



NordREG
Nordic Energy Regulators

Input from the market consultation of the THEMA/Hagman-report

NordREG FCA Workshop

Arlanda 10.05.2016

- NordREG launched a market hearing in February 2016 on the report «*Measures to support the functioning of the Nordic financial electricity market*» by THEMA/Hagman Energy
- Received 11 replies from stakeholders
 - Industrial companies
 - Energy traders
 - Production and/or supply companies
 - TSOs
 - Power exchange

Market consultation summary main arguments I

- The NRAs should carefully analyse the market before they consider market interventions
 - Majority finds the current financial market as satisfactory for hedging purposes.
 - Low liquidity in some bidding areas can be due to lack of demand
 - Any measures will have a cost that in the end will be paid by the grid customers
- The scope of the report is too narrow
 - Lack of legal aspects
 - Too generic report, many assumptions
 - Other structural measures should be considered;
 - Bidding zone structure- challenge with dynamic and small bidding zones in some areas
 - Transmission capacity between bidding zones should be maximised

If measures are to be introduced:

- Any measure should support the current system price and EPAD products.
 - No interest for FTRs among market participants
 - According to the replies, FTR would not provide a good hedge in the Nordic system as they are not related to the system price
- Nordic «tool box» preferred instead of one single measure
 - Measures should cope with different challenges in different bidding zones
- The TSOs financial market risk exposure should be reduced to a minimum
 - Any costs will be paid by the grid users in the end.
 - TSOs have limited experience with financial markets, should not be their task

Market consultation summary main arguments III

- Majority prefers the «market maker model»
 - This gives the TSOs a facilitating role instead of a direct role in the financial market
- Majority prefers to use Nasdaq as trading platform
 - To minimise transaction costs for market participants already trading on Nasdaq
 - Competition issues must be dealt with.
- Legal aspects should be addressed by the NRAs before considering measures
 - Use of congestion revenue, state aid rules, REMIT, financial regulations etc.

Market consultation

Comments from NordREG

- We are very content with the responses in the hearing, we have received many valuable inputs
- As regards the scope of the report being too narrow:
 - Structure of bidding areas: part of a larger discussion. Processes in ACER, ENTSO-E etc. related to the CACM Guideline.
 - Allocation of transmission capacity: also related to the CACM processes, we also follow this closely.
- Legal issues will be carefully addressed in the further process
- Most of the points raised in the hearing corresponds to previous stakeholder consultations.
- We will carefully take into account your input in the further process related to implementation of the FCA Guideline.