

Data Disclosure Needs in the European Electricity Market

Regulators are playing a central role in defining what will be the data disclosure requirements in the new European markets for power and gas. Tahir Kapetanovic, Director of Electricity at Austrian energy regulator E-Control outlines progress to date and the next steps for achieving transparency in the power market.

What the electricity market needs and why

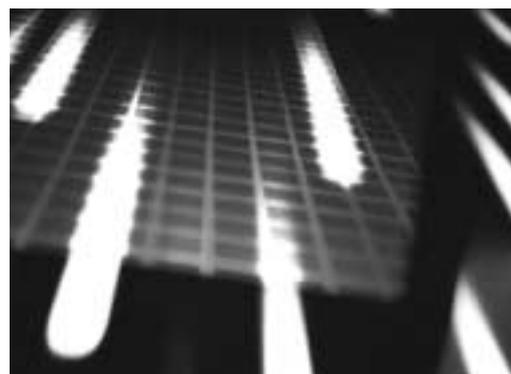
The establishment of a clear pan-European framework for information management and transparency is of the utmost importance for the development and functioning of a competitive electricity market. The availability of and access to information, both across and between Member States, at all levels of the electric power supply value chain is vital to market efficiency. In some instances the lack of sufficient and transparent information is considered to be undermining competition and hampering market development.

Furthermore, the holding or dissemination of market information itself, if done in an asymmetric or discriminatory manner, is likely to damage wholesale market confidence significantly, deter new entry to the market and hamper the competitive process. Information gaps and inconsistencies related to trade across borders may have a significant effect on cross-border trade and investment and therefore ultimately on the development of the Internal Electricity Market (IEM).

Electricity wholesale markets are dynamic environments, with suppliers, generators, traders and demand customers taking

operational decisions, within various timescales. The availability of relevant *ex ante* information on key issues, such as expected levels of demand, network investment and capacity allocation, forthcoming generator and network outages, clearly has the potential to impact upon a market participant's decision. For example, timely access to relevant demand forecast data, in varying timescales, will support a supplier in portfolio management and in reducing the costs of imbalance.

Equally, the availability of timely and accurate *ex post* information is important in helping market participants to understand past market activity and thus to predict future behaviour, which can be achieved within a market based environment. Market participants depend heavily on their access to such



information and its absence is likely to lead to inefficient decisions being taken and increase the risk faced by market participants. Any such shortfalls are likely to have a negative impact on price formation, trading and investment decisions and competition.

The importance of access to, and adequate management of key electricity market data has been emphasised elsewhere too:

- The energy sector inquiry by the European Commission's Directorate General for Competition (DG COMP) stressed the importance of transparency ('Issues paper', 15 November 2005), highlighting the lack of transparency on wholesale markets and the general perception that generation data in particular is being shared first by incumbents with affiliates, which undermines confidence in wholesale trading.
- The Commission's DG for Transport and Energy (DG TREN) in November 2005 published a *Report on progress in creating the internal gas and electricity market* which stated that appropriate rules on transparency together with obligations to disclose important information, such as available generation capacity, must be in place. This report noted further that a situation where only the incumbents have the information necessary to trade effectively in the market is unacceptable.
- The European Regulators Group for Electricity and Gas (ERGEG) is particularly aware of complaints raised by market participants and stakeholders, concerning the lack of adequate

transparency resulting in restricted market liquidity and the development of a competitive market.

- At the 12th Florence Forum on electricity regulation, a number of stakeholders stressed the need for greater market transparency. In their statements the stakeholders called on European energy regulators to secure the release of more information about, amongst other items, transmission, demand and generation in European electricity markets, concluding that further information release will improve wholesale market competition, remove entry barriers and underpin the acceleration of European liberalisation.

The need for consistency

At present, arrangements for providing market participants with information related to electricity markets vary considerably across the EU Member States. As we move towards the IEM with increased cross border activity, there is a clear need for consistency in available market information between Member States to ensure that disparity of information does not impede cross-border activity. This means that at least general principles on information transparency shall be adopted. Furthermore, it is also considered appropriate that a set of required information is identified to provide guidance to regulators and industry on this important issue.

A framework of sufficient transparency needs to be set accordingly and monitored by regulatory authorities. A common, coordinated approach of relieving information "asymmetry" through disclosing necessary data and information on all components of the electric power supply value chain – generation, 

transmission, distribution, supply, balancing, etc. – in a consistent and compatible manner will also significantly contribute to maintaining and improving the operational security of European power supply networks.

Minimum requirements on information transparency

The information available to the market should include at least the following components and contents:

- Load information – including actual and forecast load per control area, margins.
- Transmission and interconnections – including grid expansion projects, maintenance, capacities.
- Generation – including installed and available generation, forecasts of intermittent generation.
- Balancing – including volumes, bids and pricing in the balancing market.
- General wholesale market issues – including supply/demand relationships, prices, volumes.

A more detailed description of these requirements is contained in the ERGEG Guidelines of Good Practice on Information Management and Transparency, presently published and available for public consultation at www.ergeg.org.

Lessons learned and future prospects

A closer view on the more mature electricity markets like those in the UK or the Nordic countries, reveals some common “good practices” in dealing with transparency and information management, like maximising the scope and quality of

information accessible to the market, consulting market participants and interested parties on their real needs, paying particular attention to the management of information between and within grid operators and market participants, as well as a timely and up-to-date contents management of whatever data requirement is being addressed.

While several years of ongoing discussions on voluntary release of the necessary information to the European electricity markets by different information “owners” have resulted in some improvements, these are by far not sufficient. This is also due to obstacles such as differing data privacy laws, resistance to change on the part of those market participants who might benefit by a “privileged” information access, as well as differences in regulatory framework and market design.

It seems therefore that a coordinated, pan-EU way forward, with a common framework – possibly of legal nature – would be the most efficient and effective means of achieving the necessary improvements in transparency in the European electricity market. It is in that context, that ERGEG intends to contribute to progress with its pending public consultation on best practice as outlined above. ■

