

Minutes from Nord Pool's Customer Advisory Board meeting

4th February 2021 – Nord Pool AS, Lilleakerveien 2A, 0283 Oslo, Norway

01/21 Opening and introduction of new CAB members and visitors

Marianne W Jenssen welcomed everyone and introduced CAB members and Nord Pool employees participating in this meeting.

Markus Back replaced Johan Hagsten from Vattenfall in this meeting.

Marianne thanked all the CAB members for their continued participation, trust and efforts to support Nord Pool and relevant market developments. The past year has been challenging for several reasons, not the least a pandemic restricting traveling and working from offices, however Nord Pool operations has been working as normal and our ability to serve customers have not been affected thanks to a robust set-up and close cooperation with stakeholders.

A short business update on volumes achieved in markets that Nord Pool operates showed the following: 2020 was a good year for Nord Pool, showing growth in Both Day-ahead and Intraday markets. Total Day Ahead 2020: 995 TWh (2019: 946 TWh). Total Intraday 2020 26,03 TWh (2019: 20,65 TWh).

There was a good increase in the volumes observed in CWE markets, both Day-ahead and Intraday and a steady market share in the UK. The average system price in the Nordics during 2020 was 10,95 EUR/MWh, significantly reduced from last year's figure of 38,97 EUR/MWh.

It was re-emphasised that Nord Pool's three main pillars of focus will be solely around Robust Operations, Customer Value and Market Development. Nord Pool has been continuously engaging with various market stakeholders to minimise various risks associated to markets operations. Additionally, CAB was also told that Nord Pool has been actively assessing various synergies with the new owner Euronext for enhancing the overall customer experience.

02/21 Short review of 2020 and outlook 2021, including roadmap core developments.

Product/ service Development:

Anstein Eie informed about the process of "Idea to launch" that is followed within the organization to streamline the launch of products and features at an increased pace to match the swift market shifts, at the same time maintaining high level of quality and robustness.

Nord Pool in 2020 released a record number of software launches. In addition, the focus to continuously ease work flows for our customers and fine tune processes to create simplicity and efficiency for Nord Pool customers to achieve best possible customer experience are core elements in developments. CAB appreciated Nord Pool's various initiatives to continuously improve and develop in a changing market, including customer involvement.

Some of the key milestones include successful launch of Nordic Multi Nemo Arrangement, UK market for a new post BREXIT environment, UK Day-Ahead re-launch, a new and improved risk model, New Auction User Interface, Polish Intraday launch, 15/30min products in SIDC, 0min GCT Intraday Pilot Finland and more.

Intraday in Poland was launched on 25 August 2020 has proven to be a success. Measured market share in Jan 2021 was around 13%. This indicates the interest shown by market participants and looks promising also for the Day-Ahead launch early February.

Nord Pool will continue to set high standards for the forthcoming year 2021 and will deliver high quality products and services in a timely manner. Some of which are vital to further market development: 4MMC coupling, SIDC 3rd wave, SDAC Aggregated Market Data, Intraday Linked Basket order, OneNET InterFace project, Day-Ahead in Poland, spread blocks in Day-Ahead market and more.

Market Design topics addressed in this meeting:

A brief update on ACERs Bidding Zone (BZ) review, timelines and implications in a Nordic Context were given by Rickard Nilsson. Ongoing activities were presented and discussed. So far, only the Nordics TSOs have come up with potential possible changes to the existing BZs.

Statement from CAB:

CAB agree to Nord Pool work for continued transparency and stakeholder engagement for any BZ changes. Visibility of assumptions and simulations results produced by Nordic TSOs and submitted to ACER for review and decisions should be shared with the market. Further it is key that not only impacts on the Day-Ahead market is considered when amending BZ configurations but also on long term hedging opportunities, Intraday markets, balancing arrangements and a balance between production and consumption. It is important that any amendments on BZ configurations ensures minimum a high degree (preferably close to 100%) of cross zonal capacities to the market both for Day-Ahead (SDAC) and Intraday (SIDC).

Nord Pool further assured CAB about its role in bolstering customers voice in the relevant forums to the extent possible and to ensure a well-balanced market design.

Update on publication of aggregated bid-/offer curves:

On 17th June 2020, the NRAs issued a Guidance requiring that, by 1st January 2021, all NEMOs develop a joint proposal for the publication of anonymized aggregated

bid/offer curves and publish these in such a way as to ensure orders can neither be traced back to individual NEMOs nor to individual market participants. It further requires NEMOs of MNA regions to cease publishing individual NEMO bid/offer curves.

Nord Pool believes that, only if implemented according to the requirements set out in the NRA Guidance, the NRA Guidance will remove this barrier to entry.

Nord Pool shares the frustration voiced by stakeholders (the CWE NRAs, market participants, Commission) that such an implementation still has not yet happened. It is currently very strong push from NRAs and the Commission and it is now decided in the NEMO community to include this in the Euphemia/PMB release happening this spring.

Further it was asserted to CAB that Nord Pool is committed to publishing Aggregated bidding curves and are continuously engaging in all relevant European forums to make this a reality. Bidding curves will be published on country level, with the exception of small areas, where considerations will be made on a regional basis, such as possibly the Baltic region.

Statement from CAB: CAB gives Nord Pool continued support and an active push from Market Participants for implementation of aggregated bid-offer curves at the earliest time possible.

03/21

UK post BREXIT – status and outlook.

