather than negative impact, particularly in the case of gas.

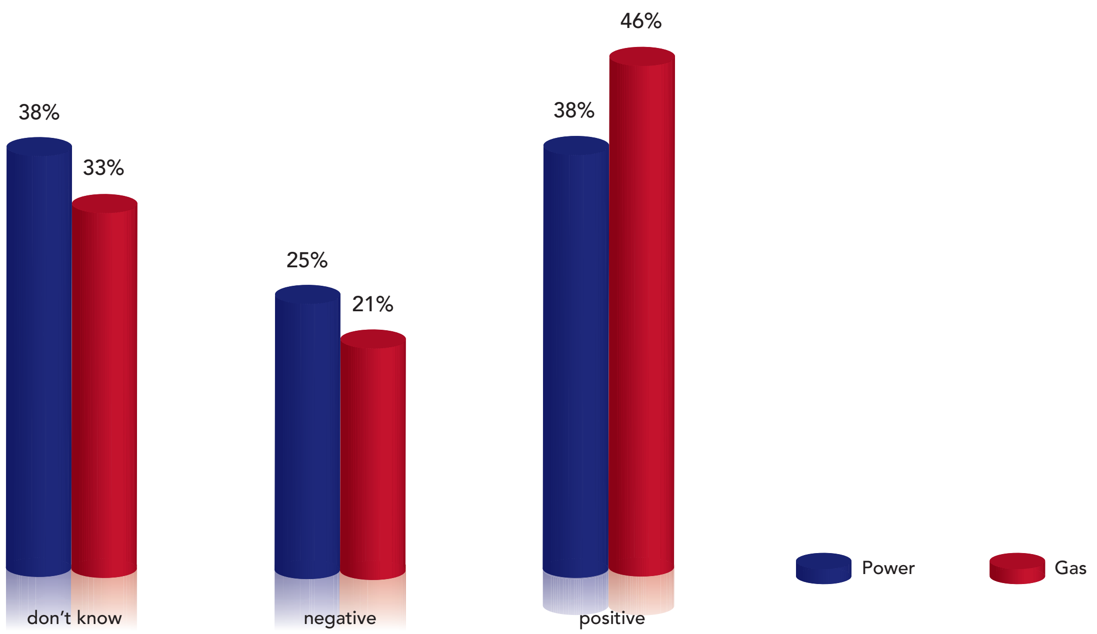
SOME SELECTED COMMENTS

"Yes, there would be an increase in both, because there is a concern that bigger parties are influencing the bidding, and whether this is true or not, you can't take away the concern."

"Yes, because it relates to the insider information issue. More transparency on transactions will allow less possibility to utilise insider trading."

"Yes, as better information to market participants makes prices more reliable."

Figure 1 Impact of Transactions Transparency on Market Liquidity



1 ERGEG is expected to report back its findings in Autumn 2008

"I don't know about gas, but with power, I don't think it will have any effect because a list of information is published anyway through industry publications such as Argus, so increasing the data won't significantly increase transparency."

"I don't think so, because market structure is the biggest problem: there are not enough players."

"Yes, slightly for power, gas more so. We don't need much more in power because it's liquid already, but in gas there are too many players who don't trust the market."

"I don't think so, because the market structure is the biggest problem: there are not enough players."

"Yes for gas, the markets are semi-liquid and price transparency would be helped. No for power, because price transparency is already well developed."

"I see only a marginal improvement to liquidity. Current reporting standards via exchanges, brokers or collectives of brokers are already very high. I don't believe that further risk capital would enter the market based on the decision to increase data reporting conditions."

"Yes, as long as regulators are responsible for the whole procedure, as well as for associated costs."

VIEWS ON SPECIFIC SCENARIOS

Having considered the above and its possible implications for the market, individuals were then asked to give judgement on 15 statements. The options provided were to agree, disagree or indicate that they did not know or wished to reserve judgement.

The survey results reveal that opinions are divided on such issues as whether more transactions transparency will improve market confidence or liquidity.

However, a majority of the market do agree that (a) transactions data should only be supplied to regulators on request and if there is a suspicion of wrong-doing, and (b) to reduce the cost burden any new data disclosure rules should be consistent with existing rules e.g. what is already required under MIFID.

Moffatt Associates July 2008

Scenario	agree	disagree	don't know
All market players should be required to submit to national energy regulators data on ALL physical (spot) and financial pre-trade (eg bids) and post-trade (eg volumes/prices) transactions	14%	71%	14%
Supplying data on all transactions will create confidence in the market	43%	46%	11%
Supplying transactions data will not enable regulators to identify or prevent market abuse (insider dealing or market manipulation)	54%	32%	14%
Greater regulator monitoring of transactions will put off new market entrants and reduce liquidity	36%	46%	18%
Greater monitoring of transactions will reduce liquidity by shifting trading to non-regulated markets or other commodities	36%	46%	18%
Transactions data supplied to energy regulators should not be published in the market because this would enhance the power of dominant market incumbents	21%	54%	25%
Transactions data should only be supplied to regulators on request and if there is a suspicion of wrong-doing	64%	29%	7%
To avoid unnecessary costs and duplication any new data disclosure rules should be consistent with (a) how traders already record transactions and (b) what is already required under MIFID	71%	7%	21%
A voluntary system of reporting transactions (as in the US) would be preferable to a rigid regulatory regime of data disclosure	50%	43%	7%