



Norsk Industri

The view of Norwegian large electricity consumers

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The Nordic electricity market is one step ahead of the European target model

The Nordic model

- Integrated market
 - A common (system) price
 - EPADs link system price to (physical) area price
 - No cross-zonal products
- Financial market

The European target model

- Coupling of national markets
 - Price arbitration, no competition
 - LTTRs issued by TSOs link adjacent area spot prices in the forward domain
- Improves continental markets
 - Replaces PTRs by FTR Options
 - Coordinates auctions and capacities
- Hybrid physical/financial market

The Nordic model should not be treated as inferior

- Why should the best market be asked to pass a separate quantitative test?
- A stakeholder survey should be enough

Introducing LTTRs in the Nordic market as proposed will move the market backwards

LTTRs do not fit in the Nordic system

- Small price zones
- Assumes a separate forward in each bidding zone
- Weaker role for the system price
- No coexistence possible with the present Nordic system

LTTRs are not suitable hedging instruments

- Expensive: Options with pay-out for differences in both directions
- Links only to the next zone, not to the entire market
- Difficult co-ordination between procurement and LTTR auctions
- No functioning secondary market to be expected
- Too short trading horizon

The role of TSOs as independent market facilitators are at stake

Bottleneck charges are not a perfect hedge for issued LTTRs

- Higher firmness of LTTRs than of actual capacity

TSOs hedging in the market is incompatible with unbundling

- Market participant with a business interest in certain price outcomes

LTTR auctioning will restrict system operation

- May influence capacity setting
- Incompatible with flow-based capacity setting

Auctioning LTTRs may be a business opportunity for traders

- Auctioning prices are consistently below bottleneck charges
- This cost is to be paid by consumers through higher grid tariffs

The Nordic market needs reform to improve weak points

Any actions to improve the Nordic forward market should be based on its own logic

- Not forcing introduction of LTTRs
- or giving TSOs a role that will jeopardise their neutrality

Main issue: Weak liquidity of EPADs in some price zones

- Is there a demand for all EPADs?
- Imbalanced zones with no supply side

Possible remedial action

- Changing bidding/price zone structure in the day-ahead market
- Introduce market making for EPADs