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AMG/EdH/nh

Dear Mrs. Shortall,

We noted with interest the ERGEG consultation paper on guidelines for good practice on information management and transparency in electricity markets and we much appreciate the possibility to participate in this public consultation and to provide comments.

As you are aware, EURELECTRIC engaged in a very closely related exercise earlier this year with the adoption of a position paper on market transparency, which we consider as an integrated part of this letter (see attached). Comparing the two proposals, we see the positions of ERGEG and EURELECTRIC as broadly converging and we are therefore hoping that these papers will pave the way for prompt progress in the area of market transparency. In order to do so, a close dialogue between all involved stakeholders will be essential with a view to agreeing on a common approach at the horizon of the Florence Forum meeting.

In our Position Paper on market transparency, we stated our preference for an approach based on regional markets as laid out in the EURELECTRIC road map. The mini fora are in our view the most efficient way to make quick progress on the basis of a consensus building. We see a number of benefits to go along this path although other options should not be ignored:

- this approach allows to make more rapid progress if compared with the adoption of a legally binding tool;
- this takes into account the different state of developments of regional markets but at the same time places the onus on the markets in each region to 'level up' to the benchmark practice in existence in this regional market;
- this allows a process where all stakeholders have a role to play and close cooperation is needed in order to reach the objectives.

General Comments

The ERGEG guidelines for good practice on information management and transparency in electricity markets raise comments which we distinguished between general remarks and more detailed considerations.

We noted that ERGEG has looked into market data with the focus being put on the operational grid aspects. Consequently, ERGEG followed an approach which is very much TSO centered with the control area as the main parameter. However, we believe that, while useful, the focus should be put on the range of data which are necessary for price formation, - as this is a substantial aspect for a functioning wholesale market. In this respect, we are of the opinion that the relevant aggregation area should be the price area as bidding takes place into price areas. For example, aggregation of load data may be useful for TSOs if aggregated per control area but for market participants this information will be more meaningful if aggregated per price area. Aggregation of information by TSO area, i.e. control area, is relevant for network operation and should be used only in that context. As a consequence, the ERGEG paper also seems to imply that TSOs should be the sole publishers whereas the experience across Europe is rather varied and suggests that power exchanges play an important role. Independent data providers can also be an alternative to power exchanges and TSOs. Market design, market structure and trading arrangements vary widely in European electricity markets and are an important factor in determining the range of information to be made available and who should publish them.

In general, we would like to state that while striving for similar results, ERGEG's approach seems to require a rather complex computation of data while a better use of immediately available data could be sought. We believe that an informed and balanced assessment should be carried out beforehand as to the level of market transparency (i.e. list of data and degree of aggregation) needed to deliver a set of data relevant to price formation.. This is the reason why we felt in certain cases that the ERGEG list should be curtailed, while in other cases it should be extended. An illustration of this is your proposal to include *ex ante information on scheduled generation per control area*. Ex ante available generation capacity by fuel type combined with ex post hourly generation and information on unplanned outages are the cornerstone of the EURELECTRIC proposal and the delivery of those data will provide relevant key information to the market for modelling and price formation. Against this background, data on scheduled generation per control area will not bring any clear added value as this information is usually only available as soon as nominated by the generators to the TSOs at the nomination deadlines, i.e. at gate closure. At this stage, the day-ahead markets are already closed and no further trades can be made (save for intra-day trades where such markets exist). We also believe that a careful assessment is needed as to whether publication of this information by control area is in compliance with competition law.

As regards the format of market data, we noted in the ERGEG paper a statement saying that '*information may be made available in a variety of ways and in a variety of formats*'. In our view, these aspects of market transparency (e.g. formats, terms and definitions, i.e. the exact meaning of the published data) should be sufficiently harmonised to enable the development of a level playing field all over Europe. This is also true for the timeframe for data publication: if published within different timeframes (e.g. before/after power exchange closure), the value of the data can be different from one market to another.

The ERGEG consultation paper does currently not address the issue of liability of generators and TSOs for the data published. This is of particular importance in case of deviations from forecasts that were done by different market participants (generators, TSOs, suppliers, etc.) with best efforts. This is, however, an important issue which would deserve being addressed in final ERGEG guidelines.

