



Importance of transparency in price formation

Arben Kllokoqi

Electricity Expert, Energy Community Secretariat

- *ENTSO-E processes regarding transparency*
- *What makes the market more efficient?*
- *Is more information out in the public always better?*
- *Getting the price right*
 - Interests and risks in the market
- *A simplified example*

- Transparency Regulatory
 - Details data to be published and when
 - Transparency platform operated by ENTSO-E
 - The platform collects TSO's fundamental data related to generation, load, transmission and electricity balancing
 - TSOs collect the data from national data owners
- ENTSO-E Transparency Platform was launched on 5 January 2015 (platform existing on voluntary basis since 2011)
- ENTSO-E Manual of Procedures (MoP)
 - Details and format of submission – standardization
 - Technical inspirational requirements
- In addition to working groups within TSOs, ENTSO-E set up a group of users - ETUG

ENTSO-E transparency platform



Data View x +

https://transparency.entsoe.eu/load-domain/r2/totalLoadR2/show?name=&defaultValue=true&viewType=TABLE&areaType=BZN&atch=false&dateTime.dateTime=02.10.2018+00:00[CET|DAY...

entsoe
Transparency Platform

Central collection and publication of electricity generation, transportation and consumption data and information for the pan-European market.

Login ?

Home Load ? Generation ? Transmission ? Balancing ? Outages ? Congestion Management ? Data Pre-5.1.15

Total Load - Day Ahead / Actual ?

Actual Total Load [6.1.A]
Day-ahead Total Load Forecast [6.1.B]

