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RESPONSE

**Comments on “Measures to support the functioning of the Nordic financial electricity market” by THEMA Consulting Group and Hagman Energy**

## TSO intervention

Svenska kraftnät strongly agrees with the report regarding the importance of identifying a market failure and recognizing the need for TSO intervention in the financial market before implementing any of the proposed measures. Svenska kraftnät likes to further stress this, since none of the measures suggested in the report are today part of Svenska kraftnät’s business. It is not an ordinary task for a TSO to be involved in the financial market.

Shifting the financial risk of market participants to the TSO means socialising the risk to the TSO’s customers and ultimately to the end consumers. Hence it is essential that the value for the market is significantly higher than the increased risk the measure implies. Svenska kraftnät would also like to highlight that other measures than proposed in the report, such as increased transmission capacity between bidding zones, can have a positive impact on the market and on the need for hedging in the concerned areas.

Svenska kraftnät believes it is crucial that the evaluation that will be performed by the NRAs investigates the depth of the potential problems in the market and considers near future changes of significant impact on the market to avoid that non-optimal measures are taken. It is also necessary that the external borders of the Nordic system

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and potential measures on the interconnectors are considered in the evaluations, since this will have a significant impact on the Nordic market and the total risk exposure of the involved TSOs. The Nordic system cannot be treated as a separate entity in this respect.

## Support of the EPAD market

Svenska kraftnät agrees with the report stating that measures involving FTRs are inferior to measures that support the present EPAD trading. Svenska kraftnät believes that support to the EPAD market is a more suitable and efficient solution, if a TSO intervention is needed, since this amplifies the existing structure of hedging and does not undermine the system price in the Nordic market.

## Legal aspects

Svenska kraftnät considers the report in some aspects as being too general and theoretical and overlooking the complexity of the issues. One example of this is that the reasoning in the report does not take into account the European Regulation (EC) No 714/2009 regarding conditions on the usage of congestion income.

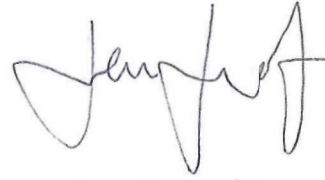
This results in the report assuming that the congestion income can be used to compensate the costs of allocating EPADs, which is not certain due to the mentioned legislation. The result of this assumption is that the TSOs price risk is being underestimated and that the arguments concerning congestion incomes relation to the tariff are incorrect.

In general, legal aspects are lacking in the report and Svenska kraftnät believes that the current European legislation should have been considered in the report as the legislation is binding in at least Denmark, Sweden and Finland.

Svenska kraftnät



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