



To the Nordic TSOs

Nordenergi, the umbrella association of the Nordic electricity industry associations, welcomes the opportunity to comment on the Road Map. Please find below comments organised as main comments and more specific comments to the different topics. For more elaboration, we refer to the consultation replies from the individual associations.

We have six main recommendations to improve the roadmap:

1. The Road Map needs to develop into a more detailed Road Map and give a more precise prescription on the different elements, including overall and per TSO actual cost and budget
2. The Road Map should describe the integration with European platforms, clarify the roles of European platforms, Nordic AOF and individual TSOs, and include a timeline for 'NBM 2nd generation'
3. Implementation of the single price model needs to proceed as soon as possible but take place no later than Q1/2021 in accordance with the Electricity Balancing Guideline (EBGL) requirements
4. The final Road Map needs to have a realistic timetable for implementing ISP 15 and consider all information available.
5. The Road Map needs to support the integration of European short-term markets and ensure that Nordic balance markets and settlement is based on foreseen European standard solution given that these are best practice.
6. The Road Map should include discussion on creating market participants more possibilities to provide for system balance through trade in the organised power markets. These include real-time transparency on imbalance price formation and extension of trading opportunities in the organised markets in order to trade imbalances in these markets close to or until the beginning of operational phase.

## **COMMENTS TO THE DIFFERENT TOPICS:**

### **General questions**

*1. Have the Nordic TSOs described the most important issues from your perspective for changes towards the Nordic Balancing Model? What should possibly be kept/added/deleted?*

*a. Is the level of the details for the presented roadmap and milestones adequate?*

*b. Have the TSOs possibly in your view missed some explanations or mile-stones?*

*c. Are there any undefined dates in the current roadmap that in your opinion are crucial to be added as soon as possible? Please explain the reasoning.*

*2. Any views or comments on how the Nordic TSOs should approach uncertainty with respect to timing in the roadmap? What are of importance to you?*

*3. Any other views or comments related to the presented roadmap and milestones?*

Overall the Road Map is yet on too high level. The Road Map needs to include more details and information on the expected timing of work packages aiming to deliver the higher-level targets. Especially we lack the sufficiently detailed prescription of what the automated optimization function is expected of doing.

The Road Map is vague on when and how the Nordic TSO will join the future European balancing platform MARI and PICASSO and comply with the requirements of EBGL. We suggest that Nordic TSOs include this in the final roadmap and clearly describe at least the following key steps:

- When will a Nordic aFRR energy activation market be implemented?
- When will the Nordics join MARI?
- When will the Nordics join PICASSO?
- When will aFRR energy standard products be used?

It seems counterproductive if NBM development create separate Nordic market solutions that will postpone or create barriers to integration with the European balancing markets. The NBM process should aim towards full participation in the MARI and PICASSO platforms, given that the latter has best-practice solutions. Relations with European markets are still too open in the Roadmap. The co-existence of European and Nordic platforms is presented on too high-level, not sufficiently in detail. The foreseen roles and responsibilities of European platforms, the Nordic NBM/AOF and individual Nordic TSOs needs to be prescribed more in detail.

Market based balancing and giving incentives to market participants for helping the system through trade in the organised markets prior to real-time operation should be more present. We miss the discussion on increasing transparency on imbalance price formation and extending the ID GC closer to operational phase, which would enable to market participants being better balanced when operational hour / quarter begins, and hence decreasing the TSOs need to balance the system. The TSOs have so far not been able to explain sufficiently in detail why they need as much time before operational hour/quarter, and whether they have analysed / could include in the Road Map how they could reduce the needed time?

The Road Map needs to include at least governing externalities:

- How are the ID and DA markets expected to move from hourly trading into 15 minutes' trading? Most trading today takes place on the DA-markets. If balancing takes place in quarters but trading in hours, this creates additional risk for market participants, especially to retailers.
- The needed regulatory approvals and legal changes are not presented sufficiently in the Road Map. These require time. The regulatory framework also needs to be in place sufficiently early. Best way to promote smooth regulatory process is by starting open discussions with stakeholders in an early phase for to discuss alternatively solutions and by having these discussions in as detail level as possible. And based on these discussions and analysis to prepare well-reasoned and detailed proposals ready for consultation and regulatory approval process.
- The Road Map should recognize also all other known external risks of importance. For instance, it's recognized that in Finland ISP 15 can't be implemented before datahub is in operation, and there are some risks related to foreseen datahub timetable. These are clarified during this autumn and need to be included in the final Road Map. Another theme is the situation of DK1.

We promote to discuss further on the interdependencies, both project's internal but also external internalities. These include:

- Regulatory changes, both on a legal level and on regulatory approval level
- Needed actions from market participants. What are the expected timelines that market participants need for making their systems ready for different characteristics of the NBM, and are there risks that the implementation timelines of those projects would cause delays for the NBM work packages?

