

Minutes from the joint meeting of Nord Pool's Customer Advisory Board

June 14th 2023 – Oslo Børs

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

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

Intro – Brief introduction by everyone

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

The meeting began with an opening speech by Tom Darrell, CEO of Nord Pool. Tom discussed the current market outlook, which remains moderately apprehensive for 2023 due to recent crises in US and EU banks. Germany experienced negative GDP growth for two consecutive quarters in early 2023, but there are expectations of improvement by mid-year and positive economic recovery by the end of the year.

Risk factors identified include political and regulatory risks, as well as potential economic slowdown. Inflation is still high but showing signs of slowing down, while currencies like NOK and SEK are weak against EUR, GBP, and USD.

Tom then highlighted the growth areas for Nord Pool. Intraday volumes have shown significant growth, with a YoY increase of 232% in Western and Central Europe and 11% in the Nordic and Baltic regions. Nord Pool is also in the early phase of developing data services, presenting further growth potential. The Day Ahead market has growth potential in Western and Central Europe, with approximately 80% of volumes currently residing with other exchanges.

Nord Pool holds a strong market position, being the leading provider for Nordic and Baltic Day Ahead and Intraday markets, and the second position for Western & Central Europe Intraday and the United Kingdom Intraday markets.

The ongoing strategy review process is expected to conclude in August 2023. Tom emphasized that 2023 is an important year for the energy transition in Europe. Key questions were raised regarding future market design, including managing surplus generation from renewables, ensuring sufficient baseloads, creating market flexibility, and enabling industries to benefit from cheap power. The future development of the Day Ahead market towards 2030 and the expected shift of

volumes from Day Ahead to Intraday Auctions and Intraday trading were also discussed.

Lastly, the significant increase in Intraday flow in 2023 was highlighted, indicating a positive growth trend in the market.

Strategy 2025, an update by Julien Cossé, Chief Strategy Officer

During the meeting, Julien Cossé, Chief Strategy Officer, provided an update on Strategy 2025. Key points discussed included the need for improved data solutions to support growth in intraday trading. Participants raised questions about what this meant for Nord Pool's strategy, the reply was that Nord Pool continued to invest heavily in the ID trading platform to be able to continue to deliver the best speed and service on the market. The role of the DA market was also discussed, with suggestions that it may experience a decline in volume due to intraday auctions.. Nordic intraday trading is expected to more than double by 2025. Nord Pool's achievements during the energy crisis, market share developments, and market fundamentals were also discussed. The vision for 2025 emphasized driving the energy transition through market-based solutions and shaping energy markets for future generations. The focus was on offering a full-service power trading experience, tailored to customer strategies and contributing to the green shift.

Opportunities in the balancing market is also something Nord Pool is exploring and they currently have multiple projects on going: Initiatives such as market-based solutions, in-house flexibility offerings, and a Flexiswitch project. They aim to expand their presence in other market areas and establish closer connectivity with TSO markets. The company also sees opportunities in procuring electricity, connectivity with TSO/DSO platforms, and providing services to TSOs. They are actively exploring additional opportunities with TSOs.

Nord Pool's collaboration with Granular and the GO market. The need for very accurate production data was discussed.

The company's strategy regarding guarantees of origin (GOs) is to promote granular certificates and seize opportunities in the GO market. They aim to be a thought leader by publishing a white paper, joining relevant organizations, and partnering with Granular. They are exploring marketplaces and registries and monitoring opportunities in the short to mid-term.

4 Nordic Flow Based delivery project by Eveliina Ishii Product Manager – Market Coupling Service,

Eveliina shared an update on the the Nordic Flow-Based project (FB) and its impact on the market. EPRs (Evaluations, Prognoses, and Reports) have been ongoing, with Nord Pool and EPEX conducting simulations to support TSOs. Results and challenges have been observed, including shifts in market conditions and non-intuitive flows on certain borders. Nord Pool provided consultation feedback highlighting issues and requesting further clarification on topics such as external capacities and data publication.

The discussion also touched on the potential impact of Nordic Flow-Based on the System Price. The calculation methodology for the Nordic System Price remains unchanged, but flows on the borders between the Nordic region and the rest of SDAC (Core/Baltic) can change due to the flow-based network model in the Nordic.

