

ERGEG
Electricity_transparency@ergeg.org

DRAFT

YOUR REF./DATE:

OUR REF.:

PLACE/DATE:
Oslo, 28.10.2010

--- POSTAL ADDRESS:
Statkraft Energi AS
P.O. Box 200 Lilleaker
NO-0216 Oslo, Norway

VISITING ADDRESS:
Lilleakerveien 6
NO-0283 Oslo

--- PHONE:
+47 24 06 70 00

FAX:
+47 24 06 70 01

--- INTERNET:
www.statkraft.com

E-MAIL:
post@statkraft.com

--- VAT REG.NO.: NO-987 059 729

RESPONSE TO ERGEG CONSULTATION ON DRAFT COMITOLOGY GUIDELINE ON FUNDAMENTAL ELECTRICITY DATA TRANSPARENCY

Statkraft is Europe's largest renewable energy company. The group develops and generates hydropower, wind power, gas power and district heating, and is a major player on the European energy exchanges.

We welcome the start of the process towards establishing legally binding transparency requirements in the European electricity market. Appropriate and harmonized requirements for the collection and publication of such data will facilitate market integration.

Statkraft is a major and well established generator in the Nordic market, while we are a newcomer and a smaller generator on the Continent and in the UK. Our concern, and reasoning for submitting this respond to the consultation paper, is our experience in these different roles and our experience in the European power market.

We have contended for more transparency in the Continental power market since our experience as a newcomer in this market clearly showed that lack of transparency prevent a level playing field since the major generators had fare more market relevant information than other market participants. In the Nordic power market the requirements for transparency through regulation and Nord Pool rules have been much more extensive than equivalent rules in the Continental market. Still the basis in the Nordic power market has been to demand for market relevant information but not to reveal individual companies detailed market behaviour. Your proposal for transparency requirements changes this fundamentally, and that is our main concern.

We fear that implementation of your proposal will:

- Actual reduce competition and thus reduce the confidence in the power market
- Reduce the incentives to gather information and do fundamental analysis of the power market

We will try to underlie this more closely. First we will go through some general concerns then some concerns more related towards the Nordic power market. We have commissioned Professor Nils-Henrik M. von der Fehr at the University of Oslo for an economic analysis of your proposed guidelines. We enclose his report and will in addition briefly refer to some of his judgments.

If the competitors within the market know the behaviour of each other (based on requirements in article 4.3.2.8) we think this will influence their behaviour, including their bidding strategy. This might very well reduce actual competition. We miss a judgment of this issue even if there is a reference to "*collusive behaviour*" in the Initial Impact Assessment document. Requiring publication of detailed information on generator output will according to Professor von der Fehr make collusion more likely.

Further, we do not see the need for detailed information about our competitors. What we and other market participants need is, in addition to planned and unplanned unavailability of load and generation, aggregated generation and load, since it is the aggregated numbers which determines the market prices and gives the market relevant information. The only ones with legitimate rights for detailed data on a unit or company basis are regulators and competition authorities, and we take for granted that they can require these data when they need it.

Since the Nordic market consists of a large share of hydro power plants with reservoirs, the proposed transparency requirements also implies reveal of our price forecast. Based on the proposed article 4.3.2.8, and information about available capacity in the different plants, competitors and other market participants can see which plants are the marginal producers. Very often in the Nordic market this is a hydro power plant with reservoir. Since these plants are marginal producer they do not produce at full capacity and accordingly the price in the relevant price zone equals their bidding price, or water value (if their water value had been lower they would have produced at full capacity and if their water value had been higher they would not have produced at all). Since they have reservoirs they have to a large extent the possibility to choose when they want to produce. Therefore the information about the marginal hydro plants with reservoirs gives information about their expected future prices. We think this could have unfortunate effects. Since our efforts by collecting and analysing fundamental data is disclosed through the transparency requirements, it makes it less attractive for us to use resources for these activities. The report from Professor von der Fehr also states that: "*improved decision-making at the individual level may also improve overall market performance, undermining incentives to gather information may undermine the functioning of the market.*"

Our understanding is that there have been negative experiences gained from the UK power market with extensive information about generators production. Firstly this relates to collusive behavior where the players spent and spend a lot of time trying to see what the other players are doing and trying to read potential signals. Secondly, with the amount of information available under the proposed information about generation on a unit by unit level we believe that the cost of being a serious player in this market will go up significantly. This will create barriers to entry which will be detrimental to the competition in the market.

Before going into the specific questions we will underline that we are in favour of harmonized requirements for the collection and publication of data which will facilitate market integration. But generally we do not think such requirements should reveal individual companies market behavior. In addition we think the requirements to a larger degree should put forward the same requirements for load and generation data, since both are important for the price determination and market behavior.

