Liberalisation of Electricity Markets

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Effective Use of the Grid: Possible without Trading?

Paul van Son, Chairman of EFET,
The European Federation of Energy Traders

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EFET

• Founded in 1999
• Over 50 of the largest energy companies in Europe
• Objective is to develop a fair and efficient market place throughout Europe for trading of 'traditional' electricity, gas, green power, emission certificates etc.
• Discussion partner of the European Commission, ETSO and other organisations
Trading is not 'money making' alone!

• Captive markets are not efficient
  – No transparency nor competition
  – Dispatch at best based on internal merit order
  – Power transactions between limited # players

• Open markets allow for optimisation
  – Freedom of choice of supplier leads to larger number of participants, transparency and liquidity
  – Trading primarily for portfolio optimisation and risk management; only occasionally for 'speculative’ purposes
Trading contributes to efficient network management and investment

- Traders enhance transparency and liquidity
  - Price signals and transparency provide grid operators with a basis for network management
- Congestion between price areas manageable by market-based allocation of interconnection capacity by grid operators; market can also trigger network investment
  - Price discovery in both power as commodity and transport capacity supports market; facilitates risk management and portfolio optimisation, thus best use of the grid

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#1 Priority in Europe: Harmonisation of Grid Conditions

• Cost reflective tariffication with adequate locational signals
• Scheme of ‘G’ and ‘L’ charges throughout Europe; no cross border transaction fees!
• Open and efficient allocation of EU cross border power transmission capacity
  – Towards only market based mechanisms for allocation of capacity: “implicit auctions”? 

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EFET's contribution to efficient energy markets

- Encourage true implementation of an unbundled infrastructure throughout Europe
  - harmonisation and cooperative grid operation
- Provide standards for contracts, information exchange
- Promote trust among parties in the market
  - introduction of code of conduct for traders?
- Maintain fair dialogue with legislators, regulators, grid operators, and other energy sector associations

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Conclusions

• Traders uncover inefficiencies in the market
  – Transparency and price signals allow for best use of the grid
• Need for harmonisation throughout Europe
• Europe’s journey to liberalisation incomplete
• Inclusive dialogue among parties essential

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