

Minutes from meeting 02/2008 in the Product group for the physical market

Date: 17th of June 2008

Place: Arlanda Airport, Stockholm

Present:

Lars-Inge Gustafsson	Vattenfall (replaced Bo Wrang)
Jonas Melin	Markedskraft
Flemming Birck Pedersen	DONG Energy
Niels Dath	DONG Energy
Wictoria Åkerman	Plusenergi
Johan Svensson	Svenska Kraftnät
Rickard Nilsson	Nord Pool Spot
Karri Mäkelä	Nord Pool Spot
Urban Hammarstedt	Nord Pool Spot

Absent:

Anders Renvall	Kymppivoima
Harri Mattila	Helsingin Energia
Trond Olaf Christophersen	Hydro
Magnus Sunnefors	Nord Pool Spot (Secretary)

11/08 Comments on the agenda

A wish to discuss possibilities to establish Elbas in Poland was raised. Furthermore, it was asked for a discussion about the changed routines for "alert time" ahead of publishing of System/Area prices. Brief notes on these discussions are placed under "20/08 Other issues...".

12/08 Minutes from last meeting the 4th of March 2007, enclosed

Some comments, questions and answers linked to last meeting's Minutes were given as follows:

- Regarding point 02/08 it was said that quicker publication of RPM prices would be discussed in the next Nordel OPG meeting and based on that followed up in next project group meeting.
- Regarding UMM handling under point 03/08 several inputs were given, namely:
 - Wish to have opportunity to give feed back on planned upgrades of system via access to a Demo/Beta Version. NPS welcomed the idea and would consider it further.
 - It was said that an internal process was on-going to review the operational roles and responsibilities for NPS Spot Desk versus NPS Market Surveillance concerning UMM.
 - It was asked for publication of "UMM Reporting Guidelines" on NPS web, and also that conclusions, made by Surveillance towards individual companies reporting, on how to report certain events should be incorporated continually in those Guidelines.
- NPS was criticized for having implemented higher minimum collateral levels, despite of the clearly expressed questioning of this proposal in last meeting (in minutes under point 03/08), and also for not having informed project group members of that in advance of the decision.
- Referring back to point 07/08 it was clarified that the originally planned implementation of Elbas in Norway in summer of 2008 had been stopped due to that NVE (regulator) recently has declared that they first shall conduct a public inquiry in Norway.

13/08 Status, trade and business development

Statistics

There were no specific questions regarding the delivered Elspot and Elbas statistics, but it was noted by some members that the consequences for market competition and overall risks due to the significant area and system price differences so far this year may be significant.

Elbas Norway

- Referring back to point 07/08 it was clarified that the originally planned implementation of Elbas in Norway in summer of 2008 had been stopped due to that NVE (regulator) recently has declared that they first shall conduct a public inquiry in Norway. Therefore, a new target date is set to January 2009, pending needed approval from NVE. A group member questioned NVE's decision to limit the referred to inquiry to Norwegian parties since inclusion of Norway in Elbas is a key issue for the whole Nordic region.

Market Coupling

There was nothing new to report on this subject other than that it recently had been announced that launch would take place 29 September for delivery date 30 September.

Negative Bid Price Limit in Elspot

NPS said that a negative bid price limit in Elspot will be implemented in the future. The goal is to have the possibility to introduce it in January 2009, but details on when it will occur will be given well in advance via an exchange information.

System adaptations on both customer and NPS side need to be considered.

Furthermore, a review of what the suitable technical negative price level may be is needed. On that point several group members supported an idea of a small negative limit. The main argument apart from the relation to cost was that otherwise there would be a risk that simple mistakes could lead to unjustified results in case the negative limit was placed at for example minus 2000 EUR/MWh (corresponding to current upper limit of plus 2000 EUR).

Baltics

A brief project status was given and it was indicated that start up of a bidding area linked to Estlink (DC-cable Fin-Est) would probably not be possible before earliest 2009 due to mainly political issues related to current energy laws in the region.

Iceland

It was said that the intent is to help Landsnet to open the market in Iceland before the end of 2008 based on a delivery of the Elbas system concept modified according to Icelandic needs.

Flexibility Measure

It was decided to postpone input and discussion on this point to a subsequent meeting due to that several members who have been active on this subject were not present in the meeting.

14/08 Possible capacity allocation DA/ID linked to power plants

Based on a general discussion for some time about ways to increase capacity for trading on interconnectors behind internal congestions, and particularly due to a special inquiry detailed below a discussion was held about possible new capacity regimes linked to power plants.

The two specific questions that the product group was asked for its opinion on were:

- Can it be allowed to send a bid to the spot market in another bidding area than where the production is located?
- Is it possible to accept that export capacity can be raised and allocated to a specific bilateral link after spot on basis of specific production south of cut 4 in Sweden?

