

# Nordic hearing on the NC FCA

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# Organization

1)

**Oberoende Elhandlare (Independent Electricity Suppliers) is a Swedish organization for suppliers who actively hedge and trade, as well as energy brokers who hedge on behalf of retailers, producers and end-users.**

**The members are independent of the vertically integrated oligopoly firms that dominate the electricity market.**

**Our members act as service providers for small producers, retailers and large end-consumers. They operate in all bidding areas except for the Baltics.**



# Current financial market

2)

The financial market satisfy our needs, but the cost of risk management has increased when the number of price areas has increased.

Therefore, we believe that a continuous optimization of the physical market by splitting the market into smaller price areas is not optimal from an overall picture.

A balance in the number of price areas with regard to the functioning of the financial market is very important.



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

3)

No we do not think it will contribute in a positive way.

4)

No, it will destroy the credibility of the system price and further lower (spread out) the liquidity in the financial market.

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

5) In the current market design, we prefer that the TSO participate in the financial market (e.g. as a market maker) for the current EPAD-products.

This will increase the liquidity and be beneficial for the TSO (grid customers) because the congestion rents will partial be hedge and therefor predictable for the TSO (e.g. good in a grid investment perspective).

# Market place for LTTRs

6)

We think that a model where the TSO's participate on a continuously basis will work and be neutral from a competitor perspective (small vs. large actors)



# Development of the current financial markets

7)

8)

**TSO shall participate in the financial market (e.g. as a market maker) for the current EPAD-products.**

**This will increase the liquidity and be beneficial for the TSO (grid customers) because the congestion rents will partial be hedge and therefor predictable for the TSO (e.g. good in a grid investment perspective).**



# Development of the current financial markets

9) The market should have long-term framework conditions where a careful balance between function of the financial market must be made upon changes in the physical configuration (number of price areas).

The focus should be as few and as large price areas as possible where the only major structural bottlenecks (transnational) defines the configuration of the physical market.

TSOs as major players (fundamental) by owning the transmission between price areas should be able to participate in the continuous trading EPAD-products.





# Any need for hedging between the Nordic market and continental Europe?

With efficient market coupling the power flow will go in the right direction according to price and with well functioning financial markets on both sides of the borders, we do not foresee any need what so ever for hedging between the markets.



# How to handle the price risk?

- Hedging is done with financial contracts in the area where the hedge is needed. Cross border hedging is no issue.
- With products (or combination of products) that gives you the opportunity to hedge the spot price in the area where you have your consumption or production.

## Disadvantages with PTR

- PTR will mainly be used by vertically integrated energy groups operating in the Nordic countries and continental Europe.
- These groups will dominate the cross border trade.
- Increased proportion of bilateral electricity contracts.
- Increased market concentration.
- Reduced competition, which ultimately affects end users.

## **FTR risk**

- **FTR will mainly be used by vertically integrated energy groups operating in the Nordic countries and continental Europe.**
- **Increased proportion of bilateral electricity contracts.**
- **Deterioration of liquidity in the EPAD market.**
- **Increased market concentration.**
- **Reduced competition, which ultimately affects end users.**