

NordREG Strategy

Nordic Energy Regulators
(NordREG)

Approved by NordREG Board
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NordREG

www.nordicenergyregulators.org

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1. Preface

For more than two decades NordREG has provided a constructive platform for cooperation between the Nordic energy regulators.

The NordREG Strategy was established in 2019 to provide guidance to the work and priorities of NordREG in the years up to 2030. This is to achieve the NordREG vision of efficient and advanced energy markets.

Europe and the Nordic countries have faced an energy crisis mainly caused by the Russian invasion of Ukraine in February 2022 and disruptions of gas supply from Russia resulting in high gas and electricity prices. The crisis challenges economic and social welfare and has caused increased public interest in the electricity and gas markets, concerns regarding interruptions of supply and discussions on possible challenges the situation brings to the infrastructure of the energy market. These developments have raised questions and considerations about changes to the marked design in the EU.

The energy markets in the EU are also changing as a result of the ambitious climate and CO₂-reduction goals set by the EU in the Clean Energy Package and national policies. This involves increasing need for further electrification, sector coupling between gas and electricity markets and introduction of hydrogen on a larger scale in the years to come. The implementation of these goals will also have an important role to play in dealing with the current energy crisis.

As a result, the Nordic and European energy systems are becoming more complex and integrated and it is important to consider other sectors that use electricity such as transport, heating and hydrogen. The Nordic electricity market faces rapid technological development, increasing share of production from renewable energy sources, primarily from off- and onshore wind, which increases the importance of cross border transmission capacity and the need for increased flexibility from all available sources.

NordREG revised the strategy in 2022 to ensure that it reflects the recent developments and rapid changes in the energy market in order to ensure that the strategy is relevant and can guide the NordREG work in the years to come.

NordREG's vision is:

“Efficient and advanced energy markets,
for the benefit of consumers – towards a
decarbonized society”

The vision points out the direction in which we are going, and the strategy envisions where we are going in the long run. Correct price signals, active consumers with access to information and a dynamic framework enabling advanced energy markets and green transition are strategic principles which will guide the NordREG cooperation in the years to come. The strategy is accompanied by a roadmap that outlines the activities needed in the short, medium and long run to approach the target items outlined in the strategy as well as an annual Work Program.



2. NordREG mission and vision

NordREG's objective is to promote and develop efficient electricity markets in the Nordic area, consistent with and in the forefront of the developments in the EU. The work within NordREG focuses on practical, relevant solutions to common challenges, e.g. in relation to the European developments of new EU rules and ongoing implementation of network codes and guidelines in the electricity sector.

NordREG mission:

In cooperation, we actively promote legal and institutional framework and conditions necessary for developing the Nordic and European electricity markets

NordREG vision:

Efficient and advanced energy markets, for the benefit of consumers towards a decarbonised society

The vision supplements the slogan in the logo, "Power through cooperation".

3. NordREG Strategy

NordREG's vision points out the direction in which we are going, and the strategy envisions where we are going in the long run. The roadmap enclosed in appendix I, clarifies priorities and makes the direction for the coming 3 years more concrete. In addition NordREG also publishes an annual work program.

The purpose of this strategy is to provide clear guidance for the development during the years up to 2030. The Nordic and European energy systems are becoming more complex and integrated and it is important to consider other sectors that use electricity such as transport, heating and hydrogen. The electricity market faces rapid technological development, increasing share of production from renewable energy sources, primarily wind power, both off- and onshore which increases the importance of cross border transmission capacity and the need for increased flexibility from all available sources.

Electrification is the key to mitigate climate change, but will require increased generation, mainly from renewable and variable wind power. The variable nature of the production will require more flexibility from all available sources. Furthermore, sector integration between electricity and gas will enable us to optimise the clean energy system across several energy systems.

The Nordic countries have excellent conditions for wind power, advanced electricity markets with low entry barriers and a good cooperation. This provides favourable conditions for green investments while maintaining a secure and reliable electricity system. National regulations, decisions and actions will have an impact on neighbouring countries. It is therefore important to have a holistic view and ensure socioeconomic efficient solutions on a Nordic level. This motivates a high level of coordination and deep cooperation between the Nordic Energy Regulators.

3.1 Strategic principles

NordREG has identified the following strategic principles to guide our cooperation in the coming years.

1. Correct price signals
2. Active consumers
3. Dynamic framework enabling advanced energy markets and green transition

These principles are described below.

3.1.1 Correct price signals

Although 2022 has been a year with intervention in the Nordic and European electricity markets to ensure affordable electricity prices, NordREG finds that in the long run price signals should be the driver for all investments in infrastructure, generation capacity and demand side flexibility. Correct prices reflect scarcity from the underlying physics and fundamentals in the energy system. Thus, they are important both in terms of ensuring efficient market balance and managing grid congestions as well as ensuring security of supply. Correct and reliable price signals is the efficient way to allocate resources in the energy market incl. incentives for investments in energy infrastructure.

