

# Transparency & market integrity



European Federation of Energy Traders

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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

## ⇒ 3<sup>rd</sup> 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 CO<sub>2</sub>
- How to improve post-trade transparency
- Dealing with unplanned outage disclosure

## ⇒ Primary focus should be power, gas and CO<sub>2</sub>

- 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

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- 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

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- 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

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- ➔ 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

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- ➔ The design of auctioning of allowances is very important for a well functioning scheme and market, with three key themes
- ➔ Ensuring auctions take place early enough
  - 2013+ allowances will very soon enter the hedging timeframes of market participants
- ➔ 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
- ➔ 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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