

## Minutes from the Nordic & Baltic Customer Advisory Board

29<sup>th</sup> March 2023 – Online meeting

**1**            **Welcome** by Emma McKiernan, Executive Vice President, Nord Pool

Emma McKiernan welcomed all participants to the meeting of the Customer Advisory Board (CAB)

**2**            **Opening speech** by Tom Darell, CEO, Nord Pool

Tom opened with a discussion on the current state of the energy market. He noted that gas storage in Germany was unusually high for this time of year, and that the national gas price was the lowest it had been in decades. Tom also discussed the increase in renewable energy, with 200 TBH of new renewable energy expected to come into the market during 2023 across Europe. Tom also discussed the impact of wind production on energy prices and volatility in the market. He touched on how the increased share of renewable energy is shifting volumes away from Day-Ahead markets and the need for solutions to deal with the intermittent nature of new energy sources. He concluded his presentation with an update on the EU market legislation and the need for proper hedging instruments in forward markets.

**3 Intraday Auction's/ ID & DA 15 Min MTU: Project Update & Timeline**  
presented by Hanna Blomfelt, Manager, Market Integration Development,  
Nord Pool

The presentation provided an update on the progress towards implementing 15-minute market time units. Nord Pool is currently in a test phase and planning for early 2025 for 15 MTU for Day-Ahead/IDAs, especially focusing on the performance of the algorithm. However, the implementation for 15 minutes in the Nordics is dependent on other projects, such as the Nordic flow based project. There is a potential risk for delay in the flow-based implementation timeline, which could affect all products dependent on it.

The team lead also mentioned that they are planning to go live with IDAs in May 2024 instead of January 2023, as was originally planned.

During the presentation, there was a discussion about the challenges and potential hurdles in implementing the 15-minute market time units. The presenter mentioned that there is a tight communication between the 15-minute regional project, which covers IDA, SIDC, and SDAC, and the large Nordic flow-based project. They raised concerns that the dependencies between these projects may need to be removed. The challenges of implementing the 15-minute trading was commented on, noting that the TSOs had been vocal about the need for it but are now facing challenges. Magnus then discussed the planning for IDAs and the coarser MTU for cross-border trading, which will be at 60 minutes. The main tool for cross-border trading during IDAs will be IDAs, and cross-border capacity in XBID will be halted during that time.

For IDAs the aim is to remove dependencies to ensure a shorter 20 plus 20-minute process time. The auction systems currently used for day-ahead auctions are being slimmed down for IDAs to ensure a faster process time. The IDAs will go live with ATCs capacities, but there is already a decision that whenever possible, IDAs will move to flow-based domains as well. The orders in SIDC will remain there during the auction, but XBID Capacity Management Module automatically halts the borders 20 minutes before the gate closure time of for each IDA. Regarding more complex order types, such as linked block orders, exclusive groups, and complex orders the limit is the added calculation time that happens when they are used. The exact products that will be matched in IDAs have therefore not been decided yet.

**4 Nordic Flow Based delivery project** presented by Magnus Sunnefors,  
Market Manager Coupling Services, Nord Pool

Magnus Sunnefors discussed the latest updates on the Flow-Based Market Coupling implementation, it was mentioned that there will be a public consultation coming up, and that Nord Pool will be participating as a stakeholder. The implementation project is aiming for a go-live in Q1 2024, ahead of the IDA implementation in the Nordics. The external parallel run was declared a success by the TSOs, but questions have been raised about the quality of the extracted ATCs that will be used as starting capacities.

It was suggested that there needs to be more communication and transparency from the TSOs. The issue of non-intuitive flows and how they will be handled was also raised. The TSOs are still working on providing information to the market about LPDF matrices and how they will provide long-term transmission capacity. The simulation of system price during the Flow-Based setup has been simulated, but will be published at a later date. Overall, for the Nordic area as a whole, there has been an increase in exports in the Flow-Based setup.

