



NordREG  
Nordic Energy Regulators

# Work Programme 2008

Report 1/2008

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February 2008

## **WORK PROGRAMME 2008**

**NORDIC ENERGY REGULATORS  
(NordREG)**

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## **PREFACE**

The NordREG work programme for 2008 builds upon the previous year's work. The objective of this year's work programme to a high degree is one of consolidation, finalizing tasks not totally completed in 2007 and adding tasks in continuation of 2007 tasks. Among these are the different aspects of creating a Nordic electricity retail market, harmonization needs on balancing and aspects of security of supply. The 2008 work programme contains a few new tasks aimed at further implementing the strategic objectives. One example is the widening of the scope of the task relating to regulation of Nord Pool Spot to address possible new structures of exchanges in Europe. The work on some of the issues responds to questions raised by the Nordic Council of Ministers (e.g. on development of a Nordic retail market, balancing and peak load capacity investments). All projects will be closely coordinated with work among the European energy regulators on related issues in the context of the CEER and ERGEG, including the ERGEG Electricity Regional Initiative.

The Work Programme 2008 also includes tasks of Work Programme 2007 to be finalized in 2008.

The Work Programme 2008 contains a number of tasks, which all will contribute to improving the framework for gradually developing an integrated Nordic electricity market. Retail market and wholesale market are closely interconnected. Work on harmonised balancing rules as well as cooperation on implementation of congestion management guidelines therefore will be continued. On the issue on increasingly coordinated regulation, the regulation of Nord Pool Spot as well as the monitoring of the regulation power market will be developed. The convergence of national principles of dealing with security of supply as well as peak load investments is among other topics.

NordREG has a one year rotating chairmanship. The publication of this report marks the end of the Danish chairmanship. For the year 2008 the Finnish regulator, Asta Sihvonon-Punkka from Energiainfo (The Energy Market Authority - EMV) will have the chairmanship.

Copenhagen, December 2007  
Finn Dehlbæk  
Chairman of NordREG (2007)

## INTRODUCTION

Nordic Energy Regulators (NordREG) is a co-operation between the Nordic energy regulators. The co-operation was established through a Memorandum of Understanding, which was signed in 2002. In the document, the objectives of the co-operation as well as the modes of it were agreed. Prior to a formal agreement on co-operation, the tradition of bi-annual meetings and a rotating chairmanship started in 1999.

The following authorities are members of NordREG:

**Denmark:** The Danish Energy Regulatory Authority, (Energitilsynet, DERA)

**Finland:** The Energy Market Authority, (Energiamarkkinavirasto, EMV)

**Iceland:** The National Energy Authority, (Orkustofnun)

**Norway:** The Norwegian Water Resources and Energy Directorate, (Norges vassdrags- og energidirektorat, NVE)

**Sweden:** The Energy Markets Inspectorate (Energimarknadsinspektionen, EI)

The Nordic energy ministers agreed during their meeting in Bodø in September 2006 that the Nordic electricity market should be an essential part of future energy co-operation. This firm intention was confirmed at their meeting in Helsinki in September 2007 focussing on harmonization needs and investments in transmission lines. A number of tasks were recommended to be accomplished and the Electricity Market Group subsequently agreed with NordREG that NordREG will take the responsibility for a number of these tasks. This agreement is reflected in this Work Programme 2008.

Extensive work on achieving a single European electricity market is carried out by the European Commission. In September 2007 the Commission launched a draft legislative package, *the 3<sup>rd</sup> Liberalization Package*. This marks an important step towards an increasingly integrated European energy market. The ERGEG Regional Initiative constitutes an important driver for this integration process. These initiatives are – and will increasingly become – an important framework for the development of the Nordic market and its interaction with continental markets. NordREG is actively engaged in this work.

The Nordic power market and the cooperation between the Nordic regulators can serve as a good model for the creation of a single energy market within Europe. During the last 10-15 years the electricity markets in the Nordic countries have undergone major changes. All of the Nordic countries have reformed their electricity markets, opening both electricity supply and electricity generation to competition. Today the Nordic power market is one of the best functioning regional electricity markets in Europe. The constantly increasing trade on Nord Pool is a good sign of this.

Although the Nordic market is one of the most developed regional electricity markets in Europe, there is still work to be done. NordREG recognizes that there are still regulatory gaps that need to be addressed and it is one of NordREG's most important tasks to identify and eliminate such gaps.

## **MISSION AND VISION**

The foundation for the co-operation of NordREG is to identify the areas of work where co-operation taking the forms like exchange of views, working together to map and analyse energy market issues, producing reports and statements and taking common action to influence either Nordic or European development can create value-added.

