

# Work Program 2014

Nordic Energy Regulators  
(NordREG)

# Report 1/2014

**NordREG**

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# Preface

NordREG, the cooperation between Nordic energy regulators, has for several years been devoted to the work of developing the Nordic electricity market. In recent years, NordREG has focused on laying down recommendations so that a common Nordic retail market could be achieved. A common Nordic retail market with a supplier centric market model will bring benefits such as efficiency gains, increased customer friendliness and more competition to the Nordic market. It is also in line with – and supporting – the developments at European level.

The project for a common Nordic retail market is carried out on a voluntary basis, therefore it needs strong political backing. The Nordic Council of Ministers and the Energy Market Group (EMG) are providing a project coordinator to the project. This is a full time employee who coordinates the work towards the common retail market.

During 2014 NordREG will continue the work on the main elements of the future common market and it is NordREG's view that the analysis and recommendations provided earlier in the project are feasible and provide us with guidance for national implementation. The process is now at a stage where we to some extent must wait for national implementation of the NordREG recommendations. This means that regulators will need to reallocate some resources from the Nordic to domestic projects. There is however still critical tasks that needs to be dealt with on a Nordic level. Most important the development of more harmonised business processes throughout the Nordic countries.

In addition to the work on a common retail market, NordREG will continue the work on developing and improving the functioning of the wholesale market. This work is to a great extent influenced by European developments and the move towards an integrated European market. The sharing of experiences within NordREG and with Nordic stakeholders concerning for example network codes will therefore continue and intensify during 2014.

As in previous years a Nordic market report will also be published in 2014. The report will provide information and statistics regarding the Nordic electricity retail, wholesale and financial markets. The report will have slightly different format then previous year but statistics tracking and comparison with previous years' will still be possible.

Finally, NordREG will continue the information sharing on network regulations issues and elaborate on critical topics related to among other things the role of the DSO during 2014.

Stockholm, January 2014

chair of NordREG

# Introduction

NordREG is a cooperation between the Nordic energy regulators. The cooperation was established through a Memorandum of Understanding (MoU), signed in 2002. The MoU lays down objectives and modes of the cooperation. Prior to a formal agreement on cooperation, the tradition of bi-annual meetings and rotating chairmanship started in 1999.

The following authorities are members of NordREG:

- Denmark:** The Danish Energy Regulatory Authority, (Energitilsynet, DERA)
- Finland:** The Energy Authority, (Energiavirasto, EV)
- Iceland:** The National Energy Authority, (Orkustofnun, OS)
- Norway:** The Norwegian Water Resources and Energy Directorate, (Norges vassdrags- og energidirektorat, NVE)
- Sweden:** The Energy Markets Inspectorate, (Energimarknadsinspektionen, Ei)

NordREG's work is, on the one hand tightly linked to assignments from the Electricity Market Group (EMG), which is subordinate to a Committee of Senior Officials for Energy of the Nordic Council of Ministers. EMG is responsible for following up and coordinating concrete measures agreed by the Nordic Energy Ministers. On the other hand, Nordic regulators at their own initiative and by inputs from market participants can undertake joint Nordic initiatives to improve the functioning of the Nordic electricity market. A third stream of work is the work that originates from European energy regulators' cooperation, in CEER and ACER, Coordination with CEER and ACER is a horizontal issue that goes through all NordREG projects. The aim is seamless coordination with adjacent regions and European cooperation. On some issues, NordREG will have a coordinating role for the Nordic regulators.

NordREG work takes the form of discussions, exchange of ideas, and of writing reports. The cooperation is based on a tradition of consensus and a strong political commitment to developing the common Nordic electricity market.

NordREG aims at a high level of openness and transparency.

# Mission and vision

The Nordic regulators' cooperation through NordREG is based on a strong consensus and common understanding of the Nordic market. Through mutual efforts and contributions NordREG members identify areas of work that can create added value for the Nordic electricity market. NordREG works by exchanging information and views, mapping and analyzing energy market issues and by delivering statements and reports for harmonization and improvement. In this, the regulators aim at identifying areas where NordREG can take joint action to influence Nordic or European electricity market development.

