

Nordic Electricity Market Actors:

The Nordic power system needs a single system operator

The common Nordic power market started to evolve a decade ago and has mainly been a success, due to cooperation between the Nordic Transmission System Operators (TSOs) and the establishment of Nord Pool. The power system is more efficient than what isolated, national markets otherwise would have been. This is of value for the consumers and the society as a whole and a prerequisite to obtain the three main political goals for the power sector: Security of Supply, Sustainability and Competitive power prices.

However, there is still considerable potential for improvement, through harmonized grid operation and improved planning and realisation of network investments in the Nordic market as well as through integration with continental Europe. The present difference in grid operation and congestion management in particular, not only reduces efficiency in cross border trade, but is also a source of tension among TSOs. Investment planning is presently made primarily from national perspectives despite the fact that investments in one country often have significant implications for the neighbouring countries. In order to provide further efficiency gains, competitive prices, greater security of supply and to effectively achieve the sustainability targets including those related to increase of renewable energy sources, an efficient expansion of the Nordic power system will be very important in the years to come.

There are several obstacles to a deeper integration of the sector: non-harmonised legislation, economic incentives, and the tension between the TSOs. Hence, the Nordic power market structure must evolve into the next phase by implementing a Nordic perspective. One possible solution is a Nordic TSO owning the Nordic transmission power grid and being responsible for its operation and investments. There are other possibilities and a system with a single Nordic System Operator, an NSO, would be the first, important step. A NSO will run, maintain and develop the Nordic transmission system with a Nordic perspective and ensure a well functioning Nordic marketplace, while ownership of the transmission system assets would remain within national grid companies. At the same time, the System Operator also has to cooperate closely with system operators in Germany and other countries on the continent, and as long term ambition, even be a System Operator for Northern Europe. We strongly suggest the governments to appoint a task force with broad stakeholder representation to clarify a framework for such a Nordic arrangement and define a process for its immediate realization.

The Nordic countries, September 19, 2007

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