

Summary of Public Consultation Feedback

Re: Report: “Market Entrant Processes, Hurdles and Ideas for Change in the Nordic Energy Market – the View of the Market”.

Public consultation

NordREG has commissioned the consultant VaasaETT to map the regulatory framework and other conditions that a supplier and energy service provider faces when entering the national Nordic electricity markets. VaasaETT has made numerous interviews and carried out a questionnaire during the summer and early fall of 2014¹. In all the findings are presented in the report “Market Entrant Processes, Hurdles and Ideas for Change in the Nordic Energy Market – the View of the Market”.

The following is a summary of the feedback received from the stakeholders through the public consultation. The following responses were received:

Country	Organisation Type	Number
Sweden/Finland	Industry Associations / Lobbying Groups	2
Finland	Association of Energy Companies	1
Nordic	Pan-Nordic Energy Supplier	1
Sweden	Pan-Nordic Energy Supplier / DSO	1
Finland/Sweden/Norway/Denmark	2 New Entrant Suppliers	2
Sweden	ESCO	1
Denmark	TSO	1
	Total	9

Fig.1. Public responses to the consultation report.

Overall Viewpoints

In general, the feedback is segmented into two clear camps. The new entrants and inter-Nordic competitive companies (including incumbents) that support most of the findings and the domestic incumbent companies that do not. The difference of opinion between the two camps is stark.

1. In addition to regulators, 33 organisations were subsequently interviewed (all four Nordic TSOs, NordPool Spot and the five Target Respondent Types*) and usable¹ questionnaire responses (34) were additionally received from 28 additional organisations (all respondent types excluding TSOs and NordPool Spot). 18 Questionnaire respondents represented the Target Respondent Types. Some interviewees further responded to the questionnaire. In some companies multiple people were interviewed or responded to the questionnaire, representing specific markets or expertise areas. Altogether, since some organisations represented also sister companies in other Nordic markets, 84 Nordic organisations were included in the analysis (excluding regulators), 79 of them were energy companies or ESCOs. *Target Respondent Types: 1. Those who are trying to, or considering competing in the market (new market entrant suppliers); 2. Those who have been market entrants and are now more established (established new market entrant suppliers); 3. Those who are already in the market and have been since before the liberalisation but which are actively competing in more than one Nordic market (inter-Nordic or pan-Nordic incumbent suppliers) or planning to; 4. Those who considered entering the market but then chose not to (aborted entrants); 5. New entrant ESCOs.

Support

1. New Entrants support most of the conclusions. For instance
 - a. Pan-Nordic Supplier: "Most conclusions and suggestions are supported, and would contribute to a more customer oriented and efficient market. Especially the conclusions with respect to the following key areas would improve the position of new entrants and other active players on the market and would thus be beneficial for the customers: Implementation of a supplier centric model including combined invoicing; Definition of the DSOs role as fully neutral market facilitators; Establishment of data hubs to support efficient data access & information exchange and necessary supervision of compliance to market rules; Roll out of smart meters and hourly measurement; Harmonisation of key market elements in the Nordic countries, creating a larger gross market";
 - b. Pan Nordic Supplier/DSO: "The reports aim was to identify hurdles facing suppliers and other providers of services to customers (such as ESCOs) when entering any of the national Nordic markets. The report has also succeeded in giving a high level view from different actors...(Company) supports the implementation of a Nordic end user market with a Supplier Centric Model and believes that the best way to activate customers and achieve a more customer friendly market is to base this on a 'one contract – one contact – one invoice' customer relation held by the supplier";
 - c. New Entrant Supplier: "The VaasaETT report discusses clearly the complex issues involved and provides practical solutions for improvement. For decision makers and corporations looking for a clear and concise guide to the challenges ahead for the Nordic energy market we believe this report is essential reading. Embracing competition is key for all players in the market. Efficient market access and the ability for consumers to move freely to and from suppliers can only improve market competition. We believe that simplification of the customer experience, the single (combined) bill and transparency of price are key for the success of competition in the future. Our message would be if you are looking for improvement in the market, embrace change and make it happen. To create a truly competitive market the tools for consumers to compare and select suppliers need to be dramatically improved. For smaller independent suppliers who are setting the pace with improved service and innovative systems, speed of change is the key. The real challenge for them is to compete on price and transparency of product in a non-transparent market. At the present time the Danish consumer has very little help to make an educated and well-informed decision about switching their electricity supplier.
 - d. New Entrant Supplier: "The report is a very important first step on the road to establishing an even tighter Nordic electricity market. As the integration and harmonisation of the wholesale market is on the right tract – in the Nordics and in Europe via the Network Codes – the natural next step is to look into the retail market. The report asks a lot of important questions and I look at it as a first mapping of possible obstacles for the creation of a common Nordic retail market with healthy competition. One should of course be aware that for example the number of newcomers or the number of switches by itself does not define competition but they fit in the overall puzzle to explain the current level of competition in the Nordics and can also be followed-up on in order to see any possible progress in the future.
 - i. The Nordics has a unique opportunity to define the first (ever) integrated retail market across four countries. Therefore we have