Day: 02.10.2018

Control area Bidding zone Country

Area

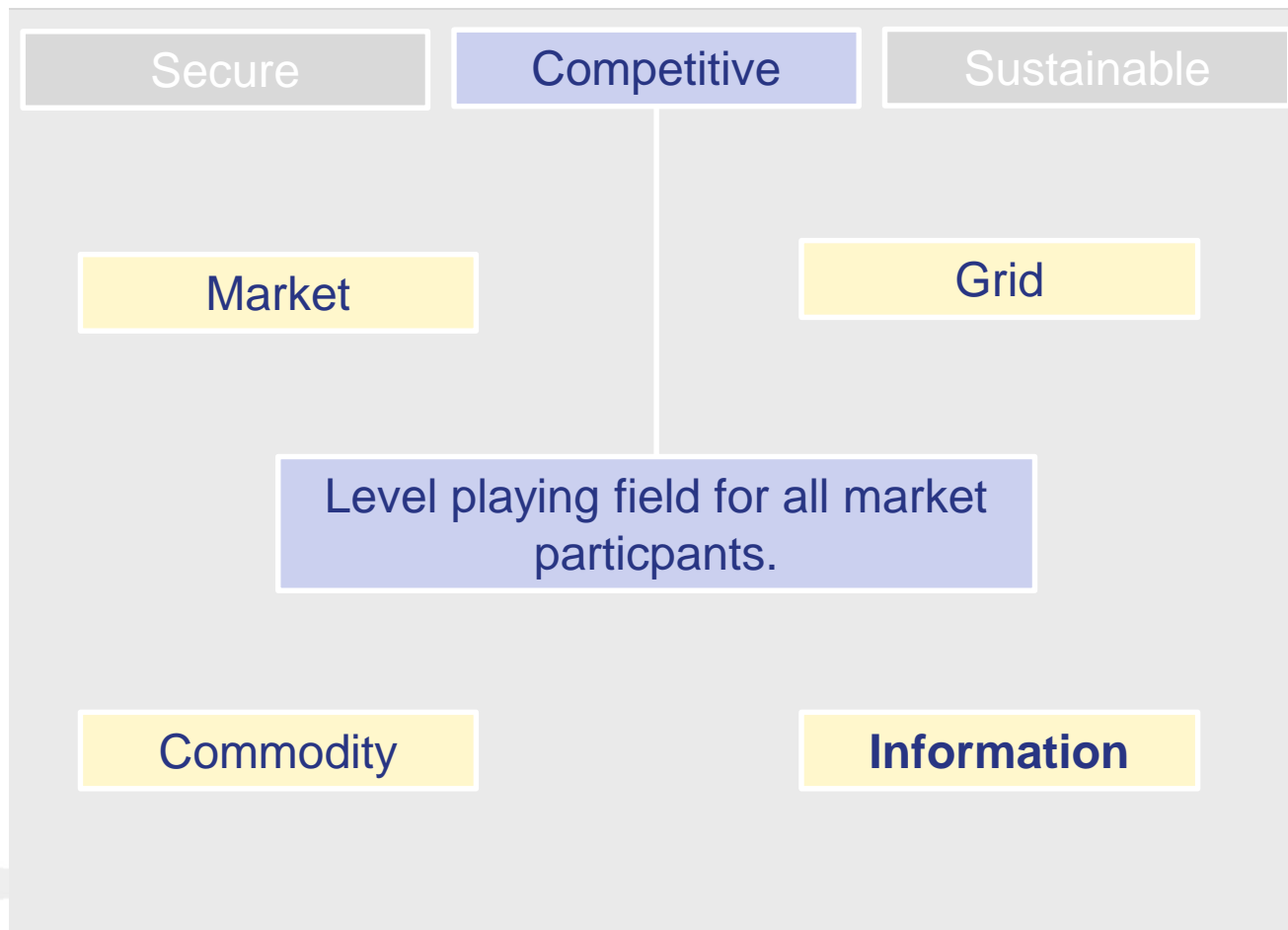
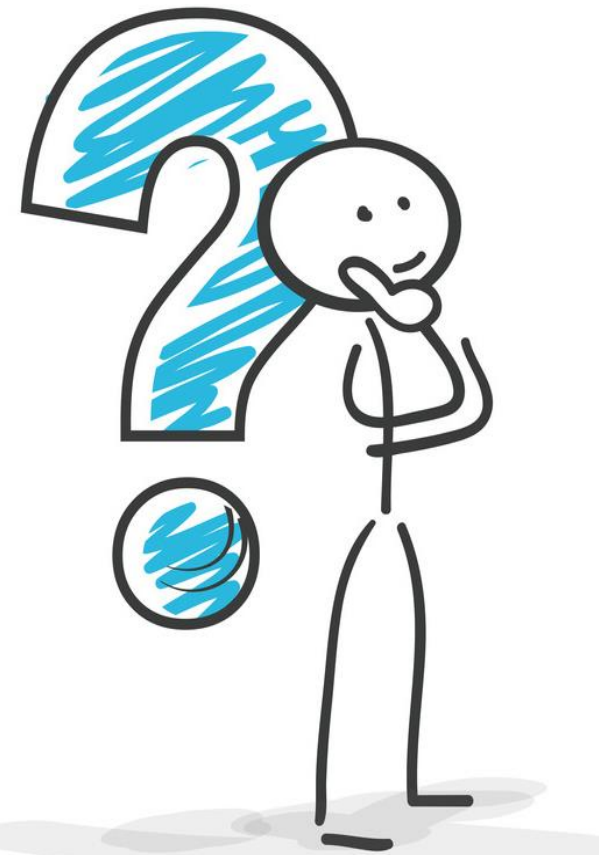
- Austria (AT) ▾
- BZN|AT
- BZN|DE-AT-LU
- Belarus (BY) ▾
- Belgium (BE) ▾
- Bosnia and Herz. (BA) ▾
- Bulgaria (BG) ▾
- Croatia (HR) ▾
- Cyprus (CY) ▾
- Czech Republic (CZ) ▾
- Denmark (DK) ▾
- Estonia (EE) ▾
- FYR Macedonia (MK) ▾
- Finland (FI) ▾

Show fullscreen Export Data ▾

CET (UTC+1) / CEST (UTC+2) ▾

Time	BZN AT	
	Day-ahead Total Load Forecast [6.1.B] [MW]	Actual Total Load [6.1.A] [MW]
00:00 - 01:00	5509	5642
01:00 - 02:00	5247	5354
02:00 - 03:00	5159	5263
03:00 - 04:00	5050	5152
04:00 - 05:00	5189	5284
05:00 - 06:00	5828	5914
06:00 - 07:00	6998	7131
07:00 - 08:00	7781	7943
08:00 - 09:00	8010	8189
09:00 - 10:00	7961	8104
10:00 - 11:00	7998	8124
11:00 - 12:00	8033	8123
12:00 - 13:00	7700	7883

