UNIVERSITY OF CAMBRIDGE | Electricity Policy Research Group

Legal, Cultural and other Barriers to Information Sharing in Economics

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Energy markets

- Gas industry is notoriously opaque
  - mostly sold under long-term contracts which enforce anti-competitive conditions
  - regulators/governments reluctant to intervene
- Electricity industry is potentially transparent
  - common technology, simple cost structure, many fuel prices observable

  => resist by maintaining vertical integration
- Soviet planning failed because companies internalised transactions to capture information rent

Information is valuable and will be defended

Information in energy markets

- FERC price transparency provisions require regulated utilities (and others) to disseminate information "for the public interest, the integrity of markets, fair competition" (See *Transparency and confidentiality in competitive electricity markets* at http://www.naruc.org/Publications/EnergyDataTransparencyRpt0609.pdf
- EU lags; data withheld for "commercial" reasons - competitive advantage, ***or*** conceal market abuse, create regulatory info asymmetry => informational rents
- Defence: reduces collusion, motivates collection of costly data that may be used to create liquid markets?

Case for transparency

- *Energy Sector Inquiry* (DG Comp 2007) "there is a strong presumption that as much information as possible should be published…"
- Nord Pool's (2006) four questions: Why disclose? What to disclose? Who should disclose? How should it be disclosed? Pro-active approach

Market confidence requires data transparency

h. Table 12: Performance of Member States on Mandatory Data Transparency (2008)

Country	System Load	Network Investment and Planning	Capacity Calculation	Capacity Forecast	Network Operation	Capacity Auction and Use Data	Capacity Auction and Use Data (part 2)	Generation (part 1)	Generation 2	Balancing	Unweighed Average of tables	Straight Average of Data
Sweden	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Finland	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Denmark	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Czech Republic	100%	100%	100%	100%	80%	100%	100%	100%	100%	100%	98%	97%
Slovenia	100%	100%	100%	100%	100%	100%	100%	67%	0%	100%	87%	93%
Portugal	100%	100%	100%	100%	100%	100%	100%	67%	100%	0%	87%	93%
Norway	100%	100%	100%	100%	100%	100%	100%	33%	100%	100%	93%	93%
Ireland	100%	67%	75%	100%	100%	100%	100%	100%	100%	100%	94%	93%
United Kingdom	67%	100%	100%	67%	100%	67%	100%	100%	100%	100%	90%	90%
France	100%	100%	100%	100%	100%	100%	100%	33%	100%	0%	83%	90%
Germany	100%	100%	100%	100%	100%	100%	100%	0%	0%	100%	80%	86%
Netherlands	100%	100%	75%	100%	100%	100%	100%	0%	0%	100%	78%	83%
Hungary	67%	100%	100%	67%	80%	100%	100%	67%	100%	0%	78%	83%
Spain	100%	67%	100%	100%	40%	33%	100%	100%	100%	100%	84%	79%
Poland	100%	67%	75%	100%	100%	67%	33%	67%	100%	100%	81%	79%
Italy	100%	100%	75%	100%	80%	100%	100%	0%	0%	100%	76%	79%
Slovakia	100%	33%	75%	100%	80%	100%	67%	67%	0%	100%	72%	76%
Romania	100%	67%	75%	100%	100%	100%	100%	0%	0%	0%	64%	76%
Belgium	100%	100%	75%	67%	40%	100%	67%	67%	0%	100%	72%	72%
Switzerland	67%	67%	75%	100%	80%	100%	67%	0%	0%	100%	66%	69%
Lithuania	67%	67%	50%	100%	100%	0%	33%	100%	0%	100%	62%	66%
Greece	100%	67%	25%	67%	100%	100%	67%	0%	0%	100%	63%	66%
Latvia	67%	67%	50%	67%	40%	100%	100%	33%	0%	100%	62%	62%
Estonia	67%	0%	75%	67%	60%	100%	67%	33%	0%	100%	57%	59%
Austria	67%	67%	50%	0%	60%	100%	67%	0%	0%	100%	51%	52%
Bulgaria	67%	33%	25%	100%	20%	100%	100%	0%	0%	0%	45%	48%
all % compliant	90%	79%	80%	88%	83%	91%	87%	51%	46%	81%	78%	83%

Improving market transparency

- Sweden, Finland and Denmark, all in Nord Pool, publish 100% of mandated data
  - data transparency a requirement for market participation

  => highly liquid and deep wholesale markets enjoying high level of confidence

Report recommendations

1. Enforce mandatory requirements under 1228/2003
2. Formalise the ERGEG *Guidelines:* shift emphasis from network/operational data to generation data

Default: publish unless good reason

Good and bad practice

- Single Electric Market (SEM) of Ireland is highly transparent - price, bids, reports etc freely available
- Allows many eyes to scrutinise market outcomes, encourages academic analysis = free consulting
- California: electricity crisis 2001
  - market monitor challenged generators to publish their availability data when they argued that they were not withholding but suffered failures - no response
  - costly contracts signed, lengthy court cases, ENRON imploded, liberalisation stalled

Sunshine is the best antiseptic