

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

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

#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”?

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

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