In 2014 NordREG continues to have a strong focus on the on the work towards the common Nordic retail market.

NordREG's mission:

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

NordREG's vision:

**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 and projects

NordREG will work along the whole value chain of the electricity market to promote a framework that supports a smooth integration of the Nordic markets.

One of the main priorities for NordREG has for several years been the work to achieve a common Nordic retail market. During 2014 NordREG will continue work on the main elements of the future common Nordic retail market. It is NordREG's view that the analysis and recommendations provided in the project now are feasible and of use for national implementation in the short term.

The project for a common Nordic retail market needs strong political backing. The Nordic Council of Ministers and the EMG are providing a project coordinator to the project. This is a full time employee who coordinates the work towards the common retail market.

In addition to the work on a common retail market, NordREG will continue the work on developing and improving the functioning of the wholesale market. The topics of this working group will also in 2014 mainly be influenced by European developments and the move towards the European target model. Furthermore Nordic developments and market functioning will be looked into.

With regard to network regulation, sharing of experiences between the Nordic regulators and with stakeholders will continue.

The Nordic market report will be published in 2014 and will provide information and statistics of the Nordic electricity retail market, wholesale market and financial market. Statistics tracking and comparison with previous years' reports will be possible. The NMR will also focus on ongoing work within NordREG.

All NordREG work aims at ensuring seamless interaction with European markets and European cooperation. NordREG's work will in 2014 be divided into four main working groups.

- Retail Market WG
- Wholesale and Transmission WG
- Network Regulation WG
- Nordic Market Report WG

Table 1. Strategic Priorities 2014

Strategic Priorities	Topics / Deliverables	Working Groups
A Common Nordic Retail Market	- Roadmap – national implementation monitoring	Retail Market WG
	- Harmonised Nordic business processes	
A competitive and well-functioning Nordic wholesale market	- Nordic Market Report 2013	Nordic Market Report WG
	- Nordic Balance Settlement	Wholesale and Transmission WG
	- Network capacity calculation	
	- Regulatory aspects of implementation of Network Codes (NC) in the Nordic system	
Efficient regulation of TSOs and DSOs	- The future economic regulation of DSOs	Network Regulation WG

**Coordination with CEER and ACER**

Coordination with CEER and ACER is a horizontal issue that goes through all NordREG projects. The aim is seamless coordination with adjacent regions and European cooperation. On some issues, NordREG will have a coordinating role for the Nordic regulators.

**Cooperation with other Nordic authorities**

NordREG will seek close cooperation with Nordic competition and financial supervisory authorities. Taking account of issues concerning transparency, the financial market and competition arising from EU initiatives will be important.



# Retail Market WG

NordREGs main priority for the last few years has been to facilitate the creation of a harmonised Nordic end-user market for electricity. Starting in 2009 with publishing the report “Market design – common Nordic end-user market” where it was stated that it would be possible to remove the biggest barriers in the coming years and thereby reaching the first stage in the creation of a harmonised market. NordREG has since then set out the main targets for the harmonised market, with one of the key elements being a supplier centric market model.

NordREG has also recommended that the invoicing of supply- and grid costs to the end-user should be combined and provided by the electricity supplier. Furthermore, NordREG has issued recommendations on distribution system operators’ (DSO) neutrality, customer access to meter data, supplier switching, moving and information exchange processes.

