

## MINUTES FROM THE PRODUCT GROUP FOR THE PHYSICAL MARKET

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<b>Date:</b>	9 <sup>th</sup> of March 2006	
<b>Place:</b>	Gardermoen Airport, Oslo	
<b>Present:</b>	Lasse Damsø Pedersen Michael Bonde Anders Renvall Siri Revelsby Karl-Henrik Nordblad Timo Kaukonen Urban Hammarstedt Rickard Nilsson Hilde Rosenblad Magnus Sunnefors	Elsam E-On Trading Kymppivoima Hydro Oil & Energy, Markets Fortum Fingrid Nord Pool Spot (Chairman) Nord Pool Spot Nord Pool Spot (Secretary) Nord Pool Spot
<b>Absent:</b>	Jonas Melin Mikael Jednell	Markedskraft Plusenergi

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### 1/06 Comments to the agenda

There were no comments to the agenda.

### 2/06 Minutes from last meeting the 1<sup>st</sup> of December 2005.

Urban presented preliminary economic key figures for NPS from 2005 as requested in the last meeting. There were no specific comments to the minutes from the last meeting.

### 3/06 Status, trade, market and product development

The general view was that the distributed statistics is good, but members wanted graphs and numbers to be shown in EUR instead of NOK. They also felt that it would be interesting with more information about exchange between the Nordic area and Europe.

On the matter of publication practice for spot prices it was stated by group members that they want the current practice to improve further in those cases when prices are not possible to publish at 12:40. It was clarified by NPS that the current practice is that in such cases there is at the latest a status message given at 13:00. This was viewed positive by members, but they still wished for NPS to towards the market clarify how cases with "delayed" publication are handled and that the indicated status message would be given and preferably earlier than 13:00.

Regarding the issue of labelling NPS said that practical regulations are still unclear in all Nordic countries except Finland. However, NPS will continue to publish fuel-mix based on Nordel's yearly statistics as an aid for parties that can use statistics to give fuel-mix information. Furthermore, NPS principal view is that labelling should be handled in a certificate based model that is separated from physical electricity contracts, in other words quantity and quality should be kept separate. This approach was supported by group members, and it has also been supported by Nord Pool's Market Council.

The issue of peak load handling has been discussed in Nord Pool's financial product group, but due to doubts about possibility to get liquidity the financial market players expressed little interest in the issue. However, it may be of interest to have a peak load product similar to the continental peak product 8-20 on weekdays. A comment from several of the physical product group members was that it is important that solutions for peak load handling are made in common for the whole Nordic region.

A brief discussion was held about handling of peak load reserves, i.e. either through the regulating power market or initially as bids in the Elspot Market. The view in the group was somewhat mixed, but since several members were not present no firm conclusion were drawn. It was recognized by all the detrimental effects it could have on the market credibility and functioning in case Elspot had to be curtailed whereas ample resources would stand idle in the hands of TSOs in the real-time stage. NPS stated that it advocates inclusion of peak load reserves as bids in the Elspot Market and resources that are not activated can naturally then if needed be used in the real-time market.

NPS mentioned that it has asked Nordel to evaluate to agree upon a common price for when load-shedding shall begin and that could then be used as a basis for determining the technical upper price limit in Elspot. This idea received positive response from group members, and therefore the representative from Nordel was asked to give a status report on the work in Nordel regarding peak load in the next meeting.

#### **4/06 Elbas**

Energinet.dk has stated that it wishes to establish Elbas on Jutland within April 2007. In Norway it is still not decided yet whether Norway should join the Elbas market. It is now up to Statnett to take the decision and this has been promised during summer 2006.

#### **5/06 SESAM Project**

NPS would like to suggest a program for testing of user environment in the new trading system and such a program will hopefully be ready during the autumn of 2006.

A brief status of the SESAM project was given. The project has a small delay at the moment, but it is still a goal to have the new system operative by the beginning of 2007.

In SESAM it will be possible to automatically convert a block bid in case curtailment occurs without activation of that block. It is also specified that conversion should be possible without curtailment occurring and that possibility is currently being evaluated.

On the matter of so called "illogical hourly bidding" the group was again, both linked to SESAM and current system, asked about their ideas on alternative products to reflect "illogical" portfolios without using hourly bids. No new ideas were brought forward apart from the earlier considered block type product, but some members were very clear in their view that in some way illogical bidding must be possible to handle in Elspot.

## **6/06 Handling of capacity limitations**

Urban presented main principles and issues related to handling of capacity limitations. There were no definitive conclusions drawn on the subject in the meeting other than that the group members were very clear on the need for transparent rules on how capacities are determined and that capacities are maximized for the market.

There was also a brief discussion regarding handling of capacities South of cut 4 in Sweden before and after Elspot linked to availability/activation of production capacity.

## **7/06 Transparency in market information**

Timo Kaukonen informed about work in Nordel to further improve transparency from TSOs on among other things capacity allocation, reasons for limitations and long-term availability of capacity. This work was received well from group members whom also expected progress since they viewed it as important with enhanced TSO information.

The group gave some ideas about improvements in the UMM reporting tool as follows:

- It should be possible to report several matters together in a group message, which would contain links to the individual messages and resulting plans on NPS homepage.
- The hours given in UMM messages should specify time zone (CET) to avoid difficulty to separate Finnish from Norwegian, Swedish and Danish time. This will be fixed shortly.
- A graphical view showing capacity available and not available in the market and likewise for production would be helpful and may be possible to automatically generate based on the UMM messages submitted to NPS.

With reference to proposals in not yet agreed EU Guidelines for congestion management and transparency about a reporting duty for facilities of only 100 MW the group was asked about its opinion. Even though it was recognized that it technically would be possible the main conclusion was that it would over-load the already today very extensive reporting of UMM, some suggested at least doubling of messages, and also the view was that 100 MW plants normally have no effect on prices or expectations.

Anders Renvall presented the main conclusions from a report written by a working group established by the Finnish Energy Industries and some of those conclusions focused on wanted improvements on specific issues related to transparency. It was especially focused on the need for better real time information on the overall situation of the power system provided by TSOs, as well as its method of presentation, shall be harmonized on the basis of the practices of TSOs in Finland and Denmark.

## **8/06 Other Issues**

One group member said that trading results in EIWeb was often delayed for several minutes passed the time results were received by fax. NPS would investigate the issue and if the problem persists it will work to find a solution to remove such a delay.

## **9/06 Next Meeting**

It was concluded to move next meeting from earlier planned 8<sup>th</sup> of June to instead start with a dinner on May 29<sup>th</sup> and the actual meeting on May 30<sup>th</sup>. It is preliminary planned to be held in Berlin, but a confirmation of that will be given at a later date.

Stockholm and Lysaker

27 March 2006