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CONSULTATION ON NEW TRADING ARRANGEMENTS ON THE NSL INTERCONNECTOR

We are referring to the consultation of new trading arrangements on the North Sea Link interconnector (hereinafter “**NSL**”) published by Statnett SF (hereinafter “**Statnett**”) and National Grid Ventures (hereinafter “**NGV**”) on 21 June 2024 with deadline 12 August 2024.

Statkraft Energi AS (hereinafter “**Statkraft**”) would like to express the following comments to the consultation:

Summary:

- Statkraft sees significant benefits and value creation, both on Norwegian and British side in opening for intraday trade on NSL.
- The value creation is increasing with auctions closer to the hour of operation, hence the number of auctions and the timing of them will be essential to realise the value of intraday trade.
- Statkraft suggest starting with three intraday auctions. Statnett and NGV should increase the number of auctions if the cost of implementation is lower than the increase in value creation.
- Intraday trade on NSL could be coordinated with the IEM intraday auctions. At the same time, this coordination should not come at the expense of the efficiency of intraday trading on NSL. Statkraft recommend having auction(s) in the afternoon/evening D-1 and auctions during daytime of the day of operation to realise the value of intraday trade on NSL.

General comment

With an increase of intermittent power production into the European power system, intraday trading will be more important in order to balance the power system. A solution for intraday trade on NSL will give the possibility to correct the result from the day-ahead auction, release more capacity and adjust the plans in accordance with updated prognoses. In other words, increasing interconnector flexibility by opening for intraday trade will increase the overall value creation on NSL in several ways, and will be beneficial for both consumers and producers. Statkraft overall supports the introduction of intraday trade on NSL.

Specific questions

- 1) Do you agree that it is a good idea to establish intraday auctions on NSL for market participants?

Statkraft sees significant benefits and value creation, both on Norwegian and British side in opening for intraday trade on NSL, and thus agrees that establishing intraday auctions is a good idea.

- 2) Assuming that intraday auctions will be established, how many auctions would you suggest? Would you support a stepwise approach? Taking into account the timing of other auctions within the IEM and in GB, at what time do you think we should run the intraday auction(s)?

Most of the value creation with an intraday market comes from trading with updated prognoses, hence adjust the positions from the day-ahead auction. As the prognoses gets more precise the closer one gets to the hour of operation, most trades and value creation in the intraday market happens close to real-time operations. In the IEM, continuous trade and auctions are used in combination to realise the value from the intraday market. Since it is not planned to have continuous trading on NSL, Statkraft is of the opinion that the number of auctions and the timing of them will be essential to realise the value of intraday trade, and there will most likely be a need for a slightly different approach compared to IEM.

Statkraft suggest having three intraday auctions as a starting point. It is difficult to estimate how many auctions that will be needed to realise the value of intraday trade on NSL. It will also take some time to develop technical systems and automation for the market participants, the TSOs and the power exchange. At the same time, Statkraft assumes that the cost of one extra auction will decrease when the systems and routines are established. Based on these factors, Statkraft supports a stepwise approach. In this way, Statnett and NGV are able to analyse the functioning of the auctions and increase the number of auctions if the cost of implementation is lower than the increase in value creation.

With regards to the timing of the intraday auctions, intraday trade on NSL could be coordinated with the IEM intraday auction. At the same time, the number of auctions and their timing will be essential in order to realise the value; hence it will be important that this coordination does not come at the expense of the efficiency of intraday trading on NSL. As described earlier, there might be a need for a different approach on NSL as there is no continuous trade. Statkraft believes that it will not be crucial to align all the NSL auctions with the IEM auctions as the IEM continuous market also can support NSL intraday trading if needed.

Statkraft recommends having one or two auctions in the afternoon/evening D-1 in order to correct the positions from the day-ahead auctions, release more capacity and adjust its positions based on updated prognosis before operation. In the day of operation, the auctions should be evenly distributed during daytime with for instance one in the morning, one in early afternoon and one early evening. With such a distribution, Statkraft believes more value will be realised from NSL. However, it should be, as earlier described, regularly assessed how many auctions that are needed.

- 3) Would you have a preference of each ID auction covering a specific part of the day or each auction covers all remaining hours of the day?

Statkraft would support a model where we are able to trade all remaining hours of a day in each auction. In this way the market participants can for instance solve potential imbalances as early as possible.

4) Do you support the setup of intraday trading in 30-minute MTU in GB and 15-minute MTU in Norway?

Statkraft supports this setup.

Yours sincerely,
for Statkraft Energi AS

Aslak Mæland
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Document is approved and sent without signature.