

EFET position to the CRE Consultation regarding the transparency of the French energy market

General remarks

We strongly support measures to promote transparency in the European energy markets. With respect to monitoring measures, we would therefore very much support a single European approach instead of having different monitoring obligations in different countries. A single European approach would positively contribute to the integration of markets and facilitate competition on a European level.

EFET considers the CRE Market Monitoring Report a good instrument for better understanding French wholesale market. Our EFET TF France has an overall positive opinion. However, we would like to express again our severe doubts about the data collection means employed by the CRE in relation to 2007 transactions. We believe that data collection last summer was not the most efficient way to obtain all these information and the request should have been addressed directly to brokers. We are reassured by the fact that CRE seems to agree with this opinion and the information for the next reports will be obtained from power exchanges and brokers.

We are at your entire disposition to cooperate in the development of a cost-effective data collection that should be harmonised across Europe.

As a general observation to the CRE Market Monitoring Report and to this Questionnaire, CRE should focus on investigating against possible abuse of dominant position (/market abuse) of single market participants.

Part 1

1. The development of trading in France

Answer to question 1 / question 2

- Active traders in the French market get the information necessary for making trading decisions. EFET supports provision of more detailed generation availability information across the EU to promote more efficient and liquid markets.

However, not all participants might have access to all relevant post-trade information, so we do welcome the publication concerning trading data. We support publication of anonymous transactions on standardized products (exchange listed products or equivalent) including information such as price, quantity, time. Trades could be published close to real time. This would allow everyone to see what the market sees.

We believe quarterly publication would not add much value.

The most efficient way to achieve better post-trade transparency would be for existing platforms / brokers to publish the information.

EFET will work with the platforms and brokers to facilitate this improvement.

We believe that standardised non-brokered bilateral transactions should in principle be included, but there is a need to find an efficient/practical solution that protects commercial confidentiality.

2. Use of generating facilities

Answer to question 3

- Regarding the content of the electricity market analysis, although cross-border transactions and nominations are mentioned, there were only weak attempts by the CRE to explore the relationship between the wholesale market price in France in particular hours or days or seasons, on the one hand, and the wholesale market price prevailing in Germany, Belgium, Italy and other neighbouring countries,. The close linkage between particularly the French, Belgian and German wholesale prices at most times is well recognised by traders.

Answer to question 4

- With respect to the second question, see our comments in part 3.

Analysis of production costing and producer behaviour

Answer to question 5

- It is important that the CRE looks at the overall market when undertaking their analysis. Relying on one sector, e.g. Powernext only, spot prices only, etc., could produce misleading results. Therefore OTC markets need to be included, alongside neighbouring markets, for all products maturities.

Answer to question 6

- No additional comments.

3. Transparency in generation

Answer to question 7

- No additional comments.

Answer to question 8

- EFET has advocated with different occasions¹ that the first responsibility for publication of production data rest with each generator. These data should be available to all market participants.
- We would like to see, in a harmonised system of disclosure across the main part of central and western continental Europe:
 - o Publication of *ex post* generation data on a plant-by-plant basis at H+1 or +2
 - o Publication of *ex ante* forecasts of available generation capacity broken down on a plant-by-plant basis; the estimates should be amended beyond

¹ Please see our positions on transparency of data published in 2004 and 2006, available on www.efet.org

D-1 at least, so as to facilitate transparency also in intra-day trading and in balancing markets.

4. Wholesale prices

Movement in day-ahead prices

Answer to question 9 / question 11

- No additional comments.

Answer to question 10

- The wholesale energy market is a competitive market. Each active trader has to analyze relevant drivers and their impact on prices. Each trader then has to make assumptions on price forecasts, which in turn are used to place bids / offers. As markets might in reality turn out different from expected, traders might in some hours also place bids that do not reflect the actual outcome (i.e. price situation).

