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Swedenergy on the Revision of the EU's electricity market design

Swedenergy propose that:

- measures discussed in the consultation should primarily be seen as national options, given state aid rules, rather than mandatory EU-wide.
- measures for long-term hedging and requirement of offering fixed price contracts should by subject to national market tests in parallel with e.g. hedging possibilities as in article 30 of the guideline on forward capacity allocation (EU 2016/1719) and on capacity mechanisms in accordance with Electricity Regulation (EU 2019/943).
- the trade-off between hedging and flexibility is thoroughly considered.
- as all low-carbon sources will be necessary to reach ambitious climate goals, focus should be on fossil free rather than RES as to include e.g. investments in nuclear power production.

It is with deep concern Swedenergy have witnessed the substantial anxiety and consequences among customers due to higher electricity and energy costs, especially households and SMEs. Swedenergy therefore welcomes the Commissions ambitions to find solutions for alleviating the impacts for electricity customers.

At the same time, it is important to keep in mind that Russia's weaponization of energy sources is an extraordinary event, and therefore it is vital not to rush into measures that risk the functioning of a market which has generated huge benefits for Europe.

From a Swedish and Nordic perspective, we understand the Commission's will to address observed shortcomings, however, it important that proposed measures do not jeopardize the stable and well-integrated energy markets that truly prevail in e.g. the Nordics.

Swedenergy strongly supports the previous actions from the Commission, such as the energy prices toolbox and the REPowerEU to rapidly end the dependence on fossil fuels. However, we are hesitant regarding parts of the current consultation. In our opinion, the current legal framework already allows for most of the discussed measures, hence observed shortcomings could be due to national circumstances and therefore suggested measures should be optional for individual Member States rather than mandatory. Of course, still in respect of TFEU article 107.

When it comes to hedging possibilities, in our view this is one of the corner stones for a functioning market. The first step is of course to remove any legal barriers, and the

second is to perform a market test before any measures are undertaken. In this, it would also be possible to investigate what kind of products would be preferred locally. This is important, as there are pros and cons with every product, and any measure might lead to a risk of draining the markets for the products preferred by the market participants and could therefore be counterproductive.

In Sweden, everyone has smart meters today. It is generally accepted that it should be price signals that control the market. The current energy crisis has started a commitment among consumers who now want to influence their electricity consumption, mostly their own electricity bill, but also partly as it presents an opportunity to help the system and the environment/climate.

We see a movement towards hourly contracts (unlike Europe which moves towards fixed prices) which is seen as a solution out of the crisis. A people's march towards hourly rate agreements. Fixed price agreements in southern Sweden, where prices are the highest, have decreased. Weather forecast on national TV now also includes an electricity price forecast.

Authorities in Sweden are reviewing opportunities to promote agreements with dynamic prices because it is seen as an incentive to make energy more efficient - an important parameter to get out of the crisis and meet the green transition. (The government eases the pressure on electricity retailers by refunding bottleneck revenue to customers.)

In short, the Swedish retail market is well functioning with 150 suppliers where an intense competition has provided customers with a wide selection of contracts and no supplier have yet filed for bankruptcy. Our fear is that far-reaching mandatory measures will demolish this.

The European Commission has concluded in its long-term climate strategy that renewable energy along with nuclear power will be the backbone of the European electricity system 2050. Hitherto, the Commission has put strong incentives on the increase of renewable energy capacity, whereas incentives to other low-carbon sources, such as nuclear power, has been left to the member state solely to address. The result is an even stronger dependence on natural gas as balancing power in the EU, even after the invasion of Crimea. Thus, there is clearly a role for new and existing nuclear power in the EU in terms of climate policy, security of supply and as remedy to high electricity prices. This should be reflected in the proposal by including low-carbon energy sources and not only renewable energy sources.

