

Commission de régulation de l'énergie decision for public consultation of 26 March 2009 on French wholesale electricity and natural-gas markets monitoring and electricity generation transparency

Attending the meeting: Mr. Philippe de LADOUCKETTE, President, Mr. Maurice MEDA, Vice-President, Mr. Michel LAPEYRE, Vice-President, Mr. Eric DYEYRE, Mr. Hugues HOURDIN and Mr. Emmanuel RODRIGUEZ, Commissioners.

On 15 January 2009, the *Commission de régulation de l'énergie* (CRE) published its first monitoring report on the French wholesale electricity and natural-gas markets. The report covers the calendar year 2007 and can be downloaded from CRE's website at the following address:

<http://www.cre.fr/en/content/download/8356/148594/file/090129MonitoringReport2007.pdf>

In order to improve the quality of the monitoring of the wholesale electricity and natural-gas markets, CRE wishes to canvass market participants' opinions of the report and their suggestions, particularly as regards:

- CRE's analyses aimed at detecting possible anticompetitive practices;
- the information and data it has published.

As regards transparency in electricity generation in France, CRE considers that the current arrangement put in place by members of the *Union Française de l'Electricité* (UFE) does not yet enable market participants to effectively anticipate a change in the balance between supply and demand. It therefore plans to draw up recommendations to electricity generators to enable the market to anticipate satisfactorily the status of the generating facilities. In preparation, it wishes to canvass market participants' opinion concerning the current level of transparency and their proposals for improvements.

CRE therefore invites all parties who wish to do so to respond to the questions included in this consultation document. Responses must reach CRE at the latest by 11 May 2009:

- by electronic mail to the address webmestre@cre.fr;
- by comments added directly to CRE website (www.cre.fr) in the section Publications / Public consultations;
- by regular mail to the following address:
Commission de régulation de l'énergie
DMEG
2, rue du Quatre-Septembre
75084 PARIS Cedex 02
France

CRE will publish a summary of the responses received and will guarantee their confidentiality and/or anonymity, upon request.

Paris, 26th March 2009,

For the Commission de régulation de l'énergie,
The Chairman,

Philippe de LADoucETTE

Part 1
Monitoring the wholesale electricity market

The page numbers given refer to the pages in the monitoring report relating to each topic.

1. The development of trading in France [pages 15 to 28]

In its 2007 monitoring report, CRE reviewed the development of trading in France on the various segments of the intermediated wholesale electricity market, and analysed the concentration of purchases and sales for each segment.

Question 1:

Do you consider that the information published by CRE on the development and concentration of trading activity in France is appropriate to and useful for your activity? What information (relating to transactions made on exchanges or brokering platforms, or simply agreed bilaterally) should CRE publish to improve the efficiency of French markets? What data should CRE collect to do this? How should the information be collected?

Question 2:

When monitoring transactions made on exchanges or brokering platforms, or simply agreed bilaterally, which types of behaviour do you think it is most important to research/analyse? What data should CRE collect to do this? How should the information be collected?

2. Use of generating facilities

Industries generating at the margin [pages 44 to 57]

CRE calculates in its 2007 monitoring report the length of time for which the different French fuel types were marginal. It also measures the influence of prices of the interconnected markets on the French day-ahead price.

Question 3:

Do you have any comments concerning the methodology used by CRE or the conclusions reached?

Question 4:

Do you think that publishing this information is helpful in improving your understanding of price-setting mechanisms? What other information relating to the link between production and market price would you like to see published?

Analysis of production costing and producer behaviour [pages 57 to 66]

In its 2007 monitoring report, CRE analyses the use of electricity generating stations as regards the price on the day-ahead market. In particular, it checks that the use of generating stations is consistent with the price on Powernext Day-ahead Auction (taking into account their technical constraints and the way their production is costed).

Question 5:

Do you have any comments on the methods used by CRE?

Question 6:

What types of behaviour related to the use and costing of generating plants do you think CRE should monitor as a priority, particularly concerning the nuclear and hydroelectric industries?

3. Transparency in generation [pages 67 to 86]

In its report, CRE reviewed UFE's system for publishing generating information on RTE's website, and concluded that it should be improved.

Question 7:

Do you have any comments concerning the methodology used by CRE or the conclusions reached?

Question 8:

Can you suggest alternative or additional ways in which CRE should analyse the data published by UFE on RTE website?

4. Wholesale prices

4.1. Movements in day-ahead prices [pages 29 to 35]

In its 2007 monitoring report, CRE analyses movements in the day-ahead price related to generation margins. It considers that movements in day-ahead prices were consistent with changes in the balance between supply and demand, except during some of the price spikes observed in October and November, which have already been investigated.