The mission for NordREG is as follows:

**”In cooperation, we actively promote legal and institutional framework and conditions necessary for developing the Nordic and European electricity markets”**

NordREG has also formulated its vision for developments of markets (updated 2007):

**All Nordic electricity customers will enjoy free choice of supplier, efficient and competitive prices and reliable supply through the internal Nordic and European electricity market**

## STRATEGIC PRIORITIES

The strategic priorities and the objectives derived from them for NordREG are listed in the table below:

<b>Strategic priorities</b>	<b>Objectives</b>
<b>A truly common Nordic retail market with free choice of supplier</b>	<ul style="list-style-type: none"><li>• To develop a common balance management and settlement system</li><li>• To ensure easy and harmonised switching procedures in the whole Nordic market</li><li>• To create harmonised criteria for unbundling to ensure neutrality</li></ul>
<b>A well-functioning Nordic wholesale market with competitive prices</b>	<ul style="list-style-type: none"><li>• To promote competitive market structures</li><li>• To ensure smooth interaction with other European regions</li><li>• To ensure a well functioning power exchange</li><li>• To ensure adequate level of transparency in the market</li></ul>
<b>Reliable supply</b>	<ul style="list-style-type: none"><li>• To promote market-based or legal environment for security of supply</li><li>• To ensure harmonised procedures for handling extreme situations</li></ul>
<b>Efficient regulation of TSO</b>	<ul style="list-style-type: none"><li>• To regulate and monitor the TSOs with focus on efficiency and Nordic harmonisation</li><li>• To promote adequate transmission capacity and efficient market-based congestion management methods</li></ul>

## A truly common Nordic retail market with free choice of supplier

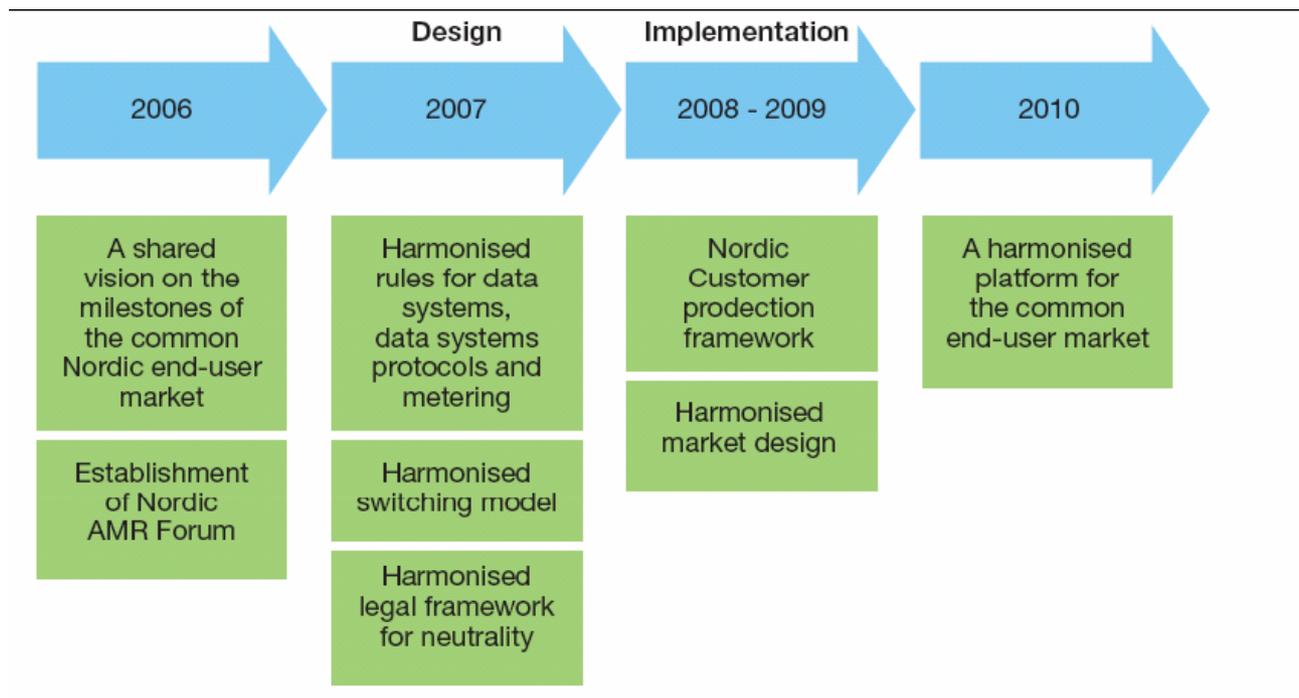
- To develop a common balance management and settlement system
- To ensure easy and harmonised switching procedures in the whole Nordic market
- To create harmonised criteria for unbundling to ensure neutrality

