



Energy Norway on measures to support the financial markets

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EPADs – yes, please

- Energy Norway supports EPADs
 - It is the product our producers and retailers want for hedging: a direct step to the system price contract
 - No necessity to establish a relationship with an additional exchange
- Expectations that the process continues including:
 - A consultation on the scale of the problem in the EPAD markets
 - A consultation on the possible reasons for problems in the EPAD market:
 - Bidding zone structure
 - Handling of dynamic bidding zones
 - Availability of capacity between bidding zones

Support of marked makers - currently preferred

- Companies get an EPAD
- Daily visible spread giving a daily price transparency and a daily possibility to trade
 - Separate hearing on minimum volume and maximum spread size and other parameters
- Competition between companies wishing to offer marked maker services – no need to compete between exchanges
- As tariff payers: TSOs pay an ex ante known fixed cost as opposed to having an open position in the financial market

Pros and cons of auctioning EPADs

- Pros
 - Companies get an EPADs
- Open questions
 - Price transparency and possibility to trade depend very much on the auction schedule (it also depends on a functioning market for trading after the auction) – separate hearing to define auction rules?
 - Continue with Nasdaq or risk that members need to connect to a second exchange?
- Cons
 - As tariff payers: uncertain cost for the TSO since it will have an open position on the financial market.
 - Extra transparency requirements: how big was the loss/gain on the TSOs position

Pros and cons of auctioning EPAD combos

- Pros
 - As tariff payers: possibility to cancel out the financial risk for the TSO
- Open questions
 - Will it be possible to bid for an EPAD? Members are primarily interested in an EPAD that takes them to the system price, not in a combo that takes them to another price area
 - Will the need for "symmetrical" interest in the EPADs reduce the volume auctioned? Or will there be a relaxation of the zero financial risk policy to increase volumes?
 - If there is a financial risk: possibility to limit the risk/losses through the auction rules? Extra transparency requirements: how big was the loss/gain on the TSOs position?
 - Auction rules, daily price transparency...?
 - Continue with Nasdaq or do members need to connect to a second exchange?

Expectations for the future process

- More details and information on the cost and benefits
 - How big is the problem within the EPAD marked?
 - How exactly could an EPAD (combo) auction look like?
 - How much do the three EPAD support options cost – is the problem big enough to justify the expense?
- Can the problem be solved / reduced by addressing / changing fundamental factors?
 - Price areas size and structure
 - Dynamic price areas?
 - Guaranteed capacity between price areas?

Looking forward to future debates!

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