

Electricity market design - Norwegian comments

We refer to the invitation from the EU Commission to respond to the consultation on the future EU/EEA electricity market design of 23rd January. We thank you for the opportunity to address these important issues.

Norway support an evaluation of the electricity market design and the mission to identify where there is need for improvements. We share deep concerns about the repercussions of the energy prices for households and industry in Europe.

For Norway and the Nordic region, the issue of how EU should design its electricity market will be of upmost importance. Our common Nordic electricity market has served us well for many years. Potential amendments to the electricity market design must promote an effective power system and increased security of supply. In the work going forward, one focus area should be to increase the liquidity in the organized long-term and short-term markets.

We need to continue to assess solutions to the main issues in the energy market – the challenging gas- and power supply situation. Solutions to these issues may also be found outside the scope covered by the electricity market design.

Hydro power with reservoirs must be taken into account to avoid adverse effects on security of supply

We support the Commissions goal to identify measures that will secure sufficient investment signals for new power production. It is however important to recognize that one measure does not fit for all energy technologies. EU/EEA countries should be free to choose appropriate measures.

In our view Contracts for Difference can be a required and advisable tool for incentivizing progress and investments in certain energy technologies

and power production. However, broad and general use of CfDs might have adverse effects on the operation of the power system. Power production that is flexible in nature, such as hydro power from reservoirs, needs price signals to function well. Allocation of stored energy is dependent on price signals. Extensive use of guaranteed prices and price caps could distort the power producer's allocation of energy over time, and thus lead to scarcity of supply in periods with high demand. This could pose a challenge to security of supply. Possible recommendation for widespread use of CfDs needs thorough and comprehensive analysis to avoid adverse effects on security of supply.

New measures call for comprehensive impact assessments

It is important to facilitate a well-functioning market, which promotes efficient utilization of resources. The EU legal framework for the internal electricity market has been developed since the mid 1990's through relevant market legislation. Proposals for changes in current electricity market legislation requires thorough impact assessments.

The future market design also needs to take into account the different conditions in European countries, for instance in energy system, energy mix and retail markets. The need for legislative measures, as compared to non-legislative measures in order to achieve certain goals should be assessed thoroughly.

Norway welcomes the discussion on the electricity market design, but reiterates the need for an impact assessment before suggesting any amendments in the existing regulations.