Question 9:

Do you have any comments concerning the methodology used by CRE or the conclusions reached?

Question 10:

Do you find this type of analysis useful for the study of day-ahead prices (level and movement)?

Question 11:

Can you suggest alternative or additional ways to analyse the level of day-ahead prices? In particular, do you have suggestions for studying the impact of margin between supply and demand tightness on those prices?

4.2. Futures prices on the French market [pages 36 to 43]

In its 2007 Monitoring report, CRE analyses statistically the link between the prices of oil, gas, coal and CO₂, and electricity futures price (Y+1). CRE concludes that the prices of electricity, gas, coal and CO₂ are linearly related.

Question 12:

Do you think the methodology used by CRE and the conclusions reached are relevant and helpful? Are your observations and analyses of futures prices consistent with these results?

Question 13:

Can you suggest other ways to analyse futures prices formation?

Question 14:

How important is it to study the impact of underlying factors on futures prices?

4.3. The behaviour of market participants trading on EPEX Spot Auction [pages 87 to 93]

CRE analysed changes in individual supply/demand behaviour of market participants active on EPEX Spot Auction, and its impact on prices. CRE then questioned market participants who had reduced their supply significantly at certain times, in order to ascertain if there were commercial and technical reasons for such changes in behaviour (such as data on production, transactions on the wholesale market, cross-border exchanges, etc.).

Question 15:

Do you have any comments concerning the methodology used by CRE or the conclusions reached?

Question 16:

What is your opinion on the analyses carried out, and on further analyses that could be useful to investigate the impact of individual order books on French EPEX Spot Auction prices; and to investigate more generally the formation of price spikes on that platform?

Question 17:

How much importance do you think should be given to analysing individual order books as part of wholesale-market monitoring? What other ways would you suggest for studying the behaviour of market participants on the day-ahead market?

5. Cross-border trading [pages 94 to 105]

In its 2007 monitoring report, CRE analyses daily-capacity nominations at interconnections to check that they are consistent with market prices, and with users' economic and technical constraints. It questioned market participants who had most often nominated cross-border flows going against the price differentials on the exchanges. These market participants explained that the prices set hourly on the exchanges were not the only price indicators relevant to understanding daily cross-border flows. They may also be affected by bilateral transactions. CRE concluded that such behaviour was not and one in attempt to manipulate the market.

Question 18:

Do you have any comments concerning the methodology used by CRE or the conclusions reached?

Question 19:

Can you suggest alternative or additional analyses to investigate market participants' use of interconnections capacity in general, and of daily capacity in particular?

Question 20:

When monitoring the wholesale market, how much importance do you think should be placed on analysing the use of interconnections?

6. Virtual Power Plants (VPPs) [pages 106 to 111]

In its 2007 monitoring report, CRE analyses the level of VPP prices, and concludes that they are aligned in general with futures prices on the French market.

It also analyses the movement in futures prices in the run-up to VPP auctions, and concludes that the price of some products increased significantly as the auctions approached. CRE is carrying out additional reviews into EDF's behaviour on the futures market during these periods.

Question 21:

Do you have any comments concerning the methodology used by CRE or the conclusions reached? In particular, do you think it is useful to analyse price increases and unusual types of behaviour by certain market participants in the run-up to VPP auctions?

Question 22:

Can you suggest to CRE alternative or additional analyses to investigate the mutual impact of VPP auctions and futures prices?

Question 23:

When monitoring the wholesale market, how much importance do you think should be placed on analyzing VPP auctions?

Part II

Monitoring the wholesale natural-gas market

The page numbers given refer to the pages in the monitoring report relating to each topic.

1. The development of trading in France [pages 115 to 120]

In its 2007 monitoring report, CRE reviewed the development of trading in France on the various segments of the intermediated wholesale gas market, and analysed the concentration of purchases and sales for each segment.

Question 24:

Do you consider that the information published by CRE on the development and concentration of trading activity in France is appropriate to and useful for your activity? What information (relating to transactions made on exchanges or brokering platforms, or simply agreed bilaterally) should CRE publish to improve the efficiency of French markets? What data should CRE collect to do this? How should the information be collected?

Question 25:

When monitoring transactions made on exchanges or brokering platforms, or simply agreed bilaterally, which types of behaviour do you think it is most important to research/analyse? What data should CRE collect to do this? How should the information be collected?

2. Movements in wholesale prices [pages 121 to 124]

In its 2007 monitoring report, CRE describes how the day-ahead prices change in relation to European and long-term prices. It also raises the issue of the link between the price and the physical supply/demand balance on the French market.

Question 26:

Which indicators relating to setting gas prices in France do you think are most relevant and worth publishing?

Do you think it would be helpful for CRE to analyse in depth the link between the price and the supply/demand tension, as it does for electricity? If so, which indicators should it use?

