France faces mounting pressure over transparency

Insufficient information about power production in France has left market players across Europe frustrated. The problem is not so much a lack of information, they complain. The problem is that too often what's available is no good.

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"It's useless," says one Dutch trader, "appalling" snorts a London banker. So bad, in fact, reports one player at a small French supplier, "that we now have to try to forecast how inaccurate the published forecasts are."

This frustration is also reflected in a damning new report by the French energy regulator CRE, released 15 January. It's "essential," the document says, that production information, "particularly nuclear," is "accurate" in order for the market "to function properly". He warns of "distortions" between the data "held by the producers and their competitors."

"We don't think there is enough transparency for all players," says CRE chairman Phillipe de Ladoucette. "Today it's essentially only two or three producers that know exactly what is going to happen at their plants in the future."

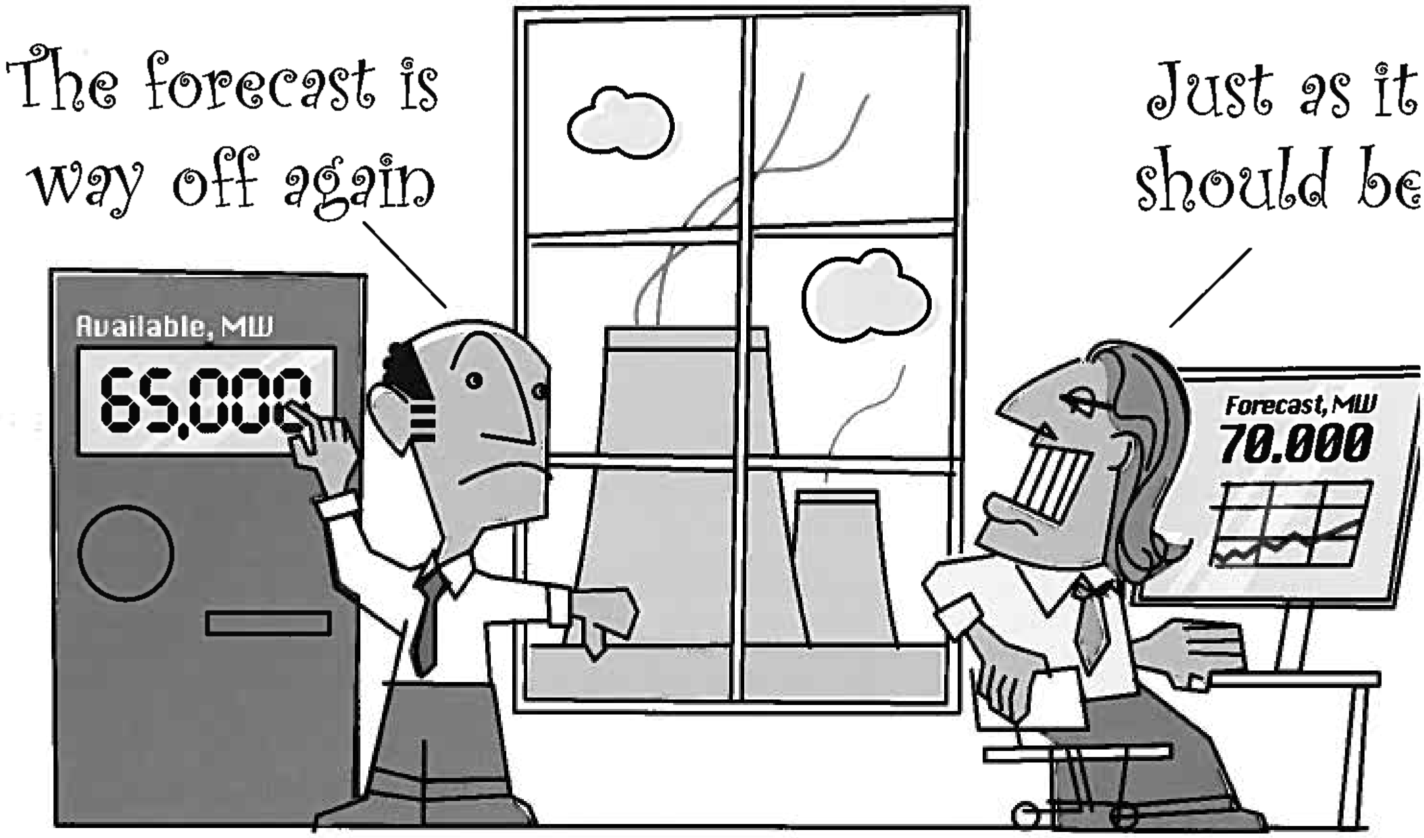
Smaller players get their information from the dominant producers via French TSO RTE's web site. RTE sidesteps any responsibility for the figures by emphasizing that it just publishes what it is given by UFE, the French electricity association, whose members include the country's three major producers, EDF, GDF Suez and Snet. "We are just the editors of this information...We have no idea whether it is accurate," says Pierre Bornard, RTE's senior executive vice president

No alternatives

Yet his company's web site is the only place where competitors of the 'big three' can find French generation data and production availability forecasts. Since late 2006, the site has been posting aggregated French data on power produced, (ex post), and short, medium and long term forecasts of nuclear, coal, gas, fuel and hydro capacities, ranging from one day to three years.