We miss the detailed prescriptions how balancing prices will be defined and calculated and how netting will be evaluated. We understand that there may not yet be ready answers on these and

consider that these need to be discussed with stakeholders. However, also details that are not yet ready, should be recognized in the Road Map.

### **Nordic aFRR capacity market**

*4. The Nordic TSOs have submitted an aFRR capacity market proposal for NRA approval. These have already been subject to public consultation according to EBGL. The TSOs expect the go-live of the Nordic capacity market in Q1/2020. Any views or comments related to the expected go-live date of the Nordic aFRR capacity market?*

We expect go-live in 2019 according to the initial timetable and have prepared accordingly. We urge TSOs to monitor reservation methodology's performance and refine it as needed. As we have shown in previous consultation responses, the reservation methodology has particularly poor performance on borders between DK2 and the Nordics.

However, we want to remark that according to EBGL (38:5), the reservation of capacity should only be done if cross-zonal capacity is calculated in accordance with the CCM developed pursuant to CACM and FCA.

*5. The Nordic TSOs plans to postpone the market design and IT implementation until the result of the regulatory process related to the aFRR capacity market is known and therefore the go-live is expected to be during Q3/2021. How high priority do you see the Nordic mFRR capacity market in the overall NBM roadmap?*

A prerequisite for a fair and competitive Nordic mFRR capacity market with a level playing field for participants is that there is full reciprocity in market access. This means that all Nordic TSOs should commit to procuring mFRR capacity when the common market goes live. We support the Q3/2021 go-live and discourage further delays.

Though, being important we'd not consider it as first priority. Inclusion of also down-regulation would be a benefit.

*6. The switch to the single imbalance model and single imbalance pricing is expected to require only very small adjustments to the settlement data reporting from market participants to TSOs. Do you agree on this statement?*

*7. There are two high level alternatives for implementation. Either early implementation Q1/2021 or together with 15 min ISP Q4/2022*

*a. Do you agree on the advantages and disadvantages described for the alternative implementation plans?*

*b. What are of importance to you and how can this be met?*

- c. Which of the two alternatives do you prefer? Please explain the reasoning.*
  - d. Do you see some other alternative implementation plans or gradual implementation alternatives? Please elaborate.*
- 8. Any other views or comments related to common Nordic imbalance pricing?*

We believe the Nordics should comply with the EBGL deadline of by Q1 2021 and do not deem this as ‘early implementation’. Postponing the implementation to Q4 2022 would be a significant and unwarranted delay. We see no challenges in moving to single price/single position immediately and while we largely agree with the impacts described in the Road Map. Our members welcome the change and will make the necessary adjustments in a timely manner.

Applying a single price, single position model will align the Nordic with Continental Europe and the EBGL target model and improve the overall efficiency of the balancing market. It will also reduce transactions costs and administrative burdens for market participants and contribute to supporting the system frequency when the 15 minutes ISP is implemented and real time information on the system state is provided. Larger market participants already have the ability of shifting positions between generation, consumption and trade through internal trades. Consequently, we do not foresee any detrimental impacts on Nordic markets or real time operations.

We prefer implementation of single price model simultaneously in all Nordic countries. Any deviation from the single pricing - in some or all Nordic bidding zones – should be supported by substantive analysis providing a justification for the deviation. TSOs should naturally make such analysis publicly available and consult on it prior to a potential NRA application. We’d like to have more in detail explanation what is meant with gradual implementation.

We emphasize that bundling many changes into one creates not only risk related to timetables (one part is delayed, everything is delayed), but also operational risks. The single price model should be implemented so that there’s sufficiently time before other expected implementation projects.

Detailed examples/alternatives for new pricing models (including proposals for new fees for BRPs) should be made available as soon as possible to use for discussion/consultation.

## **15 minutes time resolution**

*9. Go-live of 15 minutes time resolution is planned to take place during Q4/2022. What is your opinion of the timeline proposal? Is the proposed timeline acceptable to make necessary changes to your business processes and IT solutions?*

*10. What are the crucial preconditions for the implementation of 15 minutes time resolution in the national and in the Nordic level? Please explain the reasoning.*

The proposed timetable must be doable from TSOs' perspective. The Road Map needs to include a more precise deadline "by when" different work packages are needed. We recognize that December is not a perfect month for making substantial changes and propose considering November. Alternatively, one would need to consider Q1/2023.

The timeline needs to consider datahub timetables. However, the timeline needs to be fixed in autumn 2019 and all uncertainties known before finalizing the Road Map to be considered. Any changes after the final Road Map will mean costs, hence any potential delays must be communicated well in advance.

