

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, crisscrossing the globe and connecting various regions.

*Trading activity in forward markets;
Assessing liquidity*

TF1 Electricity, Deliverable 3, WP 2018

Vienna, 27 February 2018

Scope:

- Effective wholesale market opening is central for establishing a competitive regional electricity market and its integration with the European market.
- With a view to support wholesale market opening, the activities of TF1/ECRB EWG focuses on:
 - regulatory support to forward market, day-ahead and intraday market integration in SEE
 - providing coordinated regulatory input to the SEE day-ahead market coupling projects established under the WB6 initiative
 - providing an assessment of trading activities in forward markets in CPs,
 - including cross-border trading (forward transmission rights) with other CPs and EU MS, the level of liquidity, the main trading products and trading horizon

- Open and liquid market = Access to (market + network + information + commodity)
- Deregulation of wholesale prices results with the market, credit and other risks that need to be managed by market participants
 - Producers need to sell most of their output on forward basis to ensure a reliable revenue stream
 - Suppliers supplying end consumers - need to buy most of their needs on forward basis
 - As their risk-offloading needs do not always match, the market creates room for intermediaries that specialize in managing market, credit and other risks
- It is rather difficult to manage such risks if the market is not mature enough and market participants are not (actively) participating in the market, and in particular in forward timeframe – this results in a non-liquid market
- Regulators are best placed to assess forward market liquidity and undertake potential measures

Objective of this specific task

- Specific objective is to:
 - Understand the hedging needs of market participants in the CP
 - Assess if the associated risks are hedged in the market and understand how
- The overall objective is to:
 - Prepare a report and present it to ECRB for approval

The report should provide information on how incumbent generators and suppliers manage their portfolio on forward basis; including the timeframe and tenor of contracts, trading venues used, risk appetite, cross-border hedging, etc.

- TF1 in consultation with EWG to prepare a questionnaire which will then be distributed to wholesale market participants through NRAs
 - The questionnaire will be detailed requiring 'tick' answers. Textual description only where necessary
 - Questionnaire will be specific for generators, suppliers and wholesale traders
- The collected information will be consolidated in a report that will be presented to the EWG for comments
- After consideration of views the final report will be presented to the EWG
- Finally ECRB Section will submit the report to ECRB for approval

A flavor of how the questionnaire should look like ... but much longer!



1. If you are an:

- Entity engaged in production of electricity, complete Part A of the questionnaire
- Entity engaged in supply of electricity to end users, complete Part B of the questionnaire
- Entity engaged in trading on wholesale market, complete Part C of the questionnaire
- Entity engaged in more than one activity mentioned above, complete the relevant parts of the questionnaire.

A. Part A: Electricity producer

1. In addition to producing electricity, if your entity supplies electricity to end users and/or trades in the wholesale market please complete also the Part B and/or C.
2. Your companies ownership structure is (tick):
 - State ownership
 - Private ownership
 - Mixed or other (please provide details...)
3. Do you sell more than 50% of the output to a single company?
 - Yes
 - No
4. If Q3 is yes, is there any obligation (legal, regulatory or commercial) to do so:
 - Yes
 - No

B. Part B: Electricity supplier

1. In addition to supplying electricity, if your entity produces electricity and/or trades in the wholesale market please complete also the Part A and/or C.
2. Your companies ownership structure is (tick):
 - State ownership
 - Private ownership
 - Mixed or other (please provide details...)
3. Do you buy more than 50% of the output from a single company?
 - Yes
 - No
4. If Q3 is yes, is there any obligation (legal, regulatory or commercial) to do so:
 - Yes
 - No

C. Part C: Electricity trader

1. In addition to trading electricity, if your entity supplies electricity to end users and/or produces electricity in the country of the NRA through which you received this questionnaire please complete also the Part A and/or B.
2. Your companies ownership structure is (tick):
 - State ownership
 - Private ownership
 - Mixed or other (please provide details...)
1. Is your company part of a group which engages also in electricity production or supply to end users electricity in the country of the NRA through which you received this questionnaire (tick):
 - Yes
 - No

Specific tasks 2018/19	Who	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Developing the general concept & sharing views with EWG	TF1	■													
Agreeing on the general concept	EWG		■	◆											
Developing the questionnaire sending it to EWG for comments	TF1		■	■											
Finalizing the questionnaire & sending it to EWG	TF1			■	■										
NRAs through EWG members to share it with national market participants	Each EWG member				■										
Collection of responses & sending to TF1	Each EWG member				■	■	■								
Review of responses & address potential issues & consolidate the draft report	TF1					■	■	■	■	■	■	■			
Submitt to EWG draft report	TF1									■	■				
Collection of comments	TF1									■	■	■			
Consolidation & submission of final report	TF2										■	■	■		
Approval of the report	EWG											■	■	■	
Submission to ECRB for approval	ECRB Section												■	■	
◆ ECRB EWG Meetings		■ Submissions by this date													

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Thank you!

www.energy-community.org

Arben.Kllokoqi@energy-community.org