**5 Update on Regulatory Affairs** presented by Dr. Birgit Kunze, Senior Legal Counsel, Nord Pool

Dr. Birgit Kunze discussed the importance of market development and the need for support from the customer advisory board in influencing the state and energy ministers in negotiations and cooperation on proposals for development of the electricity market. She went on to highlight the issue of liquidity sharing in the last 60 minutes in CWE and discussed efforts to address this issue with relevant regulatory stakeholders. The proposal for a change in the intraday cross-border running time to 30 minutes was also mentioned. Birgit expressed concern about the proposal for regulated regional virtual hubs, which is being considered by ACER, as it would be decided by TSOs and regulators without consulting NEMOs and market participants. She also argued that the claimed benefits of creating virtual hubs are unproven, and that TSOs should focus on allocating more long-term transmission rights instead.

There are several proposals that have the potential to significantly impact the market and market participants. The proposal to create regulated regional virtual hubs is particularly concerning as it could lead to a TSO-driven market that is not based on market forces and prices, but rather on regulatory decisions. Nord Pool also urge caution regarding peak shaving products, which have the potential to compete with short-term markets and reduce liquidity. Finally, Birgit conveyed Nord Pools position that they strongly oppose the possibility of a single entity operating the market and encourage deletion of this proposal.

**6 Collateral Model Review** by Stian Sviggum, CFO, Nord Pool

Stian Sviggum, NordPool's CFO, presented the company's current margin model, which has been of interest to many due to the high prices of the last two years. As the central counterparty, Nord Pool guarantees timely cash flow between buyer and seller, while bearing the credit risk involved in each transaction. However, Nord Pool does not cooperate with a CCP or clearing house, nor does it require participants to pay into a default fund or any other credit risk sharing scheme. Consequently, Nord Pool's collateral must be very liquid, with cash or bank guarantees currently being the only acceptable collateral types. Nord Pool credit risk exposure is also towards each participant individually, which means that the collateral from a participant can only cover defaults for that participant. Stian went on to explain some of the issues

with the current collateral model, including the fact that it is a "one size fits all" model and highly sensitive to changes in trading patterns. He also mentions that the risk prices used in the model are calculated backward-looking and not forward-looking. Nord Pool has entered into a margin model review to address these issues, with the first step being the implementation of a risk categorization based on participants' inherent risk profiles, which will be launched in 2023. He also mentions that Nord Pool is looking to make other changes to create a more dynamic and forward-looking model. He gave assurance that market participants will receive timely and detailed communication about the changes before they are implemented.

**7 Update from Market Surveillance** by Ekaterina Moiseeva, Manager Market Surveillance, Nord Pool

Ekaterina Moiseeva from Market Surveillance at Nord Pool gave an update on their activity. The Market Surveillance team publishes newsletters and presentations about different aspects of the market, including a recent study with the REMIT Best Practice group on the appropriate threshold for publishing inside information. She also mentioned the tailor-made certified compliance courses that Nord Pool now offers.

She discussed second auctions and MS views on them. As shared in the newsletter, both the first and second auctions are covered by REMIT, and pricing up orders without justification is prohibited. The benefits of second auctions include reconfiguration of blocks, better use of energy-limited resources, and an opportunity to correct errors. The drawbacks include no historic evidence of effectiveness, operational risks, and limited time to complete the auction. Ekaterina asked market participants to provide input in an ACER survey to improve second auctions.

The presentation also discussed the Market Surveillance team's work with Fingrid on establishing efficient arrangements for the balancing market. Additionally, she commented on newly introduced high price tax on power producers in Norway, which can greatly impact investment in capacity and optimal disposition of water. The team is also following up on the REMIT revision, which includes multiple provisions that introduce double-reporting and may significantly increase the costs of REMIT reporting. Finally, the presentation addressed the lack of clarity on who monitors the available transmission capacity not unduly limited, which has the potential for big price impacts.

**8 Closing remarks**

Emma thanked everyone for joining online and closed the meeting.

**9 Next Meetings**

Proposed dates for meetings in 2023:

- week 24 (14<sup>th</sup> June) Online/In person tbc
- week 37 (19<sup>th</sup> September) Online/In person tbc
- week 47 (20-24 November tbc) , joint meeting with CE Advisory Board)  
Online/In person

The exact dates of each meeting will be confirmed with Doodle poll.