Participants shared their comments, including concerns about price discrepancies, the need for better tools for stakeholders, trading with non-intuitive flows, and the impact on producer surplus and consumer surplus.

5 Update on 15 MTU implementation projects and SIDC Intraday Auctions by Hans Randen, Executive Vice President Public Affairs

Hans discussed the implementation progress of the SIDC and IDA projects. The SIDC successfully went live in 15 MTU intrazonal trading, along with the eSett imbalance settlement in 15 minutes.

Nordic Pool opened intraday continuous trading in 15 MTU products via SIDC. EPEX also opened for local products. Functional testing of new systems and preparation of testing scenarios are ongoing. Regional Integration Projects are progressing as planned.

Planning for Member Tests and IDA Go Live in Q2 2024 has started. Nord Pool and other NEMOs are emphasizing the importance of TSOs providing production-like capacities during SIDC IDA Member tests.

6 Collateral Model Review by David Hasting, Risk Manager, Nord Pool

Nord Pool has introduced the Credit Risk Adjustment (CRA) to mitigate credit risk. The CRA reduces collateral calls for lower-risk members while ensuring no member experiences increased collateral calls.

Credit risk assessment is based on member ownership, late invoice payments, and collateral deficits. Implementation includes technical testing and member communication, with the go-live date set for Q3 2023. Nord Pool aims to maintain sufficient collateral for secure operations and a sound trading environment.

7 **Intraday Market Pilot** by Julien Cossé, Chief Strategy Officer

Nord Pool has set milestones for improving performance, including technical enhancements during summer 2024, launching a new API under the WebSocket Protocol by the end of 2024, and migrating to the AMPQP protocol in 2025. Nord Pool aims to be the most reliable and best performing continuous trading system.

In terms of increasing flexibility, Nord Pool is actively involved in market-based procurement of flexibility through initiatives like OneNet in the Nordics and Baltics. They have also partnered with Equigy to create Flexiswitch, providing new possibilities for balancing market and intraday participants.

To simplify trading for customers, Nord Pool is developing a Net Position Trading Limit for the intraday market. This limit will prevent accidental imbalanced positions by setting restrictions on orders and trades based on power hours, calendar days, traded volumes, and desired cash exposure. The functionality can be used by client representatives or directly by Nord Pool customers.

PPAs by Julien Cossé, Chief Strategy Officer

The presentation highlighted the growth of corporate power purchase agreements (PPAs) in Europe driven by the phasing-out of subsidies, corporate interest in renewable energy, and partnerships with wind producers.

Market volatility and complexity in negotiations are challenges. Nord Pool aims to understand customers' needs and offers solutions like data, trading platforms, and back-office services. They are open to bilateral interviews to provide support in PPA negotiations.

8 **Regulatory updates** by Michela Beltracchi, Senior Adviser Public & Regulatory Affairs

Michaela discussed the EC's proposal on electricity market design improvements and provided updates on the reform process. The topics covered include intra-zonal liquidity sharing between NEMOs (SOB), a placeholder for a single MCO entity, virtual hubs for the forward market, and peak shaving products.

The progress in the reform process was outlined, including the publication of a draft report by the Rapporteur MEP and the circulation of versions to Member States. The presentation highlighted the importance of members discussing key points with NRAs and Ministries.

The arguments for and against intra-zonal liquidity sharing were presented, emphasizing the benefits of leveling the competitive playing field and fostering innovation. The need for a shared order book was highlighted to incentivize innovation and provide maximum access to liquidity.

Regarding the single MCO entity proposal, concerns were raised about its potential negative impact on operational management and system security. Members were encouraged to support the deletion of any reference to a single MCO entity in their discussions.

Michaela also commented on the virtual hubs for the forward market noting the amendments proposed by Member States. One participants noted that they can mandate the market, but they can't force companies to trade.

Members were urged to engage in discussions with NRAs and Ministries to support the necessary changes and improvements in the proposals.

9

Closing remarks

Emma thanked everyone for joining and closed the meeting.