

Who Performs the Monitoring Function – a Note

dr. Péter Kaderják
Director, REKK

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PRECONDITIONS FOR EFFECTIVE MONITORING

- Reliable data (measured vs. self reported)
- Well focused, informed and independent analysis (business vs. political vs. regulatory purposes)
- Ability and willingness to regularly publish the results
- Effective power to intervene if necessary (changing the rules, detect and punish misbehaviour)
- Established institution

- Market information – in case of lacking transparency?
 - Self reporting
- Technical and some market data: TSO and/or market operator
- For the regulator as detailed access as possible (IT need!)
- Oblige market participants to provide and publish as much as possible of primary data
 - Limits on business confidentiality should be explicit

- Human resource needs (structure)
- Independence
 - TSO: improper unbundling, emphasis on security
 - Market analysts: important, but focus on business aspects
 - Regulator: political influence, business capture
 - Ministry: bias towards state owned market participants
- Publication of
 - Primary data (web-pages of TSO, regulator, EX)
 - Regular market report(s) (adopted by a Surveillance Committee)

- Monitoring is best placed at the institution with sufficient powers to intervene...
 - Regulatory Commission
 - Market Codes Committee (TSO)
 - Ministry
- ...or powers should be re-allocated for the regulator to conclude on the results of monitoring.
- Involvement of Competition Office

- First best: regulator with sufficient powers and resources
 - Market Surveillance Committee (regulator, academics, TSO, antitrust)
- Second best: regulator without sufficient powers and resources
- Third best: other institution with sufficient powers and resources (ministry, TSO)
- First worst: no monitoring at all

THANK YOU FOR YOUR ATTENTION!

REKK was established at the Corvinus University of Budapest in December, 2003. The mission of REKK is to contribute to the creation of working energy markets and the establishment of efficient regulation by carrying out applied research, training and quality consultancy activities for all those interested persons and organizations that are active in the field.

We think that the experiences that Hungary and some other Central and Eastern European countries have gained through the restructuring and re-regulation of their energy markets are valuable and relevant for all transition economies. This is why the Centre intends to put a special emphasis on the research and dissemination of the regional experience and intends to become a regional research and training centre.

Address:

Regionális Energiagazdasági Kutatóközpont (REKK)

1093 Budapest, Fővám tér 8.

Tel: +(36 1) 482 8971, Fax: +(36 1) 215 8894

Web: <http://rekk.bkae.hu>, E-mail: pkaderjak@uni-corvinus.hu