

Contents

1	Making Electricity Bills Independent of Short-Term Markets	1
1.1	Power purchase agreements	1
1.2	Forward markets	4
1.3	Contracts for Difference	8
1.4	Accelerating the deployment of renewables	12
1.5	Limiting revenues of inframarginal generators	14
2	Alternatives to gas to keep the electricity system in balance	16
3	Better consumer empowerment and protection	22
3.1	Energy sharing and demand response	22
3.2	Offers and contracts	24
3.3	Prudential supplier obligations	25
3.4	Supplier of last resort	26
4	Enhance the integrity and transparency of the energy market	27

1 Making Electricity Bills Independent of Short-Term Markets

1.1 Power purchase agreements

Q1. Do you consider the use of PPAs as an efficient way to mitigate the impact of short-term markets on the price of electricity paid by the consumer, including industrial consumers? **Yes/No**

	Yes
X	No

Q2. Please describe the barriers that currently prevent the conclusion of PPAs. **Box with 2000 characters**

PPAs is a market-based instrument which is already enabled by the current EU legislation. In our opinion, barriers are mainly of national character. Fundamentally, PPA is an instrument best suited for industrial consumers due to larger volumes over longer periods of time. As the profile of the wind/solar generator substantially deviates from the consumption profile of the industrial customer, the industrial customer is generally hedged against the general price level but left exposed to volume and balancing risks.

When it comes to smaller final customers, nothing in the current regulation prevents retailers to engage in PPAs but the demand for long term electricity contracts on fixed terms is very low. This is since it would be bad risk management for a retailer to hedge with long-term contracts (5-25 years), when their customers have committed to only 1 month – 2

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years. And in the light of strong rules regarding consumer protection, it also constitutes 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.

PPAs are not suitable for SMEs and private customers, because they cannot fulfil the required guarantees of such long-term contracts, it would require additional contracts to cover their balance power by the PPA, their consumption volume could easily deviate substantially during the duration of the PPA.

However, we see no legal barriers for market participants aggregating customers to reach critical volumes. But requiring SMEs or private customers or suppliers on their behalf to commit to 5-25 years would be very problematic. 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.

Q3. Do you consider that the following measures would be effective in strengthening the roll-out of PPAs (tick box, at most 6 choices):

- 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 standardisation of contracts
- e) Requiring suppliers to procure a predefined share of the consumers' energy through PPAs
- f) Facilitating cross-border PPAs

**Do you have additional comments?
2000 character(s) maximum**

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.

a) There are no barriers in current legislation for pooling demand in order to give access to smaller final customers.

e) The suppliers must have freedom of choice on how to hedge their procurements. Setting requirements to use some specific instruments would limit the competition in retail markets and increase the costs. Further we underline that PPAs are typically multiannual agreements whereas households' electricity agreements can be at maximum two years. There's fundamental mismatch. Retailers should hedge their contract portfolio, which typically extends maximum 2-3 years into the future, not take speculative bets on the market by doing 5-25-year PPAs.

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Q4. In addition to the measures proposed in the question above, 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? **Yes/No**

	Yes
X	No

If yes, please explain which rules should be revised and the reasons.

2000 character(s) maximum

As we see it, the barriers are not at EU level. The EU legislation already enables the development of PPAs, hence regulatory barriers are probably more of a national character and should be solved in the relevant Member States.

The reason PPAs are not more commonly used is that they are not that well suited for many needs (e.g. the basis risk between the profile of the generator and the industrial customer is substantial).

Q5. Do you see a possibility to provide stronger incentives to existing generators to enter into PPAs for a share of their capacity? **Yes/No**

	Yes
X	No

• If yes, under which conditions? What would be the benefits and challenges?

2000 character(s) maximum

Regulatory certainty is key to any long-term commitments (both investments and PPAs). Intervention in the market model or market fundamentals (such as price caps, windfall taxes) are detrimental to the investment climate and PPA markets.

Market-based PPAs are already commonly used in Finland. Therefore, we do not see a need for stronger incentives to enter into PPA-market. However, we see a risk that by preferring mandatory CfD contracts, the PPA market operating under market conditions will be withered.