Futures prices on the French market

Answers to question 12 / question 13 / question 14

- We do not have any additional comments on this part of the analysis. The answer provided to questions 10 can also be used for answer to question 13.

Behaviour of market participants trading on EPEX Spot Auction

Answer to question 15

As mentioned before, we do welcome CRE's investigations concerning any possible manipulative behaviour of single market participants.

It is worth noting once again, that there are different factors which need to be looked at to understand traders' particular bidding behaviour in particular hours during a day. This has been acknowledged by CRE as we can see from the conclusion that is drawn in this sub-section.

5. Cross-border trading

Answer to question 18

- We agree on the conclusion drawn by CRE on cross-border trading.

Answer to question 19

- We do not suggest any additional investigation. However, once again, we would like to draw CRE's attention to the fact that, as long as there is no day-ahead market coupling, daily nominations against price differentials could always appear in some hours. As it is planned to expand market coupling, this kind of investigation will not be needed in future. With the introduction of market coupling cross-border flows should be optimized at the day-ahead stage.
- We would like to stress the importance of guaranteeing fully firm capacity rights.
- EFET has expressed the position that, under EU Regulation 1228/2003, in order to ensure the maximum practicably attainable amount of cross border capacity, TSOs must offer longer maturity transmission rights, not just capacity at day-ahead, and indeed, in order to optimise the degree to which capacity is firm, TSOs must offer predominately longer term maturity transmission rights².

² For more details, please see the EFET papers "Electricity transmission capacity rights: Making firmness a reality" and Dual Purpose Transmission Rights: The pros

As already stated in our papers, EFET recommends that “fully firm Dual Purpose Transmission Rights – DPTRs – are sold by TSOs across Europe, on the basis that these can either be used physically or financially.

DPTRs will allow flexibility for trading on different platforms and in different ways, as well as future-proofing the way in which capacity across borders trades to allow for any future changes in technologies or approaches.

The approach proposed will also allow for fully open platforms to develop around how capacity rights are traded thereby retaining healthy competition between exchanges, brokers and pure OTC transactions, as well as any future developments that may arise as technology or trading preferences and methods develop. The approach is not dissimilar to how MiFID has now allowed for competition in trading of stocks and securities.

EFET believes that this will bring benefits to the market, services provided to market participants as well as consumers through realisation of welfare gains and efficiency improvements”.

- Furthermore, all spare cross-border capacity should be allocated intra-day by TSOs

Answer to question 20

- As has been acknowledged by the CRE, cross-border trades do have a major impact on wholesale markets (i.e. price formation). Thus, it is an important factor to look at. As mentioned above, with market coupling, this issue becomes less important in terms of national monitoring activities.

6. Virtual Power Plants

Answer to question 21

- No additional comments.

Answers for questions 22

- No additional comments.

Answer for question 23

- The larger the share of power sold through VPPs compared to total volumes sold / traded, the more important VPPs and their impact on prices in that country.

Part II

Monitoring the wholesale natural-gas market

1. Development of trading in France

Answer to question 24

- See our comments in part I.

Answer to question 25

- idem.

and cons of physical and financial transmission capacity rights and a recommended EFET approach for a pan European model”, November 2008, available on www.efet.org

2. Movements in wholesale prices

Answer to question 26

- We do not have any remarks to this question.

Answer to question 27

- As mentioned in the context of the electricity market, CRE should focus on investigations concerning potential manipulative behaviour of individual market participants.

3. Market participants' sources of supply and outlets / 4. Cross-border trading

Answer to question 28 / question 29 / question 30

- We do not have any additional remarks.
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Part 3

Answer to question 31

- Same comments as before on forecast availability.

Answer to question 32

Data up to three years ahead is sufficient. Changes should be updated closer to real time.

Answer to question 33

Yes only future planned availability in combination with already known forced outages should be published. Generators should be obliged to report on planned availability.

Answer to question 34

In general we welcome these recommendations. It is better to get information about an unexpected outage close to real time.