

Agder Energi AS
Post: Postboks 603 Lundsiden, 4606 Kristiansand
Besøk: Kjølita 18, 4630 Kristiansand

Telefon: 38 60 70 00
Telefaks: 38 60 70 01
Kundetelefon:
E-post: firmapost@ae.no

Org nr.: NO 981 952 324 MVA
www.ae.no

Olje- og Energidepartementet - OED

Postboks 8148 Dep

0033 Oslo

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Energy Market Design - høringsinnspill

Det vises til Olje- og energidepartementets ønske om innspill angående EU-kommisjonens konsultasjon om [New Energy Market Design](#). Agder Energi oversender her kopi av sine svar på EU-kommisjonens spørsmål i konsultasjonen.

Agder Energi mener at EU-kommisjonen har fremmet et godt forslag til nytt markedsdesign. Agder Energi støtter i det store og det hele EU-kommisjonens forslag, og mener det bør arbeides for at dette blir grunnlaget for det gjeldende markedsdesign framover. Nedenfor følger Agder Energis svar på EU-kommisjonens spørsmål.

QUESTIONS:

1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? **Yes, we mean that prices should reflect actual scarcity and by that high prices may occur when generation at a point of time or at a specific place is scarce. At the same time we recognize that the consumer voluntarily should be able to hedge against price peaks by e.g. buying energy on a fixed-term contract.** Would this also include the need for prices to reflect scarcity of available transmission capacity? **Yes, equally for generation, prices should reflect actual scarcity if there are structural congestions due to scarcity of available transmission capacity.**

2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant? **Prices should reflect scarcity. The challenges can be met by letting the energy-only-market work and making all market participants who cause imbalances responsible for balancing them, in practice by paying another market participant for balancing services to a price which reflect scarcity. Hence, the cost of balancing imbalances will not be socialized but be an important price signal for every market participant and by that making the market work. The TSO should have a minor role when it comes to procurement of balancing services in this system of balancing compared to today's role. However, the TSO should still have the responsibility for e.g. the frequency stability and could be the administrator of a strategic reserve hold to secure supply in especially critical scarcity situations. Other capacity mechanisms should be redundant.**

3) Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures? **Yes. The EU should further**

promote regional, cross-border balancing markets. The EU should promote active use of interconnectors in this regard based on the price signals in the market.

4) What can be done to provide for the smooth implementation of the agreed EU wide intraday platform? **To provide for the smooth implementation of the agreed EU wide intraday platform there is a strong need for investments in hardware and software in the European system. Further standardization through new regulation will create common platforms.**

5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts? **No, the public sector should not be engaged in the market for long-term contracts, except for an eventual strategic reserve for especially critical scarcity situations. In all other situations, the market should be used to provide different products to provide investment certainty for new generation capacity.**

6) To what extent do you think that the divergence of taxes and charges levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy? **Divergence of taxes and levies and also divergence in generation tariffs can create great distortions in terms of directing investments, especially when common schemes are introduced to incentivize investments. A concrete example of this challenge is the difference in investment levels in new wind power projects in the common Swedish-Norwegian certificate scheme. Investments in wind power projects is far bigger in Sweden than in Norway to a large degree due to lower taxes and charges for new wind power investments in Sweden compared to Norway.**

7) What needs to be done to allow investment in renewables to be increasingly driven by market signals? **ETS must be reformed and strengthened to be the key driver for all new investments. Higher energy prices will drive investments. Now, the most pressing need is new investments in infrastructure to enhance further market integration.**

8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order? **The main obstacle to fully integrating renewables into the market is infrastructure. New grid investments must be made. In addition, regulation must be changed, the use of feed-in tariffs where price signals is set aside must come to an end.**

9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)? **Reform of the ETS should make the ETS the main scheme to meet both climate targets and to substitute fossil energy with renewable energy. The ETS gives the necessary coordinated approach across Member States.**

10) Where do you see the main obstacles that should be tackled to kick-start demand- response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)? **The main obstacle to kick-start demand-response and flexibility markets is the lack of incentives for the market participants (aggregators, customers etc.) to engage in demand response activities. To make the market participants engage in e.g. flexibility markets they must be exposed to the real cost and income in the markets. To make that possible it is crucial with investments in software delivering real-time information at distribution grid level**

and transmission grid level. Real-time information to market actors requires investments in infrastructure, both hardware and software.

11) While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? **Firstly, the responsibility for system security should in greater degree be placed on each market participant by making every participant responsible for balancing their production or consumption by finding counterparts in the market who can contribute with balancing services. In this regard the TSOs responsibility for system security should be limited.** Is the current national responsibility for system security an obstacle to cross-border cooperation? **We think that putting more responsibility on the market participants will make the market work and also enhance cross-border cooperation.** Would a regional responsibility for system security be better suited to the realities of the integrated market? **Agder Energi operates first and foremost in a Nordic marketplace. With the main market being regional, the main institutions should be organized accordingly: a Nordic TSO and a Nordic regulator.**

12) Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role? **Yes.**

13) Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed? **We recognize the important role of the ENTSOs. But the TSOs responsibility should be limited to provide for only a limited strategic reserve to secure supply in especially critical scarcity situations and to focusing on the system operation role, e.g. to secure frequency stability. The market participants should have greater responsibility i.a. when it comes to procuring and providing balancing services to maintain system security and security of supply. Further, there should be a requirement that the TSOs should also have an open, transparent process involving the DSO-level. A regulatory oversight is needed, especially regarding data management.**

14) What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end-customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required? **Agder Energi support the principles CEER highlights in its new DSO report on ["The future role of DSOs"](#). Strong regulation on governance rules for DSOs is needed to secure that DSOs operate as neutral market facilitators. Access to metering data should be solved by a centralized solution with neutral access.**

15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation? **In principle, a European approach to distribution tariffs would be desirable. If that is possible there should be set clear principles and guidelines that at the same time can address specific grid needs. All existing barriers to market integration should be removed.**

16) As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered? **Yes.**

17) Is there a need for a harmonised methodology to assess power system adequacy? **Yes.**

18) What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)? **First and foremost, it is important that the customers should pay for the adequacy they need. That can be done e.g. by letting the customer pay for a certain level of effect delivered. Then they should have the right to get that effect but at the same time they have the responsibility to make sure they do not use more effect than payed for. The adequacy methodology and assessment should be based on the customer in a decentralized system, not a centralized system where the cost is socialized and spread on all customers. The appropriate geographic scope of a harmonised adequacy methodology and assessment should always reflect the market and its geographic scope. Aligned with the integration of the many European energy markets, the methodology and assessments should follow the evolution of the energy markets in the EU: from national, via regional, to EU-wide.**

19) Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market? **Yes. But the adequacy standards should be based on the customer in a decentralized system like described in the answer to question 18.**

20) Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like? **Yes. Further market integration and further development and use of cross-border interconnectors will reduce need for introducing capacity mechanisms. If, however, capacity mechanisms are introduced, they should be open for all market actors and cross-border interconnectors.**

21) Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy? **Yes. But rather than discuss capacity mechanisms we should put balancing responsibility on every market participant and make the market work so that we can see different solutions to secure power system adequacy, both producer flexibility and consumer flexibility.**

Med hilsen
Agder Energi AS



Unni Farestveit
Direktør Samfunnskontakt
Direkte e-post: unni.farestveit@ae.no