

Nordic Council of Ministers/The Electricity Market Group
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NordREG status report to EMG on the project Nordic end user market

July 8th, 2013

NordREG has been asked by EMG to deliver a status report on the work on developing a common Nordic end user electricity market.

Below we show an overview of the main areas on which NordREG has made recommendations for the harmonised Nordic retail market.

The year indicates the NordREG issuing year. The colours provide the reader with an indication of the implementation of the recommendations for each of the four Nordic countries. *Green* indicates that the recommendation has been implemented or that a formal decision has been taken and that there is a fixed date for implementation. *Yellow* indicates that the implementation process has started. *Red* indicates that the implementation process has not started. The main purpose of this graph is to give the reader a view on whether or not a formal process has started in each country with the goal to implement NordREGs recommendations. The red indication does not necessarily mean that all of the more detailed recommendations for each category do not comply with NordREGs recommendations.

Recommendation	Issued by NordREG	DK	FI	NO	SE
Supplier centric customer interface	2010	●	●	●	●
Combined billing	2011	●	●	●	●
Information exchange	2012	●	●	●	●
Access to customer data and transparency	2013	●	●	●	●
DSO neutrality (Universal service)	2013	●	●	●	●
Supplier switching	2013	●	●	●	●
Payment requirements with combined billing	2013	●	●	●	●
Moving	Planned 2013				
Metering	Planned 2013				
Message format, content and interface	Planned 2014				

Legend

● *Implemented*

● *On-going work*

● *No work started yet*

Critical issues – what has happened during the last year?

Since the last status report to EMG (2012) NordREG has been working hard to continue analysing critical problems and determining whether or not to issue recommendations on harmonised solutions for the Nordic retail electricity market.

Universal service

NordREG has analysed the need and possibility to harmonise regulation covering universal service (default supplier and supplier of last resort). The conclusion is that the regulations for universal service differ in the Nordic countries, but there is no urgent need for harmonised regulation at present. NordREG do however recommend that universal service obligations should be developed towards a model where all customers are encouraged to actively choose and make a contract with a supplier. NordREG also made recommendations on DSO neutrality when contacted by customers.

Transparency and customer access to metering data

During the spring of 2013 NordREG published a note with five recommendations on transparency and customer access to metering data. The recommendations include principles that require full transparency of metering data from the customer perspective. This means that the customer should be able to know what information that is being collected through the customers' meter, receive information on the explicit data and also decide on the way that this data is being used (apart from data that is necessary for the supplier and DSO to perform regulated duties, such as billing etc.). Three of the five recommendations are suggested to be implemented by 2015.

Contracts between customers, suppliers and DSOs

During the fall of 2012 NordREG commissioned two legal consultants to analyse the contractual situation between customers, DSOs and suppliers in a market with mandatory combined billing. The consultants recommended that NordREG should proceed with further investigating how to implement the so called subcontractor model. In a subcontractor model, the customer only has a contractual relationship with the supplier. Further NordREG analysis on this topic has not been ruled out but no further analysis is foreseen at present and no NordREG recommendations have so far been issued.

Payment requirements with combined billing and tax collection

In the first months of 2013 NordREG commissioned GAIA Consulting Oy to make an analysis of payment methods and ways to deal with risks in a Nordic market with mandatory combined billing. The analysis showed clearly that a model where the customer is invoiced the total claim by the supplier and where the customer is in debt only to the supplier is the preferred choice, for a number of reasons. NordREG considered the results and recommendations of the consultancy report together with stakeholder input and presented some high level recommendations in a separate note in June 2013. The note contains recommendations on monthly forwarding of grid payments to the DSO along with recommendations on further harmonisation of procedures for exclusion of misbehaving suppliers from the market.

The important aspect of how financial risks related to combined billing should be allocated (collaterals or other solutions) or on how payment forwarding from the supplier to the DSO shall occur in the future is, however, not included in the harmonised recommendations since the national regulators have made different assessments on the need for such solutions.