## A common Nordic retail market

### Background and objectives

The Nordic Energy Ministers at their meeting in Helsinki September 2007 gave their support to the Electricity Market group's recommended action regarding the Nordic retail market: *"NordREG is asked to proceed with activities towards the vision of a common end-user market. It should be considered whether the activities are beneficial in a Nordic, socio-economic perspective. NordREG should take account of the business aspect for suppliers in one common retail market, also considering influences of activities to retail customers and retail and distribution prices in each country. Nordenergi shall be consulted.*

In NordREG's report "The integrated Nordic End-User Electricity Market – Feasibility and Identified Obstacles", which was published in February 2006, the following timetable was put forward:



The shared vision on the milestones of the common Nordic end-user market was worked upon during the process of preparing the report as two workshops and a public consultation on the draft report took place. To establish the Nordic AMR Forum the leading electricity research institutions have launched a project co-financed by the Nordic Council of Ministers.

During 2007 the work on retail market issues has concentrated on harmonised supplier switching model and the socioeconomic analysis on the potential benefits and costs of the further integration of the Nordic end-user electricity market. The NordREG report “Costs and Benefits of Nordic Retail Market Integration” identified elements of costs and benefits of establishing a common Nordic electricity retail market. The effects were not quantified, but this first qualitative analysis concluded that the benefits would probably outweigh the costs with a clear margin. Other tasks initiated but not concluded related to the status of national regulation of neutrality of DSOs and the roles of DSOs and suppliers (i.e. the market design model). So far the area not explicitly tackled in the roadmap picture has been the one concerning data systems, data system protocols and metering. However, the work on harmonised supplier switching model has also touched upon these issues.

During 2008 the work will concentrate on completing the tasks initiated but not concluded during 2007 as well as the task requested by the Nordic Council of Ministers in September 2007. On the basis of the 2007 NordREG report on costs and benefits of retail market integration a further work will be carried out. This work will include an attempt to quantify the costs and benefits of the end-user electricity market integration to further assess the socioeconomic impacts of such market integration. In addition the concept of “one Nordic retail market” will be elaborated. Furthermore, the timetable for the stepwise development of the Nordic end-user electricity market integration will be revisited.

The other line of work will consist of a report on market design. Work nearly completed in 2007 on a harmonized switching model, on status of national regulation of neutrality of DSOs as well as on the roles of DSOs and suppliers will be used as an input for the further work on market design.

It should be noted that the “Task 15 Market Indicators” also comprises developing methods of quantitatively evaluation of development of the retail market.

## **Outline of tasks**

### **Task 1. Costs and benefits of establishing a common Nordic retail electricity market**

The next step on evaluation of costs and benefits of establishing a common Nordic retail electricity market will be based on the NordREG report “Costs and Benefits of Nordic Retail Market Integration”. For the cost and benefit elements defined a quantitative analysis will be carried out. Subsequently an aggregate estimate of the socio-economic impact of the retail market integration will be provided. The analysis should also roughly evaluate the impact of retail market integration on retail and distribution prices of the various countries. Nordenergi, Nordel and other relevant stakeholders including representatives of electricity consumers will be consulted on the work.

### *Output*

A status report on more elaborated cost-benefit analysis will be accomplished by the beginning of March 2008, and a final report will be delivered by the beginning of May 2008.

## **Task 2. Roles and responsibilities – the concept of a “Nordic retail market”**

Roles and responsibilities of DSOs and suppliers differ among the Nordic countries. This is an important aspect in relation to integration of Nordic retail markets. A status report will illustrate these differences. The status report will also serve as a basis – together with the NordREG 2006 report on “The Integrated Nordic End-user Electricity Market” – for a further elaboration on the concept of a common Nordic retail market as well as an estimate on which preconditions for such a market can be in place by 2010.

### *Output*

- Status report on roles and responsibilities will be delivered by the beginning of March 2008
- Status report on concept of a common Nordic retail market and preconditions for such a market to be realized will be delivered by beginning of March 2008. A possible more elaborated report will be finalized during the second quarter of 2008 or the more elaborated evaluation/description will be contained in the final report on market design, which will be due in November 2008.

## **Task 3. Harmonization of supplier switching models**

The supplier switching models of the various Nordic countries do not vary a lot but still some relevant differences exist. At the same time a steady work for harmonising the supplier switching model at the European level is undergoing. A report on a harmonized supplier switching model is to be finalized in the beginning of 2008, subsequently to be sent for public consultation. The public consultation on the harmonized supplier switching model report might highlight some other issues related to information exchange processes between market actors, like moving situations, which could also need harmonization in Nordic level. Decision of starting NordREG work on making a proposal of a harmonized model on these issues could be made separately later in 2008.