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? **Yes/No**

	Yes
X	No

The suppliers must have freedom of choice on how to hedge their procurements. Setting requirements to use some specific instruments would limit the competition in retail markets and increase supplier's risks and costs. Further we underline that PPAs are typically multiannual agreements whereas households' electricity agreements can be at maximum

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two years. There's fundamental mismatch. Retailers should hedge their contract portfolio, which typically extends maximum 2-3 years into the future, not take speculative bets on the market by doing 5–25-year PPAs and should not be required to do such speculative betting. Forcing retailers to hedge using long-term PPAs increases the risk of bankruptcy substantially, which is not in the interest of their customers and are against the goal to ensure that suppliers trade in a prudential way.

Q7. Do you consider that increasing the uptake of PPAs would entail risks as regards:

	Yes	No
a. Liquidity in short-term markets	X	
b. Level playing field between undertakings of different sizes	X	
c. Level playing field between undertakings located in different Member States	X	
d. Increased electricity generation based on fossil fuels		X
e. Increased costs for consumers	X	

If yes, how can these risks be mitigated?

2000 character(s) maximum

PPAs are a non-standardized hedging instrument that does not have an aftermarket, whereas financial hedges are standardized instruments with an aftermarket. The more volumes that are hedged via PPAs the lower the volumes on the financial markets. Also, financial hedges have the benefit of allowing both buyer and seller to alter their hedging position later, whereas a PPA locks both in for the duration of the contract. The best way to mitigate these risks is not to force or incentivize market participants into certain instruments or agreements.

The effects of the PPAs on the short-term market need to be further explored. PPAs should be designed in a way that enable market participants to still use the short-term markets.

1.2 Forward markets

Q1. Do you consider forward hedging as an efficient way to mitigate exposure to short-term volatility for consumers and to support investment in new capacity? **Yes/No**

X	Yes
	No

Q2. Do you consider that the liquidity in forward markets is currently sufficient to meet this objective? **Yes/No**

	Yes
X	No

Do you have additional comments? 2000 characters

The forward market offers a transparent and organized marketplace with a wide range of hedging instruments. Since the financial crisis, there has been a gradual reduction in the liquidity in the Nordic financial market, further exacerbated by the introduction of EMIR and MIFID II. Furthermore, the current energy crisis has shown the shortcoming of the current forward markets in terms of the collateral requirements that have become unreasonable for many market participants and led market participants to leave from transparent marketplaces.

Finnish energy sees that legislative obstacles and burdens that prevent market participants to enter forward markets should be removed.

A central benefit of the forward market is the standardization of the contracts and the aftermarket, enabling participants to alter their hedging position constantly.

In the Nordics the market liquidity suffers from the large amount of price areas and the deviating prices between the areas. The development should be towards fewer and larger price areas, based on increased investments in the transmission grids and increased use of counter trade.

Q3. In your view, what prevents participants from entering into forward contracts? 2000 characters

The current way of setting collateral requirements is an obstacle for many market participants to participate in the forward markets. In our view, the collateral requirements should be reduced for the non-financial market participants with underlying physical assets or customer contracts. Also, there should be a difference in setting the collateral requirements for speculative and non-financial market participants. Additionally, the restrictions as eligible collaterals should be reconsidered. We fully support the proposals to accept the use of bank guarantees as a collateral.

Regulatory risk: The risk of introduction of e.g. price caps, windfall taxes or other measures that intervene with the market and might not fully take into account the total position of the market participants (spot & forward hedges).

The increasing maximum prices on the spot and balance markets (and the increasing difference between the maximum spot price and maximum balance price) increases the risk of all market participants in extreme conditions. This leads to increased counterparty risks, increased risk premiums on and lower availability of bank loans. It should be considered if extreme conditions could be managed more efficiently centrally, e.g. through increased use of capacity reserves combined with lower maximum spot and balance prices.

Q4. In your view, would requiring electricity suppliers to hedge for a share of their supply be beneficial for consumers and for retail competition? Yes/No

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	Yes
X	No

We see the mandatory hedging requirements as restriction of business models of suppliers and retail competition rather than a measure for the benefit of customers. We suggest that instead of restricting the business models, the solvency of suppliers could be monitored as, for example, is done by the financial supervisory authority.

