



Minutes from customer advisory board meeting 30th November 2011, Oslo

11/11 Comments to the agenda and approval of minutes from last meeting

Item number 17/11 on the agenda will be postponed to the next Customer Advisory Board meeting in 2012, otherwise no comments to the agenda. Minutes from last meeting approved.

12/11 Status, trade and operations

The turnover in the Elspot market YTD (week 47) is 262.1 TWh, compared with 267.2 TWh same period in 2010. The turnover in Elbas YTD is 2.21 TWh compared with 2 TWh same period in 2010.

With regards to product development, Nord Pool Spot had a meeting with a team of market participants on the 28th October 2011 to discuss which products and services to further develop in order to secure sustainable growth and liquidity in the Nordic market. The main outcome of the meeting addressed the need for enhancements related to block bid products in the day-ahead market Elspot and harmonisation and reduction of gate closure in the intraday market Elbas. Nord Pool Spot will during the coming weeks do further analysis on the feedback provided and invite for a second workshop during first quarter of 2012. Nord Pool Spot secures that the discussion is taking the European guidelines for development and market integration into account.

Nord Pool Spot gave a brief update on the results from the first weeks of operation after bidding areas in Sweden was introduced 1st November. The price pattern has changed somewhat, but Nord Pool Spot has received few comments from market participants on the operations and results during the latest weeks. The Customer Advisory Board questioned Nord Pool Spot's official view on the use of bidding areas and Nord Pool Spot confirmed to be principally against bidding areas but Nord Pool Spot is also of the view that the use of bidding areas is the best alternative model for handling congestion problems within the power market. The Customer Advisory Board urged Nord Pool Spot to be more active towards government and other stakeholders addressing its view.

Concerning the further market development in the Baltic region, Nord Pool Spot awaits progress from governments both in Latvia and Lithuania before any date for market opening can be published. Nord Pool Spot still expects Elspot market opening both in Lithuania and Latvia during 2012. The Customer Advisory Board took note of the information.

The Price Coupling of Regions (PCR) initiative is progressing and the design phase is close to be completed. The algorithm Cosmos used by Central Western Europe is chosen as a starting point and the development of the algorithm prototype for PCR is able to support the known requirements. Moreover the joint agreements between the power exchanges is soon to be finalised which is concentrated around co-ownership of algorithm and to secure an enduring cooperation agreement. Additionally the specification of coupling systems has progressed. The expected delivery of a Single Price Market Coupling in the ten NWE countries by the end of 2012 is still valid.

13/11 Integrating the Nordic balancing market

Kristian Bernseter from Statnett gave an overview of the status in the project of harmonising the Nordic Balance Settlement (NBS). The project is currently owned by Fingrid, Statnett and Svenska Kraftnät. Energinet.dk chose to withdraw from the project during the design phase, but might return at a later stage. Customer Advisory Board representatives have previously urged the project to look to centralise settlement of the regulating power market with the settlement of Elspot and Elbas contracts. This alternative has been rejected by the stakeholders and steering group of the project. The investment decision is to be taken in 2012 and the project is currently working on solving the legal and regulatory requirements of the entity and NordREG must give their support before moving into any implementation phase. Customer Advisory Board representatives requested increased transparency on the investment costs and cost coverage. The Customer Advisory Board also commented that analysis on how this solution will improve market efficiency should be made public as market participants have to bear extensive implementation costs in order to prepare for market launch.

14/11 Product and market development Nordic/Baltic

As requested at the last Customer Advisory board meeting, Nord Pool Spot gave a presentation on which structural changes Nord Pool Spot view as critical for the development of the Nordic/Baltic market during the next 5+ years. Nord Pool Spot highlighted that requirements on market integration, increased complexity in price formation, increase in share of renewable energy sources (RES) in the production mix and management of demand side flexibility as being the most important market trends to accommodate for.

The Customer Advisory Board urged Nord Pool Spot to investigate whether the RES targets will enforce development of capacity markets and how the codes on capacity allocation and congestion management according to the 3rd package may impose requirements on Nord Pool Spot and market development. It was also requested that power intensive industry was added to the list of interviewees for bilateral discussions on market development. Nord Pool Spot will continue their work and analysis together with selected market participants during the coming months and will address the findings to the Customer Advisory Board in 2012.

15/11 Market Surveillance – UMM project

Nord Pool Spot informed on the progress of the UMM project to further develop the UMM application. During the initial phases of the project, it has become evident that the group need to think differently on the solution both from a publication and readers point of view. The project has finished the specification of the functional requirements document and is conducting a workshop with the focus group on the 7th December 2011 in order to address specific topics. The new way of developing the application will enable for import of complex information via interfaces, more information to be available on the application and enhanced overviews and presentation of cumulated information.

The Customer Advisory Board stressed that sufficient lead time for IT development with the market participants must be ensured and training and regular access to a test system must be provided as many market participants use the UMM application seldom. Nord Pool Spot will include focus group representatives in the iterations and acceptance tests and hope to initiate the implementation phase during Q1 2012. The Customer Advisory Board was pleased to see that the interaction with market participants have been prioritised during the phase of the project in order to secure a high quality delivery to the market.

16/11 Nord Pool Spot in the United Kingdom

Nord Pool Spot gave a presentation on the development of the N2EX market offered by Nord Pool Spot and Nasdaq OMX Commodities in the United Kingdom. The day-ahead auction model is receiving increased recognition within the UK industry and volume on the auction has significantly increased during the latest months. The core UK industry is active in the N2EX market and the solid growth in volumes has led to new members entering. Year to date, 35.88 TWh has been traded on the market, prompt accounting for 23.67 TWh, day-ahead auction for 12.20 TWh and the spot market for 0.008 TWh of the total volume. Ambitions for 2012 is to grow the auction further, increase Nord Pool Spot presence in the UK, become a partner in market coupling and to grow the futures market operated by Nasdaq OMX Commodities. The Customer Advisory Board was pleased to see this development and the foothold Nord Pool Spot has made in the UK.

17/11 Customer satisfaction survey 2011

This agenda item will be addressed at the next Customer Advisory Board meeting in 2012.

18/11 AOB

During the recent months, many market participants have made complaints on the 120 min gate closure on Elbas in Norway. The Customer Advisory Board agreed to send a letter to Nord Pool Spot's regulator NVE addressing the need for reducing and harmonising the gate closure on Elbas in Norway and Nord Pool Spot will follow up on this matter.

Three Customer Advisory Board meetings will be held in 2012. The Customer Advisory Board agreed on meetings on the 29 February, 7 June and 1 November 2012.

Participants: Marie Thuestad Nord Pool Spot, Marianne Wergeland Jenssen Nord Pool Spot, Mikael Lundin Nord Pool Spot, Hans Randen Nord Pool Spot, Pål Otto Eide Norsk Hydro ASA, Petri Eväsoja Fortum Power and Heat Oy, Håkon Egeland Statkraft Energi AS, Lars Joelsson Vattenfall AB, Per Åkesson Skellefteå Kraft Energihandel AB, John Griem, EnergiMidt Handel A/S, Frank Rasmussen Dong Energy, Fredrik Öhrnemann E.ON Energy Trading SE, Aleksei Toptšilin Eesti Energia, Fredrik Kopp SCA

Not present: Roger Karlsson Scandem AB, Therese Gjerde Bergen Energi AS

Minutes: Marie Thuestad, Nord Pool Spot