

NordREG
Common Nordic end-user market

Task Force
Balance Settlement

Outline for a common
Nordic Balance Settlement
(NBS)

Consultation Paper

May 17th, 2010

Content

- 1 Introduction 3
- 2 Main requirements for a Nordic Balance Settlement model 4
- 3 The NBS model 4
- 4 Further approach by Nordic TSOs 6
- 5 Timetable..... 7
- 6 Regulators roles and responsibilities 7
- 7 Concluding remark 8

1 Introduction

The Nordic Council of Ministers has for several years supported a development of a common Nordic end user market for electricity. This has now been put in concrete form in a report from NordREG¹ that recommends a common end user market including common balance settlement. The Nordic Council of Ministers gave their support to the report on the minister meeting in October 2009 and asked for a detailed implementation plan to be presented on the next Minister meeting.

As a NordREG task force, the Nordic TSOs will work for a common balance settlement function supporting a common Nordic end-user market. The implementation of the proposed solution has to be done in close cooperation with the stakeholders in the electricity markets, this include mainly BRPs, DSOs and regulatory bodies. Nordic TSOs will strive to design and implement the best and most efficient solution, and avoid special national solutions.

Implementation of a common settlement model is dependent on several changes to national laws and regulations as well as change of technical systems. The time table for implementation is therefore difficult to assess but it is the ambition of the Nordic TSOs to do their best to implement a common settlement as soon as possible without jeopardizing the goal of implementing an efficient and good solution for the market.

Balance settlement is a natural monopoly and a necessary function in a commercial based electricity market model present in the Nordic countries. Nordic TSOs have the role as “Settlement Responsible (SR)” as well as “System Operator (SO)” in Finland, Sweden, Denmark and Norway.

Currently there is no retailer present in all the Nordic countries, and only a few retailers have operation in more than one country. Due to differences in the national end user markets, a Pan-Nordic retailer has to have parallel supply functions through most of the value chain. Balance settlement is a significant part of this value chain and is also highly related to other business processes such as change of supplier, reporting of meter data as well as the relation between grid companies and retailers. Existing balance settlement solutions in the Nordic countries have many similarities; however there are also important differences concerning national regulations, rules and routines which represent barriers for entry.

Task Force Balance Settlement (TF-BS) considers a common balance settlement as a prerequisite for a well functioning common Nordic end-user market. A common settlement will lower the entry barriers for retailers and balance responsible market participants with an ambition of operating in all countries. Further, a common balance settlement will potentially lower the administration costs of balance settlement.

This report presents the basic framework for a common Nordic balance and reconciliation settlement (NBS). In addition it describes main open issues still to be resolved, of which most originate from current differences between the Nordic countries. The report will furthermore serve as basis for consultation with other stakeholders.

¹ NordREG consists of the regulators in Norway, Sweden, Denmark and Finland

2 Main requirements for a Nordic Balance Settlement model

TF-BS proposes a model with the following main elements:

- ✓ Each TSO has the formal balance responsibility in the country they operate.
- ✓ Identical balance agreements for balance responsibility in different countries. However, different legal frameworks etc may still demand differences in the more detailed rules specified in national regulations.
- ✓ A common Nordic balance settlement handbook in English describing all common rules for balance and reconciliation settlement which will be/are implemented in the national regulations.
- ✓ Equal business processes for reporting, settlement; invoicing, collaterals and corrections .
- ✓ Equal fee structure while fee levels differ as they reflect the real cost of balancing in each country (primary and secondary regulation).
- ✓ One common standard for electronic communication.
- ✓ A common operational unit responsible for balance settlement and invoicing. It could be organised either as a separate company or under Nord Pool Spot AS.
- ✓ The DSO or in relevant cases a datahub has the responsibility to calculate the reconciled energy and report relevant data to the SR.

The model ensure the requirements for a common end user market and supports equal treatment of all players independent of nationality and national markets.

