

NordReg hearing on the NC FCA

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Suomen EFi Oy

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ELFi advocates large
electricity user's
interest in the
electricity market.

In Brussels ELFi
influences as a
member of the IFIEC
Europe.



ELFi's owners are major Finnish companies in the industry, trade and services sectors, which employ about 90,000 people in Finland and the use of more than 17% of Finland's electricity consumption.



Financial markets

How do you view the functioning of the current financial market and the instruments it provides?
Does the financial market satisfy your risk hedging needs?

For the large electricity users hedging is vital part of their risk management.

Efficient hedging is as good as the weakest link in value chain.

Finnish customers need if operating via NasdaqOMX both **system price** and EPAD (SYHEL) for complete price hedging.

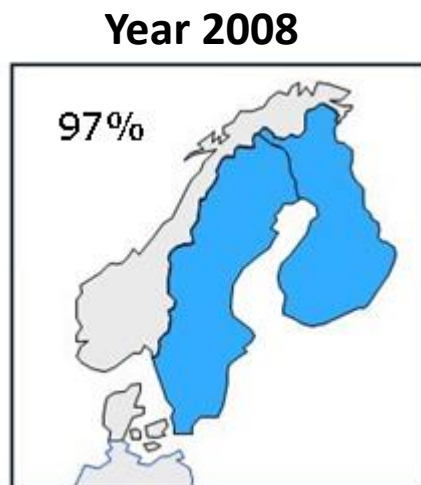


- + Today EPAD (SYHEL) market's functionality is not good enough.**
- + Large electricity users are using bilateral contracts.**
- + Finnish customers position is weaker than in average Nordic customers**

Use of long-term transmission rights (LTTRs) in the Nordic market model

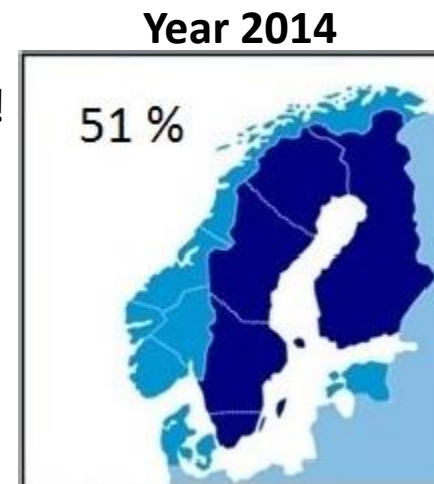
Do you think LTTRs between bidding zones would be more suitable in the Nordic market than the current market design focused on the system price and EPAD contracts? If yes, why? If no, why?

- **YES, we can have both ways in the Nordic market design!** When there is structural bottleneck between Finland and Sweden and EPAD (SYHEL) market is weak. Introduction of LTTRs (prefer FTR) in the Nordic market will bring additional hedging possibilities for large electricity users?



Market have changed!

There is room for new analyse about size of the relevant Market.



Use of long-term transmission rights (LTTRs) in the Nordic market model

LTTRs can be used to hedge the price difference between two neighboring price areas and they do not have a connection to the system price. Explain how you view a hedge between two bidding zones – does it add value to the market?

YES!

New products will add value for end customers.

In the market there are several ways to combine products and manage secure and efficient hedging.

Physical contract



Option A



system price hedging product and EPAD (SYHEL)



Option B



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Use of long-term transmission rights (LTTRs) in the Nordic market model

How would a potential introduction of LTTRs in the Nordics, in your view, affect the liquidity of the current financial market and why? Specify for different products, if necessary.

We believe that SYHEL liquidity will not suffer.

Introduction of LLTR (prefer FTR) between Finland and Sweden will increase offering and encourage competition.

When there are several possible to hedge it is possible that new service providers will join to the financial market. Financial market is not monopoly.

Development of the current financial markets

- How can market participants, stakeholders and regulators promote the functioning of the current financial market and secure sufficient hedging possibilities for fundamental market participants?
 - **Market place Nasdaq OMX has primary responsibility to develop financial products in their own platform.**
 - **If development is not good enough authorities should encourage competition.**
- How should the market for hedging instruments, financial market and physical market be developed further in the long run, in your view?
 - **In many ways. Transparency is one of the key elements in well functioning market. This is one of tasks which should be studied more about.**

Development of the current financial markets

- In case the financial market is not functioning effectively, what possible measures can you envisage to improve the functioning related to hedging possibilities in the Nordic bidding areas?
- If TSO's are to become involved in the forward markets in the Nordic region, what kind of involvement would you prefer on their side?
- What is the most efficient ways for them to support the existing market functioning?

- + Above mentioned questions should be analysed regularly.
- + Today there is lack of published high quality studies which would cover the end customers' hedging costs.
- + Overall price levels are not the same than efficiency of hedging!
- + The current market situation in the Nordic/Baltic market is fragmented.
- + In the financial market Finnish customers position have not develop well.
- + **Best future can be offered when market has both EPADs and FTRs**



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