Åsa Pettersson
CEO Swedenergy

Power purchase agreements

1	Q1. Do you consider the use of PPAs as an efficient way to mitigate the impact of shortterm markets on the price of electricity paid by the consumer, including industrial consumers?	No
2	Q2. Please describe the barriers that currently prevent the conclusion of PPAs.	PPAs is a market-based instrument, one of several, which is enabled by the current EU legislation. In our opinion, barriers are mainly of financial character as credit guarantees and margin requirements, but to our understanding also due to national legislation. Fundamentally, PPA is an instrument best suited for industrial consumers due to larger volumes over longer periods of time. When it comes to smaller final customers, nothing in the current regulation prevents retailers to engage in PPAs but the demand for long term agreements on fixed terms is very low. And in the light of strong rules regarding consumer protection, it also constitute a risk for the supplier where customers can change supplier with short notice and with limited possibilities to secondary trading. As PPAs are tailor-made, it comes with high transaction costs due to e,g. complexity and administration, which constitutes a barrier, especially for smaller market-participants We can also see a hurdle in counterparty risk as it might not be possible to find financial guarantees for the duration of the period of the contract. However, we see no legal barriers for market participants aggregating customers to reach critical volumes. Hedging on the regular financial markets is more suitable for securing fixed prices for small consumers. This because it is a tradable and transparent product.
3	Q3. Do you consider that the following measures would be effective in strengthening the roll-out of PPAs: (a) pooling demand in order to give access to smaller final customers, (b) providing insurance against risk(s) either market driven or through publicly supported guarantees schemes (please identify such risks), (c) promoting State-supported schemes that can be combined with PPAs (d) supporting the standardization of contracts, (e) requiring suppliers to procure a predefined share of their consumers' energy through PPAs (f) facilitating cross-border PPAs.	Svar: B, D We find hedging in the regular financial markets is more suitable for securing fixed prices for small consumers. This because it is a tradable and transparent product. Hence, we must stress the importance of carefully analyse the effects on the liquidity in the forward markets before any measures are undertaken. Of course, also items A and F could strengthening the roll-out of PPAs, but they are already possible, and would be done if competitive.
4	Q4. In addition to the options proposed in question 3, do you see other ways in which the use of PPA for new private investments can be strengthened via a revision of the current electricity market framework? If yes, please explain which rules should be revised and the reasons.	No We must stress that we see a clear risk by focusing on one instrument. PPAs are bilateral contracts which will draw liquidity from the forward market hence reducing the possibility for a transparent long-time price signal. Therefore, we see the strengthening the forward market more beneficial to the market. Not the least the strengthening of long-term cross-border heding possibilities in accordance with FCA article 30.
5	Q5. Do you see a possibility to provide stronger incentives to existing generators to enter into PPAs for a share of their capacity? If yes, under which conditions? What would be the benefits and challenges?	Of course, it is possible to create stronger incentives, but this will also come with a cost, in this case draining the forward market of liquidity and by that undermining long-term transparency. PPAs and other financial hedging instruments offer protection from the volatility in the whole-sale market for both customers and producers. In Sweden, power plants are often owned by municipalities and/or the state, and they prefer a stable cash flow, hence power producers already have an incentive to hedge. Power producers should be free to hedge through bilateral and financial trades as they see fit for their business strategy. We see the lack of demand as the main reason for low liquidity. At the same time, it must be understood that few consumers have an incentive at one point in time to hedge their needs for 10 years ahead.
6	Q6. Do you consider that stronger obligations on suppliers and/or large final customers, including the industrial ones, to hedge their portfolio using long term contracts can contribute to a better uptake of PPAs?	No
7	Q7. Do you consider that increasing the uptake of PPAs would entail risks as regards: a. Liquidity in short-term markets; b. Level playing field between undertakings of different sizes; c. Level playing field between undertakings located in different Member States; d. Increased electricity generation based on fossil fuels e. Increased costs for consumers If yes, how can these risks be mitigated?	Yes, Yes, Yes, No, Yes The best way to mitigate is not to force or incentivize market participants into certain instruments or agreements as it should be left to the market participants, consumers and producers, to best decide in products that are most suitable for their needs.

Forward Markets

8	Q1. Do you consider forward hedging as an efficient way to mitigate exposure to shortterm volatility for consumers and to support investment in new capacity?	Yes - med fokus på konsumentperspektivet

9

Q2. Do you consider that the liquidity in forward markets is currently sufficient to meet this objective?

No

The financial markets functions as well as is allowed by the underlying physical market taking in consideration limitations in transmission, the existence of natural buyers and sellers respecitvely, number of market participants etc.

Since the financial crisis in 2009, there has been a gradual reduction in the liquidity in the Nordic financial market, further exacerbated by the introduction of EMIR and MIFID II. The cost of hedging has increased and several suppliers have left the market.

Several reports and surveys (conducted for example by Nordic NRAs) confirms the lack of liquidity for financial derivatives used for power-price hedging. Therfore, we see the need for the Nordic NRAs to instruct the Nordic TSOs to provide cross-zonal risk (not restricted to cross-border as previously argued by the Swedish NRA hedging opportunities in accordance with FCA article 30.

Furthermore, besides low loquidity to hedge volume risk, from a consumer perspective there is a lack of granular products to hedge price and profile risks respectively, especially in smaller bidding zones.

In combination with increased political risks, it can be challenged if the market provides sufficient incentives for investments.

We welcome the removal of regulatory burdens that prevents participants to enter the forward market (both the financial and bilateral PPA-market).

10

Q3. In your view, what prevents participants from entering into forward contracts?

Political risk as future legislation is non-foreseeable, of which this consultation is a good example.
Regulatory risk of which the current review of bidding zones is a good example.
The financial market: Collateral requirement and the administrative burden due to reporting obligation are in our view significant barriers. In our view the collateral requirement, particularly for non-financial market participants with underlying physical assets, should be reduced. The regulatory burden for companies who are active on regulated marketplaces should be reduced through revision of the relevant financial legislation (EMIR and MIFID II).
Also, small bidding areas with uncertain cross-zonal capacity creates unpredictable volatility and therefore financial players do not participate.
Lack of demand for long-term hedging due to low interest from final customers and suppliers are not willing to take the risk as consumers can change supplier on short notice.

