Brussels, 5th of February 2018

Dear Mr. Karins

Ahead of the final negotiations on the Electricity Regulation, the Nordic Energy Associations (Nordenergi)[1] would like to offer our views on the highly politicized issue of congestion management and capacity allocation (articles 13 and 14).

The Nordic Energy Associations found the compromise reached in the Energy Council on the 18th of December very disappointing. ***Allowing TSOs to only offer 75 % of capacity on interconnectors to market players can only be seen as lowering the ambitions of an internal energy market*** compared to the provisions in the third energy package.[2]

Further the Energy Council even allowed derogations from the 75 % obligation for member states who are setting up action plans to alleviate internal structural bottlenecks in the transmission grid. It is proposed to offer this derogation until the end of 2025.

Keeping in mind the European Council conclusions from February 2011[3], the ***Energy Council is essentially proposing to postpone the finalization of the internal energy market by 11 years.*** Given the benefits of the internal energy market, which will be elaborated below, this would be a highly deplorable outcome of the negotiations on a new electricity market design.

Nordenergi would therefore strongly urge the European Parliament to keep the general principle of free flow of electricity across borders by retaining as much as possible of the Commission's text on articles 13 and 14 in the Electricity Regulation.

Nordenergi fully recognizes that the choice of measures to deal with internal congestions is a national matter, however, to limit cross-border trade is not.

We hope you will take the abovementioned comments and the justifications on the following page into consideration.

Do not hesitate to reach out if you have any questions.

[1] Swedish Energy Association, Finnish Energy Association, Energy Norway, Danish Energy

[2] Article 16 (2) of Regulation 714/2009: *Transaction curtailment procedures shall only be used in emergency situations where the transmission system operator must act in an expeditious manner and re-dispatching or countertrading is not possible. Any such procedure shall be applied in a non-discriminatory manner…. (3) The maximum capacity of the interconnections and/or the transmission networks affecting cross-border flows shall be made available to market participants, complying with safety standards of secure network operation.*

[3] European Council Conclusions Point I (4): *The internal market should be completed by 2014 so as to allow gas and electricity to flow freely.*

Justification

Climate perspective

It has come to our attention that certain actors are advocating against opening access to interconnectors, because this would increase coal generation in Europe. This is a very narrowminded perspective.

The discussion is ***not solely a gas versus coal discussion****. Rather it is a gas versus baseload and variable RES discussion.*

An overall European goal is to increase the share of renewables, however, this cannot be done efficiently without simultaneously increasing the exchange and balancing of variable RES across borders. ***Delaying the exchange cross borders will ultimately delay the European RES deployment.***
What is needed for Renewables in Europe is more interconnection in order to reap the full value of RES investments by increasing RES revenues through cross border trade

Sustaining fragmented markets by denying cross-border exchange and competition will retain some fossil assets in their "home market" for longer time.

But this should never become an excuse for limiting the internal market.

Nordenergi would also like to recall that recently The European Parliament and the Council agreed on a strengthened ETS with a tighter cap for CO2-emissions and a reinforced MSR that will ensure that EU Climate targets towards 2030 and 2050 are met.

Internal market perspective

As mentioned above, we understand that certain actors in the Brussels arena argue, that availability of interconnectors should be limited due to a potential increase in coal generation possibly arising from increased trade. It is important to note, that the alleged increase in coal generation would be around 15 TWh.

It is very important to get the proportions right in this debate. ***The medium to long term trust in the internal market should not be sidetracked by a short-term effect suggesting an increase in coal generation of 15 TWh – which corresponds to Germany's coal and lignite generation in a few weeks.***

If Germany is concerned over increased coal generation, they should address it through ETS reform or a coal phase out – not by sidetracking the internal market.

The Clean Energy Package measures on market design will define the rules for the decades to come and must be fit for purpose for a future where shares of coal will only decrease

Germany as a net exporter of nearly 50 TWh annually is very dependent on neighboring countries not curtailing Germanys export channels. Subsequently, Germany should not curtail neighboring countries export channels.

Putting a precise value on the benefits of an internal electricity market is a not a straightforward task. However, given the inherent insecurities, the Commission's impacts assessment points to the figure being somewhere in the range of 12,5 – 40 billion euros by 2030. This equals between 25 and 80 euros for every man, woman and child in Europe. Or the equivalent of up to 5 billion CO2 allowances (i.e. the entire surplus + 1 year of new allocations).