Comments to the Specific Tables in the Annex

System Load

There is an overall agreement between the ERGEG and EURELECTRIC proposals on the load data which should be made available to the market. We see, however, a need to further clarify and define the terms 'control area' versus 'balancing area' as both seem to ask for aggregation at the same level. This shows the need to make further efforts towards harmonisation of the terminology overall used in the context of market transparency.

We do not see the additional benefit of publishing a 'forecast margin' as defined in the ERGEG table, i.e. being the difference between forecast load and the scheduled (D-1) or available (M-1, Y-1) generation (see our comments above on scheduled generation.) However, even if available generation is used instead of scheduled generation, imports and exports, and also capacity availability in the neighbouring markets would have to be considered to determine the margin. Therefore, the information as currently defined in the table does not add any value for the market.

Transmission and Access to Interconnection

The major difference between the two approaches is the aggregation level and the related definitions. On the one hand, ERGEG asks for publication of 'interconnection capacity'. On the other hand, EURELECTRIC's proposal refers to 'available commercial capacity on borders'. The terminology should be further clarified to see where the exact differences of the two proposals lie.

Transmission information should be published for borders between price areas as this is the information relevant to the market for price formation purposes. However, borders between price areas are not always necessarily interconnectors between Member States, but can also be situated within a Member State (see e.g. in the Nordpool area). In addition, the information should be published for the whole transmission infrastructure independent from the voltage level as in some cases transmission lines are not extra-high voltage lines (like e.g. between Austria and Germany).

We would also like to take this opportunity to clarify one issue of our table on *Transmission and Access to Interconnection*. We agree with ERGEG that unplanned line outages should be published soon after its occurrence, i.e. at least H+1 for H. However, we also acknowledge that the calculation of the impacts of such an outage on the available commercial capacity of all affected borders could be a lengthier process. The TSOs should inform the market very shortly after the outage about the commercial short-term (next hours, within day, next day) effects (e.g. necessary curtailments for security reasons if any¹) and should use for the longer term their best efforts to publish this information as soon as reasonable after the incidence.

¹ However, TSOs should guarantee firmness of allocated capacity or otherwise reimburse capacity owners at the market spread value whenever curtailment is the only remedy available to the TSO (see Article 6 of the Cross-Border Electricity Regulation).

Concerning the issue 'capacity requested ... by market participants' we would like to point out that this information is no longer of any relevance once market based allocations methods are in place all over Europe and bidding curves for long- and short-term auctions are published. Concerning the same issue, we would like to state that it is unclear what is meant with 'priority rights'.

Referring to the term 'congestion income', we would like to point out, that for the functioning of the market, the prices and volumes of auctions are relevant, but not the congestion income. This is more an issue for the regulators and the TSOs and does not need to be published. In addition, it would also be relevant to understand to which 'market time unit' this proposal refers to.

Furthermore, we also wonder whether 'physical flows vs. thermal ratings' is a relevant piece of information for price formation purposes and whether publication is needed for this reason. In this respect, we will not argue strongly for the publication of the 'general scheme for calculation of thermal capacity' in our table as this might be covered already by the 'general scheme for calculation of the total transfer capacity'.

In the same context, we believe that 'a description of reasons and effects of any actions taken by TSOs that have impact on cross border trade' may be an impossible task for the TSOs. However, as stated above, information about congestions within a Member State affecting the commercial capacity on the price area borders should be published as well as the measures taken by TSOs to relieve these congestions (as such congestions should, in conformity with the soon to be adopted Congestion Management Guidelines, not influence the availability of commercial cross-border capacity).

Finally, we would like to point out that in our view some issues, which are relevant for price formation, are missing from the ERGEG table. Information on legacy contracts and their actual use as well as their foreseen evolution and use are important as those contracts can also have impacts on price formation. In addition, available commercial capacity for day-ahead and intra-day allocations, volumes used in the intra-day allocation and the year-ahead forecast of available commercial capacity (as far as not covered by ERGEG's proposal of month-ahead forecasts of the interconnection capacity) are important for price formation and need to be published.

Generation

As already pointed out in our position paper, we are convinced that a stepwise approach is the most practical and pragmatic approach to achieve fast implementation of the transparency standards. It is important to recognise the different stages of development in electricity markets and that the publication of the information requested in Phase 1 is a significant step forward for a number of European electricity markets. Voluntary disclosure of data based on the EURELECTRIC proposal and on further discussions with stakeholders will help to ensure more rapid progress. In connection with this, a close dialogue with ERGEG and in particular within the context of the regional market initiative will be key to make concrete steps forward.