11

Q4. In your view, would requiring electricity suppliers to hedge for a share of their supply be beneficial for consumers and for retail competition?

No
It is not possible for suppliers to carry the costs if there is no demand from the customers. In the long run this will lead to higher costs for the consumers.
Furthermore, currently we see an strong increase in contracts with variable price and not the least hourly based contracts. Some of the suppliers only offer hourly based contracts, an obligation to hedge would incure unnecessary costs which will be passed on to the customers. This, och course, is detrimental to the need to provide incentices for demand response and flexibility.

We don't see this problem in Sweden and the rest of the Nordics. In Sweden there is sound competition in the retail markets, with approximately 150 retailers providing a variety of products and no barriers to new market participants. Most Swedish retailers are hedged back-to-back for fixed contracts, and we have not had a problem with bankrupt suppliers.

Hedging obligations would probably not change much for Swedish retail companies or the competition in this market in Sweden. We understand, however, the need to investigate solutions bankruptcy in the retail sector is a problem in other European countries. As a first step, we think it is important to enable retailers to efficiently hedge themselves via well-functioning forward markets. Furthermore, we are skeptical to introducing requirements and obligations on European level to sort problems that are of more local or national character.

12

Q5. Do you consider that the creation of virtual hubs for forward contracts complemented with liquid transmission rights would improve liquidity in forward markets? If yes, do you consider that such virtual hub(s) should be developed at national, regional or EU level?

Yes Regional level
However it is impossible to give a general answer as it will depend on the underlying physical market taking into account transmission capacity and geographical power balance, i.e. the balance between natural buyers and sellers respectively. Furthermore, it is possible for anyone to trade financially with products that market participants prefer.

13

Q6. In case you have experience with the existing virtual hubs in the Nordic countries, how do you rate this experience?

Yes (och siffra 10 strategiskt val för att motverka alltför långtgående förslag)
Fundamentally good as the individual Nordic countries would be too small to constitute liquid financial markets. However, the development of the Nordic power system has resulted in that deterioration of the System price as reference for the Nordic market. Also, the introduction of bidding zones in Sweden has created local markets without a balance between natural buyers and sellers, which could have been alleviated with the Nordic TSOs supporting hedging opportunities in accordance with FCA article 30. Unbalanced bidding zones implies extreme risks for consumers where price signals reach them far too late.

14

Q7. In your view, what would be the possible ways of supporting the development of forward markets that could be implemented through changes of the electricity market framework?

No price regulation in any form in any market, including the retail market.
No unnecessary support of competitive products as PPAs and CfDs.
A strict implementation of FCA article 30, forcing TSOs to support liquidity for cross-zonal hedging.
Possibilities to use bank guarantees as collateral. Allowing future generation as collateral. It should be investigated if contracts with customers for future delivery also could be used as collateral.
Fewer bidding zones with a balance of natural buyers and sellers respectively, not restricted by national borders

Contracts for Difference

15

Q1. Do you consider the use of two-way contracts for difference or similar arrangements as an efficient way to mitigate the impact of short-term markets on the price of electricity and to support investments in new capacity (where investments are not forthcoming on a market basis)?

Yes
We support market-based solutions prior to centralized solutions and public intervention. When possible, investments should always take place on markets conditions and governmental support schemes should be reserved to situations when the market fails to deliver system critical investments such as flexible and firm capacity and ancillary services in addition to renewables or in bidding zones with severe imbalances between production and consumption.
CfDs can be a suitable tool for reducing risk for investors, but the design must be carefully considered to ensure that they are compatible with short-term markets and that the incentives to respond to short term price signals remain.
We would also like to emphasize that CfDs are already part of the current market design, and that the Guidelines on State Aid for Climate, Environment Protection and Energy enables member States to introduce CfDs through auctions. It should be the prerogative of each Member State to decide on what terms new power production is developed, as long as it is in accordance with state aid rules and do not distort competition.
We refer also to the Treaty of the Functioning of the European Union article 194, paragraph 2: Such measures shall not affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, without prejudice to Article 192(2)(c).

16

Q2. Should new publicly financed investments in inframarginal electricity generation be supported by way of two-way contracts for differences or similar arrangements, as a means to mitigate electricity price spikes of consumers while ensuring a minimum revenue?

No
CfDs can be a suitable tool for reducing risk for investors and should be reserved to investments that need public support for its realization. If the premise is that investments are not forthcoming on a market basis, it is difficult to see how these contracts shall be used as an efficient means to mitigate electricity price spikes. Electricity generation based on technology that are commercially viable, should be realized through the financial market and/or through PPAs.

