

A New Dawn? Time for Change in the GB Power Market

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With the end of the Brexit transition period, the UK power market has effectively been reset. The UK is no longer part of the Single Day-ahead Coupling (SDAC) – and that has direct implications for the way power is traded between GB and the Continent, and consequential changes to intra-GB arrangements. We are currently seeing an active debate between GB market stakeholders and policy makers as to what a future market design should deliver. At Nord Pool, we have a clear vision which we would like to see enacted for the GB power market.

At the heart of the GB market

Nord Pool, Europe's leading power market, has been involved in market coupling since 1996 and has had a presence in the GB market since 2008. That was when we were chosen by the Futures and Options Association (FOA) to establish a day-ahead market for the benefit of all GB energy market participants.

In the years since, we have delivered, sustained, and grown the GB day-ahead market (known as N2EX). We also played a pivotal role in the establishment of the single GB power price, first as part of the Price Coupling of the Regions market coupling (PCR) and, latterly, as part of SDAC established under the Capacity Allocation and Congestion Management Regulation (CACM).

One welcome result of our in-depth involvement has been the growth of important relationships with the full range of GB stakeholders and market participants, including the Department for Business, Energy and Industrial Strategy (BEIS), the Office for Gas and Electricity Markets (Ofgem), National Grid Electricity System Operator, interconnector owners, generators, suppliers, traders, and consumers.

We continue to place a great deal of importance on the value of such positive relationships, especially when it is possible to unite different stakeholders behind meaningful market reform.

A vital role

At Nord Pool we firmly believe in the value of transparency in exchange-trading and the robust price signals which can only be delivered through open and liquid markets.

In our view, in the coming months and years, power exchanges will play a critical role in creating the right price signals to support investment to further decarbonise energy systems and economies on both sides of the Channel and of the North Sea.

With this goal firmly in mind, we stand ready to work with all stakeholders to shape GB's future cross-border electricity trading arrangements as required by BEIS.

At the same time we recognise, there is a need to bring change to the GB wholesale electricity market, to support future cross-border trading and to enable maximum market efficiency. And we believe now is the time to bring about such effective change.

An opportunity for change

In this post-Brexit environment, we think the GB energy community is being presented with a unique opportunity to bring positive change to how the GB power market framework is set up. We feel strongly that:

1. Now is the time to take concrete measures to deliver full, fair, and open competition between power exchanges operating in GB across both day-ahead and intraday auctions, as well as intraday continuous;
2. The competitive landscape between GB power exchanges should encompass both the cross-border and domestic GB market:
 - i. there must be no “local” liquidity pools in the day-ahead timeframe which are somehow kept out of, or held back from, any de-facto single price calculation for the GB day-ahead timeframe; and
 - ii. there must be an end to the effective monopoly over the GB intraday market that we see today.

Delivering improvement

At Nord Pool we are hopeful that the development of the post-Brexit GB wholesale electricity market will prove a success and deliver genuine improvements to market efficiency across all timeframes, leading to a direct positive impact on GB consumer bills.

We are determined to play our part in making this vision a reality. And we are always interested to hear other individuals’ and stakeholders’ views on this critical issue – please feel free to contact the GB Nord Pool team through: support@nordpoolgroup.com

ABOUT NORD POOL Nord Pool, Europe’s leading power market, delivers efficient, simple and secure trading across Europe. The company offers day-ahead and intraday trading, clearing and settlement to customers regardless of size or location. Today 360 companies from 20 countries trade on Nord Pool’s markets. Nord Pool operates markets in the Nordic and Baltic regions, Germany, Poland, France, the Netherlands, Belgium, Austria and the UK. Nord Pool is a Nominated Electricity Market Operator (NEMO) in 15 European countries, while also servicing power markets in Croatia and Bulgaria. In 2020 Nord Pool had a total turnover of 995 TWh traded power. The company has offices in Oslo, Stockholm, Helsinki, Tallinn, London and Berlin. Nord Pool has 25 years of power market experience built on offering flexibility, transparency, innovation, greater choice and participation to our customers.