On both questions the group gave a negative response, i.e. the members saw no possibility to allow such routines to be implemented. Regarding the first question it was seen as a basic requirement and need in the market that bids are placed in the Area where physical needs and assets exist, and regarding the second question it was seen as discriminatory to consider allocation of more capacity to only one individual link after Elspot.

However, a proposal brought forward by NPS was supported by the group, namely the idea to ask that TSOs to in their capacity calculations, both ahead of Elspot and for Intra-Day when Elspot flow is known, always assume that given power plants are available. That way all interconnectors behind given internal congestions, and consequently the whole market, would benefit from, compared to current more conservative estimates, increased capacity.

15/08 New proposal for activation of Power Reserve in Elspot

The by NPS presented ideas about how activation of available (negotiated) Swedish Peak Power Reserves in to the Elspot Market could work were generally supported by the group. Nevertheless, an idea was raised about that the reserve should be bidded in to Elspot at cost, but NPS said that such an idea was not supported by among others the energy authorities.

Linked to this issue of Peak Load reserves the following ideas were brought forward:

- Publish info from Nordel about Nordic Peak Load reserves on NPS homepage; NPS responded that it would discuss the idea with Nordel and individual TSOs
- Evaluate the possibility to allow for a flexible conversion price for block bids depending on how many hours parts of the converted (to single hourly bids) volumes are activated; NPS found the idea interesting and would seek to evaluate if it would be technically and practically possible

16/08 New set up for intraday capacity platform for DK1 – GER

Based on available info from TSOs, NPS gave a brief description of the intended continuous intra day capacity allocation mechanism to be opened by TSOs for the Jutland-Germany border later this summer (expected start 25 June). NPS also said that it for the time being would not try to link up to the system, but rather follow the development and see if for example improvements are made to facilitate Elbas trading to operate linked to the platform.

In general the group viewed the solution as secondary (i.e. less efficient) to an Elbas solution where capacity and energy is traded simultaneously rather than the need to separately buy capacity and buy/sell energy in the area(s) concerned, which the capacity platform leads to. Concerns were raised about the capacity platform not being customer friendly, the risks for market manipulation being much greater than in Elbas, and finally that ERGEG/EU generally seem to support "Elbas solutions" to be opened for intra day trade and allocation.

Finally, the group was supportive of the info given about continued Elbas trading across the Kontek cable between Zealand (DK2) and Germany.

17/08 Nordel information on current focus areas

Some brief info was given about changes for Nordel based on the planned establishment of ENTSO (European Network of TSO), which is part of the "3rd energy package". It was also stated that this summer the Chairmanship for Nordel would shift from Fingrid to Statnett.

18/08 Congestion Management in the Nordic Market – evaluation of different market models (New report for the Nordic Council of Ministers)

A brief presentation was given by NPS about the report's key ideas and consequences related to market design and particularly linked to the Elspot market. A general reflection from the group was that the model is hard to understand, thus time is needed to make firm opinions. However, the group was in general sceptical about the model's ability to function in practice. NPS stated that it would give some written input to "NCM" regarding concerns about the proposed model, and that it also already had been done at a work shop in late May.

19/08 Future role and focus for the product group

NPS informed the group that it was planning to redefine the structure and objectives of the Product Group to make it a forum where NPS management is more involved in preparations and follow up on conclusions. Furthermore, NPS intends to step out of the common Market Council with Nord Pool ASA due to the fact that in recent years the discussions in MC have increasingly focused on issues linked only to financial trading, and also due to the on going change of company structure and ownership of (some parts of) Nord Pool ASA.

The suggested changes to the product Group structure were broadly supported by group members and no objections were raised to NPS stepping out of the Market Council.

Finally, it was concluded that one last meeting in the product group with the current setup and members would be held in the early autumn and then the new group structure with revised membership would be put in place for the last meeting of the year 2008.

20/08 Other issues and setting of next meeting

One member stated that the recently implemented shortened warning time for when Elspot prices will be published was a bad solution for participants trading financial contracts. Also it was questioned why the subject had not been discussed in the product group in advance, which it had been in the past. On that point NPS responded that it had been discussed in Nord Pool ASA's Financial Product Group and the idea had not been opposed in that group.

Regarding the wish to discuss possibilities for implementing Elbas in Poland (and possibly other areas) there was not enough time to discuss the idea, but rather it could be discussed in subsequent meetings.

Finally, it was concluded that next meeting would be held sometime in Sep/Oct and NPS would after the meeting come back with 3 alternative dates to be agreed upon via e-mail.

Rickard Nilsson

Nord Pool Spot

12 Sep. 2008