However, CfDs could be considered for technologes that provide benefits to the power system as firm and flexible capacity, but that are not comercially viable on the market, eg. nuclear and CHP. From that perspecitve, CfD:s is a better tool than PPAs.

Furthermore, it is highly unclear how the benefits of the CfDs would accrue to consumers. Whether CfDs can be designed in a way that makes them compatible with PPAs is, however, an option worth further exploration.

17

Q3. What technologies should be subject to two-way contracts for differences or similar arrangements and why?

CfDs should be used as a means to realize investments in low-carbon solutions and attributes needed to create a reliable and resilient power system where the incentives are not enough in the regular market, e.g energy, firm and flexible capacity, inertia and reactive power.
CfDs are in competition with the PPAs and products on the financial market. We should enable commercial solutions prior to government support, and government support should be reserved to technologies in need for government support in order to be realized.
Furthermore, as prerequisites differ, the choice of technology might be a regional/national issue.

18

Q4. What technologies should be excluded and why?

Technologies that are commercially viable and fossile power production.

As the share of non-planeable power production increases, also the need for flexibility increases, hence, it is crucial that flexible generators gets the correct incentives to contribute with their flexibility.

It is vital that the construction of CfDs still delivers incentives to produce when it is most needed in the power system. With two-way CfDs, they partly remove the incentives to run when the value is the highest since the strike price would prevent capturing higher spreads. It is important that the strike price do not unnecessarily distorts the incentives for flexibility. This is not the least important for flexible hydro power where decisions are taken under uncertainty of future level of precipitation.

19

Q5. What are the main risks of requiring new publicly supported inframarginal capacity to be procured on the basis of two-way contracts for difference or similar arrangements, for example as regards of the impact in the short-term markets, competition between different technologies, or the development of market based PPAs?

CfD design parameters have known impacts on short-term markets. In particular, the risks are a) continued production when the price is already zero or negative and b) limited incentives to see all different markets (day-ahead, intraday, balancing). Therefore the design needs careful consideration. While not asked, CfDs also impact forward market liquidity as volumes are taken off the market. A decoupling from output and payments should be investigated.
Furthermore, CfD design parameters can decrease incentives for generators to make the most system-friendly design-, dispatch-, and location decisions. Also, the volume risk is in current CfD designs largely uncovered.
Even if not mandatory for all new investments, CfDs risk crowding out the PPA market as PPAs are subject to higher counterparty risk and do not benefit from potential other advantages of supported projects, like grid connection or accessing land.

20

Q6. What design principles could help mitigate the risks identified in question 4, in particular, in terms of procurement principles and pay out design? Should these principles depend on the technology procured?

This must be investigated more thoroughly, but we take note of Entso-E suggestion to remunerate availability rather than output as a means to address the root of the dispatch distortions. We welcome the further the exploration of this concept.

It is possible to design CFD:s so that the incentive to act according to market signals is protected. You could e.g. use average of same type of generation in the same area as reference for CFD adjustment. Then every generator could keep his specific market earnings.

