

Main challenges on Wholesale and Transmission developments in the Nordics – Nord Pool EMCO

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Main challenges on Wholesale and Transmission developments in the Nordics – from a NEMO's perspective

PART I:

Multi-NEMO competition in the Nordic Markets

PART II:

Future Market Design in the EU and Nordic Markets

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Aggregated Day-Ahead Bidding Curves & Intraday "Live-ticker"

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Nord Pool's comments on NordREG's Position Paper on CACM 2.0

PART I:

Multi-NEMO competition in the Nordic Markets

The Nordic Markets are fundamentally fair and transparent

- From a NEMO's perspective, the Nordic DA & ID markets are well-designed, efficient and fair
- There are no barriers to entry for market participants or new NEMOs

The following market design features of the Nordic markets contribute to the above in particular:

- 1) The Nordic day-ahead fallback procedures:
The procedures ensure that **all Nordic NEMOs remain coupled**. The Nordic BZ prices are calculated based on the input of all Nordic NEMOs. All internal Nordic CZ capacities are being used. Thus, even in the worst case of an SDAC level EU-wide partial/full decoupling, there will be a coupled DA price for the Nordic region.
- 2) The Nordic Intraday markets are fully incorporated in SIDC (XBID):
The **closing of the Nordic ID markets coincides with the closing of SIDC XBID** in general at 60 minutes prior to delivery, or later where allowed (e.g. Finland-Estonia until 30 Min before delivery).
- 3) All cross-zonal capacity is made available in the DA implicit auction (SDAC):
What remains thereafter is given to the ID continuous (SIDC) market; this leads to **solid price formation**.
- 4) The Nordic TSO balancing mechanisms are **integrated** on Nordic synchronous grid level;
Imbalance prices are linked to SDAC (spot) market prices.

How an un-level playing field for NEMOs in CWE affects multi-NEMO competition in the Nordics

CWE region	Effects in the Nordics
<p><i>Decoupling of a NEMO as a day-ahead fall-back procedure</i></p> <p>The risk of being “stuck” with the new entrant NEMO’s limited liquidity in case of its decoupling incentivises market participants to trade with the incumbent NEMO in CWE which has the higher liquidity in case of a decoupling.</p> <p>SOLUTION: “Decoupling” as a fall-back in CWE must URGENTLY be replaced with a fall-back which keeps the CWE NEMOs coupled. Nord Pool proposes a simplified, second DA auction in CWE.</p>	<p>Nordic market participants who trade both in the Nordic and CWE are incentivised to trade with the CWE incumbent NEMO – the only NEMO who can provide them with access to full multi-NEMO liquidity in the Nordics and most of the liquidity in CWE.</p>
<p><i>Lack of an obligation on NEMOs to share their Intraday orders for multi-NEMO SOB matching in the final 60 minutes prior to delivery</i></p> <p>In order to get full access to the intraday liquidity from <u>local</u> market opening time to <u>local</u> market closure times, market participants can find themselves forced to remain members of the incumbent NEMO.</p> <p>SOLUTION: NEMOs must be obliged to share their orders in the SIDC SOB until the latest point in time when the change in the commercial trade schedules is still allowed between or within a bidding zone or scheduling area.</p>	<p>Nordic market participants who trade both in the Nordic and CWE are incentivised to trade with the CWE incumbent NEMO – the only NEMO who can provide them with access to full liquidity in the Nordics and most of the liquidity in CWE.</p>

PART II:

Future Market Design in the EU and Nordic Markets

Future Market Design in the EU and Nordic Markets

Nord Pool would like to specifically address the following:

- 1) Bidding Zone Review and market effects of BZ configuration
- 2) Deficiencies in cross-zonal capacity allocation to the markets versus visible needs
- 3) Projects to implement Electricity Reg. 2019/943, CACM & EB GL requirements overlapping & complex
- 4) Comments on some of the topics being addressed by NordREGs Wholesale and Transmission Task Forces this morning

Nord Pool sees an urgent need to discuss the above in light of the following:

- How a future Nordic bidding zone configuration should be designed which results in efficient market results.
- How the needs of the Nordic market & market participants can best be met in the future.
- How more cross-zonal capacity can be allocated to the Nordic markets.
- How Nordic market arrangements should be designed to ensure efficient & competitive outcomes while still guaranteeing security of supply and real-time operational robustness.

