

The Nord Pool Group Response to ERGEG's Guidelines for Good Practice on Information Management and Transparency in Electricity Markets

Introduction

The Nord Pool Group greatly appreciates the initiative taken by ERGEG to establish Guidelines on Transparency in the IEM for electricity and is therefore committed to actively contribute with input in the process that ERGEG has outlined.

In our view it is vital with a high degree of transparency to achieve a competitive and efficient market for trading and investment in electricity. Trust and a sound understanding for how prices and fundamental power system factors can evolve over time is being built by giving out relevant information to stakeholders. Nord Pool's view and feedback to your proposed guidelines is based on more than 10 years of experiences from how the deregulated Nordic Market has developed. We have consistently cooperated with stakeholders and authorities to develop efficient market rules and methods to achieve clear and timely transparency of fundamental power system and market information.

The comparatively high degree of transparency on fundamentals in the Nordic Market is due to a strong commitment and willingness among most stakeholders, to support transparency measures, regulatory guidance and rules set by energy sector officials such as the financial supervisory authorities. This combination of stakeholder commitment based on "voluntary willingness" and some degree of regulatory oversight to set and monitor minimum requirements, is in our view essential to achieving a common minimum standard for transparency in the IEM. These points are elaborated on in the following paragraphs with respect to transparency, information management and experiences of Nord Pool. Furthermore, in appendix 1 ERGEG's specific proposals are commented and in appendix 2 Nord Pool's disclosure rules are enclosed.

From our point of view it is important to communicate clearly and accurately on the main purposes of the information given to the market and to set realistic goals and guidelines that participants actually will manage to live by. This is a balance between required information and information that is "nice to have". It is easy to "overload" the market and the purpose must be to give an amount of information that the information providers and the information receivers can manage to implement in their daily schedules. Therefore it is very important to focus on information that have, or could have, impact on the prices in the market.

Transparency

1. Transparency on fundamental and market data that may influence price formation and volumes in short- and long-term markets for electricity, is essential to create an even playing field for varying types of existing market players and for potential new entrants.
2. Which factors that may significantly influence prices and also the possibility to access and rely on any data provided vary from one region to another due to varying market fundamentals and rules. Therefore, it is essential to allow for regional differences to

ensure that only relevant and clear information is provided and that this fulfills requirements placed by regulators on market participants and exchanges linked to the products that they engage in. However, it is possible to establish some minimum requirements – in particular on which parties and at what frequency they shall be obligated to report relevant information that is in their possession.

3. It is important to, focus on the main purposes and achievable goals with clear and timely transparency on fundamental market information in the electricity market. The key is not to require “anything and everything possible from all stakeholders”, but rather to base requirements on a proper assessment of a reasonable level of quality and what the value of specific detailed information provisions will provide for market participants. This needs to be compared with the costs associated with compiling and publishing the information and risks of “erroneous business decisions” due to in some cases inherent and grossly inaccurate information.
4. The main elements of transparency on fundamental power system data would typically be:
 - Why: Offset the differences of available information between market participants, specifically between the largest generators and retailers and other participants
 - What: Price sensitive information (including information related to generation, consumption and transmission), trading and information rules and wholesale market trading information
 - Who are the sources: Generators, retailers, consumers, TSO’s and authorities, and in terms of power trading data also (Power) exchanges, market places, brokers and traders
 - How: Equal, trustworthy and continually updated information to all market participants at the same time through a common distribution channel, or at least a clearly established number of channels that handle different parts of the necessary minimum information specter

Information management today linked to the Nord Pool Group

5. The Nord Pool Group is a central body in the distribution of fundamental and market data for the Nordic electricity market. Uniformly applied reporting duties for all market players engaged in trading or clearing of spot or derivatives (forwards market) electricity contracts towards the Nord Pool Group has been implemented in a formalized manner since 2002. The disclosure rules for the spot and derivatives markets respectively have been developed gradually and in consultation with market participants. The disclosure rules are linked directly to requirements made by energy and financial supervisory authorities in the granted concessions to operate a market place for short-term contracts with physical delivery (Nord Pool Spot AS) and an exchange for long-term contracts with financial settlement (Nord Pool ASA). It should also be noted that the Nordic Transmission System Operators adhere to practically identical rules for publishing matters related to the grid system and also provides statistical data for hourly production, consumption, cross-border exchange, and

regulating power prices and volumes continually, which is then published by the Nord Pool Group on both its homepage and in an accessible historical database.