21	Q7. How can it be ensured that any costs or pay-out generated by two-way CfDs in highprice periods are channelled back to electricity consumers? Should a default approach apply, for example, should these revenues or costs be allocated to consumers proportionally to their electricity consumption?	It should be the prerogative of each Member States to decide how to use the revenues generated by two-way CfDs, and whether these shall be channelled back to electricity consumers or not. Revenues from the CfD should remain in the power system and should be used where they are needed, e.g. for grid development, energy efficiency, decarbonization or flexibility measures and compensation of vulnerable customers. If paid out to consumers, it should be ensured that responsiveness to price signals e.g. by shifting or reducing demand remains intact.
22	Q8. What should be the duration of a two-way CfD for new generation and why? Should this differ depending on the technology type?	It should differ for different technologies since all technologies have different technical lifespan. For nuclear, a minimum of 20-25 years should be considered.
23	Q9. Should generation be free to earn full market revenues after the CfD expires, or should new generation be subject to a lifetime pay-out obligation?	Yes
24	Q10. Without prejudice to Article 6 of Directive (EU)2018/2001[6], should it be possible for Member States to impose two-way CfDs by regulatory means on existing generation capacity? If such possible use of regulated CfDs for existing generation is deemed appropriate, should the obligation apply to all types of existing inframarginal generation or be limited to certain types of generation (and if so, which types)?	No Investments have been carried out given other conditions. Enabling Member States to retroactively impose CfDs on existing generators would be very unfortunate and harmful for investors' confidence, not only nationally but also in other member states. Although, it could be considered in combination with large reinvestments such as repowering and life time extensions covering all technologies
25	Q11. Under what terms and conditions could regulated two-wayCfDs on existing generation capacity be imposed?	N/A
26	Q12. How would you rate and address the following potential risks as regards the imposition of regulated CfDs on existing generation capacity? (a) legitimate expectations/legal risks; (b) ability of national regulators/governments to accurately define the level of the price levels envisaged in these contracts; (c) locking in existing capacity at excessively high price levels determined by the current crisis situation; (d) impact on the efficient short-term dispatch.	Very high risks - Very high risks -Medium risks -Very high risks
27	Q13. Would it be enough for existing generation to be subject only to a simple revenue ceiling instead of a revenue guarantee?	No We are not sure that we understand the question. To us, an incentive for investments is rather to have a guaranteed income rather than a maximum income.
28	Q14. What are the relative merits of PPAs, CfDs and forward hedging to mitigate exposure to short-term volatility for consumers, to support investment in new capacity and to allow customers to access electricity from renewable energy at a price reflecting long run cost?	The forward market offers a transparent and organized marketplace with a wide range of hedging instruments. In our view, preserving a transparent and liquid market for long-term hedging is the most important measure. This market is important for investment signals for electricity production, for market participants to correctly price PPA agreements and also a prerequisite for an efficient and competitive retail market, enabling retailers to hedge on behalf of their customers. Although we are positive to market based PPAs, and CfDs to incentivise necessary investments, it must be recognized that the financial forward market is in competition with the bilateral market. The bilateral market has its merits, but is less transparent, entails counterparty risk and high transaction costs. Although we support removing regulatory barriers to enter into PPAs.
	Accelerating the deployment of renewables	
29	Q1. Do you consider that a transmission access guarantee could be appropriate to support offshore renewables? Please explain and outline possible alternatives.	Yes It should be noted that the outlined volume risks relate to offshore hybrid renewable energy projects which are to be placed in offshore bidding zones – so to renewable generation that is connected to an interconnector which connects two or more transmission systems. In contrast, radially connected projects are addressed through the curtailment rules provided for in the EU Electricity Regulation. To ensure a level-playing field with radially connected offshore projects that do not face relevant volume risks from grid-unavailability, we are supportive of the usage of TAG. TAG compensation should equal: Max(reference bidding zone price – OBZ price, 0) x total offshore generation available to the market + spot price in OBZ x total offshore generation prospectively curtailed. In this way, TSOs are kept incentivized to offer as much IC capacity as possible.
30	Q2. Do you see any other short-term measures to accelerate the deployment of renewables? If yes, please specify. (a) at national regulatory or administrative level, (b) in the implementation of the current EU legislation, including by developing network codes and guidelines, (c) via changes to the current electricity market design?	Yes - Yes - No All CO2-free technologies should be supported, not only renewables. The political intentions outlined with the RePower EU permitting proposals which also are reflected in the proposals for the EU Renewable Energy Directive need to be shared on authority level to lead to a true step change in permitting. Staffing and interpretation of EU legislation still leads to lengthy processes. The electricity market integration should be pursued, especially by making a maximum amount of cross-border interconnection capacity available to the market.
31	Q3: How should the necessary investments in network infrastructure be ensured? Are changes to the current network tariffs or other regulatory instruments necessary to further ensure that the grid expansion required will take place?	The Member States should be given a clear signal to remove regulatory barriers that work against uppgrades of the electrical grid. Second is to ensure that the economic regulation of grid operators is dependable, stabile and with efficient economic return to ensure investments and sector investability. Also, to support pro-active investments. From society's point of view, in the long run, it is probably more costly to invest too little than too much. Not the least in the short-run, flexibility must be remunerated to its proper value.
	Limiting revenues of inframarginal generators	
32	Q1. Do you consider that some form of revenue limitation of inframarginal generators should be maintained?	No

33		It should be the prerogative of each MS to tax national entities and to decide how to finance alleviating measures towards customers.
	Q2. How do you rate a possible prolongation of the inframarginal revenue cap according to the following criteria:	Efficiency: price signals are a good motivator to change behaviours. To reduce the price signal will lead to an more inefficient way to utilise the network and production fleet and hence lead to a higher long term cost of electricity leading to more poverty and less growth in the EU Decarbonisation: The transformation will take longer time ceteris paribus due to lower investment incentives. Security of supply: Less investment will lead to a less resilient power system. Investment signals: Less incentives will lead to less investment. Lower possible income is not a good incentive for global capital that seeks best return of investments. Legitimate expectations/legal risks: It needs to be investigated further, but the initial reaction is some kind of expropriation Fossile fuel consumption: Less investments in new production will lead to more fossil fuel consumption in two ways. If customers are not incentivised to reduce consumption in scarcity situations it will ceteris paribus lead to more usage of spare capacity, i.e. natural gas. Less investment will lead to higher utilisation of old capacity. Distortion of competition in the markets: All market interventions will have effect on profits and the distribution of income, hence it will make an impact and needs to be investigated
	(a) the effectiveness of the measure in terms of mitigating electricity price impacts for consumers,	0
	(b) its impact on decarbonisation,	0
	(c) security of supply,	0
	(d) investment signals,	0
	(e) legitimate expectations/legal risks	0
	(f) fossil fuel consumption,	5
	(g) cross border trade intra and extra EU,	0
	(h) distortion of competition in the markets,	10
	(i) implementation challenges.	10
34	Q.3. In case you consider maintaining such a revenue limitation warranted, in what situations should it apply? How should the level of the cap be defined?	N/A
35	Q.4. Should the modalities of such revenue limitation be open to Member States or be introduced in a uniform manner across the EU?	Member States
36		It should be the prerogative of each Member States to decide if and how to use inframarginal revenues, and whether these shall be channelled back to electricity consumers or not.
	Q.5. How can it be ensured that any revenues from such limitations on inframarginal revenues are channelled back to electricity consumers? Should a default approach apply, for example, should these revenues be allocated to consumers proportionally to their electricity consumption?	Furthermore, a revenue cap will affect the action of the market participants, both in the operation as in investments, hence the outcome of the current measure should be analysed before any new decision is taken,