### *Output*

The final report will be finalized during the first quarter of 2008.

## **Task 4. Neutrality of DSOs – status report**

Neutrality of the DSOs is a key principle in all Nordic countries. It is regulated in different ways in various Nordic countries. The 2008 work on neutrality delivers a proposition of harmonised legal framework for neutrality. This could be a part of the final market design report mentioned under Task 5. One input will be a status report of how distribution network operators are supervised and regulated with regard to neutrality in the Nordic countries.

*Output*

The status report will be finalized during the first quarter of 2008

**Task 5. Market design – final report**

The market design is the key issue for the integration of markets and there are differences among the Nordic countries in this respect. The solutions on market design affect the roles and responsibilities of various electricity market operators and thus it has significance to market functioning and processes like supplier switching. Based on inputs offered by Tasks 1- 4 a final report on harmonized market design will be drafted.

*Output*

The final report will be due in November 2008

## **A well-functioning Nordic wholesale market with competitive prices**

- **To promote competitive market structures**
- **To ensure smooth interaction with other European regions**
- **To ensure a well functioning power exchange**
- **To ensure adequate level of transparency in the market**

## **Regulation power market and balance settlement**

### **Background and objectives**

NordREG in 2007 published two reports relating to balancing services: “A common Nordic platform for balancing services” and Monitoring of the Nordic Regulation Power Market”. Both reports contained proposals for further work. The Nordic Energy ministers at their meeting in Helsinki September 2007 gave their support to the Electricity Market group’s recommended action regarding balancing:

- 1. The national authorities are invited to initiate a process with the relevant institutions within each country, with the intention of implementing the suggested principles in 2009, as proposed by Nordel.*
- 2. NordREG is invited to continue the work with a more harmonised regulation power market in cooperation with Nordel. The aim should be to find common Nordic standards for price setting, bidding and quality control, increased transparency and a common gate closure in the regulation power market.*

The first task is an invitation to the national authorities. NordREG sees it important that this work by the national authorities is carried out in a coordinated way. The task, therefore, includes the follow-up of the work done by the national authorities and acting as a coordinating and stimulating body.

The second task focuses specifically on the regulation power market. Three issues have been identified:

- More harmonized regulation power market
- To propose a model for monitoring of the regulation power market
- To find ways to increase transparency in the regulation power market

The task on a more harmonized regulation power market will be the major issue to address under this task. This task will also address the specified needs for monitoring of this market. This will serve as input for the proposal for a model of monitoring. This task will be dealt with as a specific “Task 9. Monitoring of the Nordic regulation power market”. This task might subsequently include

the transparency in the regulation power market. Nordel plans to publish a detailed description of the existing rules and operation in the regulating market by the beginning of March 2008.

In addition to these tasks a continued work as follow up on “A common Nordic platform for balancing services” will be performed.

## **Outline of tasks**

### **Task 6. Common principles for cost allocation and settlement - first phase towards a common Nordic platform for balancing settlement**

In continuation of the 2007 NordREG report “A common Nordic platform for balancing services” a final report on “Common principles for cost allocation and settlement – first phase towards a common Nordic platform for balancing settlement” is elaborated.

This report will contain:

- a final evaluation of Nordel suggestions
- identification on which laws and regulations that need to be changed in each country in order to implement Nordel suggestions by the first of January 2009
- criteria for evaluation of balancing settlement
- mapping on the further process needed in order to take further steps to fulfil the vision of a common Nordic balance settlement

NordREG is committed to continue the processes towards a harmonised balance settlement in order to reach a common Nordic retail market. This process will be synchronised with the work within other NordREG working groups that are dealing with harmonisation of other retail issues.

One conclusion of the work so far is that in order to reach a sufficiently harmonised solution there is a continuous need for coordination between the Nordic regulators. There is also a need for changes in legal and regulatory frameworks. In some countries this is the case already for the first step. For all countries this will be the case in order to take the further steps. This calls for an ongoing work in NordREG in order to follow and coordinate the regulatory actions on the national level, and to identify issues where there are fundamental diverging positions that need to be addressed on a higher level.

#### *Output*

The above mentioned report will be finalized in 1<sup>st</sup> quarter 2008. Furthermore, a report on the status of the implementation of the harmonised Nordic balancing system will be published by the end of 2008.

### **Task 7. A more harmonized regulation power market**

In its initial work regarding Nordic balancing, NordREG noted that the regulation market works fairly well. However, there seems to be prospects for increased efficiency. This might be attained by

identifying important differences in the framework between countries as well as proposing a genuine Nordic harmonisation.