3 The NBS model

A first step towards harmonisation of the balance settlement in the Nordic countries has already been taken and implemented in 2009. Today the following is harmonized in the Nordic countries:

- Separate balances for production and consumption
- Calculation method of imbalances
- Two-price settlement of production imbalances
- One-price settlement of consumption imbalances
- Timetable for System Operator reporting
- Fee structure

TF-BS proposes to keep the above mentioned features unchanged in the future and focus on remaining areas which are not yet harmonised.

In order to achieve the goal of a fully harmonized balance settlement fulfilling the requirements of a common Nordic end-user market, remaining national differences must find a common solution. These differences are described below.

1. Roles and responsibilities

The roles and responsibilities for all parties involved in the balance settlement must be clearly defined. This applies to DSOs, BRPs, REs, TSOs, SR (Settlement Responsible), Data hubs(cf. item 11) and regulators.

2. Scope of the SR

The scope of responsibilities of the current national SRs varies. For example:

- a) In Sweden and in Denmark from 2012 SR has the responsibility of profiling and reconciliation whereas in Finland and Norway the SR is not at all involved in these processes
- b) In Sweden, Finland and Denmark the SR takes more or less responsibility for corrections of metering data. In Norway the SR does not take any such responsibility.
- c) In Finland and Norway the SR allows for balance settlement on retail level in addition to the BRP level. This is not the case in the other countries.

The detailed scope of a Nordic SR must therefore be defined.

3. Reporting requirements

Currently, reporting requirements are different. Common reporting requirements must be defined by describing what should be reported, between whom and when. Message formats and EDI could then be described subsequently, but this work should be co-ordinated and harmonized with other EDI work for a Nordic end-user market.

4. Balance settlement including corrections

It must be decided whether corrections of metering data should be allowed and to what extent. Consequently it must be decided what corrections should be done bilaterally and how they should be organised.

5. Balance agreement

The BRP shall only have one balance agreement with the SR so that a BRP can be balance responsible in several price areas and countries under the same agreement.. A common balance agreement which allow for different national legislation must therefore be developed

6. Invoicing and crediting

Today there are different national invoicing and crediting cycles. One common cycle must be developed. Invoice and credit information must be presented/communicated in the same manner independently of country of imbalances.

7. Reconciliation

Profiling method and reconciliation method must be defined.

8. Collaterals

A common method for collaterals must be defined.

9. Monitoring

To what extent and how monitoring shall be performed must be decided.

10. IT solutions for external communication

A common solution for electronic distribution of data to BRPs and Res must be designed. This means web, data warehouse, and machine-to-machine interface for exchange of settlement and invoicing details

11. Datahubs

In general it shall be agreed how national datahubs in e.g. Denmark shall be integrated in NBS allowing for different national solutions regarding the sharing of tasks between DSO's and datahubs, communication etc. For example the fundamental principle in the Danish datahub is that the players shall only have EDI-communication with the datahub. This also implies that all EDI-communication to and from SR shall go through the datahub for players in Denmark.

In addition the following topics must be considered when designing a Nordic Balance settlement:

1. KPI – Key Performance Indicators

How and to what extent should Key performance Indicators be used to incentivise market participants to submit best possible quality balances and metering data. The TSOs and common SR could also be subject for KPIs, e.g. related to deviations from expected performance.

2. Metering / AMR

The introduction of AMR may require national differences since the AMR requirements differs among the countries. This must be considered and elaborated further.

3. Organization (customer support)

The organization of a common Nordic SR unit must be defined. This ranges from legal entity, governance, place of operation and national support.

4. Handbook

A common balance settlement handbook should be developed.