Improving the efficiency of intraday markets

37	Q1. Do you consider the short-term markets are functioning well in terms of:	
	(a) accurately reflecting underlying supply/demand fundamentals,	Yes
	(b) encompassing sufficiently liquidity,	Yes
	(c) ensuring a level playing field,	Yes
	(d) efficient dispatch of generation assets,	Yes
	(e) minimising costs for consumers,	Yes
	(f) efficiently allocating electricity cross-border?	Yes
38	Q2. Do you see alternatives to marginal pricing as regards the functioning of short-term markets in terms of ensuring efficient dispatch and as regards the determination of crossborder flows?	No Marginal pricing is not contestable which has been proven since the late 1700s. There are alternatives, but no alternative that are more effective and hence to lowest costs for customers and society. Marginal pricing is for sure the most efficient way for pricing scares resources and to make a fast transition towards less carbon and lower dependency on fossil fuels in combination with EU-ETS.
39	Q3. How can the EU emission trading system and carbon pricing incentivize the development of low carbon flexibility and storage?	Higher price increases the incentives for investments, whereas subsidising RES power production will decrease the price of EU-ETS as it will lower demand. ETS gives incentives for all kind of low-carbon generation. Both variable, firm and flexible. However, support schemes have been targeting mainly variable RES which increase the volatility and thereby gives incentives for investing in storage. ETS as such doesn´t give incentives for investments in storage.
40	Q4. Do you consider that the cross-border intraday gate closure time should be moved closer to real time (e.g. 15 minutes before real time)?	Yes The closer the gate closure is to real time, the better the information for market particitpants to make efficient decisions which implies an efficient allocation of resources.

41

Q5. Do you consider that market operators should share their liquidity also for local markets that close after the cross-border intraday market? What would be the advantages and drawbacks?

Yes, otherwise competition between Market Operators will be distorted with higher cost for market participants as a result.

However, activation in local markets after gate closure of the ID-market may have consequences for balancing costs. It is therefore important that gate closure for ID is moved to the start of the MTU. It should be investigated if and how real-time markets can be developed locally.

One important feature to exploit all flexibility resources is the possibility to react on price signals, which however is restrained due to the delay in publication of imbalance prices or price of activated bids.

42 Q6. Would a mandatory participation in the day-ahead market (notably for generation under CfDs and/or PPA's) be an improvement compared to the current situation? What would be the advantages and drawbacks of such approach?

No
Any restriction on the degree of freedom of the market participants would risk an efficient allocation of resources.

43 Q7. What would be the advantages and drawbacks of having further locational and technology-based information in the bidding in the market (for example through information on the composition of portfolio, technology-portfolio bidding or unit-based bidding)?

We fail to see either advantages or necessity of further information from a market perspective, rather an increase in administrative burden which will lead to higher costs for the consumers.

44 Q8. What further aspects of the market design could enhance the development of flexibility assets such as demand response and energy storage?

Flexible resources price volatility is the major incentive, any regulation on income and profits will decrease investments and participation in the markets.

45

Q9. In particular, do you think that a stronger role of OPEX in the system operator's remuneration will incentivize the use of demand response, energy storage and other flexibility assets?

Yes
Although we are not convinced, in principle it might be a good idea, but should not capabilities mentioned be remunerated through the normal short term markets?
Of course, variable components could incentivise flexibility, however, today these are minor compared to the volatility in market prices. When it comes to OPEX some changes in the current systems could incentivize the use of flexibility assets.
In principle, larger degrees of freedom to adapt pricing to local circumstances and variations could lead to better use if local resources.

46

Q10. Do you consider that enabling the use of sub-meter data, including private sub-meter data, for settlement/billing and observability of demand response and energy storage can support the development of demand response and energy storage?