- the opportunity to be frontrunners in the European integrations and help define the future European target model for the retail market.
- ii. In order to be successful the Nordics need:
 1. A strong political agreement to make a Nordic retail market so the regulators can force the TSOs to make the necessary steps (to harmonise and integrate)
 2. A common imbalance incentive structure. The setup and cost should be comparable across the Nordics (it makes no sense that Sweden has an imbalance punishment system if the others do not have it)
 3. More equal tariffs (including RES support schemes) in the Nordics in order to avoid competition is screwed by tax money";
 - e. ESCO: An energy services and efficiency solutions provider (ESCO) stated that "The report highlights several areas that should be an essential part of the future discussion when considering how to improve the Nordic energy market. In particular I was extremely impressed by the level of understanding and details that this report consist of and it points out critical areas for both regulators, Utilities and market mechanisms that have to change in order to make the market competitive and innovative. I also understand from reading the report that it will receive mixed reactions from different market players, but it will stand out as a well worked through report that all stakeholders within the Nordic Energy market will have to embrace to ensure that the Nordic Market can continue to be transparent and consumer oriented going forward. In any case I think the report is a perfect handbook for any new market entry that would like to get a better understanding of the differences in the Nordic region";
 - f. TSO (interviewed to understand underlying market processes): "In general the report is clearly the result of a thorough piece of work!".

Criticism

1. It was generally requested that clarification be made as to whether the hurdles relate to all Nordic markets or just one or a selection of them. **Writer Response:** This is now clarified in the report. Unless otherwise stated, all hurdles relate to the Nordic market as a whole.
2. Pan-Nordic Supplier/DSO stated that
 - a. The sample was small. **Writer Response:** The writer agrees. The questionnaire sample would ideally have been larger but is limited by two issues: There are not many new entrants in the market. Not all those contacted responded despite extensive efforts from the writer. The sample is though considered representative as explained in detail in the report.
 - b. "The identified hurdles are done with the existing market setups and not with a new market model as proposed by NordREG. Much of the proposed solutions in the report are also in line with the ongoing work of implementing NordREG's recommendation in each of the Nordic countries". **Writer Response:** The writer agrees. The mandate of the report was though to evaluate the status of the market at the present time, thereby enabling the consideration of the appropriateness of existing NordREG recommendations. The commneting company criticised the research for the exact opposite reason: that they felt the researchg did assume the supplier centric model.

3. Association of mainly incumbent suppliers stated that
 - a. "The purpose of the report and the inquiry should be clarified. Is the purpose for instance to identify entry barriers in general or to identify barriers between the different Nordic countries that need to be lowered or removed?": **Writer Response:** The writer agrees. The objective of the report was not clarified sufficiently in the draft report. It has now been clarified further.
 - b. The report would have benefited from a description of the importance of each hurdle with regard to the extent of the problem (Nordic or just one market) and if the problem is solvable or not. **Writer Response:** The writer agrees in general. The considered importance of each hurdle should be added but was not added in time for the draft report. It has been added to the report. Unless otherwise stated all obstacles are considered to apply to the whole Nordic market. Clarification of this has been added to the report.
 - c. The report includes suggestions for change that are disproportionate. **Writer Response:** The suggestions are not proposals, only Ideas for changes. Food for discussion and consideration. The report has now re-termed suggestions to 'Ideas for Change'.
4. Overlapping group of mainly incumbent companies and association of mainly incumbent suppliers: There has been suggestion that the report is 'biased', 'skewed' or 'loaded': In particular the commenting company claimed that the questionnaire was trying to lead the customers and that the interpretations and suggestions in the report are biased. An example given of the misleading questionnaire was question 24 in the questionnaire that asks is processes are similar enough in the Nordic market. One of the option is: "they will be when the supplier centric model is introduced". **Writer Response:** Later in their follow-up comments they state themselves though that some of the proposals in the report are irrelevant because they will anyway be overcome by the future (supplier centric model) changes in the market. The reason the question was asked was to allow respondents to state exactly this option which is one many people in the interviews stated. It was simply an option to allow all likely views to be expressed and did not prevent respondents answering to the Yes, Nearly, No and cannot say options.
5. Group of small incumbent companies (included in above): additionally claimed that it is not stated how many respondents stated each hurdle. **Writer Response:** It is clearly stated that this is a qualitative and factual research. Hurdles are established through the consideration of the facts of the identified processes in combination with the interview and questionnaire responses. Where only one or two respondents indicated a specific hurdle it is stated so. Where a majority of questionnaire and or interviewee respondents (target respondents) suggested it or agreed with it, or if the combined body of process facts and respondent feedback indicated so, then hurdles were considered significant. This has now been more clearly stated in the report.
6. Association of mainly incumbent companies (included in above) also argue that the selection of respondents is biased, apparently because it focused on new entrants and those aggressive competitors (including incumbents) trying to sell across Nordic markets. **Writer Response:** This selected segment is the focus of the research for a reason. There would be absolutely no point asking incumbents and companies operating in only one market and no plans to sell across markets, about the process or hurdles regarding market entry. It would have been biased if we had asked such companies (with a potential interest in the prevention of new

