

## Energy Norway hearing answer to the OED consultation on the Commission's communication on the Internal Energy Market.

Energy Norway, the association of Norwegian electricity producers, distributors and retailers, welcomes the opportunity to comment to OED on the Commission's Communication on the "Progress towards completing the Internal Energy Market".

The Commission Communication is in our view a good summary of the status of the Internal Energy Market (IEM) and the challenges facing the further developments of the market to meet the aims of competitiveness, security of supply and sustainability.

We support the Commission's main message: the completion of the IEM is still in process and needs to continue. The integration of RES is a challenge, which can be solved in a cost efficient way by further integration of the markets, exposing RES to electricity markets and balancing responsibility, the building of new grid and interconnectors and the creation of new markets for flexibility and demand response. The Commission rightly observes that wholesale prices have been reduced but in our view an explanation is missing and would be interesting. To what extent is the price reduction a consequence of market design/market integration, or is it a consequence of the economic crises or of increased production due to RES support schemes? In that context, we would also like to emphasize that RES subsidies need to become more effective and harmonized to reduce the gap between falling wholesale prices and rising retail prices. In our view there is a clear connection between falling wholesale prices and increasing retail prices, explained by increasing cost of RES subsidies and other taxes. Firm implementation by DG Competition of the new Guidelines on State aid for environmental protection and energy is in our view a key to such improvements in the market.

Regarding capacity markets we think that they can be a risk to the functioning of energy markets and market integration. Market integration is correctly seen as a way to reduce the need for capacity mechanisms. As a minimum, capacity markets, if introduced, must be market based, open to participation from neighbouring generation and demand response, on equal terms.

We also support the Commission's focus on increased implementation of existing rules and regulations to solve the above mentioned challenges.

Specifically for Norway we would like to underline the following points:

- Since the importance of the internal energy market is considerable, Norway needs to speed up the implantation of the third energy packet and connected regulations. With regards to the implementation of the regulation the Commission underlines the growing importance of ACER, the national regulatory authorities, NRA, (in Norway's case Elmarkedstilsynet) and DSOs. Regarding the NRA's role, we would like to emphasize the importance of securing regulatory neutrality, competence and the availability of resources needed to fulfill the tasks given by the

third energy package. In our view it is of imperative importance to increase the resources of the NRA so that they can fully play their role in the control of the implementation of the rules. It is important that the process of evaluating necessary legislative alterations in existing regulations is initiated without delay in order to implement the new network codes in a good way.

There is a need for further clarification of the role, responsibilities and appointment of DSOs in Norway and the planned implementation process. In this regard we would like to point out that the necessary DSO competence needs to correspond to the work and tasks they are delegated in the new network codes. In this respect there is a need to clarify the roles and responsibilities between the TSO and DSOs.

In our view it is important that the NRA takes a leading role and a firm grip on the above mentioned processes and that Norwegian stakeholders are duly included in this work.

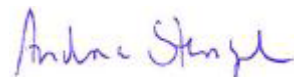
- The new governance process that is to be set up under the 2030-package also in relation to completion of the internal energy market is of significant importance. A well-functioning and structured dialogue between the Commission and Member States should lead to better co-operation and trust across borders. The new governance structure must contribute to a better understanding of regional co-operation to achieve security of supply, climate objectives and competitiveness. Norway should participate actively in the process and in the regional groups.
- The Commission emphasizes the importance of the TYNDP process and the infrastructure package and that grid investment now are focused where it is needed most. We appreciate that OED has given concession to two of the three Norwegian cable projects on the PCI list and hope for progress on the third.
- The Commission emphasizes the growing need for flexibility and the need for market development to encourage flexible generation and demand. In addition, the EU has increasing focus on the cross border integration of balancing and system services markets. In our view Norway should fully support this market development and work for Norwegian access to those markets. The Norwegian hydropower system has a large potential to deliver flexibility services and balancing and system services. In our view this potential should be used and increased through investments both in interconnections and investments in the hydro production system. There is, however, a need for clear political support and robust market solutions in order to achieve this goal.

Best regards,



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