A stepwise approach is of particular importance for the publication of information on unplanned loss of generation capacity in illiquid markets. As long as markets are not liquid enough to cover capacity losses on the market without seeing any price impacts, generators should be given a reasonable time period (maximum D+1 for D) to hedge the risks of the outage.

As regards to the required transparency of information on generation (table 3 of the ERGEG paper), ERGEG proposes that 'this could be further related to system load, for example every generation unit larger than 1% of system load'. There is no definition of an absolute minimum starting from which generation data should be published. As this could mean that the generation units to publish data could vary significantly across Europe, excluding important parts of the market from transparency requirements, EURELECTIRC proposes to include all generation larger than 100 MW (see already our proposal on market transparency).

Further clarification would be needed for the first item on generation data in the ERGEG proposal. In our view, total and available generation capacity should be separated as well as the future evolution of generation capacity as these are three rather different issues. It is also not clear what the publication of available generation capacity information per single generator block unit adds for price formation purposes, provided that the split per primary energy source allows taking into account plant efficiencies. As it would reveal the commercial position of a generator, available generation capacity per single generator block unit should remain confidential.

Concerning the publication of 'aggregated information on the scheduled generation' we refer to our general comments as mentioned above. The question of the publication of wind forecasts, however, remains to be addressed. We would like to reiterate, as stated already in our position paper, that as long as available generation capacity is not published by fuel type, information on the projected hourly injections of wind power should be published day-ahead together with the assumptions on which these forecasts are based (e.g. expected wind force). As there are usually strong deviations of wind power production from forecasts, this information might have a limited value despite being done with best efforts. The reliability of such forecasts should therefore be questioned. This poses also the question of liability for the forecasts. In addition, the question should be asked who is responsible to provide such forecasts. Data on wind power injections is actually already commercially available from a number of competing information providers.

The publication of 'information on scheduled unavailability' is in our view not necessary because the issue is already included in the information about 'available generation capacity'. Furthermore, if the information would need to be published, it would have to be aggregated by price area and not by control area. However, once the market knows the installed generation capacity and the available generation capacity, the difference between both (i.e. unavailable generation capacity) can be deducted directly.

Balancing

Although different terminology is used, the tables of ERGEG and EURELECTRIC are asking for the same information if aggregation of the data per balancing area can be assumed. It should, however, be stated that 'information on the financial balance of the whole market' is not relevant for trading or price formation purposes, while in EURELECTRIC's opinion 'market information on the type of balancing bids/offers used' can be directly deducted from other items in the ERGEG proposal ('volumes of bids and offers used', 'average and marginal prices [...]', 'imbalance prices') and thus does not add value.

In addition, we would like to point out that we are currently working on a position on balancing and intra-day markets with the intention to make our preliminary findings available in the course of the mini-fora.

Wholesale Market

Concerning the requested publication of aggregated demand and supply curves of power exchanges, we do not clearly see the rationale behind the ERGEG paper as in a number of cases they are already available on D-1 shortly after the clearing of the power exchanges. Overall, we do not believe that this information is relevant to price formation and thus we are sceptical about the need for the publication of such data

Likewise, we believe that cross-border intra-day trading should be continuous trading and, therefore, the publication of demand and supply curves for the intra-day market would not be appropriate.

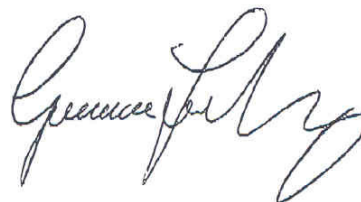
Furthermore, as regards OTC markets, respective information should only be published for standard contracts (i.e. comparable with exchange-traded contracts), but not for individual bilateral OTC contracts.

We are looking forward to having the opportunity to discuss these issues in further details with you and are at your disposal in the meanwhile, should you wish further explanation on the issues raised in this letter.

Sincerely yours,



Tony Cocker
Co- Chairman, WG Wholesale
Markets & Trading



Gunnar Lundberg
Chairman, WG Wholesale
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Encl.

- *EURELECTRIC Position Paper on market transparency (as further to the request of the 12th Florence Forum), February 2006*