PART III:

Aggregated Day-Ahead Bidding Curves & Intraday "Live-ticker"

Aggregated Bidding Curves & Intraday "Live-ticker"

Market participants require **adequate & transparent information** on the input and output data to/from the day-ahead (SDAC) markets ("**Aggregated Bid/Offer Curves**") and intraday (SIDC) markets ("**ID Live-ticker**") **regardless on which NEMO they trade**. Therefore:

- 1) Each NEMO **must have the right to provide complete & real time information on input submitted to the SDAC & SIDC, and all results** to their members and market participants;
- 2) **No NEMOs should be allowed to "monopolise" certain input or output data**, so that other NEMOs are not allowed to share such data with their members and market participants on equal terms, whilst respecting applicable anonymity and aggregation requirements;
- 3) **No NEMO should be allowed to share non-SDAC/SIDC bidding curves or "local" pricing data** with their own members during the duration of the day-ahead and intraday timeframes:
 - This must apply from the **day-ahead gate opening to the intraday gate closing time**;
 - This must include times during which the **day-ahead fallback procedures** apply; and
 - This must apply until **the latest point in time when a change in the commercial trade schedules from BRPs towards TSOs is still allowed** between or within bidding zones or scheduling areas.
- 4) When informing market participants on input and output data (results), each NEMO must adhere to the agreed methodology under CACM and **draw a balance between transparent information to the market and the anonymity of individual market participants**.

PART IV:

Nord Pool's comments on NordREG's Position Paper on CACM 2.0

NordREG's call for Phasing out Monopolistic NEMOs under CACM 2.0

Nord Pool fundamentally agrees with the NordREG's demand that CACM 2.0 should include a plan for the phasing out of monopolistic NEMOs:

The continued existence of regulated monopolistic NEMOs operating under full cost recovery severely skews the level playing field between NEMOs.

HOWEVER:

Nord Pool understands that one of the main reasons why monopolistic Member States are unwilling to open up for multi-NEMO competition is that they believe that multi-NEMO competition - where it is allowed - is not working and may inadvertently lead to the creation of unregulated quasi-monopolies over which they have no control.

THEREFORE:

FIRST, we need to create market conditions in the CWE area (Germany/Luxembourg, Austria, France, Belgium & the Netherlands) which do not skew the level playing field towards the incumbent NEMO

This needs to happen PRIOR TO and INDEPENDENT OF the ongoing discussions under CACM 2.0

THEN (and only then), under the revision of CACM 2.0, the monopolistic Member States should be opened for competition.

NordREG's opinion on reorganizing the MCO Governance under CACM 2.0

Nord Pool disagrees with the NordREG's assumption that competing NEMOs cannot cooperate efficiently and without conflicts of interest when jointly performing the MCO function:

- Under the new “Joint NEMO-TSO decision making body” and with qualified majority voting (QMV) rather than unanimity (as currently) MCO governance will be significantly improved.

Nord Pool would like to take this opportunity to urge NordREG to consider the proposal for an “Option 3” as submitted by All NEMOs and All TSOs.

- The centralisation of the MCO would mean a huge upheaval in the European electricity markets;
- It could severely jeopardise robust operations of the MCO Function and has the potential to severely delay the implementation of European projects important to support the Green Deal targets;
- It comes at a time when energy prices for many European consumers are at their highest in decades and the need for continuing the already initiated market reforms are of crucial importance and should not be further delayed;
- Nord Pool is very concerned about ACER's proposal to centralise the clearing and settlement between all European NEMOs in a single central legal entity – this would concentrate a lot of financial risk in a single legal entity (“too big to fail”).

At Nord Pool we believe that competition is better for any market than monopolistic structures. Competition might make the world a bit more complex, but we are sure that this results in more accurate, secure and transparent electricity markets; also enabling innovative, cost-efficient NEMO services that better serves consumers.

Thank you!
Questions?