CAB was informed about changes related to a post BREXIT environment. 31st December for delivery 1st January Nord Pool launched a new UK auction at the same time UK was decoupled from the SDAC market. Current arrangements under REMIT continues to exist for time being and sharing of information between UK and IEM continues. In the future UK - EU trading arrangements there is a requirement to develop a Day-Ahead market solution which is referred to as a multi-region loose volume coupling (by April 2022). New Algorithm is likely to be developed specifically for UK DA market bilateral to each country where a UK interconnector lands. New algorithm to run ahead of SDAC. A cost benefit analysis and an outline of proposals for various technical procedures will be carried out by April 2021. And a final go live is estimated by April 2022. There is a requirement to develop Intraday and balancing solutions across interconnectors a well, but this has no timeline yet.

A brief update on the new UK DA auction procedures was shared with CAB. The N2EXDA GCT is chosen to particularly suit market activities and routines already in place.

A stable market shares of 70% in UK has been noticed from start of the new N2EXDA auction and Nord Pool experience good volumes rise in GB HHA and SEMGB IDA markets post BREXIT. This clearly confirms that the market has shown confidence in Nord Pool's products and service offerings. Nord Pool further asserted its position and commitment to voice its customers concern when it comes to market design and its development.

04/21 Discussion on Intraday development and update on short survey

Nord Pool presented a short summary of a survey which was conducted a few weeks prior to the meeting specifically focusing on intraday markets and its future development. Interesting inferences were drawn from the survey for both favouring and against the continuous and auctions. A majority states that continuous markets are the best way to trade intraday, as it provides flexibility and liquidity all day to handle increasing volatility due to renewables.

CAB also recommended Nord Pool to consider the whole process chain involved while focusing on speed and robustness. Various challenges were also expressed by CAB for a unlevel playing field and therefore called for a good policy intervention for amending this skewness in the market.

05/21 CACM 2.0 – Presentation and discussion on some topics related to revision of CACM:

Camilla Berg presented the process and timeline for revision of CACM as informed by ACER. Furthermore, she went through Nord Pool's positions with a particular emphasis on the consequences of decoupling and sharing of liquidity between NEMOs in all timeframes.

Decoupling is a threat to the success of market coupling and comes at a massive cost to society. The principle must be to avoid decoupling or limit its implication as much as possible by extending timeline for NEMOs to sort out any technical problem that can result in decoupling and if needed delay the TSO nomination deadline and postpone the opening of the intraday market in emergency situations. CAB supported this and stated that alternatives for decoupling should be investigated. They also asked for an extended timeline for market participants in case of second auctions.

When it comes to liquidity sharing between NEMOs in all time frames Nord Pool is of the view that this is the most important issue which needs to be addressed in a reform of CACM. The objective of CACM to allow NEMOs to compete on a non-discriminatory and fair level playing field in Member States which have adopted Multi-NEMO Arrangements has NOT been achieved so far. The lack of a shared order book in the final 60 minutes of the intraday markets and the day-ahead decoupling procedures in the CWE Region result in the day-ahead and intraday market set-ups in the CWE Region to be heavily biased towards the incumbent NEMO. Allowing the formation of and protecting local liquidity pools in the day-ahead and intraday time frame to which not all NEMOs in a Member State have access is an effective barrier to entry for new NEMOs.

In Nord Pool's opinion, the lack of a shared order book between NEMOs in the final 60 minutes of the intraday market severely skews the level playing field for NEMOs not just in the CWE Region, but also in the Nordic Region. SIDC allows Nordic market participants to trade seamlessly throughout Europe until Intraday Gate Closure Time (IDCZGCT). After IDCZGCT, however, only the incumbent NEMO in the CWE Region can provide Nordic market participants with access to meaningful liquidity in the CWE

Region. Compared with the Nordic Region, no such barrier to entry has been erected in favor of the incumbent NEMO as the Nordic Region does not have any local intra-day markets after IDCZGCT (except for a pilot project in Finland). CAB supported the importance of having shared liquidity between NEMOs in all time frames and even stated that not having this in fact limits their choice on which power exchange to trade on in the CWE to the NEMO which can provide them with access to sufficient market liquidity also after IDCZGCT. Since the market now effectively is considered as a “European market” including Nordic, Baltic and CWE this becomes even more important.

The following statement was given by CAB: Customer Advisory Board stressed how important it is to as soon as possible implement measures that reduce the risk of decoupling and the importance of having access to all liquidity in all time frames through a shared order book between NEMOs.

The following dates are decided for meetings

- **Thursday 27th May 2021**
- **Thursday 21st October 2021**

The following were present in the meeting

Jan Harald Sæth - Kinect, Håkon Egeland, Statkraft, Thomas B. Houliind – Energi Danmark, Torbjørn Haugen – Markedskraft, Trond Strøm, Statkraft, representing NAET, Sebastian Sundberg - Fortum, Eero Sirendi - Eesti Energia, Stefan Forsgren – Skellefteå Kraft AB, Markus Back replaced Johan Hagsten - Vattenfall, Frank Rasmussen– Ørsted, Per-Eilert Vierli – Hydro, Pekka Tynkkynen- UPM Energy Oy, Jean Baptiste de Gabory – Uniper.

Nord Pool: Kari Ekelund Thørud, Marianne W Jenssen, Hans Randen, Camilla Berg, Emma Mckiernan, Anstein Eie, Marian Kilen, Rickard Nilssen, Julien Cossé, Jwalith Desu

Minutes by: - Jwalith Desu/ Marianne W Jenssen