General issues

1. Are there additional major problems or policy issues that should be addressed by the draft Comitology Guideline on Fundamental Electricity Data Transparency?

Yes, as already mentioned we find the proposal of unit by unit production reporting problematic. A thorough impact assessment by competition authorities is needed if ERGEG maintain the unit by unit proposal (article 4.3.2.8).

In addition we are missing requirements for transparency on transmission data. We have experienced that Transmission System Operators (TSO) have refused to give load flow data which we have needed in connection with analysis of new generation capacity. More transparency regarding transmission business will also make it easier to follow up how efficient the TSO utilize the transmission system (included interconnectors) and the need for new transmission capacity.

We believe that ERGEG should identify a clear and reasonable timeline taking into account all the steps needed and a target for the implementation of the overall framework.

Actions to ensure that the guideline will be implemented in all member states should be described more firmly. ACER could have a role in monitoring the national implementation.

2. What timescale is needed to implement the Comitology Guideline on Fundamental Electricity Data Transparency seen from your organisation's point of view?

We believe that the timescale needed depends on the clarity of the definitions, the level of aggregation and the frequency of disclosure of the data required as well as on the responsibilities assigned to the various stakeholders involved. In any case, the start date of the reporting obligations should be the same for all markets and all stakeholders.

In relation to the most demanding information to be provided a phase-in period should be granted to allow investments, tests and full application. In general we believe that the overall implementation should not exceed 24 months following the final approval. A preliminary timescale should be published.

3. Do you see a need for more firm specification of the role of each market participant in delivering transparency data to the TSO/information platform in the Comitology Guideline on Fundamental Electricity Data Transparency?

Market participants' liability for disclosing information must be clarified. Data should be provided on a "best effort" basis and the platform should perform plausibility checks. To ensure the quality of the data it is important that the data is sent to the central platform only via one channel to avoid duplicate reporting.

4. Do you see a need for more firm specification of the role of the TSO in collecting data in the Comitology Guideline on Fundamental Electricity Data Transparency?

Yes. The roles of TSOs and other channels to be used should be clarified. Since the purpose of the guidelines is to improve data transparency (and not providing TSOs with additional operational data), we believe that the responsibility for collecting data should not necessarily lie with TSOs. The market participants should have the possibility to choose other channels than TSOs when they provide data to central platform. Equally the TSOs should be entitled to outsource their data collecting responsibility to, for example, a regional platform such as Nord Pool Spot.

Participants should have to send the required information only once to either the national/regional or European structure, and the national or regional structure would be

responsible to sending it on to the central European information collection point. That way consistency of the data would be ensured and unnecessary costs for the participants minimized.

To further minimize cost and allow easy use of the data, harmonized definitions of the information requirements are important. Different participants' responsibilities regarding the quality of data should be made clear.

5. Taking into account the interface between wider transparency requirements and the costs of data storage, do you consider storage of basic data for 3 years, to be made available for free, as sufficient?

Yes

6. Are the suggested market time units for information reporting and publication requirements adequate and compatible with wider transparency in a European perspective?

We agree that data are now to be provided and published by bidding area rather than by control area. Concerning "market time unit" there are variations from 15 minutes to 1 hour and for unit from 10 MW to a 100 MW. The use of different market time units is in itself a market-barrier which should be addressed. There should be similar standards for generation, load and transmission of 100 MW and the time units should be of 1 hour (or 15 minutes for balancing).

7. How do you see the costs and benefits of the proposed transparency framework for fundamental data in electricity? If possible, please provide qualitative and/or quantitative evidence on the costs and benefits or ideas about those.

The costs of non-transparency and "non-harmonization" will be higher than the cost of implementing the guideline. Nevertheless the cost mostly linked to implementation and reporting processes for generators, consumers, TSOs and DSOs should be minimized by market parties reporting data only once and by harmonizing definitions and requirements.

Load issues

8. Do you see a need for publication of load data linked to different timeframes or an update of load data linked to different timeframes than those suggested in the draft document?

We agree with the timeframe. In general, there should be as much symmetry as possible between published load and generation data concerning units and time frames in order to facilitate comparison and analysis of data by market players.

In general, quality of the data is more important than quantity. Peak load forecasts are more important than forecasts for one hour average load. Forecasting methodologies should be published.

9. The draft document suggests that the information on unavailabilities of consumption units is disclosed in an anonymous manner identifying the bidding area, timeframes and unavailable load. Do you consider these pieces of information sufficient for the transparency needs of the internal wholesale electricity market or should also the name of the consumption unit be published?