6. The general framework for reporting of outages and maintenance plans related to production, grid and consumption was in practice implemented from 1997/98, but it took 2-3 years more to establish it fully across the Nordic region and also to develop quick and efficient communication channels.
7. Two primary focus areas when setting and gradually improving the minimum requirements in the established agreements between the exchange and members has been to cover matters which can be deemed to be price sensitive (price driving) information and to ensure that it is practically manageable for all parties to continually report both with reasonable accuracy and in-line with set time and content requirements.
8. The detailed disclosure rules in the Agreements between Nord Pool and its members are enclosed in appendix 2. Furthermore, practical compliance to these rules in form of reported information about planned and incidental outages is publicly available on www.nordpool.com as so called Urgent Market Messages (UMM). Further, hourly power system statistics delivered by Transmission System Operators is also publicly available on www.nordpool.com

Experiences from Nord Pool of information management

9. Related to the experiences drawn by the Nord Pool Group in the Nordic market and based on feed-back from market participants and various authorities within and beyond the region, the following factors for why and how Transparency needs to be upheld or created are worth listing:
 - Continuous reporting of fundamental power system data and plans is essential to create trust in short-/long-term price formation and to enhance liquidity, competition and ease of entry
 - It is important that an impartial party is responsible for receiving and publishing the submitted information. Power Exchanges are effective because they:
 - already have access to efficient communication systems to provide trading data transparency from the markets that they operate
 - are completely impartial related to the submitted power system related data since they can not gain anything from withholding received information and furthermore are (usually) supervised entities and also have strict internal rules for confidentiality
 - through the markets they operate for their members provide crucial price references for the entire market and those prices will likely vary with changing fundamentals

- have many active players in their markets whom, due to other regulations that they have to live by, are required to provide appropriate information to eliminate undue potential they may have for insider trading or market abuse
- have in-depth knowledge, both within its operational staff, and in separate market surveillance functions, of the fundamentals of the market and thus can quickly recognize potential lack of clarity or important omissions in relayed information
- as “institutions” are dependent on the trust given by their members, and also those regulatory regimes that may impose restrictions to their activities, which makes it paramount that a sufficient level of not only technical system but also market information efficiency is available
- In order to enhance competition among active and potential market participants (producers, retailers, traders, financial institutions, and industrial consumers engaged in energy trading and/or energy related investments) it is invaluable with a level playing field for essential price sensitive market information. In other words, it is important to facilitate “instant and simultaneous access” to essential fundamentals (as stated in Nord Pool’s disclosure rules in appendix 2) that enables “all parties” to judge variations in prices and power system fundamentals forward in time and to analyze reasons behind historical variations and what that may indicate forward in terms of prices, volumes and needs/opportunities for new investments or involvement in active energy trading and hedging activities as well as competition for consumer customers.
- In order to ensure proper enforcement of the disclosure rules by its members Nord Pool’s market surveillance unit are monitoring and investigating possible non-compliance of the rules. Nord Pool may impose sanctions towards any member not complying with the rules.
- Most national energy markets were in pre-deregulation times controlled by a few large and vertically integrated producers and in the now essentially deregulated internal EU market access to price driving information, or rather the lack thereof in some places/fields, to some degree determine the ability for:
 - medium- and smaller-sized retailers to compete
 - the ability and allowance for new market entrants, especially from other business fields, to enter specific national/regional markets
 - new products and services related to trading and energy procurement to be developed
- While it is important to establish rules to provide all essential data it is also important to recognize the risk of information-over-flow and non-existing ability to provide quality for certain data, thus rules needs to be developed and applied from a practical standpoint that fulfill the overall market’s essential needs for information while not placing unreasonable burdens on individual parties that could lead to severe over-flow and also serious inaccuracy in some data.

Other types of information that could be of importance for electricity market

10. In general it is important to recognize that national and EU authorities as well as political institutions inherently possess information and make decisions that greatly can affect the functioning and development of the competitive and free internal market for energy and gas. Therefore, it is vital that appropriate measures are taken to prevent both lack of and also asymmetric distribution of price driving information from national and EU authorities. The appropriate measures are likely to differ between regions and related to which issue the information involves. However, that should not hinder national energy authorities from implementing guidelines based on some minimum common standards set on an EU level and accordingly establish methods to ensure that key authority information and data is distributed timely, as clearly as possibly and to the greatest extent possible at the same time to all parties actively engaged in wholesale trading of electricity.
11. In this respect the following are some examples of areas where clearer information standards for authorities would be of great value for further enhanced market efficiency:
- Distribution of information on NAPs for EUA, both linked to emitted CO₂ and setting of new NAPs
 - Any imposed, and also planned changes of, national or EU limitations to freely competitive management of electricity generation and consumption units due to temporary or more long-term fundamental events related to for example matters linked to security of supply
 - Permits to build or restart power plants after revisions, the later especially relevant for nuclear plants, that are set by authorities both in terms of time line and output limits
 - Imposed and planned changes of EU wide or national directives, regulations or guidelines linked to access and market methods applied on grid interconnections between countries, including any grid tariffs associated with access and usage of cross border connections