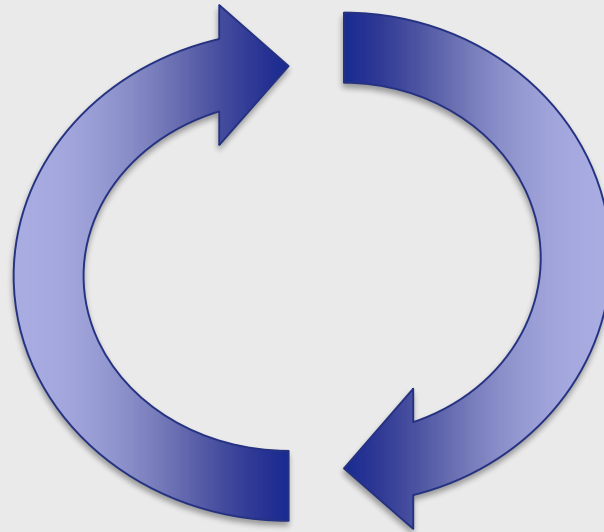
A market we aiming for ...



Efficient market and transparency

- Chicken and egg problem!
- It is rather a virtuous cycle

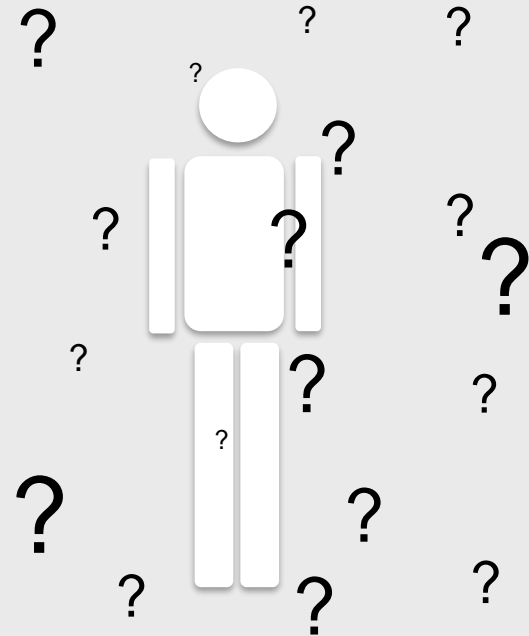
Efficiently functioning market provides the relevant information to the market



Transparency makes the market function more efficiently

Is more transparency better?

- Markets should not be flooded with information
- Only relevant information is important for market participants
 - Relevant = information that effects participants' economic decisions and makes the market more efficient
- Too many irrelevant information can confuse the market ... maybe even collusive actions!
- **A balance is important**



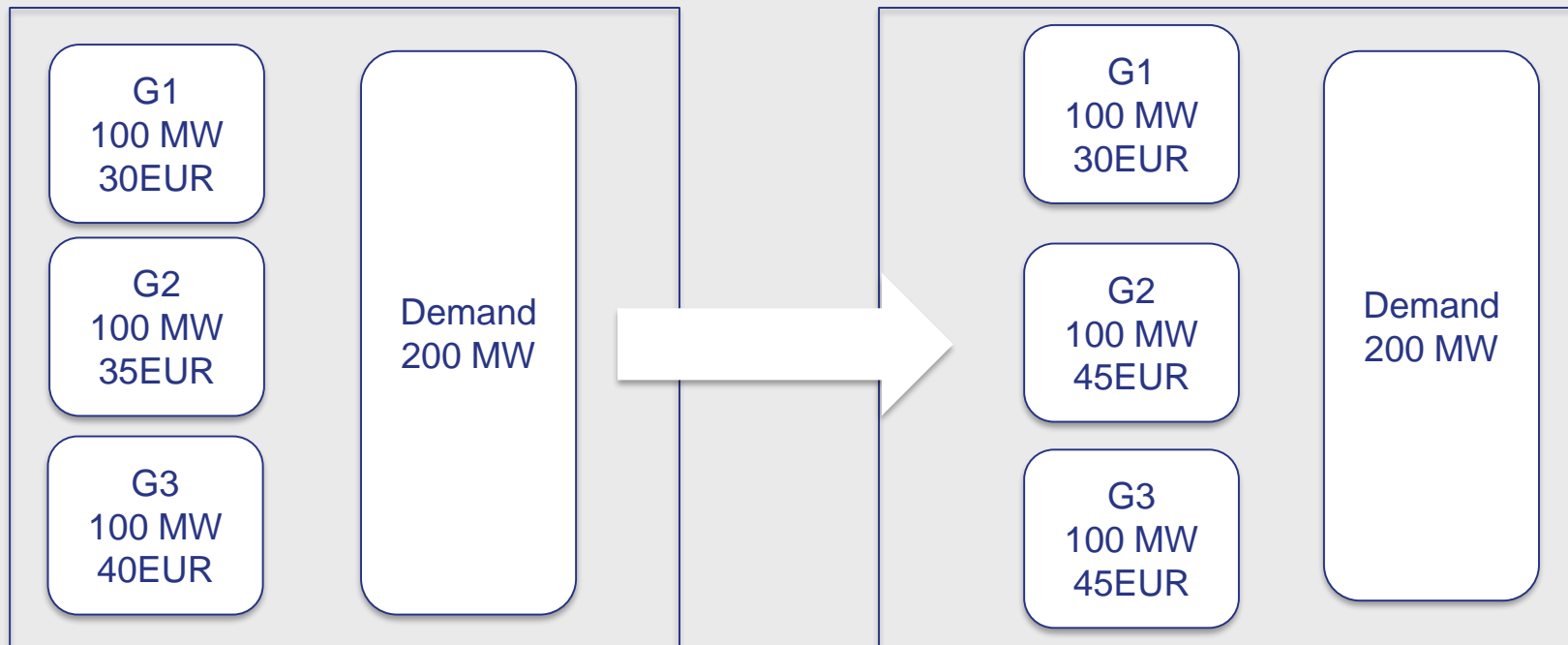
- There is no high or low price
- There is a correct/market price or an incorrect price
 - The correct price refers to market outcome which reasonably reflects fundamentals in the market
- Market participants act in the market through their bids and offers:
 - Volume and price at which they are ready to buy and sell
 - Through this they reveal information about underlying fundamentals, such as costs and valuations or about their beliefs on the direction of the market