When 15 minutes ISP is taken into operation the market participants need to have it possible to trade with 15 minutes' products. As a minimum there must be liquid trading possibilities in ID, but it would be better to 15 minutes' products available also in DA once 15 ISP is implemented.

We recognize that the more generation and consumption is metered at least with the granularity of ISP, the better. However, exchanging meters before their lifetime is a cost. In Finland a road map for moving into 15 minutes' metering is developed and we propose that the TSOs require that a sufficiently concrete road is developed in each country.

We urge TSOs to ensure that the timeline to be presented in final Road Map is respected and that any potential delays are communicated well in advance.

As the move to ISP15 is not a "metering reform", it is crucial that a suggested method for profiling is presented early in order to be discussed with market participants.

### **mFRR balancing processes automation**

*11. In the first phase only scheduled mFRR activation will be part of a Nordic markets. When there is a need for direct mFRR activation it will be handled locally. This might also lead to a local calculation of the imbalance price in those situations. What is your opinion of this approach?*

*12. At the time for the introduction of 15 min time resolution, some features of the European mFRR standard product will be introduced. Before the Nordic TSOs join the MARI platform the remaining features of the standard product shall be implemented. Is the order of the implementation of the product features in your opinion feasible or is there some very important features that should be introduced earlier?*

*13. The go-live is expected at the same time as 15 min ISP (Q4/2022). What is your opinion of the timeline proposal?*

*14. The TSOs plan to continue current practice where mFRR energy bids can be also used for congestion management. Any views or comments related to congestion management?*

*15. The TSOs plan to implement bid filtering functionality on some bidding zones of Nordic market. Any views or comments related to bid filtering functionality?*

We consider that the Nordic products should be as identical as possible with expected European standard products from the start with the aim of securing effective harmonisation. Specific products hamper competition and tend to increase costs.

The impact of implementation of new mFRR market is not the same magnitude as the change in ISP and affects lesser number of market participants. If the TSOs consider this feasible, we agree. However, as stated earlier, we consider that TSOs should be more precise with respect to what Nordic AOF is expected of doing and what will be done by European platforms, what by Nordic AOF and what by individual TSOs.

We underline that using mFRR bids for congestion management purposes must not affect balancing prices.

Any bid filtering functionality should be transparent for market participants and the methodology should go through public consultation even if it should be more explained in the revised roadmap. Preferably, if needed, the methodology for bid filtering should be the same as expected in the European marketplaces. We encourage the TSOs to develop transmission grid and congestion management in a socio-economic way in order to avoid unnecessary filtering but understand that at times there may exist grid congestion, also within a bidding zone. Market participants should be able to understand and verify how and when their market access is blocked by TSOs in order to avoid undue discrimination.

### **Outlook for energy activation markets**

*16. Alignment of the balancing processes and products in order to be able to efficiently join the European platforms is one of the targets for the planned changes in the new Nordic Balancing Model. Do you have any views or comments related to the described outlook?*

Harmonizing and integrating Nordic balancing markets with Continental Europe, and ensuring compliance with EBGL, should be a key priority of the NBM. We believe the current draft roadmap fails in describing this harmonization and integration process in sufficient detail. Most importantly, the final roadmap should comprise implementation deadlines for what TSOs describe as 2<sup>nd</sup> generation NBM, as this is where full integration with European markets is expected to happen.

### **Stakeholder involvement**

*17. Any views or comments related to the presented stakeholder involvement?*

Stakeholder involvement has improved significantly since the inception of NBM. It is our opinion that initial design flaws and underestimation of the scope of the tasks could have been

prevented through timely stakeholder involvement. Given the complexity of NBM it through stakeholder involvement is important going forward as this could also improve the overall NBM project result and improve its legitimacy. We therefore recommend that TSOs continue to strengthen transparency and open dialogue on challenges in the implementation plan.

An important step in August – October 2019 will be to publish and openly discuss analyses, and studies on some of the uncertainties raised in the roadmap, including:

- Evaluation on impacts and potential integration solutions for DK1
- Solutions and implementation milestones of the single price model
- The detailed steps and timeline for European integration
- Scope of the 15 min ISP postponement request to NRA

The NBM project team has indicated a willingness to share and discuss these analyses, and we are hopeful that TSO will allow the sharing of this information.

As the TSOs have prescribed, the NBM represents one of the biggest changes in the electricity market, and the stakeholders need to be involved firmly. We welcome the NBM reference group and encourage to use it for testing ideas in an early phase. We welcome the increased transparency overall, but we want to point out that the formation of a Reference group doesn't remove the need to inform content, changes and potential delays in a timely manner for the whole market.

Yours Sincerely,  
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on behalf of Nordenergi

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