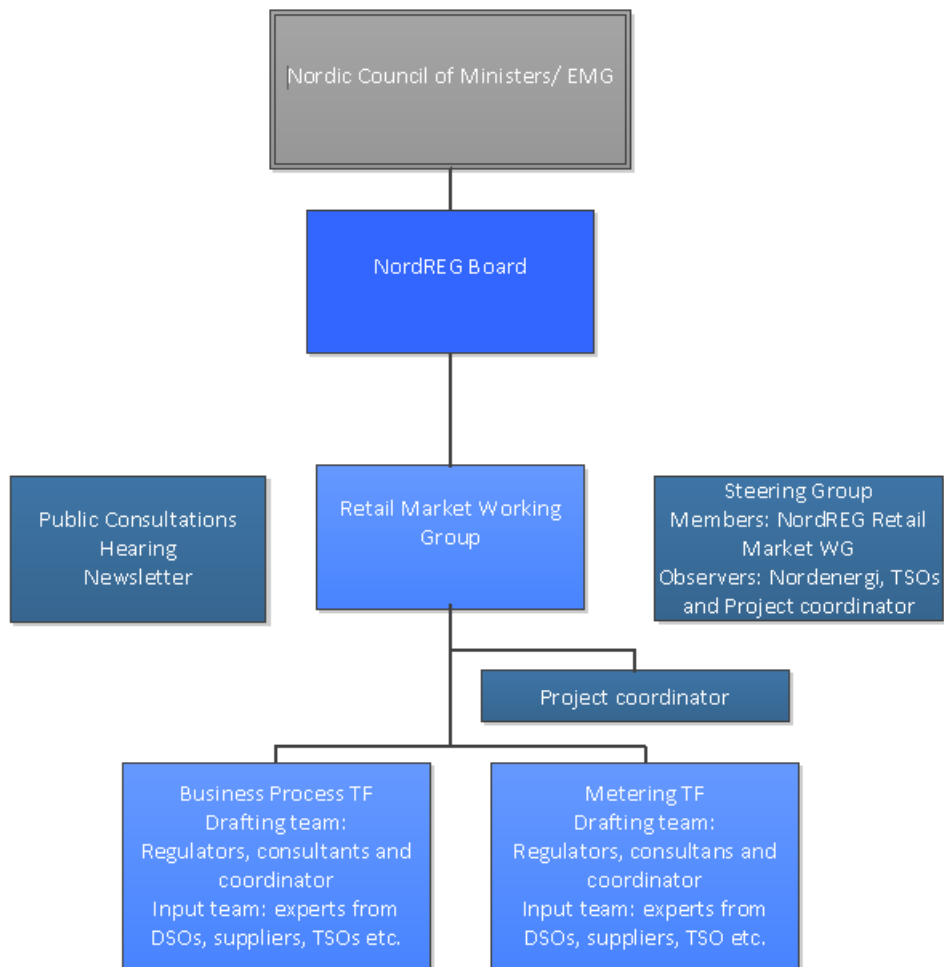
Throughout the work customer representatives, market actors, including suppliers, DSOs, transmission system operators (TSOs) and industry organisations have been invited to participate at events, input-teams and be part of NordREG’s working process.

NordREG sees that the harmonised Nordic market with a supplier centric market model will bring benefits to the electricity market and to customers. Benefits such as efficiency gains, increased customer friendliness, more competition leading to better service for customers, increased innovation and more value for money. The Nordic recommendations are also in line with – and supporting – development on the European level, with a focus on a market which promotes customer activity and customer trust. A market that enables new offerings such as energy services, energy efficiency measures and demand response.

The project to reach a harmonised Nordic end-user market is not by any means finished, the Nordic process is now at a new stage where there needs to be a focus on national implementation of NordREG recommendations. There are still critical tasks that need further work on a Nordic level. Most notably; the development of more harmonised business processes. This is why NordREG in 2014 will aim to carry out tasks related to development of common Nordic business processes. This is also why NordREG recommend Nordic Energy Research to reallocate funds that have been allocated to support the Nordic harmonisation to support the development of use cases and other highly relevant business process related tasks in the coming year.

It is imperative that the Nordic regulators work together in order to synchronize the implementation of the Nordic recommendations as much as possible. Hence, NordREG will arrange internal workshops and meetings between the Nordic regulators with the aim to discuss and exchange ideas related to the implementation of the Nordic recommendations on a more detailed level. This is to ensure that national implementations do not lead to differences on a more detailed level that could hamper the overarching goal of a common Nordic end-user market.

NordREG will also assume the role of a supervisory body on the Nordic level, and tracking the implementation process is proceeding in each country separately. This is reflected in the work programme as two of our main tasks for 2014.



**Organisation chart of the project *Nordic end-user market***

## **Task 1 Work on a common Nordic retail market**

### **Task 1.1: Status report about the retail projects to the EMG.**

This task is the response to the annual request from the Electricity Market Group (EMG 1) on receiving an update on the process to harmonise the Nordic end-user markets. The status report describes how the harmonization of the Nordic retail markets is progressing and highlights any major steps taken the previous year. The report will also describe the work planned for the near future.