Question 27:

Which segments of the wholesale gas market (e.g. intra-day market, day-ahead market, futures market, etc.) and what types of behaviour should be especially closely monitored? How important is it to study the individual use of flexibility instruments (such as entry and exit capacities, flexible import contracts and gas storage)?

3. Market participants' sources of supply and outlets [pages 125 to 128]

In its 2007 Monitoring report, CRE shows the breakdown of operator's withdrawals and deliveries during the year.

Question 28:

Do you find the data published by CRE concerning market participants' sources of supply (withdrawals) and outlets (deliveries) relevant and useful to your activity?

Question 29:

How important do you think it is to review market participants' gas procurement portfolios, particularly those of alternative suppliers? Which indicators do you think CRE should analyse or publish?
What sort of data-collecting method do you think CRE should use to do this?

4. Cross-border trading [pages 129 to 142]

In its 2007 monitoring report, CRE indicates the breakdown of imports and exports during the year per border and per type of market participant.

Question 30:

Do you find the information published by CRE on cross-border flows by type of market participant useful to your activity? What other indicators do you think CRE should publish?
What sort of data-collecting method do you think CRE should use to do this?

Part III

Transparency in electricity generation

1. UFE's current publication of data

The main French generators, EDF, GDF Suez and E.On-SNET, are all members of the French Electricity Union (*Union Française de l'Électricité - UFE*), and as such started voluntarily to publish production data at the end of 2006. They publish aggregated data on their production and on the forecast availability of their generating facilities. This information is available on line on RTE's website.

The publication of this data has helped improve French market transparency which is essential to understanding and to anticipating price formation. UFE has already made and plans to make a number of changes.

Scope of the availability forecasts

The forecasts are grouped according to rules that, in several cases, do not correspond to the same fuel type (nuclear; coal and gas; oil and peak load; hydroelectricity from reservoirs and hydroelectricity from run-of-river and daily or weekly storage). They include power stations with an installed capacity of over 50 MW.

Forecast range

Forecast availability is based on three phases:

- short term (daily forecasts for the coming week).

The data for the next seven days is updated each working day:

- medium term (up to three months: weekly forecasts for weeks W+2 to W+13).

The data is updated each week:

- long term (up to three years: weekly forecasts for months M+4 to M+36).

The data is updated each month.

Forecasting method

The forecast of power available published on a particular date only takes into account definite unavailability that is known with certainty: it does not take into account any probability of incidental outage.

If a generator fails to return data, RTE takes the most recent data available from that generator and includes it with the information supplied by the other generators. If there is no previous forecast available for the date concerned, no data for the generator concerned is published.

Question 31: scope of the forecast

Do you think that the forecast range sufficiently indicates changes in market conditions? Should it include other fuel types (such as wind power or cogeneration, etc.)?

In your opinion, does aggregating by fuel type seem a satisfactory rule?

Question 32: horizon for the forecast

Do you think that the different forecasting ranges are sufficient?

Do you think the data is updated frequently enough?

Question 33: forecasting method

Does it seem to you appropriate to only take into account future scheduled unavailability?

Do you think that the publication method used in case of missing data is satisfactory?

2. Recommendation

CRE considers that in its present form, the methods used and the data published by members of UFE do not yet allow correct assessment of changes in the supply/demand balance. In particular:

- if the availability forecasts only take into account definite outages, market participants cannot forecast satisfactorily the probable situation of the generating facilities at a given time in the future;
- information imbalance between market participants is increased by lack of continuous updating.

Data on observed availability will shortly be published, and this will reduce the information imbalance for short-term forecasts. However, the method for medium and long-term forecasts still needs to be developed substantially.

CRE plans to recommend to the Authorities concerned:

- publication of the forecast schedule of power availability for each generating unit (or for each group of production units if they are small);
- in case of unexpected unavailability of a power station, publication of the following information within a short delay (a few minutes¹):
 - the unit's essential features (fuel type and nominal power);
 - of the reasons for the unavailability;
 - the level of power involved;
 - the anticipated outage start and end dates;
 - any information considered relevant in assessing either the uncertainties inherent in the information supplied as well as the anticipated knock-on effects that the incident could have on other generating units.

This recommendation is consistent with the transparency guidelines drawn up by the sector regulators (ERGEG)².

Question 34:

What is your opinion concerning these recommendations?

Question 35:

Can you propose additional ways to improve production transparency? If so, how do you suggest your proposals be implemented?

¹ On Nordpool, when an unforeseen incident occurs, affecting production capacity, market participants must publish a message within a maximum delay of 60 minutes.

² ERGEG Guidelines for Good Practice on Information Management and Transparency – 15 March 2006