Correct price signals to the end consumer is also essential for demand side flexibility that is key to obtain system security and handle the increasing share of renewable energy production. In volatile markets, efficient and liquid forward markets are important for both generators and end users for hedging their positions. In addition, sufficient and adequate hedging opportunities are also needed by suppliers in order to be able to offer a variety of contracts for consumers.

Following this principle NordREG finds that:

- 1a) Cross border trade of electricity should not be restricted between bidding zones.

- 1b) Capacity of interconnectors provided to the market should be based on common and coordinated principles to ensure transparent and reliable information.
- 1c) Possible adequacy challenges should be handled by efficient investments in generation and network and/or amending the existing regulation i.e. removing existing barriers that distorts efficient price signals.
- 1d) Flexibility of the Nordic electricity system should be increased by continuously identifying and removing barriers to the use of flexibility resources.
- 1e) The market design for day ahead, intraday, balancing and forward markets with sufficient and adequate hedging opportunities should be continually reviewed to ensure that the wholesale market is fit for future challenges.

3.1.2 Active consumers

The purpose of linking the wholesale and retail market is to give correct prices and provide consumers with market-based incentives to provide flexibility (demand response) and contribute to support a cost-efficient integration of renewable energy sources. Correct price signals are essential for consumers to engage in the markets for efficient demand side response. NordREG will facilitate a market design where consumers are encouraged to be active and where new market players can enter and be active on behalf of consumers.

Efficient competition in the retail market is crucial for active consumers. For the consumers to be active in choosing suppliers and providing demand response, transparent, relevant and accessible information is essential. With correct information, consumers can decide, or automate the decision to use less electricity at times of high prices, which in turn facilitates them to use renewable production sources in the system to a larger extent. Smart metering in combination with billing systems to provide consumers with easy access to information allows them to respond to fluctuations in electricity

prices, they are also essential in integrating increasing amounts of small-scale renewable production into the system.

The bills should be easily understandable for consumers. The design of information communication technology systems ensuring neutrality is important. Another important principle is that the data is the property of the consumer and third-party access can only be given with the authorization of the consumer.

Following these principles NordREG will promote:

- 2a) Competitive retail markets with low entry barriers.
- 2b) Active consumers – Access to transparent relevant and accessible information to make well-informed decisions.
- 2c) Trustable markets – monitoring compliance with the regulation will increase trust in the retail markets and increase activity for suppliers and consumers.
- 2d) Consumers own their own data & flexibility and is empowered to make informed decisions.
- 2e) Facilitate efficient solutions to handle challenges and opportunities of new technology.

3.1.3 Dynamic framework enabling advanced energy markets and green transition

The changing energy systems and markets – in the EU (notably in 2022) are also visible in the Nordic countries. Decarbonisation goals, electrification, hydrogen, sector coupling etc. will also influence the Nordic region in the coming years and will have to be integrated in the regulatory framework and in the energy system. The costs of the green transition will be considerable and calls for competitive, efficient markets and systems to achieve the goals.

NordREG will actively promote a dynamic regulatory framework that enables the development of advanced, cost effective energy markets as an essential element in an efficient and cost effective green transition.

The NRAs have an important role in the regulation and to ensure a framework that gives incentives for innovation, new production facilities, and the use of new technology in a cost efficient way. Electrification in areas such as transportation, heating and cooling and data centres will, in addition to new technology, provide new opportunities and challenges. In this context, NordREG will strive to facilitate efficient framework for prosumers, batteries, peer-to-peer trade, local energy communities, data collection and use.

Due to the changing energy markets and systems as well as the costs related to the green transition, flexibility needs will increase, and to a larger extent needs to be handled with decentralized tools such as storage, demand response, electric vehicle batteries and decentralized production. As a general principle, DSOs should not perform tasks that can be performed by competitive markets. Unbundling of monopoly activities from activities subject to competition is a prerequisite. Hence, regulation of the role of TSOs and DSOs in the operation and optimization of flexibility tools will be important.

Tariff design that reflects the underlying network costs is one important way to facilitate efficient demand response. Grid tariffs should be designed to give signals on efficient utilization and development of the network, hence be cost-reflective.

Following these principles NordREG will facilitate:

- 3a) Markets where possible, and efficient regulation of natural monopolies.
- 3b) Cost-reflective grid tariffs & connection fees that improves efficiency and provides fair distribution of grid costs.
- 3c) Electrification in areas such as transportation and industry.
- 3d) Market based procurement of distributed flexibility resources.
- 3e) Promote efficient solutions to include hydrogen, sector coupling etc.

4. Annex 1 – About NordREG

NordREG is a voluntary cooperation between the Nordic energy regulators.

The Board, which governs NordREG, consists of the Directors of each Nordic NRA. NordREG has a rotating presidency and secretariat, and changes annually. NordREG makes decisions based on consensus.