Project manager: WG chair

Deliverable: Status report

Deadline: August 2014

### **Task 1.2: Roadmap update and national implementation monitoring**

The roadmap is an overview of the overall process to harmonise the Nordic electricity end-user markets. It describes recommendations already issued by NordREG and indicates any upcoming recommendations.

The roadmap was published for the first time in 2012, and updated in 2013. The roadmap will continue to be updated annually.

The roadmap indicates the intended direction for the harmonising process. To track the progress towards a harmonized Nordic end-user market for electricity, NordREG has developed the national implementation monitoring overview. This is an account of the ongoing and completed harmonization processes in the four Nordic countries. The overview will be updated and published on a yearly basis.

Project manager: WG chair

Deliverable: Updated road map and national implementation monitoring overview

Deadline: August 2014

### **Task 1.3: Harmonised rules for information exchange (technical level)**

This task was started in 2013 and planned to end by April 2014. The task is to recommend harmonised technical requirements for the information exchange between the Nordic countries. This task is conducted in cooperation with Nordic Ediel Group (NEG), a group organised within the Nordic TSOs. The technical work shall result in a Business Requirements Specification (BRS) report for a harmonised Nordic end-user market. The BRS report shall cover harmonised data exchange format, including content, communication platform and data security measures to be used for data exchange in a common harmonised Nordic end-user market.

The BRS report shall follow the requirements and specifications given from NordREG when available. A project organisation with a working group and a project plan were established in 2013. Representatives of the four national industry organisations, including DSOs, suppliers and TSOs are participating in the work. NordREG has a position as observer. Edisys

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<sup>1</sup>The Electricity Market Group (EMG) - consists of representatives from the Nordic ministries of energy. EMG prepares the annual meeting between the Nordic ministers for energy.

Consulting acts as technical consultant for the project and is responsible for supporting the work process and for preparing the final BRS report to NordREG.

Task force: The Business Process TF is part of the steering group. The task is carried out by the Nordic Ediel Group (supported by Edisys Consulting)

Project manager: Denmark

Deliverable: Business Requirements Specification report

Deadline: April 2014

#### **Task 1.4: A mapping of the parts of supplier switching and moving processes which are not harmonised**

The already issued supplier switching report and the moving report under preparation contains areas where the Nordic harmonisation still remains insufficient as a result of national choices. This task will focus on these non-harmonised parts and analyse whether it is possible to reduce the areas where national decisions are used.

Task force: Business Process TF

Project manager: BuP TF chair

Deliverable: Internal list and report

Deadline: April 2014

#### **Task 1.5: Mapping of other relevant processes for suppliers entering new markets**

This task will focus on suppliers willing to do business in more than one country. Beside the business processes the suppliers would also have to pay attention to other processes (legal, regulatory, industry agreements etc.) on these markets when they are entering new markets and for instance must change for instance their business and IT-systems etc. In order to get an overview of different requirements still present in the Nordic area it is suggested to hire an external consultant who will “put on the hat” of a supplier and from an outside perspective identify all relevant differences between the Nordic countries.

Task force: Business Process TF

Project manager: Consulting firm, supported by BuP TF

Deliverable: Consultant report

Deadline: Expected to be carried out in 2014

#### **Task 1.6: Continuation of the technical work after the BRS report**

According to task 1.7 “Harmonised rules for information exchange (technical level)” in Work Program 2013, an analysis on how to harmonise the technical requirements for the information exchange between the Nordic countries shall be conducted in cooperation with Nordic Ediel Group (NEG). A technical consultant from Edisys Consulting is associated to the project as project manager and shall in cooperation with the Nordic stakeholders prepare a so-called Business Requirement Report (BRS) for NordREG by April 2014.

In continuation with the delivered BRS report the industry is expected to continue the technical work, and among others there is a need for the preparation of these topics:

- A Nordic technical handbook
- Maintenance of the reports and documents
- Coordination of the national implementations

- NN (other relevant topics can be defined and included later).