It is important initially to discuss to what degree harmonisation is necessary in order to improve the efficient functioning of the market. Subsequently concrete cost efficient harmonization measures will be proposed.

The cooperation with Nordel during the work process is important.

#### *Output*

- A “pre-study” will be presented by May/June 2008 consisting of two parts
  - Preliminary identification of cost effective harmonization needs and drafting a plan for further work on regulation power market harmonization
  - Suggestions for a common goal for monitoring of the regulation power market, including elements to be monitored and a draft road map for further work
- A proposal for harmonization of the Nordic regulation power market by 1<sup>st</sup> quarter 2009

## **Monitoring and regulation of Nord Pool Spot and other markets**

### **Background and objectives**

In 2002 the Norwegian Water Resources and Energy Directorate (NVE) made guidelines for information exchange and consultation with other Nordic regulatory authorities in connection with NVEs regulation of Nord Pool Spot. The purpose of this task is to prepare for further co-operation with the other Nordic energy regulators concerning the regulation of Nord Pool Spot relating to the Nord Pool Spot market place concession. The need for this co-operation stems from the impact on the entire Nordic electricity market of Nord Pool Spot activities, while the activities are legally regulated by NVE.

During 2006 a NordREG working group was looking into the relevant questions regarding the regulation of Nord Pool and Nord Pool Spot. The group has made an internal note on the current regulation of Nord Pool Spot and arranged a high level meeting with it. A similar high level meeting was held in 2007.

On the monitoring of regulation power markets, NordREG in 2007 published the report “Monitoring of the Nordic Regulation Power Market”, which also propose further work. The September 2007 meeting of the Nordic Ministers of Energy in Helsinki gave their support to the Electricity Market Group’s recommendation – in line with the NordREG report – to ask the TSOs “...to publish detailed descriptions of the existing rules and operations of the regulation power market”.

### **Outline of tasks**

#### **Task 8. The regulation of Nord Pool Spot and any possible new power exchange**

Based on the working note of 2006 as well as the outcome of the two high level meetings, the group in 2008 will look into relevant questions, and if necessary, propose changes concerning the regulation of Nord Pool Spot. A report will include:

- Considerations on
  - Proposed measures for improving present regulation of Nord Pool Spot
  - Describe the present regulation of other European power exchanges
  - Describe challenges and possible options for regulation of a new configuration of power exchanges in Europe
  - The cooperation between Nordic regulatory authorities on regulation of Nord Pool Spot and of any possible future electricity exchange active on the Nordic market. It will also address the regulation of European Market Coupling Company (EMCC) in Hamburg
  
- A proposal on how to improve the regulatory cooperation between Nordic regulatory authorities in

relation to trading of electricity (physical)

The group shall also prepare a high level regulatory meeting with Nord Pool Spot during second half of 2008.

*Output*

- A final report on The regulation of Nord Pool Spot and any possible new power exchanges, by September 2008

**Task 9. Monitoring of the Nordic regulation power market**

The call of Nordic Ministers of Energy to ask the TSOs “...to *publish detailed descriptions of the existing rules and operations of the regulation power market*” reportedly will be followed by a Nordel move on this issue by March 2008.

The call was based on a recommendation in the 2007 NordREG report “Monitoring of the Nordic Regulation Power Market”. The report envisaged the drafting of a proposal for a model of monitoring the regulation power market and the interactions between this and the two other physical markets of Nord Pool Spot and Elbas. The NordREG tasks on “Regulation power market and balance settlement” will focus on the possible increased harmonisation of the Nordic regulation power market. This task will also address the specified needs for monitoring of this market. This will serve as input for the proposal for a model of monitoring. The proposal might offer a choice between alternative models – indicating pros and cons of each model.

*Output*

Report on model(s) for monitoring of the regulation power market and the interactions between this and the two other physical markets of Nord Pool Spot and Elbas, by the beginning of November 2008

## Reliable supply

- To promote market-based or legal environment for security of supply
- To ensure harmonised procedures for handling extreme situations

## Security of supply and extreme situations

### Background and objectives

Variations in water inflow to reservoirs and dry periods as in 1996, 2002/2003 and 2006 have resulted in increased focus on security of supply in the Nordic system. In dry periods the system is also more vulnerable to other incidents both in transmission and in generation.

In June 2006 NordREG published a report on handling extreme situations in the Nordic countries (NordREG report 5/2006). There is a common understanding of the importance of being aware of the main challenges of the different severe situations that might occur in the different Nordic countries and how they might be handled. Exchange of information and analysis of the system and market development among the Nordic regulators has proved to be important in such situations. To ensure efficient exchange of information among the competent authorities and timely management of extreme situations it is important to have a thorough understanding of the division of tasks and responsibilities of the various authorities.