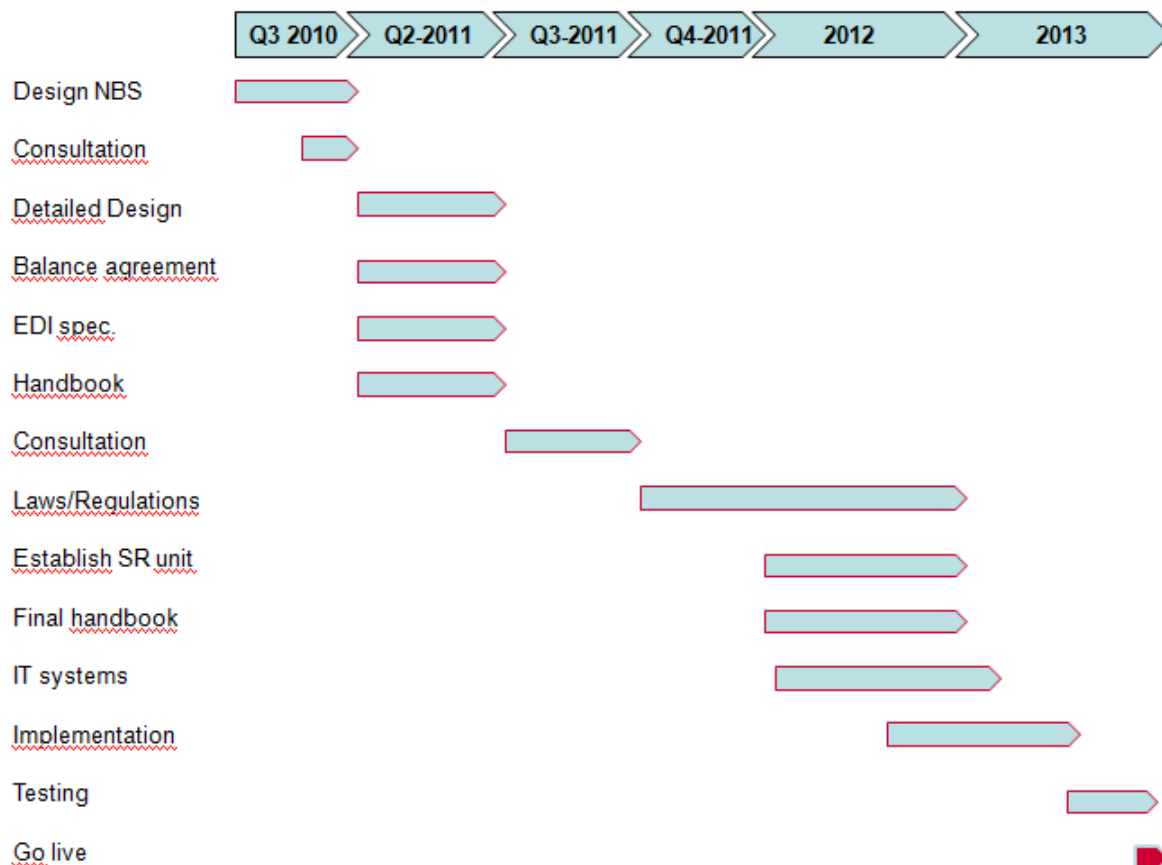
4 Further approach by Nordic TSOs

The Nordic TSOs decided on their CEO meeting April 26th 2010 to establish a project that shall prepare a common Nordic balance Settlement by 2014. This includes the goal of a common unit either as a separate company or as a part of Nord Pool Spot.

This project will be organised and started in May 2010. The market Directors of the TSOs will form the steering group of this project. Industry stakeholders will be invited to form a reference group for this project.

5 Timetable

The following indicative time table has been set out as a target plan.



6 Regulators roles and responsibilities

The NBS model requires changes to several agreements and regulations. A harmonised regulation covering the balance settlement has to be developed:

- National regulations must be compatible with the common Nordic balance agreement.
- AMR requirements should be harmonized for the Nordic countries, especially with respect to resolution of meter data and deadlines for data collection.

Future changes and adjustments in relation to settlement have to be coordinated between the national regulators. Specific national differences have to be kept to a minimum to make the common balance settlement feasible and to avoid that the common platform as described in this document is dissolved over time.

7 Concluding remark

The TSOs are committed to this process but will need support from the regulators in particular but also other stakeholders. In case there are doubts on whether the model outlined in this report is feasible due to specific national laws or regulations this should be brought to the TSOs attention. Naturally any European development within ERGEG/ACER which might be underway should be communicated to the TSOs in order to incorporate guidelines into the NBS-model.