Yes
But the main meter should be the central point of measurement
Sub-meter use should be at the discretion of MS and subject to agreement between the SO, market participant, and end-customer
Concern about technological lock-in of certain private sub-meters (threat to innovation)
If sub-meters are used, they should be certified sub-meters and must be interoperable

47 Q11. Do you consider appropriate to enable a product to foster demand reduction and shift energy at peak times as an ancillary service, aiming at lowering fuel consumption and reducing the prices?

Yes, but this should be market-based not to distort competition.

48 Q12. Do you consider that some form of demand response requirements that would apply in periods of crisis should be introduced into the Electricity Regulation?

No. Such actions should be decided when necessary. If proposed it needs to be thoroughly deeply investigated. Not the least how to define a crisis situation.

49 Q13. Do you see any further measure that could be implemented in the shorter term to incentivize the use of demand response, energy storage and other flexibility assets? If so, what would that be?

No The prices in the DA-market deliver the appropriate signal. However, standardisation of protocols is of great importance in order to facilitate communication friendly environment around the smart meter etc.

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Q14: Do you consider the current setup for capacity mechanisms adequate to respond to the investment needs as regards firm capacity, in particular to better support the uptake of storage and demand side response? If not, what changes would you consider necessary in the market design to ensure the necessary investments to complement rising shares of renewables and to better align with the decarbonisation targets?

Yes
In this it is important to separate between the role of the market and the role of the TSO. If the TSO sees the need for abilities to fulfill their responsibilities not provided by the market, there might be a need for additional long term incentives. However, EMR could be amended to shift decision-making around CRM to the national level with increased EU-level harmonisation of the actual mechanisms.
Also, adjustments might be necessary depending on the development of the power system and the possibilities to trade to be in balance.

51

Q15: Do you see a benefit in a long-term shift of the European electricity market to more granular locational pricing?

No
The answer is dependent on the possibilities for hedging risks. Too small bidding zones would not ensure sufficient liquidity for an efficient hedging. Small bidding zones also increases the risk of dominance.
Furthermore, higher granularity leads further away from the target of an integrated internal European electricity market. This in a development when the sharing of common resources will be more important.

Better consumer empowerment and protection

Energy sharing and demand response

52

Q1. Would you support a provision giving customers the right to deduct offsite generation from their metered consumption?

No
This would lead to unnecessary costs as this could be dealt by with financial products or for customers to acquire shares in production facilites to gain the same benefit.
To pursue physically, and given agreement between supplier and consumer, the conditions and consequences should be investigated as it will be reliant of taxes and grid tariffs.

Customers could have the right to deduct offsite generation from their metered consumption in locally restricted areas. However, for long-distances, deducting off-site generation from metered consumption would create an undue and unfair cross-subsidization in the system that would increase costs for consumers that do not have off-site generation. Allowing net metering over long distances would reduce network tariffs, taxes and levies for some customers, while not reducing the overall costs. This would create an incentive for "free-riding" while leaving a burden to other customers, possibly also to vulnerable customers. Regarding grid tariffs we generally see no sound basis for a general reduction of grid tariffs if the generation is not located behind the same connection as the customers. Any approximation of grid cost reductions for production and consumption located near to each other and synchronized in time must be carefully evaluated and balanced against the additional complexity connected with such a scheme.