entrants).

7. TSO: Stated that there is need to make it clearer that the analyses are "made on the basis of how the market parties (Suppliers and DSOs) experience the market mechanisms. It is important to note that this may not be the only way to look at it."
Writer Response: The report has been updated to clarify this possible confusion.

There were also some concerns over the number of responses whether the sample was large enough for (quantitative analyses). Some clarifications needed explain the sample numbers in more detail. **Writer Response:** The writer agrees. The research is not intended to be a quantitative analysis. The report has been updated to clarify its methodology and sample makeup in more detail.

Different Opinions

1. Pan Nordic Supplier (included above) felt that some suggestions were contradictory to principles of free markets and customer interests. Basic principles, that should not be compromised, especially: no price regulation in the competitive market (referring to price-to-beat); no restrictions with regard to products and services (naturally complying with the general customer protection framework) - referring to length of contracts; and a level playing field – The same rules and responsibilities should apply for all commercial players (referring to e.g. reduction of incumbent advantage or attempts to assist new entrants. **Writer's Response:** The writer accepts all these principles and the interviews did not intend to suggest otherwise. The mention of Price-To-Beat was mentioned only as an option, and the length of contracts is something that new entrants so strongly supported, that it was considered necessary to include, though this does not support the restriction of offerings in other ways. The report did not intend to imply that an unbalanced playing field should be created. For this reason, the report has been modified to add clarity to this issue and the intended message.
2. Association of mainly small incumbent companies , Pan Nordic supplier and Group of small incumbent companies oppose control of the products (removal of fixed term contracts). **Writers Response:** The suggestion is only an idea for change and not a proposal.
3. Association of mainly small energy companies (included above) and other incumbent organisations argue that the report should not include issues that are not energy-market specific. **Writer's Response:** The report follows its mandate.
4. Association of mainly small energy companies (included above) argues that the various 'ideas for change' should have been added:
 - a. Pre-market entry information is not easily available and could be facilitated by a fact sheet developed by the Nordic regulators (hurdle to entry no 1);
 - b. One single Nordic BRP agreement would simplify market entry in all the Nordic countries (hurdle to entry no 4);
 - c. In order for consumers, or parties assigned by the consumer, to easily gain access to their consumption data, we believe that smart meters should be equipped with a standardized local port supplying real time consumption data directly to the home (hurdle to entry no 39);
 - d. The lack of trust is a problem for the entire industry, and Swed-energy has put a lot of effort to raise customers awareness and understanding for electricity, this work could be helped by authorities and regulators taking

on a key role in the awareness and education of consumers (hurdle to entry no 40);

- e. A harmonized management between the Nordic countries of customers moving process allows for easier market entry (hurdle to entry no 53);
- f. Similar data exchange processes in the Nordic market would lower system costs and make it easier for actors acting in one Nordic country to enter the entire Nordic market (hurdle to entry no 57-60).

Writer Response: Two of these (a, d, c - essentially - and f) were already in the report. C has been clarified. Others (b and e) were omitted erroneously and now been added back in.

- 5. Group of Incumbents (included above) disagree with most of the hurdles and ideas for change in the report. The difference in angle is fundamental. In particular they state that main market barrier is price area differences is in fact differences between bidding areas in Nordic countries together with strong market power of few producers in respective areas and that building up necessary transmission capacity between areas, ensuring full usage of them, putting the TSO's incentives to minimize price area differences are right tools to improve the situation. **Writer's response:** this may indeed be an obstacle to the commenting company and others like them, and the minimisation of price area differences is mentioned in the report but was not considered significant enough to be a hurdle. In general though, the wholesale market was not seen as a major issue of concern by those interviewed for this research. Strengthening transmission capacity would indeed benefit companies such as incumbent DSOs, but would be contrary to for instance the needs of new entrant Capacity Aggregators and other ESCOs focusing on the demand side and was not suggested by any of those interviewed.
- 6. TSO: Had some different views on the barriers and ideas for change. **Writer Response:** The report has been updated to improve clarity.