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European Regulators' Group for Electricity and Gas
Council of European Energy Regulators ASBL
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Comments to the ERGEG Draft Comitology Guidelines on Fundamental Electricity Data Transparency

Response to question 5

The limitation to 3 years for storage of basic data seems unnecessarily low. The largest part of the cost for this database should be in the initial phase with the regulatory actions and implementation of the storage infrastructure and user interface. Moreover, the amount of data stored increases linearly with time, while the amount that can be stored at the cost of one Euro is increasing at a more rapid rate (exponentially) with time. Thus from a cost perspective such a limit should not be necessary. Long data sets are very valuable for researchers. Hence, we would recommend that basic data is stored for at least 10-15 years. Note also that 10 to 15 years of data storage would not be unique for the electricity sector. In the telecommunication sector, operators must already store basic data for 10 years.

Comments on balancing and wholesale data, including question 17.

We recommend that policy makers follow common practice in Australia, Britain, New Zealand, Spain and Texas, and disclose the offer and bid curves of individual firms to the public, and not only to the regulatory agencies. Public disclosure of bid data would increase the citizens' confidence in objective and thorough market surveillance: Electricity markets would stand open to examination by a broad array of researchers and analysts. A better understanding of how the markets behave would arise if specialized researchers and institutions interested in this type of analysis could access the same information as market regulators. A risk of only making data available to the regulators might be that the most qualified analysts would not be the ones assessing market performance.

Estimating mark-ups in electricity markets can be very difficult, especially when production to a large extent is hydro-based, as in Scandinavia. This is because the marginal production cost is given by the producer's partly subjective opportunity cost of releasing the water in the future. It is very difficult to prove systematic exercise of market power under those conditions. But the chances of detecting market power are larger if bid and offer curves are made public. As an

example, in New Zealand, which is dominated by hydro-power, significant and systematic use of market power was discovered by an invited American professor, Frank Wolak¹, who was granted access to producer's bid data and financial contract positions, and not by the analysts of the local market regulator.

In markets where *aggregated* offers and bids are public, market participants possess superior information about their competitors compared to external analysts. Each market participant can calculate the aggregate behaviour of the other bidders by subtracting the own offer curve from the aggregate offer curve. Already this information could be enough for supposedly competitive firms to sustain tacit collusion. Given the amount of information market participants have about each other, it is not obvious that information of individual bid behaviour would facilitate collusion beyond what is possible already today.

By disclosing the individual offer and bid curves, researchers and other analysts external to the market would have the same information as the insiders. With this information it would as in Wolak (2003)² be possible to calculate the marginal revenue and optimal mark-up of each agent in the market as a measure of its potential market power. Moreover, detailed bid data would provide external researchers with necessary information to detect also collusion as in Sweeting (2007).³

Since many observers worry about the effects of public disclosure of bid data on the risk of collusion, we suggest to release the information with a considerable lag, for example one year. The offer and bid curves would then be immediately available to the regulator and later to the market. With such a delay, competitor's offers and bids should be of little interest to any market participant, but of high value to researchers as they can examine the detailed information in retrospect.

We recommend that similar transparency guidelines and data formats are used for all auctions in the electricity market, including the day-ahead and the balancing/real-time market, so that it becomes straightforward for researchers to analyze these markets in parallel. Thus we advocate that all wholesale market data is made part of the Comitology Guideline on Fundamental Electricity Data Transparency. The wholesale market data should contain sufficient information for external analysts to be able to estimate marginal revenues of the producers. Thus the contract

¹ Wolak, F. (2009), "An Assessment of the Performance of the New Zealand Wholesale Electricity Market", Report for the *Commerce Commission*. Retrievable at <http://www.comcom.govt.nz/investigation-reports/>.

² Wolak, F.A. (2003), 'Measuring Unilateral Market Power in Wholesale Electricity Markets: The California Market 1998-2000', *American Economic Review*, 93 (2), pp. 425-430.

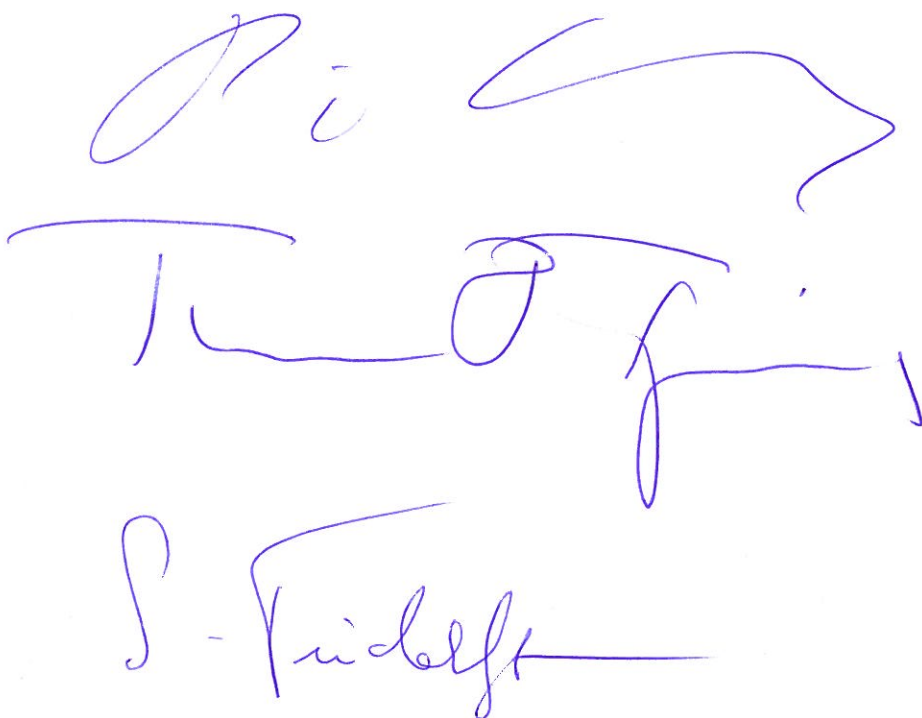
³ Sweeting, A. (2007) 'Market Power in the England and Wales Wholesale Electricity Market 1995-2000', *Economic Journal*, Vol. 117, Issue 520, 654-85.

positions of parties making bids/offers in the day-ahead market should be disclosed with a lag. Similar to offer/bid curves the contract data should not only be aggregates, but on an individual firm level so that each firms marginal revenues could be derived from its residual demand curve.

If contracts and offer curves are considered to be private information and too sensitive to be disclosed, the auctioneer could calculate marginal revenues of each agent from residual demand curves and contracts and then disclose this information for each agent in both the day-ahead and balancing /real-time market.

Best wishes,

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