53 Q2. If such a right were introduced:

	(a) Would it affect the location of new renewable generation facilities?	No We fail to see the need as this would be more efficient by using financial products. If it is economically sound, and permits are available, the location will be used anyway. We are not convinced that the location of new renewable generation can be significantly influenced by grid tariffs. These locational incentives should come from connection fees.
	(b) Should it be restricted to local areas – why?	Yes To minimize costs and complexity. Grid tariffs should be cost-reflective. Any reduction in grid tariffs for certain customers must mirror a reduction of grid costs. Because individual reductions depending on the particular situation would be too complex, an approximation of the grid cost reduction caused by collective self-consumption can be reflected in the grid tariffs. In order to be as close as possible to approximated grid cost reductions, the methodology should not be based on a geographical distance (km) between producers and consumers, but on grid topology. A possibility would be to provide this option for all customers behind the same (primary or secondary) substation to reflect the probability that use of higher voltage levels could be avoided. In any case the grid cost reductions must be carefully evaluated and reflected in the grid tariffs to prevent any unjustified subsidies to collective self-consumption at the expense of other grid users. The methodology also must be sufficiently simple and transparent.
	(c) Should it apply across the Member State/control/zone – why and what should happen if bidding zones are changed?	If introduced in other ways than financial, it must be restricited to within a grid area or at least a bidding zone. If in different bidding zones, per definition there is a risk that the price differs between production and consumption.
54	Q3. Would you support establishing a right for customers to a second meter/sub-meter on their premises to distinguish the electricity consumed or produced by different devices? If yes, what particular issues should be taken into account?	No If proposed, it is important that every submeter has a dedicated supplier for the whole volume and not only for demand response and flexibility as this would incure costs for the ordinary supplier. Furthermore, the quality and integrity of the meters are crucial. Already today we can see creativity in manipulating the ordinary meters. Furthermore, the metering infrastructure (handled by a monopoly and paid by all customers) should be cost efficient. Device specific measurements requirements/rights should be carefully considered. Features supporting efficient markets (such as hourly measurements) should be supported, but additional features for a smaller sub-group should be avoided. Other measurement devices than standard meters (that are updated/rolled out in large quantities/projects every 10/15 years) in can be used for more specific purposes.
	Offers and contracts	
55	Q4. Would you support provisions requiring suppliers to offer fixed price fixed term contracts (ie. Which they cannot amend) for households?	No The right for a seller/supplier to choose the products offered is one of the basic characteristics of a free market. The supplier should not be forced to offer a certain type of product. The focus should be on ensuring competitive markets and good prerequisites for the retailer (e.g. liquid hedging possibilities). This ensures a customer driven product and service development. If such contracts are in demand, suppliers will provide them. The current situation has also shown that suppliers do not offer fixed price contracts as this pose the risk of being very unfavourable to the customer. For some suppliers, the business case is to contracts priced at MTU, for whom an obligation will just increase the cost for the customer with no benefits.
56	Q5. If such an obligation were implemented what should the minimum fixed term be? (a) less than one year, (b) one year, (c) longer than one year (d) Other	(d) As short as possible. See answer to the previous question. If unfavourable the customer will be locked in as short as possible and also the risk for the supplier would lead to higher than necessary costs for the customers. The regulation of the CEP and customers right to shift supplier must be taken into account.
57	Q6. Cost reflective early termination fees are currently allowed for fixed price, fixed term contracts. Should these provisions be clarified? If these provisions are clarified, should national regulatory authorities establish ex ante approved termination fees?	Yes The current regulation already stipulates clarified provisions. No, but the customer should have the possibility to complain, which is already in the CEP.
58	Q7. Do you see scope for a clarification and possible stronger enforcement of consumer rights in relation to electricity?	No CEP is already strong enough, at least from a Nordic perspective, whereas there could be differences in the implementation within the Union. It should also be noticed that equalising industrial customers with household customer increases the risks for the supplier, hence increasing the overall costs. Any new suggestions as a result from this consultation might require amendments in the Electricity Directive. However, the processes and customer rights related to insolvency of a supplier could be clarified.
	Prudential supplier obligations	
59	Q8. Would you support the establishment of prudential obligations on suppliers to ensure they are adequately hedged?	No For some suppliers, the business case is to contracts priced at MTU, for whom an obligation will just increase the cost for the customer with no benefits. We see no need from a Swedish perspective as this is natural for suppliers in Sweden. Risk preference and risk willingness must be the decision of every individual producer entity and consumer respectively.
60	Q9. Would such supplier obligations need to be differentiated for small suppliers and energy communities. If Yes/No, why (not)?	Yes Whereas suppliers are professional participants in the market, with which follows some responsibility towards the customers, the same might not apply to energy communities. Possible obligations for suppliers should not be differentiated to size-the same rules should apply for all suppliers.
	Supplier of last resort	
61	Q10. Should the responsibilities of a supplier of last resort be specified at EU level including to ensure that there are clear rules for consumers returning back to the market?	No This must be a national prerogative as this has no implication on cross-border relations.

62	Q11. Would you support including an emergency framework for below cost regulated prices along the lines of the Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices, i.e. for households and SMEs:	No Such actions should be decided when necessary. Not the least, it needs a clear definition of what is meant by "high prices".
	(a) If such a provision were established, price regulation should be limited in time and to essential energy needs only?	Yes
	(b) Would such provisions substitute on long term basis for direct access to renewable energy or for energy efficiency? Can this be mitigated?	Yes, it would. No, it cannot be mitigated.
	(c) Would such contracts reduce incentives to reduce consumption at peak times, can this be mitigated?	Yes, it would. No, it cannot be mitigated, since the price is the main incentive for reducing consumption.

Enhance the integrity and transparency of the energy market

63	Q1. What improvements into the REMIT framework do you consider as most important to be addressed immediately?	In general, trust in the market should be reinstated as in more supervision and more communication about supervision. From a cost perspective, administration should be reduced to an absolute minimum as the cost will be passed through to the customers. To the best possible extent use already available data and don't require market participants to report to different parties under different regulation.
64	Q2. With regards to the harmonization and strengthening of the enforcement regime under REMIT: what shortcomings do you see in the existing REMIT framework and what elements could be improved and how?	Lack of coordinated communication related to market surveillance and breaches.
65	Q3. With regards to better REMIT data quality, reporting, transparency and monitoring, what shortcomings do you see in the existing REMIT framework and what elements could be improved and how?	Obligation on TSOs to disclose imbalance price in real-time to ensure that BSPs are not unnecessarily put in an insider position Synchronise collection and use of data between TSOs and Regulators under different regulations.