It is difficult to predict precisely the exactly structure and content of the technical work that will follow the BRS report already today as this report not is known before April next year. When the BRS report is completed the Retail WG will prepare a more detailed suggestion for the Board on how to proceed with the technical work after intensive consulting with the stakeholders.

Task force: Business Process TF

Project manager: BuP TF chair

Deliverable: Note to the Board

Deadline: June 2014.

### **Task 1.7: Planning the work beyond 2014**

Since the harmonisation of the Nordic end-user markets will continue after 2014, there is a need to plan and map future tasks.

NordREG has already received some input from the industry on possible future tasks. We recognise that the implementation phase, which is now entered, will bring out additional issues that need to be investigated. We will therefore during 2014 start to plan the next steps in the harmonisation process.

This task will identify the most crucial issues to harmonise after 2014. It will list and describe the topics on a high-level and suggest when and how the harmonisation of each task should take place. This information will be used as input when making more detailed planning for the future work and reviewing what project structure that is suitable for the continued project.

Project manager: WG chair

Deliverable: Note/memo on future tasks

Deadline: November 2014. Issues related to project structure and budget should be ready by 1<sup>st</sup> of May 2014.

### **Task 1.8: Arrange workshops to facilitate harmonised implementation of NordREG recommendations**

The Retail WG will arrange workshops with the experts from the national regulators who are involved in the national implementation of the Nordic recommendations. The aim is to exchange information and discuss detailed issues in order to facilitate as similar implementation as possible, thus harmonising the regulation between the Nordic countries. The involvement of interested parties (such as industry and consumer representatives) is safeguarded through normal national procedures for regulatory changes.

The first workshop was arranged in December 2013, focussing on the implementation of combined billing. Additional workshops will be scheduled as a demand arises.

Project manager: WG chair

Deliverable: Internal regulator workshops

Deadline: continuous

**Table 2. Retail Market WG**

Task #	Projects	Deadline
1.1	Status report about the retail projects to EMG	August 2014
1.2	Roadmap update and national implementation monitoring	August 2014
1.3	Harmonized rules for information exchange	April 2014
1.4	Mapping of the parts of supplier switching and moving processes which are not harmonised	April 2014
1.5	Mapping of other relevant processes for suppliers entering new markets	December 2014
1.6	Continuation of the technical work after the BRS report	June 2014
1.7	Planning the work beyond 2014	November 2014. Issues related to project structure and budget should be ready by 1 <sup>st</sup> of May 2014.
1.8	Arrange workshops to facilitate harmonised implementation of NordREG recommendations	Continuous

# Wholesale and transmission WG

## Task 2 Wholesale market functioning and framework

### Task 2.1: Regulatory aspects of implementation of Network Codes (NC) in the Nordic system

Several of the network codes contain a number of issues for NRA's to deal with. The code CACM, for instance, will imply numerous different tasks for NRAs to perform. Many of the issues involve confirmation of TSO policies and routines.

In order to save resources within NordREG members, to raise the overall level of quality in methodology and analysis and establish common procedures for the benefit of the joint Nordic market, Nordic NRA's work together in implementation of the codes and if necessary already at the preparatory phase.

If necessary we will appoint one "lead regulator" for each relevant network code to do the initial scanning of the code and to identify suitable areas for co-operation and discussion. Those would probably be the issues that demand a more thorough analysis or would affect the TSO's way of working the most substantially. Each NRA then staffs a common project team with an adequate number of people to discuss each task and establish practical guidelines.

A meeting on ongoing projects (especially on system operation issues) with Nordic TSOs (ENTSO-E, Regional Group Nordic) is planned to be organized in August 2014.

Deliverable: Reports to NordREG Board

Deadline: Ongoing 2014

### Task 2.2: Capacity calculation

The NordREG expert group on Capacity Calculation will continue the work on Nordic implementation of the NC CACM, chapter on capacity calculation. The expert group will arrange regular meetings with Nordic TSOs flow based project.

