

Nordenergi position on electricity market reform trilogue discussions

A future-proof electricity market design should enable electrification and green transition, while also ensuring security of supply and competitive prices through free competition and sufficient investment signals for new clean electricity generation, electricity grids and system needs. It is worth noting the robust performance of electricity markets through competition and cross-border trading which safeguards the security of supply, despite high energy prices. Current electricity markets play a vital role in averting a more severe crisis and must be preserved.

Please find below Nordenergi's joint considerations for the forthcoming trilogues to focus on enhancing the consumer choice, boosting investments in renewables and low-carbon technologies, and increasing the competitiveness of the EU economy.

Competitive retail markets benefit consumers – finding the right balance between consumer free choice and supply regulation is vital

- **Entitlement to a fixed term, fixed price and dynamic electricity price contract – Directive article 11:** The right for a supplier to choose the products offered is a basic characteristic of a free market. Provisions regarding suppliers' products limit innovation and are against free competition in electricity markets. Instead, it would be sufficient to have an obligation for member states to ensure that there are no regulatory barriers to offering a variety of products, because if the supplier is obliged to offer fixed-price products, then before that it must be ensured that the supplier has the real possibility to hedge the purchase in question. If there is demand for a particular product, the market will respond to that demand. However, if such requirements of specific products arise, they should apply to all suppliers in the same way. Moreover, the requirements of this Article should apply only to consumers and not to all final customers.
- **Protection from disconnections for vulnerable customers – Directive article 28a:** We understand the need for some restrictions (delays) of interruptions in certain situations in order to give customers enough time to apply social aid or otherwise arrange their financial situation. However, we object to any kind of ban on disconnections. Such bans lead to issues like debt stacking for the customers and increase financial risk for market parties (suppliers and DSOs) leading to added costs for all electricity users. The basic needs of vulnerable customers must be safeguarded through social policy measures rather than electricity suppliers, who do not have the ability to determine whether the customer is insolvent or unwilling to pay. We propose a limitation that the ban is limited only to member states where the position of vulnerable customers is not sufficiently secured by social policy measures as required in Article 5 (2) of the Directive.
- **Supplier risk management – Directive article 18a:** We see the mandatory hedging requirements as a restriction of business models of suppliers and retail competition rather than a measure for the benefit of customers. Nordenergi welcomes the amendments of introducing stress tests to ensure suppliers' ability to face major changes in the market dynamics and to ensure their resilience. It will also keep the competition in the market and is of benefit for the customers. It is important that the supplier, whose risks are involved, can decide the hedging tools that they find most suitable without the authorities specifying the use of certain instruments.

Measures in case of electricity price crisis has to be predictable

- **Access to affordable energy during an electricity price crisis – Directive article 66a:** It is important that the market and investment environment is stable enough with clear rules and regulations. Nordenergi welcomes the Parliament's amendment of introducing a 180 €/MWh threshold that must be exceeded before the crisis can be declared. This brings certainty and trust in the markets and decreases the concerns of sudden state interventions on the market. It should be ensured that the Council is involved together with the European Commission in the triggering decision, as well as any decision regarding the prolongation of the state of crisis.

However, we strongly oppose introducing any cap on market revenues. Investments to low carbon economy should not be jeopardized. The revenue cap is giving a negative signal for the investors and disincentivize crucial investments needed in RES & low carbon capacities to reach EU decarbonization objectives. Implementing a revenue cap decreases investors' certainty and trust in the markets and fragments the European electricity market. Additionally, the commission states in their report on the review of emergency interventions that they do not recommend prolonging the revenue cap.

Long-term electricity markets

- **Forward markets – Regulation article 9:** In the Nordics, financial hedging is generally done by combining a product linked to the Nordic system price in combination with a financial contract enabling market participants to hedge the differential between this "hub price" and their respective price area (Electricity Price Area Differential, EPADs), as LTTRs are only implemented on a few Nordic borders. It is important that the regulation is not restrictive to impede innovation by excluding alternative measures. We therefore strongly support the compromise position that has now been negotiated in the trilogues, where equivalent measures are within the scope of the regulation.
- **Capacity mechanisms – Regulation article 22:** The commission has excluded capacity mechanisms from this electricity market design reform, and we support the commission's decision not to introduce amendments to capacity mechanisms as part of the reform. Instead we would propose a more thorough assessment from the Commission when the electricity market reform has been adopted.
- **Power Purchase Agreements – Regulation article 19a & 19aa:** PPAs shall remain a technologically neutral voluntary long-term contracting mechanism for both existing and new generation assets. Against this backdrop, the wording included in the ITRE report i.e., 'renewable PPA' unduly discriminates upon fossil-free generation assets (e.g., nuclear energy). Lifting barriers to PPAs is a 'no-regret' action, but PPAs should be treated similarly to other hedging instruments. The design of bilateral contracts between market participants should be up to their discretion.

A Union PPA database risks substantially increasing bureaucracy and administrative costs for market players. In addition, it would force market players to provide commercially sensitive data which would be against competition rules. It should be noted that information channels already existing in REMIT and EMIR Regulations already facilitate the transparency of the PPA market and will ensure the uptake of PPAs among contract parties without creating additional administrative burden for market participants and preserving the confidentiality of commercially sensitive information.

Nordenergi is the joint-collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Swedenergy, Finnish Energy, Renewables Norway, Samorka, and Green Power Denmark. Overall, Nordenergi represents more than 2,600 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas, and services.

