

Elmarknadsgruppen
c/o Nordisk Energiforskning
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17. August 2015

THEMA report: Capacity adequacy in the Nordic Electricity Market

NordREG would like to thank Elmarknadsgruppen for the opportunity to comment on the conclusions and recommendations in the THEMA report “*Capacity adequacy in the Nordic Electricity Market*”.

NordREG fully support the report’s general recommendation regarding capacity adequacy – to allow market mechanisms to work without disturbing price signals. The recommendation basically points to the fact, that capacity adequacy to a large extent is about “getting the prices right” and to make sure that the correct price signals from the market mechanism also reach the market participants. This is also a key message in EU’s new energy statement and it constitutes the socio-economic basis for practical recommendations.

For the purpose of market design and regulatory framework, NordREG would like to emphasize the report’s remark about the concept of capacity adequacy: “... *is not only about the market’s ability to handle shortages when shortages occur, but rather the market’s ability to ensure that capacity shortages do not occur too often, at unacceptably high costs to consumers and the society.*”

NordREG also share the general assessment in the report, that the Nordic market seems quite robust in terms of capacity adequacy in the sense that it is highly liquid and well-functioning. However the Nordic market is also facing increasing capacity challenges.

In accordance with the general assessment in the report, the study does not conclude with one or two main suggested measures, but “rather a menu of adjustments or improvements that together could make a significant difference for future capacity adequacy”. This list covers a number of concrete, clear-cut measures, i.e. removal of barriers to investments in grid tariffs as short term measures, and in the longer term - implementation of flow-based market coupling possibly in combination with new bidding zones limitation and 15-minute time resolution in the day ahead and intraday market.

NordREG has not assessed the individual measures and suggestions in the report. From a regulatory point of view, NordREG find it important to stress, that possible decision making regarding implementation on this list of concrete recommendations requires far more comprehensive analysis than reflected in the underlying discussion in this report. Hence, the benefit of the recommended measures might primarily be as a reminder to take capacity adequacy into consideration when the listed issues are discussed and when further analyses are considered, e.g. if possible renewable support schemes for the Nordic area after 2020 are to be considered.

NordREG will be happy to take part in further discussions with EMG regarding capacity adequacy in the Nordic electricity Market.

Kind regards,

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Chairman of NordREG