The following authorities are members of NordREG:

- **Denmark:** The Danish Utility Regulator, (Forsyningstilsynet, DUR)
- **Finland:** The Energy Authority, (Energiavirasto, EV)
- **Iceland:** The National Energy Authority, (Orkustofnun, OS)
- **Norway:** The Norwegian Energy Regulatory Authority, (Reguleringsmyndigheten for energi, (NVE-RME)
- **Sweden:** The Energy Markets Inspectorate, (Energimarknadsinspektionen, Ei)

The NordREG Board approves the Work Program which directs the priorities and activities for the year. The chairs and members of the working groups (WGs) and task forces (TFs) carry out the work, as described in this document.

NordREG's work is linked to the integration of the Nordic electricity market and the efficient handling and implementation of EU-regulation (including Network codes and Guidelines and the regulation from the Clean Energy Package) in the Nordic Region.

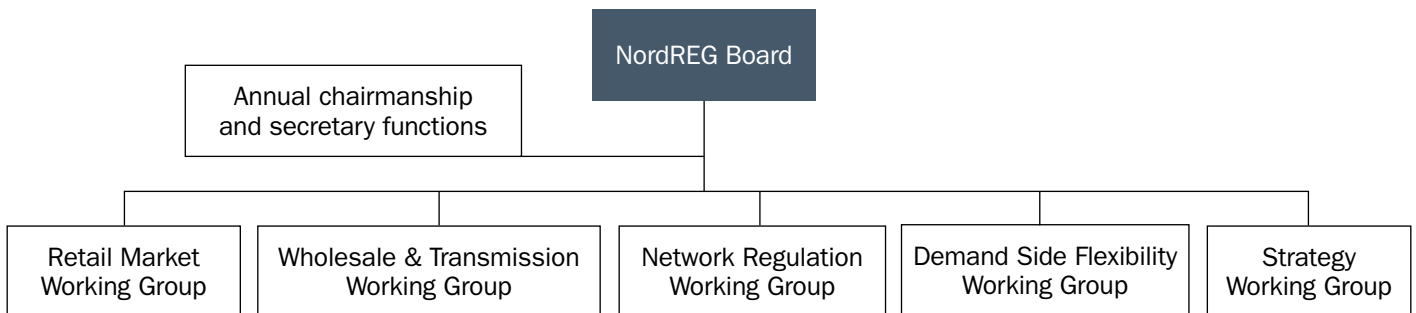
NordREG also undertakes other common initiatives among themselves to influence the European discussions and developments and to improve the functioning of the Nordic electricity market.

Furthermore, the work in NordREG is linked to assignments from the Electricity Market Group (EMG), which is subordinate to a Committee of Senior Officials for Energy of the Nordic Council of Ministers. EMG is responsible for following up and coordinating concrete measures agreed by the Nordic Energy Ministers. NordREG participates in the annual Nordic Electricity Market Forum and appoints observers to the different Forum work streams.

NordREG aims at reinforcing the level of common representation in the cooperation within the Council of European Energy Regulators (CEER) and Agency for the Cooperation of the Energy Regulators (ACER). Coordination with CEER and ACER is a crosscutting concern that goes through all NordREG projects.

NordREG's work takes the form of exchanging information and best practices, and issuing common reports, as well as facilitating common dialogue with TSOs and market participants. Additionally, NordREG in the form of European Regional Regulatory Forum (ERRF) plays an important role when making coordinated regional decisions in the Nordic Capacity Calculation and System Operation Regions required by the European Network codes and Guidelines.

The NordREG cooperation is based on consensus and a strong commitment to developing the common Nordic electricity market.



4.1 NordREG organisation

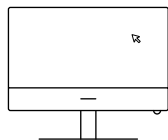
The working groups carry out the work in NordREG. In the area of wholesale markets, the various task forces (TFs) fulfill specific work strands under coordination and supervision of the Wholesale and Transmission Market working group. The Board approves the establishment and tasks of the WGs and TFs. NordREG's Modus Operandi describes the rules and responsibilities in terms of the overall cooperation in NordREG.

4.2 Nordic Energy Regulators Forum (ERRF)

Nordic Energy Regulators Forum (ERRF) is a cooperation between the NRAs in the Nordic countries. The scope of the ERRF is limited to providing for clear and transparent consultation, cooperation, and agreement between all regulatory authorities in the region where agreement/approval under the European Network Codes requires a unanimous decision by all regulatory authorities of the concerned region.

Nordic Energy Regulators Forum (ERRF) have agreed to follow a set of objectives which sets the guideline for cooperation. The objectives regard CACM, proposals connected to ENC and how to work with ACER.

More information about NordREG can be found [here](#)



NordREG is a voluntary cooperation between the Nordic energy regulators. The presidency and secretariat rotate annually.

The presidency and secretariat of NordREG was during 2022 held by the Swedish Energy Markets Inspectorate (Ei).

Please contact us if you have any questions.

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