Some Nordic countries have introduced specific legislation and measures to ensure security of electricity supply and to avoid extreme situations. For instance Sweden and Finland have special arrangements which guarantee the availability of certain generation units in extreme situations.

National implementation of the EU directive on Security of Supply is of special relevance to the work. The Nordic Energy Ministers at their meeting in Helsinki September 2007 gave their support to the Electricity Market group's recommended action – based on proposal of the 2007 NordREG report on “Regulation of the TSOs” - of NordREG “... to co-ordinate the national regulators' activities in implementation issues, where the competence falls to regulators.”

### Outline of tasks

#### Task 10. Report on security of supply and extreme situations

The working group's tasks on a report on security of supply and extreme situations fall into three categories:

Firstly, it should review the tasks and responsibilities of various authorities related to security of supply and extreme situations and draft an overview of legislation and regulations with relevance to security of supply and handling of extreme situations.

Secondly, the working group should enhance co-operation and co-ordination among the various organisations responsible for security of supply and extreme situations and contribute to efficient information exchange among the competent authorities in order to help to tackle the extreme situations. Related to this, it should prepare a proposal on guidelines for exchange of information, act as an expert network for power situations and call meetings between the regulators when situations seem to emerge.

Thirdly, the working group should review specific legislation that has been introduced in the Nordic countries to ensure security of electricity supply and to avoid extreme situations. This issue will be addressed by examples of special regulations from the countries.

#### *Output*

A report by 1<sup>st</sup> quarter 2008 comprising

- a review of the tasks and responsibilities of various authorities as well as an overview of
- national legislations with regard to security of supply and extreme situations (table in annex)
- a proposal on guidelines for organisation of information exchange
- a report on specific legislative measures to ensure security of supply and to avoid extreme situations

### **Task 11. Review of implementation of the EU directive on security of supply**

The task of “...*co-ordinate the national regulators’ activities in implementation issues, where the competence falls to regulators*” in relation to the EU directive on security of supply will give a partial picture of the national legal and practical implementations, due to the different roles and responsibilities of Nordic national regulators. In agreement with the Electricity Market Group NordREG will therefore contribute with a brief overview according to their knowledge of (draft) legal texts notified to the EU Commission and any practical implementation envisaged.

#### *Output*

A status report on national implementation of the EU directive on security of supply by 1<sup>st</sup> quarter 2008

## Task 12. Peak load capacity investments

### Background and Objectives

The EU directive 2003/54 states that each Member State shall ensure the possibility, in the interests of security of supply, of providing for new capacity or energy efficiency/demand-side management measures. These measures can be implemented by the use of tendering procedures or any other procedure equivalent in terms of transparency and non-discrimination. However, these procedures can only be launched if existing generation capacity and demand side management measures are not sufficient to ensure security of supply.

Nordel in 2006 was invited by the Electricity Market Group (Nordic Council of Ministers) to study if a joint Nordic long term solution is needed to secure sufficient peak load investments and how this can be implemented. In response, Nordel in 2007 delivered *Guidelines for implementation of transitional peak load arrangement*. It describes Nordel's method for assessment of power balances in the Nordic System and proposes a guideline for a harmonised procedure for peak load arrangements. Nordenergi was invited to comment on Nordel's proposal and the response was *Nordenergi's remarks to the Electricity Market Group of the Nordic Council of Ministers on Peak Load Reserves*.

The Nordic Energy Ministers at their meeting in Helsinki September 2007 gave their support to the Electricity Market group's recommended action regarding peak load capacity investments: "*NordREG is invited to make an assessment of Nordel's proposal, focussing on to what extent common Nordic principles are needed, and how these principles should be designed to minimise the impact on the market. The analysis should focus on implications for prices in the short term (extreme situations) and long term, power flows and investments*".

The Nordic Council of Ministers decided to finance a consultancy study to provide comments to the Nordel draft guidelines. The study is to be finalised during the first quarter of 2008. The intention is that NordREG would make use of the study while preparing their comments on Nordel's proposition and also their position on the issue of peak load arrangements.

Additionally, it should be noted that the Energy Markets Inspectorate has received a similar task regarding Peak Load Capacity in Sweden from the Swedish government to be presented by end of 2008. It is important to ensure cooperation of the two tasks.