In Finland, the competition in the retail market is functional, and numerous operators offer many types of contracts to consumers, and there are no obstacles for new suppliers. Instead of creating different obligations, the focus should be on developing hedging opportunities and removing different obstacles in their way to enable efficient hedging for suppliers. Any measures and obligations that increase the asymmetry of the market should be avoided, as they may cause disruptions to the market. Furthermore, we are skeptical to introducing requirements and obligations on European level to sort problems that are of more local or national character.

Retailers should always hedge their contract portfolio, usually extending 2-3 years into the future (customers are typically committed only 1 month – 2 years into the future). This is prudent risk management.

Hedging strategy is part of the differentiation factors between suppliers and their ability to offer competitive offers. Normalizing, even partially, the hedging strategies of suppliers would undermine retail competition, lower the diversity of offers, reduce suppliers' ability to optimize their sourcing based on sound knowledge of their own portfolio and, in the end, be detrimental to consumers.

Q5. Do you consider that the creation of virtual hubs for forward contracts complemented with liquid transmission rights would improve liquidity in forward markets? Yes/No

X	Yes
	No

If yes, do you consider that such virtual hub(s) should be developed at national, regional or EU level? / Do you have additional comments? 2000 characters

The Nordic system price is a way of increasing liquidity over several price areas. The Nordic model has, however, suffered from the lack of investments in the transmission grids, changes in locations of generation and consumption, the increased amount of price areas and the increasing deviations between the area prices. More emphasis should be put on investments in the transmission grids and the long-term reduction of the amount of price areas.

We emphasize that the structure of forward products should develop in accordance with the demand. Virtual hub contracts can be an addition where bidding zones are relatively

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small and the price difference between those bidding zones also relatively small. Hubs should be cross-border, and they should reflect the physical realities in the relevant region.

6. Do you have experience with the existing virtual hubs in the Nordic countries?

Yes/No

X	Yes
	No

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



In the Nordics the design of the forward markets is based on “system price” which work as a reference. This design is fundamentally good, as the liquidity in individual countries would be too small to constitute a liquid financial market. However, the development of the Nordic power system has resulted in that deterioration of the System price as reference for the Nordic market.

The Nordic system price is a way of increasing liquidity over several price areas. The Nordic model has, however, suffered from the lack of investments in the transmission grids, the increased amount of price areas and the increasing deviations between the prices. More emphasis should be put on investments in the transmission grids and the long-term reduction of the amount of price areas.

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? **3000 characters**

We welcome the further exploration of measures to increase the liquidity in the financial forward market, such as market making, revision of the collateral requirements and the possibility to use bank guarantees.

Applying technical bidding limits on the spot and balancing power markets. These limits should be high enough not to hinder price formation. We consider the current levels are quite well in accordance with the market fundamentals and physical realities. Would and extreme situation emerge, it does not bring much help letting the price rise to unlimited.

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More emphasis should be put on investments in the transmission grids and the long-term reduction of the amount of price areas.

It is important to recognize that a roll-out of PPAs and CfDs will reduce liquidity in the financial forward market, and we warn against these bilateral arrangements on behalf of a transparent and liquid marketplace.

1.3 Contracts for Difference

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/No

	Yes
X	No

We are in favour of market-based solutions instead of public interventions or centralized solutions. Investments should take place on market conditions and if needed, governmental support schemes should be directed to the development of new technologies and enabling of pilot projects.

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.

CfDs is an instrument that reduces the price risk of the power generator, not the price risk of the short-term market. CfDs only supports investments covered by the CfDs but can be detrimental to investment opportunities not covered by the CfDs. In essence, CfDs are a central planning instrument, where the need for investments (and what type of investments) is no longer determined by supply and demand on the market, but by the authorities.

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? Yes/No

	Yes
X	No

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CfDs is an instrument that reduces the price risk of the power generator, not the price risk of the short-term market or the customer. The use of CfDs might push out generation capacity not covered by CfDs and thereby increase the volatility on the short-term market.

Q3. What power generation technologies should be subject to two-way contracts for differences or similar arrangements ? 2000 characters

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 to be realized.

CfDs should be used 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.