Different interests – different risks

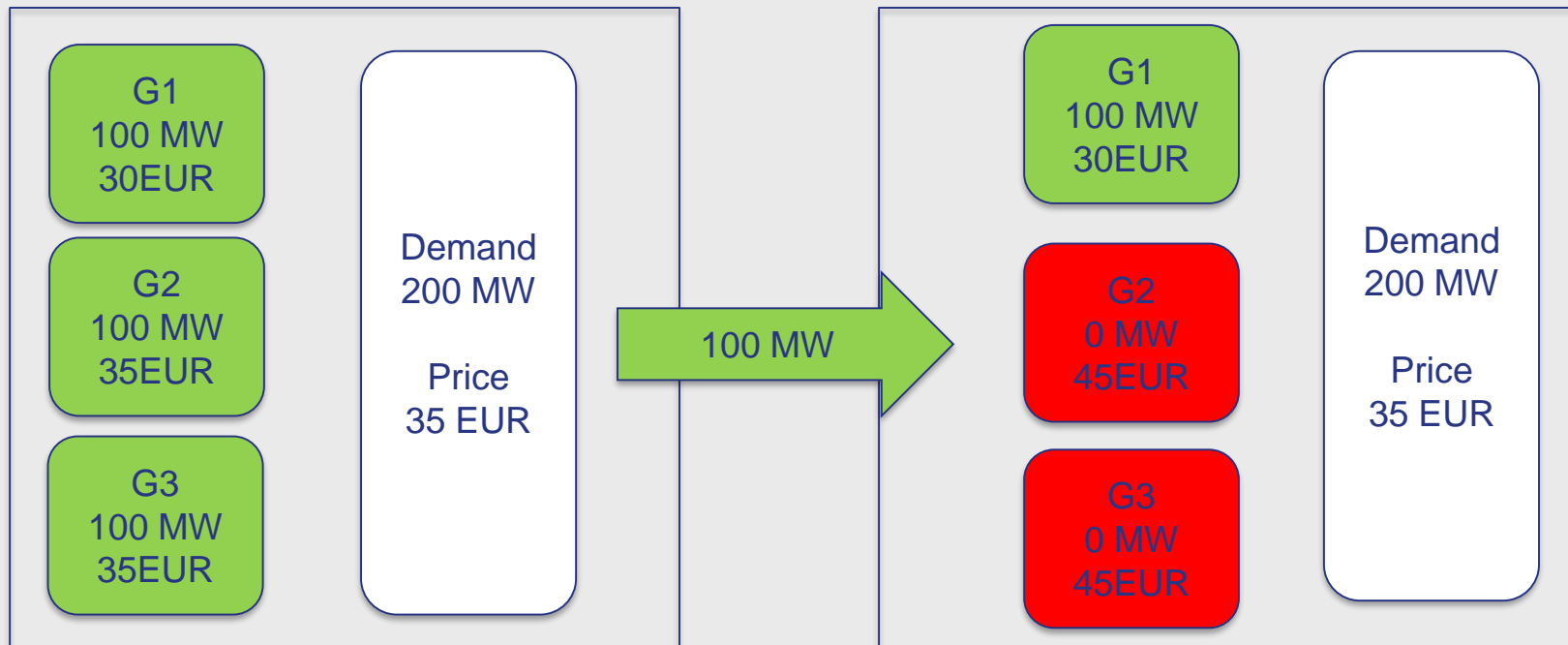
- Participants in the market (in simple terms): Producers and consumers
 - Producers want to sell at a price as higher price as possible, while consumers wish for consumers dream to not materialize 😊
 - After a reality check, producers agree to produce/sell as long as their variable costs are covered ... consumers understand that there is no free lunch
- Their risks are different
 - producers have costs which they need to cover => long term contracts gas/fuel, etc.
 - Consumers don't generally want to be tight on long term contracts