### Outline of task

The task basically consists of two parts:

- Comments to the Nordel report (and to the Nordenergi comments)  
According to agreement with the Electricity Market Group this task has 1<sup>st</sup> priority

- A review on prospects of developing a harmonised arrangement for the acquiring of peak load reserve in the Nordic market, including
  - To what extent common Nordic principles are needed
  - How these principles should be designed to minimise impact on the market
  - Implication for prices, power flows and investments

The review should address the following objectives:

1. Consider whether the peak load tendering procedure can be based on any of the peak load arrangement already implemented in the Nordic countries. The procedure should fulfil the requirements of EU directive 2003/54 and EU's rules on public procurement.
2. Examine whether a best practice system easily can be implemented in the other countries in the Nordic market in order to harmonise the tendering procedure in terms of regulatory framework, organisation, monitoring and control. It is important that the tendering procedure is transparent and non-discriminatory, and it should be open to existing and potential market players in the Nordic market
3. Peak load reserve is financed differently in the Nordic countries. Nordenergi proposes that the financing should be national, but the principles should be harmonised. An unambiguous guideline for the principles for financing of the peak load arrangement should be developed, and the market impact of this should be studied.
4. Analyse how the tendering procedure, or any other safeguarding measures, can be harmonised to minimise the negative impact on the market. The Analyse should focus on the price effect in the short term and long term market, as well as investment incentives and power flow influence. Included in this is an analysis of Nordel's guideline for activation and pricing of the resources and assess whether this is the optimal strategy for minimising the market distortions. Also the impact of opt out should be included.
5. Assess how the Nordic countries can create common solutions for tendering procedure or other measures to ensure sufficient peak load capacity investments.

### **Mode of operation**

NordREG will continue its work on the peak-load issue parallel with the assignment given to the Energy Markets Inspectorate in Sweden. These two work streams will interact with each other and contribute from the analysis made in both of them. NordREG will first continue to study the details of the consultancy study and plans to organise a workshop on peak-load issues during spring 2008. The need to coordinate the timetables of the Swedish assignment and the NordREG work implies that NordREG will deliver its analysis and input on the Nordel proposition during the first quarter of 2009.

### **Output**

A final report will be due by the end of first quarter of 2009.

## **Efficient regulation of TSO**

- **To regulate and monitor the TSOs with focus on efficiency and Nordic harmonisation**
- **To promote adequate transmission capacity and efficient market-based congestion management methods**

### **Task 13. Implementation of Congestion Management Guidelines**

#### **Background and objectives**

Congestion management has a great impact on the efficient functioning of the Nordic electricity markets. A common coordinated congestion management is important in order to achieve a further integration of the Nordic electricity market, as well as the interaction with other European markets.

Congestion Management Guidelines under Regulation 1228/2003 were amended at the beginning of December 2006. The aim of this project is to establish a common Nordic regulatory process for congestion management within the Nordic electricity markets. The project utilises the work made within NordREG of the present congestion management principles (Report on “Congestion Management in the Nordic region – A common regulatory opinion on congestion management”) and ERGEG work on compliance criteria. In 2007 the first part of the project was concluded by the report “Congestion Management Guidelines – Compliance report”. The elaboration on additional tasks by the turn of the year is at a quite advanced stage and will be further developed into a report during the first half of the year 2008.

#### **Outline of tasks**

During the first part of 2008 the work will focus on the following issues:

- Monitoring the implementation of CM Guidelines in Nordic market
- Co-operation process among Nordic regulators
- Regulators’ role in the development of CM methods

The work will both describe the current status of roles and responsibilities of regulators and TSOs and will contain proposals for future roles and responsibilities, including cooperation among regulators.

#### **Output**

The output should be:

- A final report by June 2008

# Nordic Market Report

## Background and Objectives

The Nordic electricity market is a regional market covering four countries and is still in many aspects a unique market in an international perspective. There is an evident need for good documentation of the status and development of Nordic market as well as evaluation of market functioning.

The Nordic Market Report will provide information and evaluations especially of the Nordic electricity wholesale market for the national benchmarking reports required by the European Commission and ESA according to the Electricity Directive. The report will take a specific regulatory view point and in this way it will be supplementary to other annual reports on the Nordic energy market. The report from on market development may also be of interest to all concerned parties and to the general public. Therefore including a yearly specific “theme” to be included in the report should be considered.

Market monitoring of the electricity retail market is undertaken to varying degrees in the Nordic countries. It covers issues like following the supplier switching activity, monitoring of retail prices and contract forms and estimations of margins in the retail supply for instance. To enable a better comparison of the retail markets in the Nordic countries, comparable indicators for market monitoring should be developed.

