

**GME consultation 05/2014 on an integrated guarantee management system for the ME,
MGAS and PCE**



EFET comments – 08 October 2014

EFET¹ positively welcomes the proposals put forward in GME's consultation on an integrated guarantee management system for the ME, MGAS and the PCE. We believe that a guarantee system based on market participants' net exposures across the markets will provide a more efficient system.

We have provided below specific comments and suggestions on each question under consultation.

Question for consultation no. 1

Do you see any problems in this system of integrated guarantee management? If your answer is yes, do you think that these problems may be overcome through appropriate measures? Which measures?

EFET believes that it should not be obligatory for market participants to post a guarantee without a specified end-date. Rather, the minimum requirement should be that the guarantee covers the full settlement period of transactions that have been entered into. It is both difficult and costly to get an issuing bank to accept unlimited validity terms, even where the issuing bank has the possibility to revoke the guarantee. Furthermore, it should be an option and not an obligation to provide one single rather than several guarantees.

In order to provide more clarity, we encourage GME to publish a subsequent consultation which includes:

- more precise details of the intended calculation of the guaranteed amount
- a worked example of a situation where only a share of a market participant's net credit is paid out on actual settlement, given that sales positions can only be used to

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

- as a guarantee for purchase positions where the net debit positions mature prior to the credit position
- additional details on access rights to the guarantee system platform and on what features will be covered by the platform.

Market participants have different internal operational functions that cover different operational areas, and the access rights to GME's platforms require an identification key which is burdensome to obtain, particularly for foreign market participants. On this topic, we suggest that it should not be obligatory to upload the guarantee through the system, but that this should only be an option.

Question for consultation no. 2

Do you agree on the benefits associated with the assumption of introducing an integrated guarantee system on the ME, MGAS and PCE? Do you think that the assumed benefits may be achieved, among others, with solutions other than those potentially achievable through the integrated guarantee management system? If your answer is yes, which solutions?

EFET agrees with the benefits mentioned in the consultation document. A system where the guaranteed amount has to cover the net exposure across markets will decrease the financial burden on market participants. This facilitates market participation, while still allowing GME to manage risks. In terms of operational simplification, the suggested IT platform where market participants can visualise total exposure and guarantee usage is a useful feature and therefore we totally support its introduction.