

Nordic Energy regulators
Att: Antti Paananen

Public Consultation of the Implementation Plan for a Common Nordic Retail Market

EnergyNorway appreciates the opportunity to comment on the Implementation Plan for a Common Nordic Retail Market. Although the industry has been involved in the preparations of the Implementation Plan, the consultation period in July has set some limitations for the consultation process both on the national and Nordic level.

General comments

EnergyNorway supports the general target of moving towards a supplier centric model. However, the definition of supplier centric should be tested against guiding principles for development of the future energy market.

We support the guiding principles proposed in the “Customer Interface” (CI) report:

- Customer simplicity
- Market competition
- Energy efficiency

However, we would like to add:

- Cost efficiency for DSOs and suppliers
- Clear distinction between monopoly and market responsibilities

The roadmap will have significant impact on the implementation costs and on the quality and robustness of basic operations during the development phase. The design of the market must accommodate future needs and the ongoing processes for developing Smart Grid and AMM must be taken into account. It is extremely important to ensure that sufficient time is allowed for proper specification and testing.

A common Nordic retail market should add value for all stakeholders and the implementation should be cost efficient. With a new CI model, new data exchange formats and rules, new balance and settlement rules, and new communication requirements on a Nordic level, the impact on IT applications will be significant. Experience shows that data exchange without failure is crucial for a well-functioning retail market. Therefore, we do not recommend major changes within a limited time frame.

Billing

Before making any conclusions about market design and operations such as combined billing, we recommend that especially the level of resolution of information about grid fees/taxes to be exported from the DSO to suppliers is thoroughly investigated. Different alternatives to be investigated may be as follows:

- A Transfer the total amount of grid fee/taxes to be paid by each customer from the DSO to the supplier, which provides the billing services.
- B Another, but more complicated, solution is to export information about the specific grid fee, taxes and energy delivery for each customer to the supplier. The supplier is then responsible for calculating the amount to be paid and to provide the billing services.
- C Separate billing of energy delivery including VAT by the supplier and billing of grid fee/taxes and VAT by the DSO.

Customer rights and suppliers

Another challenging area is legislation regarding customer rights. If the supplier is going to be responsible for the physical quality of the delivery, legislation regarding customer rights will most likely have to be reconsidered if the SCM model proposed in the Implementation Plan/CI report is going to be used.

Neutrality

The market model must contribute to a neutral role for the monopoly functions.

New technology – energy efficiency

In light of ongoing processes for implementation of Green certificates, Smart Grids and AMM solutions in most European countries, there may be consequences that could influence the roles and responsibilities of DSOs and suppliers, and these issues have not been investigated in the work so far. (Example: System operation in the distribution grid influenced by increasing amounts of intermittent small scale generation.) Another challenge is to decide who and how the responsibility for supporting energy efficiency activities should be organized.

Taxes

Legislation and responsibility for collecting energy taxes also has to be considered before a new harmonized model can be introduced.

Market model

The starting position in all Nordic countries is the market model based on dual point of customer contact. This model delivers market competition on margins based on prices in the wholesale market and the playing field created by technical and economical regulation of the DSO's responsibilities. Both DSOs and suppliers have to cover costs for customer services in their prices. The introduction of new technology and new business routines in the existing system is to a large extent dependent on decisions made by regulators. The roles and the interface between the market and the monopoly in the model do not emphasize a market driven development.

On the European stage there is a growing discussion about the role of DSOs in the future energy market. Competition in the retail market, introduction of new renewable energy sources, and energy efficiency operations are other important issues in this discussion.

There are likely to be pros and cons for both a single point / supplier centric model as well as some kind of a dual contact point model. The development of the market seems to depend on the possibility for suppliers to be in a leading position for market actions such as customer switching, market and price information, DSM products, and billing. The role of DSOs also in the future will be defined on the basis of rules for neutrality and a clear definition of the monopoly. A new and great challenge for the DSOs seems to be the increased focus on system operation and development of a Smart Distribution Grid and Smart Metering in order to support energy efficiency and a sustainable future. Other responsibilities in the infrastructure such as connection, disconnections, interruptions, and quality of delivery, are vital and major challenges for DSOs.

On the basis of the European discussion about the roles of the DSO and the CI report's definition of the SCM, there may be consequences that should be further investigated before final conclusions about the design of the harmonized market from 2015 can be made.

The Annex of the CI report presents a list of issues that should be further investigated before conclusions about a market model are made. The list is therefore an important guide for further work, and results from this work should have an influence on the timeframe for implementation.

Another challenging area is the CI report's recommendation regarding introduction of one socialized national grid tariff. EnergyNorway does not support these opinions and recommendations.

Recommendation for further work with the Implementation Plan

We think it is important to work out an implementation plan based on consensus in the Nordic region. The process of convergence in the four countries should be based on positive incentives assisted by regulations.

The introduction of new technology such as AMM and Smart Grid could provide significant support to a converging development and a coordinated development should be seen as a prerequisite. The Implementation Plan for a common Nordic retail market should therefore pay attention not only to the need for competition, but also to the need for a profitable, coordinated and market-driven development towards the targets for energy efficiency, increasing use of renewable energy, and CO₂ reductions.

Sufficient time for implementation is more important than the date expressed in the draft plan. A clear definition of the monopoly and DSOs' responsibilities will support the development of a robust supplier and customer centric market model. There is a need for further analyses based on the annex of the CI report before conclusions about the model can be made.

Best regards
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