## Outline of tasks

### Task 14. Nordic market Report 2008

The report should provide a presentation on the development of the Nordic market based on statistical information. The report *should provide information on among other things*:

- an introduction about NordREG
- generation (production mix, capacity, cross-border power flow)
- transmission system (congestions)
- wholesale market (market structure, main players)
- retail market (players, retail prices, supplier switching)
- balancing markets and system operation

The report should also provide an evaluation of the functioning of the Nordic wholesale and retail markets to the extent that comparable statistics allow this. NordREG Board will decide on the contents of a *specific theme* to be included in the 2008 version.

### *Output*

A NordREG report which describes and evaluates the Nordic wholesale and retail electricity market – including a specific theme should be published by June 30<sup>th</sup> 2007.

### **Task 15. Market indicators**

In order to develop methods of quantitatively evaluation of the development in functioning of the market as well as comparing markets a number of statistical indicators should be established. In 2008 the focus should be on developing indicators for the functioning of whole sale and retail markets.

#### *Output*

A report on market monitoring indicators will be sent in public consultation in fall 2008. The finalized indicators will be used in Nordic Market Report 2009.

## **WORKING STRUCTURE**

NordREG work up till now has been organized in a number of working groups, each dealing with one specific task of the work programme. All working groups refer to NordREG Board.

Reflecting the increased need to address new issues coming up at any time and recognising the close relations between many of the issues dealt with, NordREG has decided to update its working structure to increase flexibility and efficiency. From 2008 the majority of tasks of the annual work programme and tasks coming up during the year will be dealt with by two working groups:

- WG Retail and Distribution
- WG Wholesale and Transmission

The “configuration” (composition of members) of each working group will depend on the specific tasks to be addressed. The two working groups refer to the Board.

WG Nordic Market Report is a third working group, however, dealing with the annually recurrent task of drafting the Nordic Market Report.

The allocation of tasks to working groups is illustrated on the next page.

## **Allocation of tasks to the working structure**

### **WG Retail and Distribution**

#### **A common Nordic retail market**

- Task 1. Costs and benefits of establishing common Nordic retail electricity market
- Task 2. Roles and responsibilities – the concept of a “Nordic retail market”
- Task 3. Harmonization of supplier switching models
- Task 4. Neutrality of DSOs – status report
- Task 5. Market design – final report

### **WG Wholesale and Transmission**

#### **Regulation power market and balance settlement**

- Task 6. Common principles for cost allocation and settlement
- Task 7. A more harmonized regulation power market

#### **Monitoring and regulation of Nord Pool Spot and other markets**

- Task 8. The regulation of Nord Pool Spot and any possible new power exchange
- Task 9. Monitoring of the Nordic regulation power market

#### **Security of supply and extreme situations**

- Task 10. Report on security of supply and extreme situations
- Task 11. Review of implementation of the EU directive on security of supply

#### **Task 12: Peak load capacity investments**

#### **Task 13. Implementation of Congestion Management Guidelines**

### **WG Nordic Market Report**

#### **Nordic Market Report**

- Task 14. Nordic market Report 2008
- Task 15. Market indicators

<b>2008</b>	January	February	March	April	May	June	July	August	September	October	November	December
<b>Meetings Board</b>		<b>X</b>			<b>X</b>				<b>X</b>		<b>X</b>	
<b>Deadlines</b>												
<b>A common Nordic retail market</b>												
Task 1 - Costs and benefits of establishing a common Nordic retail electricity market			<b>X</b>		<b>X</b>							
Task 2 - Roles and responsibilities – the concept of a “Nordic retail market”			<b>X</b>		<b>X</b>						<b>X</b>	
Task 3 - Harmonization of supplier switching model			<b>X</b>									
Task 4 - Neutrality of DSO's – status report			<b>X</b>									
Task 5 - Market design – final report											<b>X</b>	
<b>Regulation power market and balance settlement</b>												
Task 6 - Common principles for cost allocation and settlement			<b>X</b>									
Task 7 - A more harmonized regulation power market						<b>X</b>						→1 <sup>st</sup> quarter of 2009

<b>2008</b>	January	February	March	April	May	June	July	August	September	October	November	December
<b>Monitoring and regulation of Nord Pool Spot and other markets</b>												
Task 8. - The regulation of Nord Pool Spot and any possible new power exchange									<b>X</b>			
Task 9 - Monitoring of the Nordic Regulation power market											<b>X</b>	
<b>Security of supply and extreme situations</b>												
Task 10 - Report on security of supply and extreme situations			<b>X</b>									
Task 11 - Review of implementation of the EU directive on security of supply			<b>X</b>									
<b>Task 12 - Peak load capacity investments</b>												
<b>Task 13 - Implementation of Congestion Management</b>						<b>X</b>						
<b>Nordic market report</b>												
Task 14 - Nordic market report 2008						<b>X</b>						
Task 15 - Market indicators – public consultation											<b>X</b>	

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