If CfDs are used for mature technologies (not only marginal piloting) they should be technology neutral and implemented transparently, efficiently and on market conditions. They should also be available to all current and new generation capacities on equal terms, and they could be limited to certain required aspects (such as energy, firm and flexible capacity, CO2 emission levels, inertia and reactive power) which are needed to keep sufficient level of security of supply in the system. Also, CfDs should be an option for generators, not a requirement.

Why should those technologies be subject to two-way contracts for differences or similar arrangements? 2000 characters

CfDs or similar arrangements should not be limited to certain technologies, but rather to certain aspects of the power generation needed in the system (such as energy, firm and flexible capacity, CO2 emission levels, inertia, reactive power). Also, CfDs those should be an option for generators, not a requirement.

Q4. What technologies should be excluded and why? 2000 characters

All technologies which are mature and where investments hence take place market based.

If CfDs are used for mature technologies (not only marginal piloting) they should be technology neutral, but they should also be available to all current and new generation capacities on equal terms, and they could be limited to certain required aspects (such as energy, firm and flexible capacity, CO2 emission levels, inertia, reactive power). Also, CfDs should be an option for generators, not a requirement.

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? 2000 characters

In general, CfDs normally undermines the incentive to act according to the market signals, which could give increased volatility or higher costs for balancing as a result. When

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introducing CfDs, operators of power plants will not have incentives to make decisions on market prices alone but will have incentives to take into account the support regime. Conventional CfDs (remuneration based on output) gives the generator incentives to maximize production. If the revenue across all hours of production equals the strike price, there is no further incentive for the generator to increase output at times of high prices (scarcity), to schedule maintenance at times of low demand or to reduce output at times of low/negative prices (abundance). These effects are damaging for all technologies, but particularly for technologies with higher variable costs and flexible assets (hydropower with reservoirs and storage plants).

Since it is a fixed price, it will for sure reduce the liquidity in the PPAs and the regular financial market with negative impact on retailers' opportunity to hedge for fixed price contracts. Project developers who enter into a CfD will not have the incentive to enter into PPAs that could benefit retailers, industry and other customers who are interested in long term hedging.

The main risk with the use of CfDs is that it is, in essence, a central planning instrument, where the need for investments (and what type of investments) is no longer determined by supply and demand on the market, but by the authorities. It can easily push out current power generation capacities of the market, capacities that are greatly needed. It can also substantially reduce the market-based investments not covered by the CfDs.

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? 2000 characters

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 exploration of this concept.

Q7. How can it be ensured that any costs or pay-out generated by two-way CfDs in high-price 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? 2000 characters

The possible costs and pay-outs generated by the two-way CfDs should be treated in the same way to cover the costs of CfDs (or similar arrangements).

Q8. What should be the duration of a two-way CfD for new generation and why? Should this differ depending on the technology type? 2000 characters

Given that CfDs are used to enable investments that the market is unable to deliver, the duration should be of a length that enables the investments. CfDs should be technology neutral, but the specifications of certain technologies can be taken into account when setting the specifications of the CfD auction.

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? 2000 characters

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After the CfD expires, the generation should participate in the market in full.

Q10. Without prejudice to Article 6 of Directive (EU)2018/2001^[1], 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)? **Yes/No**

	Yes
X	No

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.

CfDs could be offered to generators, but never be an obligation, not for new or old capacities.

[1]

Article 6 (1): Without prejudice to adaptations necessary to comply with Articles 107 and 108 TFEU, Member States shall ensure that the level of, and the conditions attached to, the support granted to renewable energy projects are not revised in a way that negatively affects the rights conferred thereunder and undermines the economic viability of projects that already benefit from support.

Article 6(2): Member States may adjust the level of support in accordance with objective criteria, provided that such criteria are established in the original design of the support scheme.

Q12. How would you rate and address the following potential risks as regards the imposition of regulated CfDs on existing generation capacity?

	Negligible risks	Low risks	Medium risks	Very high risks
Legitimate expectations/legal risks				X
Ability of national regulators/governments to accurately define the level of the price levels envisaged in these contracts				X
Locking in existing capacity at excessively high price levels determined by the current crisis situation			X	
Impact on the efficient short-term dispatch				X

Q13. Would it be enough for existing generation to be subject only to a simple revenue ceiling instead of a revenue guarantee? **Yes/No**

	Yes
X	No

A revenue ceiling on existing generation capacities would be a substantial retroactive regulatory risk coming true. This would be detrimental to the investment climate, which could easily lead to under-investments in the future, which in turn could lead to our next "self-made" energy crises.

