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METHODOLOGY FOR PROCUREMENT OF COUNTERTRADE ENERGY

Energy Norway welcomes the opportunity to contribute to the public consultation on Energinet's proposed methodology for procurement of countertrade energy.

Energy Norway and some of our members have been actively involved in the previous workshops held by Energinet leading up to the proposed methodology. Our inputs can be summarized as follows:

- Energy Norway is of the general opinion that well-functioning, open and competitive markets will deliver the most cost-effective solutions to the challenges that the European power system faces in the green transition.
- We agree with Energinet that the application of the current NRPM and special regulations for countertrading does not provide efficient competition, and that it is a challenge that the procurement is done in the close-to-real-time operation phase.
- We agree with Energinet that the planned Nordic mFFR EAM will not be suited for handling planned procurement of countertrading.
- For these reasons, we support the need for alternative models for countertrade, and we agree that the intraday model as proposed by Energinet is the most suitable model.

Energy Norway appreciates that the trading strategy has now been improved and that the other main design features of the methodology remain unchanged from the public consultation Energinet held in 2021.

The NRPM is not fit for countertrading

In effect, and as documented by Energinet, the application of the NRPM (Nordic regulating power market) for countertrading has resulted in significantly reduced production in DK1 from wind turbines at negative prices, with economic and environmental consequences. Due to the manual operations needed to carry out countertrading in the NRPM, effectively, only market participants in DK1 has been able to participate. It would have been more effective, for example, to down regulate hydro power in Norway or Sweden, saving the water for later, instead of reducing wind power production, which is then lost forever. This has not been possible in the current setup, apart from some hours where the volume could be netted against the balancing needs of the

Nordic synchronous system. While netting of imbalances is practical in the operation phase, it in no way ensures that the cheapest available resources are used to meet demand.

From an economic efficiency point-of-view, the new Nordic mFRR EAM with the Automatic Optimalization Function (AOF) and, in time, the European MARI-platform could provide an acceptable solution, but this would not distance the procurement process from the close-to-operation phase. If the AOF was to fail in a situation where a TSO wanted to countertrade a significant volume close to real-time, the consequences with regards to system security could be significant. Overall, our understanding is that no TSOs envisage applying future balancing platforms for planned countertrading.

For these reasons, our opinion is that neither the NRPM nor the Nordic mFRR EAM/MARI-platforms are suited for procurement of planned countertrading. If a need for countertrading should arise close to real-time, the platforms that are available at that time should be applied.

The proposed intraday model is the best option available

Applying the intraday model to countertrading allows the TSOs to procure resources outside of either of the BZs involved in the bidding zone border for which the countertrading is carried out. If transmission capacity is available in the relevant direction towards other BZs, countertrading volumes could be procured from those bidding zones. Effectively, this opens the market and would significantly increase the supply-side and allow for a cost-effective utilization of the cheapest resources available across more BZs.

If the 70 % rule is applied to the intraday timeframe as well as to the day-ahead timeframe, TSOs cannot countertrade in the intraday time frame. This could be seen as a way of providing the market with more cross-zonal capacity, increasing cross-zonal trade and provide more efficient, open markets. However, if that capacity is not actually available it would need to be countertraded at some point, regardless. This would mean that TSOs would have to countertrade using various intelligible, closed local or regional markets with potentially low liquidity and low transparency, while also increasing the operational security risk. This would lower the overall economic efficiency and for that reason the 70 % rule should not be applied to the intraday market timeframe.

Given that the European-wide and Nordic balancing platforms of today and the future are not suitable or efficient for planned countertrading between bidding zones, and that the issues to be solved arise from the SDAC, the only feasible, efficient and transparent model which also provides system security available is the intraday model. We therefore support the model that Energinet has proposed.

About Energy Norway

Energy Norway represents the entire electricity chain in Norway. In other words, our members include electricity producers, distributers, and retailers. Our members produce 130-140 TWh annually, which is around 95 percent of all power production in Norway. Our members have approximately 2.5 million grid customers, which is about 90 percent of Norway's grid customers. Norwegian power production is almost 100% renewable and emission-free. 95 percent of the power production stems from the 1600 hydropower plants, and 3,5 percent is generated from wind power.

Signed,

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