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The Importance of Information Transparency for Electricity Markets

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The Importance of Information Transparency for Electricity Markets

- **The Importance of Wholesale Trading**
- The Role of Market Transparency
- Transparency in Selected Countries
- Implications



The Importance of Wholesale Trading

Trading performs a key role in delivering efficient markets

- Allocation efficiency (short-term)
- Signalling function (mid- to longer term)
- Risk management function

Result

- Optimal dispatch
- Correct investment incentives and decisions
- Transfer of risks – from risk averse to risk seeking

Functioning wholesale market of key importance for competition in retail market



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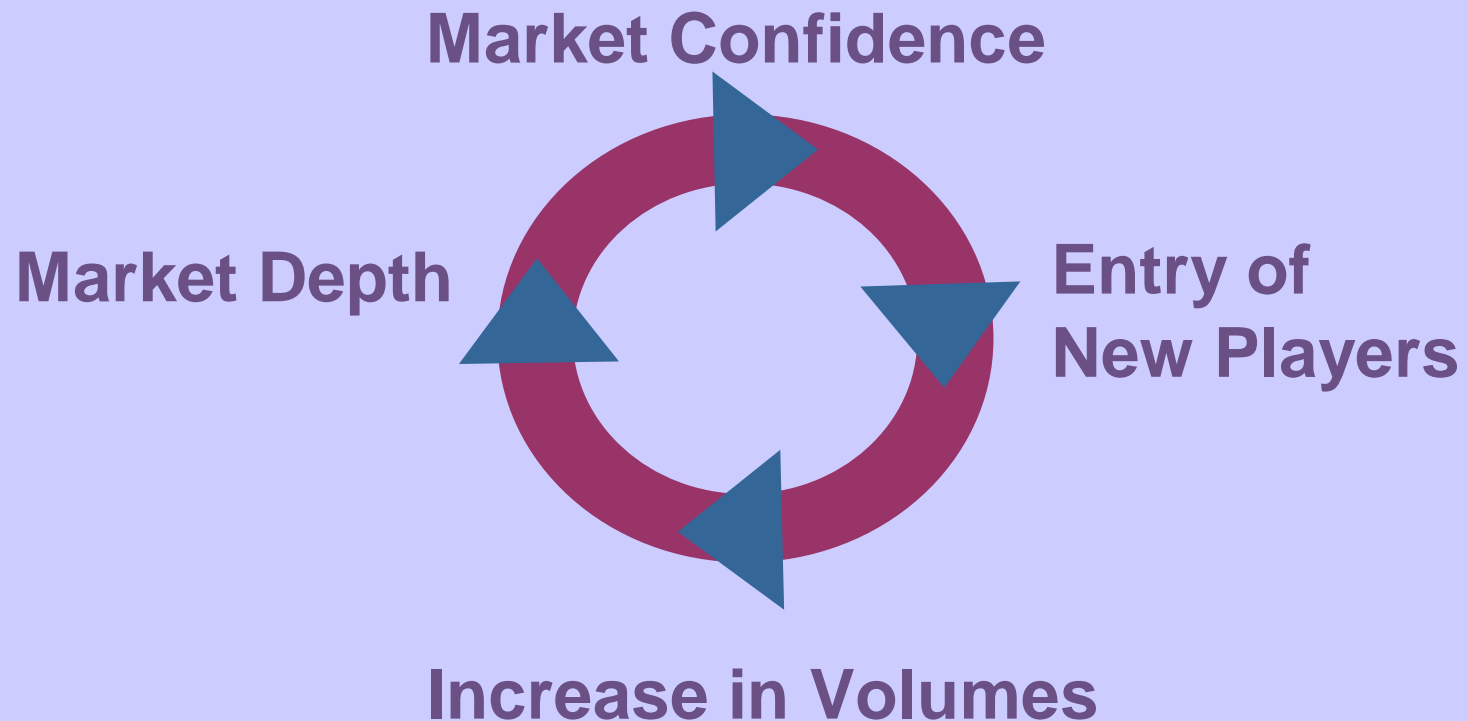
Role of Market Transparency

- In a competitive market price is a function of supply & demand balance
- Spot prices impact front products ($W+1$, $M+1$)
- Informational advantages to incumbent players result in potential for barriers to market entry
- Trading is a zero sum game, where any structural advantage will deter new entrants

Market Transparency Stimulates Trading

Market Transparency

- Ability to explain prices
- Forecasting





Who Should be Interested in Market Transparency?

- **System operators**
 - Need to exchange network and despatch data openly
- **Regulators**
 - Workable wholesale market as pre-condition for competition at retail level
- **Power exchanges**
 - Generation data stimulates liquidity, facilitates surveillance
- **Wholesale players**
 - Liquidity eases market entry and enables professional risk management



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Transparency in Selected Countries

	France	Belgium	Netherlands	Scandinavia	Germany
Load (D+1)	✓	✓		✓	✓*
X-Border (NTC & ATC; flows D+1, Y-1)	✓	✓	✓	✓	
Balancing (costs D+1)	✓	✓	✓	✓	✓*
Generation (current & historic)			✓	✓	
Market messages (e.g. outages)				✓	

*Delivered significantly later



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Why has Transparency not Developed?

- Focus of regulatory discussion so far on transmission tariffs and retail
- Distrust between national system operators and on the part of generators
- Importance of wholesale trading ignored by some regulatory and government authorities



What Needs to Happen ?

- **Regulators take ownership of framework for wholesale market**
- **System operators release to each other and to wholesale market participants all available data on**
 - Load
 - X-border capacity and flows
 - Generation (planned, outages and *ex post*)
- **Market surveillance**