



**11<sup>th</sup> Electricity Regulatory Forum**

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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
<b>Load</b> (D+1)	✓	✓		✓	✓*
<b>X-Border</b> (NTC & ATC; flows D+1, Y-1)	✓	✓	✓	✓	
<b>Balancing</b> (costs D+1)	✓	✓	✓	✓	✓*
<b>Generation</b> (current & historic)			✓	✓	
<b>Market messages</b> (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**