Planned and unplanned outages over 100 MW and presumably going on for longer than 1 hour should be published as soon as known, as big consumption affects the prices similar to generation. One should as far as possible seek symmetry for generation and for load and therefore also the company name for consumption units should be disclosed.

Transmission and interconnectors

10. Should the publication obligations regarding planned or actual outages of the transmission grid and interconnectors require the publication of the location and type of the asset (i.e. identify the part of transmission infrastructure that due to planned outage or a failure is facing a limitation in its transmission capacity) or should the information on transmission infrastructure equipment outage be non-identifiable? Please justify your position why either identified information would be necessary or why only anonymous information on the transmission infrastructure outages should be published.

Outages on both the internal transmission grid and interconnections should be clearly identified as it might imply constraints to generators and thus impact the price formation.

11. The requirement to disclose outages in the transmission infrastructure is proposed to be placed on such events where the impact on capacity is equal to or greater than 100 MW during at least one market time unit. Do you consider this absolute, MW based threshold appropriate, or should the threshold be in relation to e.g. the total generation or load of the bidding area, or alternatively, should the absolute threshold be complemented with a relative threshold? The relative threshold would mean, for example, that the publishing requirement would apply if a planned or actual outage of transmission infrastructure would equal to or be greater than 5 per cent (or any specified percentage value). This question on relative threshold stems from the fact that for some bidding areas the proposed 100 MW threshold may be relatively high. However, raising the general European threshold might in the majority of the European bidding areas lead to too low a threshold and a vast amount of information being reported.

We agree with the suggested absolute threshold of 100 MW. A relative threshold would imply additional complexity.

12. With regard to publishing requirements on congestion (in paragraph 22 (d) and (e)), what kind of information do you consider important to receive and how frequently? Please justify your position.

In general we agree with the publishing requirements described in paragraphs 4.2.2.1 to 4.2.2.7. However, the definition of 4.2.2.7 is slightly unclear concerning "intraday transfer limits" referring to commercial intraday trade or reserved capacity for intraday trade and would benefit from clarification.

We support a yearly report on structural congestion made by the TSO. Concerning "corrective measures" also measures actually used as countertrading and reduction of capacity on other transmission lines should be described (4.2.4.5 Yearly report on structural congestions). Furthermore actions taken to fulfill investments plans aimed to reduce congestion should be reported in the yearly report.

Generation

13. Should unavailability of generation infrastructure relate to a given plant or a given unit? Please justify your position.

Information by plant is sufficient but it must be supplemented the size of the unavailability (e.g. 100 MW from 400 MW) and by type of generation. Similar to transmission, the information must allow the market player to judge the effect on the market and electricity flows.

14. The draft document proposes that actual unit by unit output for units equal to or greater than 10 MW be updated real time as changes occur. Do you consider the 10 MW thresholds for generation units appropriate?

As mentioned introductorily we see the publication of unit by unit output data, described in 4.3.2.8, as very problematic in general and suggests that the paragraph be taken out. The market relevant information should be covered by article 4.3.2.9 if this article is adjusted and specifying that the actual aggregated hourly generation output per generation type should be published for each price area.

15. The requirement to disclose hourly information on actual aggregated generation output is now related to generation type. Should this threshold be linked to fuel requirements or generation technology?

We agree with linking the threshold to generation type.

Balancing and wholesale data

16. The transparency requirements on balancing have been widened compared to the Transparency Reports prepared within the framework of the Electricity Regional Initiatives. Is the proposed list of data items sufficient - also taking into account the evolution towards cross-border balancing markets?

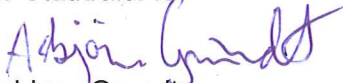
Statkraft welcomes the effort to introduce transparency in the balancing markets which is essential to promote cross border integration. Balancing markets differ widely in Europe so in general a description of the relevant product, the volume procured and the price should be published. If interconnector capacity is reserved for balancing purposes the volume and the prices should be published.

Moreover, we believe that an additional chapter creating the necessary transparency for congestion management (redispatching) is necessary.

17. The transparency requirements on wholesale market data have been deliberately left outside the draft Guidelines as they will most likely be addressed by other legal measures that are currently under preparation. Should some basic wholesale data, i.e. information on aggregate supply and demand curves, prices and volumes for each standard traded product and for each market timeframe (forward, day-ahead, intraday) as well as prices and volumes of the OTC market still be part of the Comitology Guideline on Fundamental Electricity Data Transparency?

Yes we think so, especially since this is highly market relevant data and since it partly is collecting, aggregating and presenting required data in other articles in this guideline.

Yours sincerely,
for Statkraft AS,


Asbjørn Grundt
Executive Vice President