- Network operators – regulated
- Intermediaries (traders, suppliers) – specialize in risk-taking
 - Invest in models, forecasts, people, etc. to be able to manage market and credit risks
 - Key users of data
 - Act on both sides of the market and all timeframes
- Intermediaries (PX, brokers, central clearers) – provide platforms for trading and mitigate sometime mitigate the credit risk
 - But also market risk, by making prices (or closing prices) transparent

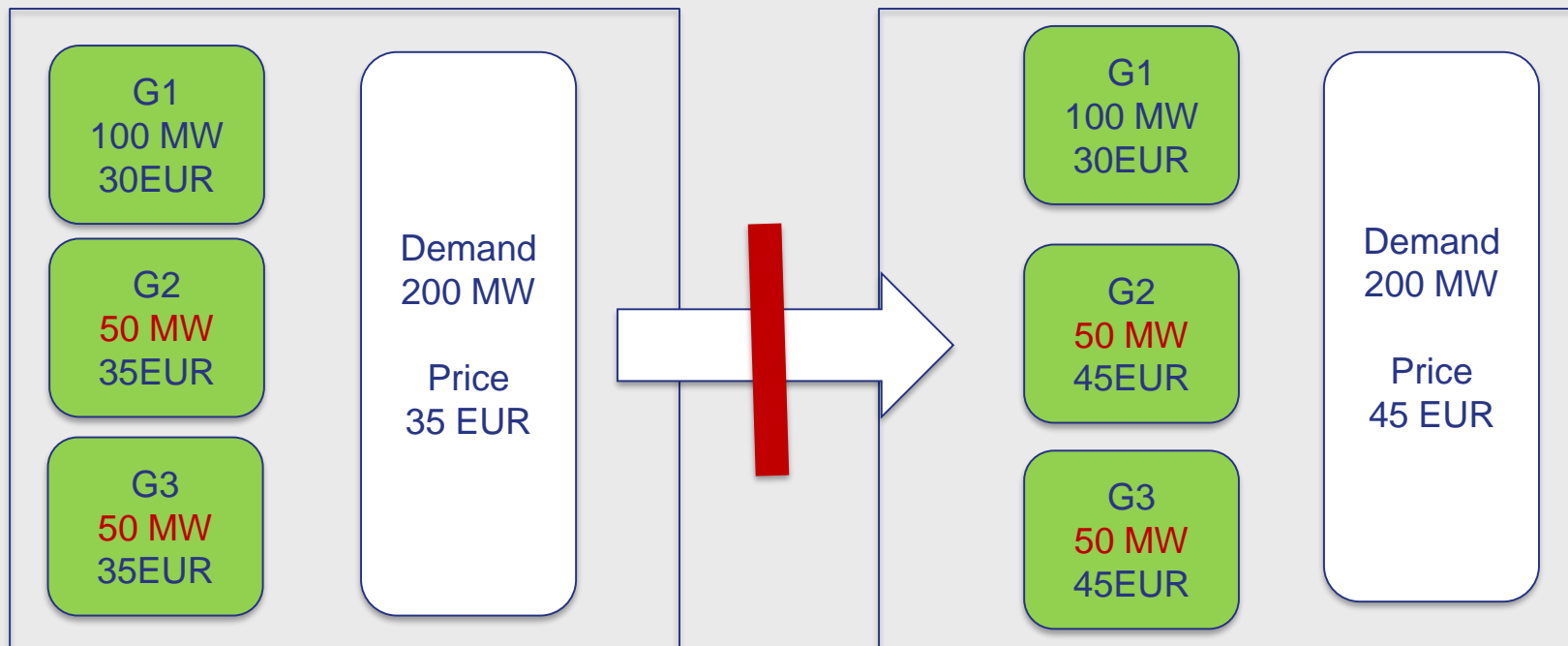
Example – bilateral trading



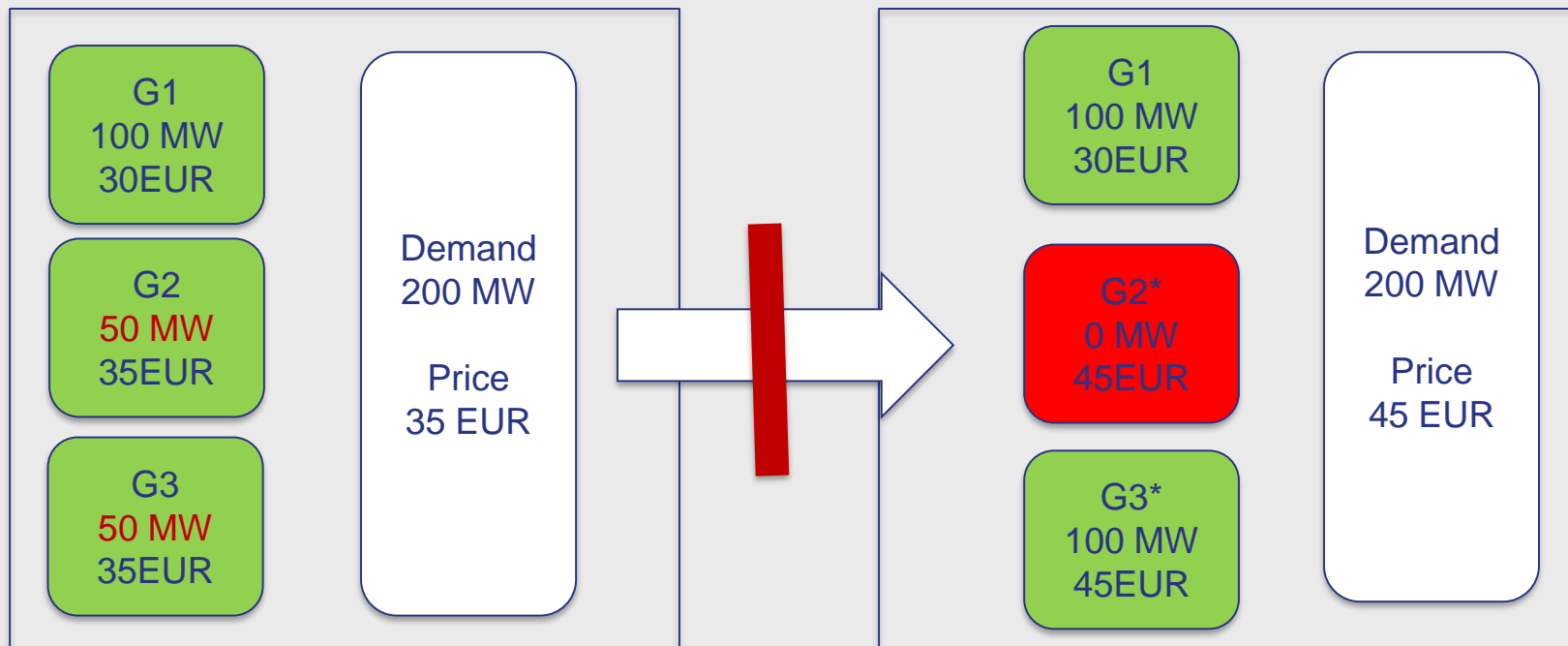
Example: normal conditions



Example: interconnection outage (transparent)



Example: interconnection outage (non-transparent)



*G3 has the information before the market, say in D-2,3 ... and keeps the plant running

*G2 plant is off

Conclusion

- Competitive market with freedom of choice
- Ensuring that operational data are available to all market participants **at the same time**
 - manage their risks appropriately and consumers are not charged the costs of unmanaged risks
- Operational decisions cannot be linked only to D-1 market
 - for cost efficient dynamic dispatch information should be made available well ahead (when available)



Thank you!

www.energy-community.org

Arben.Kllokoqi@energy-community.org