Deliverables:

- Follow up TSO to describe and analyse co-ordinated ATC
- Work shop with stakeholders

Deadline: Ongoing 2014

### Task 2.3: The Nordic Financial Electricity Market

Update of NordREG report on the Nordic Financial Electricity Market published in 2010

Deliverable: Publication of updated report

Deadline: November 2014

### Task 2.4: Nordic Balance Settlement

The TSO started the implementation project in January 2012 (after approval from the regulators) and this will run until NBS is established and has gone live, possibly in 2015

The NBS NordREG reference group shall monitor and follow-up the TSO project and deal with up-coming issues raised by the TSO project from the regulator side as well as coordination between the regulators.

It is important to note that all formal decisions will have to be taken at national level, but coordination on a Nordic level is necessary and will be handled through NordREG and the NBS reference group.

During 2014 the legal changes in each country will be the main task of the regulators. Legal changes need to be prepared, made and implemented in order to be able to meet the deadlines for the establishment of the NBS project. To ensure consistency towards the agreed NBS Model, proper coordination between the change processes in the three involved countries is needed.

Deliverables:

- Coordinate the work towards the TSO Project – status reports.
- Coordinate the work between regulators.
- Follow up on implementation of legal changes and ensure consistency towards the agreed NBS model.

Deadline: Ongoing 2014

**Table 3. Wholesale and transmission WG**

Task #	Projects	Deadline
2.1	Regulatory aspects of implementation of Network Codes (NC) in the Nordic system	Ongoing 2014
2.2	Capacity calculation	Ongoing 2014
2.3	The Nordic Financial Electricity Market - update	November 2014
2.4	Nordic Balance Settlement	Ongoing through 2014



# Network regulation WG

## Task 3 Network regulation

### Task 3.1: Workshop with industry representatives about the future economic regulation.

The WG will arrange a workshop with the industry representatives about the future economic regulation. The workshop will concentrate especially on challenges and possible barriers in the development of new technology on the economic regulation in the Nordic countries. The industry will be invited to present their views and concerns for the future.

On the proceedings of the workshop the WG will write a memo with possible changes in regulation. The WG will discuss whether possible extra costs should be taken into account in the regulation.

### Task 3.2: DSO organization – a common Nordic challenge?

There are many DSOs in all the Nordic countries, and some of them are very small. This may or may not be a problem regarding maintenance and development of the network.

In Norway an expert group is set to look at the organization of power networks. The results of the project should be available by April 2014. Network regulation WG will examine how far the study illustrates common Nordic issues. A short memo will be drafted on the issue.

### Task 3.3: Training Course on Economic Regulation of Electricity Network

The first two modules of the training course was given in November 2013. The next two will be given in Helsinki in the spring of 2014.

**Table 4. Network Regulation WG**

Task #	Projects	Deadline
3.1	Workshop with industry representatives about smart grids and economic regulation common	End of 2014
3.2	Note on merger of DSOs – a common Nordic challenge	End of 2014
3.3	Part two of training course on economic regulation	Spring 2014

# Nordic Market Report WG

## Task 4 Nordic Market Report 2014

### Task 4.1: Nordic Market Report 2014

The Nordic electricity market is a regional market covering four countries. It is in many aspects a unique market in an international perspective.

The Nordic Market Report (NMR) describes the status and development in the Nordic electricity market and has been published annually since 2006. The report highlights the Nordic regulators point of view regarding the Nordic electricity market which distinguishes the report from other annual reports on the Nordic energy market.

In 2014 the structure of NMR will change from previous reports. The report will however still provide information and statistics of the Nordic electricity retail market, wholesale market and financial market. Statistics tracking and comparison with previous years' reports will be possible. The NMR will also focus on ongoing work within NordREG. Indicators for market monitoring were developed in 2009 to enable a better comparison of the retail markets in the Nordic countries. The indicators have been used in the Nordic Market Report 2010, 2011 and 2012. The indicators will not be discussed separately in this year's report. From the year 2014, the indicators will be analysed and followed up every five years<sup>2</sup>.

The Nordic Market Report 2014 will be based on information from 2013, which will be available in June 2014 at the latest.

Project manager: WG chair

Deliverable: Nordic Market Report

Deadline: 30 June 2014

**Table 5. Nordic Market Report WG**

Task #	Projects	Deadline
4	Nordic Market Report 2014 – development in the Nordic electricity market during 2013.	June 2014

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<sup>2</sup> Publicised next time in NMR 2017.



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