EnergyNorway

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Energy Norway response to the Commission's stock taking document "Towards a new Energy Strategy for Europe 2011 -2020"

Energy Norway welcomes the opportunity to comment on the Commission's work towards the new Energy Strategy for Europe. The document is a good analysis of the upcoming challenges to reach the EU 20 20 20 targets. The finalised Energy Strategy 2011 -2020 should list the different measures necessary to arrive at these ambitious targets in a coordinated and effective manner.

Energy Norway is a trade organisation for about 260 generators, suppliers, distributors and contractors in Norway. Energy Norway's members each year produce nearly 130 TWh, which is some 99 per cent of all power production in Norway. Our members have approximately 2.5 million grid customers, which is about 91 per cent of Norway`s grid customers. The members of Energy Norway have some 15 000 employees, and had a gross turnover to end-users in 2009 of 75-80 billion Norwegian kroner.

We would like to point out some issues, which we think are especially relevant to reach the overall goal of sustainable, secure and affordable energy for Europe.

Focus on the implementation of market integration

We fully agree with the Commission's analysis that existing legislation on market liberalisation and integration needs to be fully implemented. A fully integrated European wholesale market is very important for the integration of growing amounts of renewables, as only a large and integrated market can offer the necessary access to affordable flexibility and reserves. The integrated market needs to cover all timeframes from forwards to markets for intraday and balancing power.

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In order to meet the 202020 targets it is imperative to secure appropriate balancing and system services to cope with increasing frequency deviations and a growing intermittent production. Creating markets and competition for balancing and reserve procurement will increase the incentive to invest in flexible power sources and will reduce the cost for the integration of intermittent renewables. Sufficient access and markets for balancing power and system reserves should therefore be clearly stated as key factors for higher RES shares and security of supply.

Implementing the third electricity market directive also means introducing new mechanisms to improve the retail markets. For nearly 20 years the electricity industry and consumer organizations in Norway have co-operated in this field. Customers can submit complaints free of charge to an independent board and are granted a fair and swift out of court settlement. Their rights are laid down in an agreement between consumer authorities and the industry. Network companies and suppliers are obliged to inform customer about their rights and it is mandatory for these companies to be a part of the board-of-complaint system. These arrangements have improved consumers confidence and such confidence is necessary in order to move further towards a fully functioning market.

Building a truly European smart power grid

In the coming years substantial investments in the electricity grid are required to support market integration, increasing shares of renewables and security of supply. Both cross-border connections and the internal grid need to be strengthened and extended, making European coordination necessary. In this context, the development of common rules and criteria for network planning, licensing and financing of projects are important issues to resolve.

In the context of integrating intermittent renewables by offering enough flexibility and reserves this grid is also important to link existing and potential large reservoir capacity with wind production centers. Cable connections to countries that facilitate hydropower and pump storage will be of essential importance.

By encouraging competition and investments by other actors than TSOs, the development of interconnectors could increase and help form a more efficient energy market.

In addition, a modern European power grid needs to be “smart” to allow both producers and consumers flexibility to react to intermittent power production. Developing a smart grid will require considerable research and investments in the coming years. Therefore, the Commission rightly identifies grid as one of their priorities.

Investments in infrastructure, however, often meet local resistance. To increase the level of public acceptance it is important that the benefits of a new grid structure are thoroughly explained to the citizens. In such a picture, the connection between the environmental targets, favored by most people and the need for new infrastructure to reach those targets is essential.

Electricity as a facilitator for de-carbonisation and energy efficiency

Energy efficiency and the de-carbonisation of energy are two crucial ways to meet the EU's emission reduction targets. Electricity can make an important contribution. Increasing use of low carbon electricity, produced from renewables, with CCS or nuclear, can replace the use of other high carbon energy sources. Using heat-pumps for heating and cooling and electrifying transport are examples for substituting low carbon electricity for coal, gas or oil. Heat-pumps using ambient temperature in addition to electricity use also less energy and heat buildings more efficiently than other technologies. The stock taking document reflects these challenges and also points out to the major research effort necessary to develop the technologies for an efficient and low carbon future.

Reaching the targets in a coordinated and efficient manner

Last but not least, the new Energy Strategy should aim for coordinating the different polices so that the EU's 20 20 20 targets can be reached in an efficient way. Energy policy can involve trade-offs between the objectives of competitiveness, climate and environmental protection and supply security. For example current policies to increase the share of renewables are often national, non – market based schemes, which can create obstacles towards the development of an integrated European electricity market. The new Energy Strategy can play an important role by discovering potentially overlapping instruments, trying to minimize these conflicts and coordinate policies.