Transparency & market integrity

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Initial high level conclusions (1)

- Improvements in transparency are needed to:
  - Guarantee well functioning price formation process
  - Ensure that all market participants have the relevant information about when to buy, when to sell, at what price and in what volume
  - Hence, to improve the efficiency, fairness and reliability of open and competitive energy trading wholesale markets

- 3rd energy package is generally not sufficient – need to consider:
  - Provision of information closer to real time – consistent with timeframe for commercial & operational decisions
  - Provision of more detailed information on individual infrastructure – aggregate information only is not sufficient
  - Coverage of CO2
  - How to improve post-trade transparency
  - Dealing with unplanned outage disclosure

- Primary focus should be power, gas and CO2
  - Other commodities are important (e.g. coal) but may be more difficult to cover
Initial high level conclusions (2)

- EU-wide binding Transparency Regime within the energy sector legislation:
  - Comitology guidelines are not possible as many transparency requirements are not addressed under 3rd package and it does not specially address energy wholesale trading markets

- This EU Transparency Regime should be tailor-made to the energy trading markets, its products and market places

- A common implementation, application, interpretation, supervision and enforcement among Regulators and market participants (Traders, TSOs, SSOs, etc.) of this EU Regime are necessary:
  - Maximal harmonisation is necessary to avoid different national Regimes
  - In this context the principle of “one-shop Regulation” and of the “home state regulator” is to be addressed. ACER should play an important role herein

- A right borderline between the different regulation, i.e. energy market and financial market regulation, needs to be drawn:
  - Recent regulatory proposals for future policy of OTC Derivatives regulation should take in account the specifics of the energy sector
Fundamental data transparency for electricity –
generation for all individual units >100MW

- Planned available capacity (including planned maintenance) for each individual unit updated without delay and in no case later than one hour as changes occur.

- Information up to and including next coming calendar year or up to and including Y+3 in case plans are available

- Actual generation output from each individual unit - real time (update each minute)

- Notification of unplanned outage and reduction in available capacity (in MW) from each generation unit (including cause if known) - without delay and in no case later than one hour

- Notification of availability of individual generation unit following unplanned outage - without delay and in no case later than one hour

- Same rules for large consumption units

- No trading before information is released
Improving post trade transparency

EFET supports close to real time publication of concluded transactions on an anonymous basis – product, time, volume, price, location etc

Traders already have access to real time post trade information

Everyone should be able to “see what the market sees”

No significant barriers to improving post-trade transparency for standardised products – but:

- Electronic (not paper based arrangements)
- European (not 27 different arrangements)
- Consolidated (not transmitted by every trader to recipients directly)

Exchanges/MTF operators and brokers could potentially publish standardised trades concluded through them

If standardised bilateral transactions are included a cost efficient solution is needed that protects commercial confidentiality
Climate change – impact on energy markets

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Considering the energy market impact is very important

Because of the reliance on subsidies, the scope for support schemes to impact the energy market is very large.

For example, feed-in schemes with priority access can create severe market distortions.

There are significant potential impacts on the day-ahead, intraday, and balancing markets.

But these impacts can be mitigated.

Potential issues and distortions that need to be managed:

- Production may enter the market against market fundamentals.
- Can increase congestion.
- Can increase volatility.
- Can lead to negative prices.
Harmony between the market and support schemes is achievable

Transmission is vital, and without proper transmission solutions, the impact of distortions will be accentuated
- Building more capacity
- The capacity in the current network needs to be maximised
- The use and trading of existing capacity must be enabled

Across Europe, a number of issues are important for avoiding distortions
- European countries need to ensure standard/compatible support mechanism
- Ensure that trading can take place across borders of support scheme permits/power
- Ensure an EU wide approach and remove trade restrictions to avoid competition or arbitrage between different national schemes

For example: Multi country connected offshore generation
- Which support scheme applies?
- Where does the power go?
- How to ensure rational market based optimisation?
Emissions trading and allowance auctioning

The design of auctioning of allowances is very important for a well functioning scheme and market, with three key themes:

1. **Ensuring auctions take place early enough**
   - 2013+ allowances will very soon enter the hedging timeframes of market participants

2. **Ensure auctioning takes place of forward rights**
   - Potentially huge cash flow implications of up front payment and less efficient and costly to require third party finance
   - Well established across all commodity markets that forwards are traded with payment on regular (e.g. monthly) basis

3. **Ensure process and platforms are harmonised**
   - Ideally one European platform, or at least a few harmonised ones
   - Auctions at regular intervals and in small lots
   - Direct participation by market parties in auctions required
Thanks for your attention

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