

Nordic Balancing Model  
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YOUR REF./DATE:

OUR REF.:

PLACE/DATE:  
Oslo, 19.11.2020

## COMMON MARKET DESIGN DESCRIPTION - SINGLE PRICE

We refer to published information on your web site 9<sup>th</sup> of October regarding Single Price Single Position with an invitation to give comments by 20<sup>th</sup> of November. Statkraft welcomes this opportunity to comment on the proposed Nordic market design for the common imbalance settlement model with associated design, which is proposed to be implemented in the Nordics on 1<sup>st</sup> of November 2021.

The Nordic TSOs propose a single position and a single price for imbalances. The TSOs are however concerned with self-regulation and much of the document is devoted to address this concern. The proposed measures to limit the incentives for self-regulation are:

- Requirements on following production plans
- Requirements for planning in balance
- Increased imbalance volume fee

We note that the Nordic TSOs, unlike some of the other European TSOs, base the approach on balancing the system on requirements and penalty fee. We acknowledge that the requirements already apply today but still encourages the TSO to trust the market adaptation to a greater extent and therefore to a lesser extent rely on requirements. Before we comment on the penalty fee issue, we will comment on imbalancing pricing and fee structure.

Statkraft supports the proposal that the marginal price of mFRR activated for balancing in the dominant direction is the basis for the imbalance price. We also support to continue to use the day-ahead price as the imbalance price if there is no activation of mFRR.

We also support the work on Nordic harmonisation of the fee structure and as far as possible on fees for BRP's in the Nordic power market. However, we believe that the Nordic TSOs should consider what costs should be financed through the balancing fee, and thus what should be financed through the transmission tariff. Based on the Nordic TSOs report "Harmonisation of the balance management" from February 2007, one agreed on harmonisation (within an interval) of what costs should be financed through the balancing fee. Since then, aFRR has been introduced, and the TSOs have chosen to fund this cost completely differently: through the balancing fee in Sweden and through the transmission tariff in Norway.

Statkraft support to replace current fee structure with a volume fee based on gross consumption and production and an imbalance fee based on imbalancing volume. We believe that the general principle should be that the volume fee is based on cost the BRPs cannot affect while the volume fee reflects the cost they can influence, thus "polluter pays" on this element. Total income from the fees should cover relevant TSO costs for balancing, not more and not less. To increase the efficiency of the Nordic power market the fees should as far as possible be harmonised, especially the one influencing dispatch and balancing decisions. If national costs are different and harmonisation of fees are desirable, intermediate settlement between TSOs is an alternative.

According to the document the Nordic TSO consider "the use of the imbalance fee level to improve BRP incentives to avoid self-regulation". Statkraft does not support the idea to increase the imbalance fee beyond what is necessary to contribute to financial neutrality for the TSOs. We perceive that this implies that the TSOs will be able to take an additional profit by imposing a penalty fee on the BSRs. Although the aim with such a fee is to try to provide appropriate and supposedly necessary incentives against self-regulation, we believe the impact may be undesirable. Furthermore, it is of course difficult to size such a penalty element. Even if a penalty addition on the volume fee will give the BRP incentives to plan to be in balance and to follow the plans, it could have the following adverse effects:

- Especially with 1-hour ISP (Imbalance Settlement Period) one can get problematic self-regulation with a high online measured production (wind/sun) and consumption in the portfolio. This is because a high imbalance fee will provide incentives to adjust the balance at the end of the hour for deviations one had at the beginning of the hour.
- Will reduce efficiency in the power market by using BRP's own expensive regulation to keep the balance when cheaper objects are available in the balancing market.

Statkraft thanks for the opportunity to comment on the planned Nordic Single Price Single Position. If desired, we can elaborate on our views.

Yours sincerely,  
for Statkraft Energi AS



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Acting Senior Vice President – Energy Management