

ex ante trade information is not provided to customers, the advantages to EOL market makers increase because none of the advantageous information is shared with others. Of course, it is precisely when liquidity provision is concentrated that there is also the greatest scope for monopoly power. This can manifest itself as the market maker setting relatively wide spreads between bid and ask prices and the extent to which the market maker extracts information from the flow of orders.

ICE and TradeSpark: An Alternative Type of Electronic Platform³³

The Basic Structure of the Electronic Markets

The introduction of the EOL platform in late 1999 generated tremendous interest and attention, bringing electronic trading to the commodity markets.³⁴ It emerged as a very popular platform and appears to have facilitated Enron's ability to increase its market share. The EOL system itself was quite easy to use and provided quick executions (immediate trading). EOL brought a "screen" to the OTC energy market at a time when trading occurred through telephone "voice brokers." The voice brokers performed a matching function and would often need to search for liquidity by "working the market." In contrast, Enron's willingness to offer continuous liquidity to the marketplace (e.g., by maintaining two-sided quotes) was very attractive to market participants. From the perspective of many participants, the system provided a form of "price discovery" through the continuous availability of two-sided quotes, even though the quotes certainly reflected Enron's business interests. The ease of using EOL presumably helped contribute to the growth of the market by simplifying the ability to trade. Indeed, when EOL "went dark," the trading activity at ICE doubled as traders sought alternative electronic platforms.^{35 36}

³³Information about IntercontinentalExchange (ICE) and TradeSpark was primarily provided by interviews with their respective personnel.

³⁴Many equity markets around the globe (such as Toronto and Paris) moved to electronic platforms during the late 1980s and the 1990s (e.g., as illustrated by the analysis of the provision of liquidity in the electronic limit order market in Paris by "An Empirical Analysis of the Limit Order Book and the Order Flow in the Paris Bourse," B. Biais, P. Hillion, and C. Spatt, *Journal of Finance*, Volume 50, Issue 5 (Dec. 1995), pp. 1655-1689). In fact, the Toronto market licensed its electronic market structure to a number of other markets.

³⁵When EOL closed, it is likely that many types of trading entities (including voice brokers and even alternative one-to-many platforms, such as Dynegy) increased their market share and overall business activity.