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### **Høring av EU-kommisjonens forslag til forordning om kapasitetsfastsettelse og flaskehalshåndtering (CACM)**

Det vises til høringsnotat "Commission Regulation Establishing a Guideline on Capacity Allocation and Congestion Management" av 19. mars 2015.

Energi Norge er en interesse- og arbeidsgiverorganisasjon for norsk kraftnæring, som er tilknyttet NHO. Vi representerer ca. 280 bedrifter som produserer, transporterer og selger strøm og varme. Energi Norge representerer gjennom sine medlemsbedrifter nesten all norsk kraftproduksjon, 95 % av kraftkundene og over 90 % av nettkundene.

Vi skriver de detaljerte kommentarene på engelsk for å gjøre bruk i europeisk sammenheng enklere.

#### **Main message**

The binding Guideline on Capacity Allocation and Congestion Management (GL CACM) will be the main legal document regulating the establishment and management of the physical day-ahead and intraday electricity markets in Europe, and as such the implementation is of Norwegian interest. Since some of the processes described in the guideline around market integration, TSO cooperation and regional cooperation have already started, it is important that Norwegian stakeholders are informed in a timely manner of these processes and get the opportunity to participate along with their European counterparties.

In addition, the implementation of the CACM gives considerable market influence to the TSOs by allowing them to design their common grid model, maybe switch to flow based market coupling, agree on margins, set up solutions for cross border redispatch etc. While we welcome increased TSO cooperation, in our view, this development needs to be balanced by increased transparency and stakeholder hearings. It also needs a correspondingly strong NVE that has enough resources to be able to fulfill their oversight and control functions.

The following are specific messages, relating to the implementation of specific parts of the GL CACM, that we find important to communicate.

## **Regarding Section 1**

### **Articles 4 -7**

#### **The designation of Nominated Electricity Market Operators (NEMOs) and NEMO tasks**

Energy Norway welcomes the opportunity for choice between power exchanges and competition that is potentially opened for our member companies. However, concerns for the competition between exchanges should not lead to electricity markets suffering. Market parties as customers of the exchanges are primarily interested in a functioning electricity market; competition between the exchanges is only a secondary concern for us.

For instance, the quality of the price formation must not suffer from the fact that potentially several power exchanges are involved in the process. In the day-to-day run of the price coupling, the quality of the systemprice must not suffer. If only a part of the relevant bids and offers is used in the calculation due to a power exchange not having access to the others exchange data or methodology, it would significantly reduce the value of the systemprice as a reference price for most of the Nordic forward contracts. Currently there is no obvious alternative available to the systemprice due to the structure of our market with many small price areas. Therefore, all NEMOs active in the Nordics should be obliged to cooperate on the systemprice calculation.

The second concern for market function lies in the risk of decoupling: in case there is a decoupling between the Nordic area and the CWE area, Nordpool still promises a functioning Nordic price coupling, and only if that fails will there be just separated price areas. Any potential new NEMO should be integrated into that backup structure before being allowed to open business in the Nordics - it is not acceptable to market parties that any decoupling with CWE leads automatically to a full decoupling within the Nordic countries, which results in five small, non-connected price areas in Norway. In addition, it is not acceptable that a decoupling could lead to two prices in one price area, a situation comparable to the present UK situation, where two NEMOs are competing. There should always be only one price in each price area – any NEMOs active in the Nordics should cooperate to achieve that.

### **Articles 16 -19**

#### **The common grid model**

We welcome that the TSOs are obliged to develop a common grid model and hope that the increased cooperation will lead to more transmission capacity being made available to the markets. In addition, we expect that the common grid model will lead to more transparency for the stakeholders.

### **Articles 20 – 21, 29**

#### **Capacity calculation methodologies and the step to flow based marked coupling**

We welcome that the Nordic TSOs have started a common project to look into flow based market coupling following the requirements of the GL CACM. While we see and welcome the theoretical merits of the flow based approach, we currently lack concrete information on the cost and benefits of its implementation in the Nordic countries. It is essential for market parties to understand price formation to allow rational bidding on the day ahead and intraday markets especially in a hydropower based system. But currently, we don't know how much more if any more capacity could be made available to the markets and we don't have any data based indications how the prices in the price areas will react to the introduction of flow based market coupling. In addition, we don't have any indications which information the TSOs will make available to market parties for their price modelling purposes.

Therefore, before any decisions are taken in the Nordic countries, TSOs must facilitate more transparency and stakeholder involvement in the process – it is not acceptable that electricity price formation becomes a black box for producers and consumers.

## Articles 22 – 25

### Various calculation methodologies

We welcome TSO development of common methodologies on the calculations of various margins and model input as long as more transmission capacity is made available to the markets. In addition, since unused capacity affects market prices and efficiency, there is a need for a high degree of transparency regarding the methodologies used, the margins kept and the actual use of the capacity kept as a margin. Any margins kept from the market must be duly justified.

## Article 32

### Reviewing existing bidding zone configurations

Energy Norway welcomes the proposed process for bidding zone configurations, which allows for a fact-oriented discussion and involves stakeholders in this important discussion. We also recognize that Statnett has improved its communication on potential and expected price area changes. We hope that Statnett and NVE can commit for the future to follow the regular process described in the GL CACM securing a satisfactory stakeholder involvement instead of using the exemptions in Article 32 3. and 4. b) ii), which would have a negative impact on market function and liquidity and increased cost for market parties.

## Articles 38 -72

### Describe the functioning of the day ahead price coupling and the intraday market

Market integration in the day ahead markets is progressing well; we expect that the adaption of the GL CACM will also improve the integration and the market design of the intraday markets. While the intraday markets in the Nordic countries are already integrated, the markets could for example gain by moving the cross border gate closure closer to the operational hour, or by the introduction of shorter products than the hourly product. These steps would allow balancing responsible parties to trade themselves into balance closer to the operational hour and would reduce the work (and the cost) for the TSO of balancing the system. For Norway, the increased liquidity in the intraday market would allow us to gain proper value for the flexibility of our hydro production.

Additional benefit in the form of increased available transmission capacity should come from the implementation of the common grid model and the requirement in the GL CACM to recalculate available capacities after they day ahead for use in the intraday. Possible ways to incentives the TSOs to make capacity available for the intraday should be discussed.

## Articles 73 -80

### Cost sharing between TSOs, division of congestion income between TSOs and cost sharing between TSOs and NEMOs,

In our view, these articles should be seen in connection to the ITC and the ambition to harmonize transmission tariffs in Europe.

Vennlig hilsen  
Energi Norge



Einar Westre



Andrea Stengel