

EDISON'S POSITION ON THE CESR AND ERGEG CONSULTATION IN RECORD KEEPING, TRANSPARENCY AND EXCHANGE OF INFORMATION INTO ELECTRIC AND GAS SECTORS.

Edison: who we are

Edison is today the second largest electricity company in Italy and the third player for natural gas in Italy. In the future, Edison aims at continuous growth, international expansion (its joint venture with Hellenic Petroleum will soon make it the second electricity player in Greece) and at becoming the second player for natural gas in the Italian market. As shown by the recently presented business plan, the company will keep on investing in the years to come: in the next four years more than 6.2 billions Euro will be devoted to investments for both natural gas (exploration and production activities, as well as some major import infrastructures, such as the Rovigo and Rosignano LNG re-gasification terminal and the IGI and GALSI pipelines) and for power generation, with a particular focus on renewable energy sources (1 billion Euro of capital expenditure) and strategic overseas developments in fast-growing markets, such as Greece, Romania and Turkey.

Edison, an historical energy company (one of the oldest energy companies in Europe, active since 1881), had to diversify its activities, when the national monopoly on electricity was established in Italy in 1963; thanks to the first wave of EU Directives in 1996, it could re-focus its business on energy once again, thus developing one of the most modern and efficient gas-fuelled CCGT generation portfolios in Europe.

Today, through one of the most ambitious investment plans in Europe, Edison is the leading new entrant in the Italian energy market. In the electricity sector, Edison runs more than 12.500 MW of generation capacity; it has massively extended its thermal power generation portfolio, with the recently developed high-efficiency CCGT gas-fired power plants of Altomonte, Candela, Torviscosa and Simeri Crichi. Edison is also active in developing projects in the field of renewable power generation (especially wind farms) and merchant electricity transmission, such as the AC Tirano-Campocologno and the HVDC Bovisio-Magadino lines, with the latter been awarded TEN-E financing.

Edison welcomes the opportunity offered by ERGEG and CESR to present its point of view on Record Keeping, Transparency and Exchange of Information in the electricity and gas sectors.

Before answering the specific questions proposed by the consultation document, we wish to make some general comments upon some macro elements we believe relevant for the fulfillment of the goals set by the consultation paper.

A. RECORD KEEPING

1. STRIKE A BALANCE

It is necessary to find a **balance** between the measures on transparency and exchange of information set by National Regulatory Authorities and those proposed by the European Union. For instance in Italy the Energy Regulatory Authority has already implemented a detailed framework of measures on record-keeping and on transparency in the energy market, developed in order to monitor operators' market

power. Such a scheme foresees compulsory exchange of information both between undertakings and Regulatory Authority on the one side and between market coordinator (gathering information for its own use) and Regulatory Authority on the other side; such exchange involves data on both electricity wholesale market and derivative electricity-based contracts.

We believe that it is of paramount importance to **avoid duplicating administrative costs on operators due to different regulation levels**: provisions on transparency and exchange of information should therefore be harmonised between Member State level and European level and should lead to coherent arrangements that minimise administrative and bureaucratic burden operators.

2. STANDARDISATION

Standardised formats are possible only when dealing with a regulated market: exchange of information depends to the different trading venues, whether on exchanges or over-the-counter.

A standard format may make sense for standardised products like those traded on exchanges or those frequently traded on the screen-based OTC markets, but not for bespoke contracts between two parties with a complex indexation formula.

B. TRANSPARENCY

The level of transparency rules imposed on the regulated markets is today very different in the various Member States. In order to facilitate trading on different platforms, we consider necessary that the Commission determines **one, unique set of trade transparency guidelines** to be applied in all Member States. This is essential, for example, to develop gas exchange transactions.

C. EXCHANGE OF INFORMATION

Exchange of data should be limited to **case-by-case** requests by the National Regulatory Authorities. Once more, Edison stresses the importance of **cost-minimisation** for the participants and that **a consistent set of rules is applied equally across the EU**. Finally, we consider that any new rules implement **should not be retroactive** (since it is would not be possible for operators to track back data to periods when they did not have any obligation on record keeping); in order to implement the new provisions as quickly as possible and for operators to start record keeping compliance, participants should know as soon as possible when the obligation will come into force.

1. FORMAT, DATABASE DESIGN

As far as the format is concerned, we believe that in the short term **supply undertakings should be able to determine the format** of their records; in the longer term, a move towards **electronic formats** may be envisaged (a commonly used format such as XML could be used). To the same extent, we consider that choice on database design should be left to each supply undertaking: when asked to do so, each undertaking will be asked to extract some information from its database and to forward it to the relevant Authority.

D. COMMERCIAL SENSITIVITY OF THE DATA

Any record or data exchanged by operators with the Regulatory Authorities or the Commission, if published, shall guarantee anonymity; furthermore the commercial sensitivity of the data shall be considered scrupulously, and decisions on publication shall be made consequently.

Please find below our responses to some specific questions proposed in the consultation paper .

RECORD KEEPING

Q2 Taking into account the potential purposes of record-keeping requirements under the Third Energy Package, do you agree with the above mentioned minimum contents for records to be kept by supply undertakings?

Q4 Do you see practical difficulties if investment firms not covered by the scope of the Third Energy Package are not obliged to keep the additional contents of transactions in financial instruments in their records?

Edison wishes to underline that record keeping requirements as provided by the Third Energy Package and those for investment firms set by the MIFID Directive shall be consistent. For instance, spot prices on wholesale markets are influenced by price trends on future markets¹: the two sets of markets are therefore linked to each other, and it seems appropriate to harmonise record keeping provisions on the two. Once more, we wish to stress the concept that **a unique set of guidelines** shall be applied in all Member States.

Besides, we would like to point to your attention that while we consider appropriate having in place clear and harmonised record keeping provisions on operators, we believe that these records shall be disclosed and sent to the relevant Authorities on **case by case**, after a specific request by the relevant Institutions.

Q6. If an electronic format will be required, is it sufficient to leave the design of the specific kind of “database” used to retain the minimum content of the records to each supply undertaking?

Please take into account our general comments in the section: “EXCHANGE OF INFORMATION”.

Q7. If possible, please provide indications of the specific costs involved with different electronic formats conceivable (e.g. from Excel sheet to more sophisticated software).

It is not easy to specify how much these system would cost; a possible way to overcome extra-costs would be using the same exchange format used by information requests made by National Authorities.

TRANSPARENCY

Q9. Do you consider that this publication should cover all instruments, including those covered by MiFID?

Please take into account our comments in answers 2 and 4.

¹ Many electricity operators tend to price their deals on prices set by future markets, such as IDEX.

Q10. Among the information proposed to be published, which ones are the most useful and why? Which one(s) should be published?

Volumes, number of deals and average prices for standard exchange traded products. This information is useful for assessment of liquidity.

Q11. Are the two levels of aggregation on products proposed appropriate and useful?

Yes, they are appropriate