



## Summary Statement

# **EFET Position Paper: Transparency and Availability of Information in Continental European Wholesale Electricity Markets**

**Revised and updated: September 2004**

As an input into the debate at the meeting of the Florence Forum on 16<sup>th</sup> and 17<sup>th</sup> September 2004 EFET will present slides about the importance of transparency of data relating to infrastructure availability for the wholesale power markets. EFET last year published a position paper on “*Transparency and Availability of Information in Continental European Wholesale Electricity Markets*” (July 2003). The paper called on European energy regulators to secure the release of more information about transmission, demand and generation in European electricity markets. We concluded that this is necessary, to help overcome the lack of transparency currently hindering the development of efficient wholesale markets in the UCTE area. Further information release will improve wholesale market competition, remove entry barriers and underpin the acceleration of European liberalisation.

Specifically, EFET requests that European energy regulators work to secure the release of post-delivery data on each generating plant’s production, actual demand by market hub and the physical flows across transmission links between markets. This information should be supplemented by forecast demand data, forecasts of physical transmission capacity and forecasts of available transmission capacity, taking account of any prior commitments under long-term contracts. We called on Regulators subsequently to consider the best way to release information on forecast production plant availability, without compromising generators’ commercial confidentiality. We recognise that aggregation of forecast generation data – by market hub and by fuel type, after proper consultation – is likely to be appropriate in each relevant geographic market. Since our 2003 paper was published little progress has been made in improving transparency of all these types of information in the core markets of continental Europe. One notable overall exception is the Netherlands, where the Regulator hastaken decisive action; additionally in France and Belgium network availability data is more readily accessible.

## **Background**

In our 2003 position paper on “Transparency and Availability of Information in Continental European Wholesale Electricity Markets”, EFET outlined the urgent need for greater information release, highlights the benefits this offers to electricity consumers and sets out a roadmap for energy regulators to secure greater release of this information. The need to

develop efficient, liquid wholesale markets is at the heart of European electricity market liberalisation. Efficient wholesale markets underwrite competition between generators and retailers and allow them to manage electricity market risks cheaply and efficiently. Market transparency is crucial to the successful development of an efficient wholesale market and the currently poor level of information release in European electricity markets is slowing progress with EU electricity liberalisation.

### **Efficient Wholesale Electricity Markets Promote Competition and Security of Supply**

Efficient wholesale markets offer significant benefits to consumers in terms of enhanced security of supply and lower prices stemming from:

- more efficient market signals on operation, maintenance, construction and consumption and on the use and expansion of transmission infrastructure;
- greater competition in production and retail resulting from the reduction in barriers to entering the market;
- the reduced financing and risk management costs associated with the development of liquid and efficient forward markets;
- improved regulatory scrutiny, analysis and action to correct emerging problems with the development of competition.

### **The Need for Greater Transparency**

To compete effectively in the wholesale market, all wholesale market participants – traders, generators and retailers - need to be able to predict the likely evolution of supply and demand fundamentals and the ability to move electricity around the transmission system. Participants base these predictions on analysis of expected levels of future demand, transmission capacity and generation capacity, but also by detailed analysis of actual events in the past and the observed impact on prices. The release of demand, transmission and generation data – both before and after the date of delivery - is therefore crucial to market participants' ability to analyse likely market developments and to participate in forward electricity markets.

Some European markets – notably the UK and Nordic markets – are already very transparent with hundreds of thousands of data items being released every day. Many other markets remain opaque, which requires market participants to risk their capital on events that they do not fully understand, which increases risk premia and reduces market liquidity. This is inefficient and ultimately imposes significant costs on electricity consumers.

### **European Regulators Should Work To Improve Transparency**

Without greater information release, the limited and imperilled liquidity in many European wholesale power markets will not improve. There is therefore an urgent need for European energy regulators to require greater information release and to improve the transparency and efficiency of European electricity markets. EFET believes that the European Commission and CEER should now be formulating mandatory guidelines for Member States to impose obligations on Transmission System Operators (TSOs) and generators to provide adequate information to the wider market. These guidelines should oblige TSOs to provide information on cross-border transfer capacity, generation production and aggregate availability and demand data to all users of high voltage transmission grids. The Commission and CEER should specify the information that Member States should require network operators to divulge and should work to establish common definitions and approaches to information release. A starting point would be the information that the Commission has identified be published by the TSOs as part of the Florence process. In due course, the regulatory

committee established under the new EU cross border power trade regulation would also determine the information to be released of relevance to export and import transactions.

## **Developing an Information Release Strategy**

In developing a strategy for information release, European energy regulators will need to strike a balance between protecting the commercial position of individual market participants and the benefits of information release to the wider market. The release of physical generation data after the event and the release of ex ante and ex post demand and transmission data do not raise any particular problems in this respect. However, the release of ex ante data on generation availability and planned maintenance is significantly more controversial and presents a difficult trade-off between improving the efficiency of the forward wholesale markets and protecting the commercial position of individual generators. While EFET believes that the release of transmission system, demand and actual production data should be priorities for TSOs and regulators, we would therefore urge all European regulators and the new EU cross border electricity regulatory committee also to tackle the issue of further disclosure of ex ante generation information. EFET believes that an approach based on aggregating ex ante generation information by wholesale “hub” and by fuel type to protect generators’ commercial interests while providing important ex ante generation information to the market, is likely to prove the best way forward in each geographical market.

### **EFET concludes that**

European energy regulators, TSOs, suppliers and generators need to formulate plans for the release of the data by the following categories:

#### Demand

- Regular forecast demand data by market hub including a day-ahead forecast
- Actual demand data in real-time or the following day at the latest
- Historical demand data for at least the last three years

#### Transmission

- Net and available transfer capacity estimates
- Physical capability of interconnectors and any operational standards used in applying safety margins.
- Aggregate cross-border capacity bookings up to a year forward, including details of any long-term cross border contracts.
- Day-ahead and within-day aggregate flow nominations
- Actual aggregated cross border flows no later than one day after the event

#### Generation

- Weekly aggregate ex post reservoir levels by hub
- Actual generation data by plant no later than one day after the event
- Generation maintenance and availability schedules aggregated by wholesale market hub and by fuel classification and with supervision of disclosure by regulatory authorities

**EFET, September 2004**