"We use these figures to assess supply and demand in the market. When the market is tighter you are much more likely to get spikes," says one player at the London branch of an American bank. "One of the things we have seen with the forecasts is successive downward revisions. As you get closer to the production date, the forecasts fall. The forecasts of availability are very optimistic. It sends appalling signals to the market and makes it incredibly difficult to trade."

These overestimates of future production availability were "systematic" in the UFE information, the French regulator's in-depth probe found. Having examined information released by producers for every availability forecast across 2007, CRE



concludes that "whatever the production type, the producer concerned and the length of the forecast, the availability forecast for a given date was almost systematically higher than the availability realised." And these gaps were as wide as 5 GW in July and December of 2007, representing some 10% of total French nuclear power capacity, CRE says.

Way out forecasts

These forecasts were way out partly because the information published only took into account plant outages that were "certain," the regulator's report says. They failed to (and still do not) take into account estimates of likely unplanned outages. "This principle was not clearly posted on the RTE site and led market players to incorrectly anticipate the future situation on the French market," the report says.

Much of the production information published is wrong simply because it is incomplete. Some producers had not disclosed information and RTE, which is owned by EDF, had not bothered to inform visitors to its website, the CRE's report found. And neither was data regularly updated. Medium and long term forecasts were updated weekly or monthly, and even if short term data was refreshed daily, no figures were published at the weekend, the regulator says. "The absence of daily updates of all the forecasts could have led market players to react on the basis of information that could have been very different from that held by the producers," CRE says.

"It's very difficult if the information is not correct," complains another UK player. "There's no definition of availability and it's not compulsory to publish the information. There's no obligation for accurate production forecasts or policing if that changes. They can publish what they want."

More data

According to UFE chairman Robert Durdilly – who insists that, overall, RTE's data is "among the best of what's available in Europe," – some improvements are on the way. UFE plans to publish by the middle of this year a daily update on outages affecting each type of production. It will also update forecasts at the weekend. The regulator says this may help players anticipate availability in the short term and to "a certain degree" in the middle and long terms, "concerning real capacity availability on day one." But inequalities will still exist, the regulator warns. "It will still be difficult for competitors to forecast, in conditions similar to those of the producers, on the horizons of two days to three years."

UFE needs to go much further, say all the players contacted by Montel Powernews. "We need equal access to information for all market participants and this has to be compulsory," says a UK player. "If you are holding information that is not held by another player then that is market abuse. That's how it would be classified in other markets."

Another UK player said: "We need to see as soon as possible essential information published on unplanned plant outages. First, which plant is down? Then a few hours later, what is the problem with the plant? And then the expected time of restart"

This kind of information is published in other markets, particularly in the Nordic and UK markets. In the UK, "you can see the output of a plant minute by minute," said a French player. Even in Germany, where less information is published, the data is more accurate than in France because it comes from more sources, he added.

CRE is pushing for French producers to publish fuller information at least in line with guidelines drawn up by the European energy regulators group Ergeg in 2006, says Phillipe de Ladoucette. The guidelines set out Ergeg's view of the "minimum transparency requirements" across EU member states as whole. Without referring specifically to France, they call for the publication a year in advance of "ex ante information on the scheduled unavailability of generation units (start and stop dates of the outages, unavailable capacity)." And this information should be "regularly updated," Ergeg says.

Improvements

"The situation is better than it was before when we had no information," says Ladoucette. "But we want more information on each plant. For instance, what will happen at each plant and when they will be stopped, so that everyone can have this information eventually in real time."

De Ladoucette concedes, however, that producers are "going slowly." The regulator can only make suggestions, he says. Sanctions could only be imposed by the French Competition Authority if producers were found to be manipulating prices, he said. "But there's no element to say there is any manipulation," according to De Ladoucette.

Change may continue at a snail's pace without sanctions as EDF, which generates over 80% of all French production, sees its activities grow abroad and loosens its hold on the French market to let foreign companies in, says a French player. "It's really a political decision whether or not to open the market. France is really still a monopoly."

For the moment, the trend is for players to quit the illiquid French market. For production transparency in France read opaque. ■