Furthermore the need for harmonisation of rules for tax collection was analysed. Today the supplier is responsible for collecting and forwarding tax payments to the authorities in Sweden whereas the DSO is the responsible party in Denmark, Norway and Finland. The consultancy report as well as stakeholder input clearly pointed to the supplier as to be the most suitable party to have this responsibility and also identified this as an issue that needs to be harmonised.

NordREG recognises that harmonisation of rules for tax collection is a critical step that needs to be taken in order to successfully harmonise the Nordic retail electricity markets. However rules on tax and tax collection are not in the scope of energy regulators and are not a part of NordREG's responsibilities. Therefore *NordREG asks the EMG and the Nordic Governments to take the necessary actions in order to harmonise the rules for tax collection between the Nordic countries.*

Supplier switching

NordREG has also worked intensively for a sustained period of time to recommend rules for a harmonised Nordic switching process. We have made some headway on more general issues and have prepared a framework model but there are still issues that have to be solved before we can say that we have a fully harmonised switching model. The national regulators have made different assessments on the need for online access to a database containing contract information for the electricity retail customers. It is also a central issue whether a datahub is a part of the foundation of a harmonised market or not. The framework recommendations for the harmonised switching process were published by NordREG in June 2013. In addition the work on developing rules for a harmonised Nordic moving process has started in May 2013.

In June 2013 NordREG has commissioned Edisys Consulting for technical support. The consultant shall in cooperation with Nordic TSOs, regulators and relevant industry representatives deliver recommendations for harmonised technical requirements related to data exchange format, including content, communication platform and data security measures to be used in a harmonised Nordic end-user market. This is a major part of the work needed to achieve harmonised business processes in the electricity retail market.

Stakeholder influence

All NordREG analysis, including the consultancy reports have been open for consultation, either written, oral or both. Stakeholders have been given plenty of opportunities to comment on the analyses and NordREG has considered the input before finalising recommendations.

Nordic Balance Settlement

The Nordic TSOs have earlier committed to facilitate a harmonized Nordic balance settlement system (NBS) without any adverse effects for competition and efficiency in the common Nordic wholesale and Nordic end user market.

The TSOs in Finland, Norway and Sweden have continued the work on implementing a Nordic balance settlement system. During 2012 the details of the NBS design model have been further developed. The development has led to some changes in the original model presented in the design report of December 2011, and there has been identified several open issues which need to be decided on.

The ongoing work on changing national legislation in order to ensure the implementation of NBS has started in all three countries. The finalizing of the legal changes is however dependent on an agreed proposal from the TSOs on the open issues.

The time has come for legal implementation

NordREG recognises that some of the Nordic countries have taken important steps towards a harmonised Nordic retail market. The general market model has been agreed on by the Nordic Energy Regulators with support of the stakeholders and the work has for several years continued with more detailed processes. We are eager to continue the harmonisation process since we are certain that the harmonised Nordic market will bring great benefits for customers and society. There is however some cause for concern.

The day-to-day work is hampered by the fact that despite issued recommendations, central issues have not yet been settled at national level. Fundamental issues such as the supplier centric customer interface, mandatory combined billing and single interface in the national information exchange are to a large degree still open in several of the Nordic countries. It is difficult to continue analysing more detailed processes and areas that should be harmonised if these central issues, which constitute the foundation of the proposed harmonised market, are not implemented. The implementation of the issued recommendations requires more active engagement from the national ministries and/or Governments. Without an explicit support and engagement from the ministries, the market players will also postpone necessary investments in IT-systems which will further delay the implementation of the market model.

In order to continue the work towards harmonised Nordic retail markets in the most efficient way, NordREG seeks strong and explicit commitment and engagement from the national ministries and/or Governments and asks for clear political signals or political decisions to be given to the market players that the market model proposed by NordREG will be implemented in all countries. *The time has come for legal implementation of the issued recommendations in all the Nordic countries.* This is what should be in focus at this stage.

Furthermore, NordREG would like to emphasize EMG's role to support NordREG in preparing recommendations for the harmonised Nordic retail market. NordREG is seeking from EMG and from the Nordic energy ministers a clear political commitment on the implementation of the recommendations into national legislation and also inform NordREG which level of harmonisation that is appropriate.

Yours sincerely

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Chair of NordREG 2013