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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? 2000 characters

PPAs is a tool mainly suitable for large customers (industrials), but does not work particularly well for smaller or private customers. The main benefit of PPAs is that large customers can hedge the general price risk for longer time periods, while accepting the volume, spot and balance risks. For the power generator it enables transferring the generation profile, volume, spot and balance risks inherent in wind and solar power generation to the customer.

CfDs is mainly a tool for power generators to hedge their risk but does not reduce the risk of the short-term markets or the customers.

The financial forward market is the most relevant market for the customer and focus should be on increasing the liquidity, increasing transmission capacities, reducing the amount of price areas.

The financial 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, is less transparent, entails counterparty risk and high transaction costs. Although we support removing regulatory barriers to enter into PPAs.

1.4 Accelerating the deployment of renewables

Q1. Do you consider that a transmission access guarantee could be appropriate to support offshore renewables? Yes/No

	Yes
X	No

If yes, Do you have additional comments? 2000 characters

If No, Please explain and outline possible alternatives. 2000 characters

In some member states, such as in Finland, there's still enormous potential to increase onshore RES, namely wind and solar. F.ex. Finnish TSO has received grid connection inquiries for 190 GW of new onshore RES. Increasing onshore RES is both cheaper and faster, both in terms of generation capacity as well as grid capacity. It should be noted that

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offshore and onshore renewables compete on same grid connection capacity. Offshore renewables should not be given priority over onshore renewables, but rather create conditions for fair competition.

Hybrid offshore solutions, that transmission access guarantee is used for, are not short-term solutions for 2020's. It is likely that hybrid solutions will become more common solution only during the 2030's. Instead, in both onshore and offshore cases, enabling faster permitting processes and handling of appeals of both investments and needed transmission and distribution grid enforcements would speed up the deployment of RES.

Q2. Do you see any other short-term measures to accelerate the deployment of renewables?

	Yes	No
At national regulatory or administrative level	X	
In the implementation of the current EU legislation, including by developing network codes and guidelines	X	
Via changes to the current electricity market design		X
Other	X	

**If yes, please specify
2000 character(s) maximum**

Often RES is understood as solar and wind energy. We recall that hydro power and bioenergy are also important with respect to limiting emissions and dependency on imported fossil fuels as well as with respect to ensuring robustness of the power system. Especially hydro power provides the very needed flexible power generation. Their deployment must be considered as well.

Accelerating permitting procedures for both RES and grid investments is crucial to accelerate the deployment of RES. The permitting processes of both the RES plants and the required network connection and reinforcements also on SO's grid need to be accelerated. Otherwise, it will not be possible to connect the RES resources to the electricity system. This includes e.g., faster zoning, permitting and appeal processes. Priority permitting, including faster appeal process, should include RES generation, connection line and transmission and distribution grids.

Firm network connection agreements (where connecting RES should be enabled to produce with full capacity in any given hour) can, in practice, limit the possibility of system operators to connect production into grid. Non-firm connection agreements of RES should be utilized as it would make it possible for SOs to connect significantly more RES. To maximize possibility to connect more RES quickly, it may be considered to include non-firm connection requirement also to existing RES.

Increasing flexibility in consumption, such as in industrial processes and hydrogen production, makes it possible to ingrate more RES into the power system and markets.

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Electricity market design should ensure correct incentives for demand side flexibility and storages. Different types of storages (for example batteries, hydrogen and heat storages) enable flexibility of consumption and improve security of supply. It is important to further develop the electricity markets to enhance the efficiency of the market, by for example extending the ID trading possibilities closer to real-time and by requiring TSOs to maximize the share of capacity given for the market.

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? 4000 characters

The long lead times of projects are the biggest problem, and the priority should be to reduce the lead times.

Electricity grids, both distribution and transmission are key enablers of green transition and new power generation investments. It is crucial that system operators have both the political mandate and financial possibility to invest grid proactively.

Regulatory models on both TSO and DSO level shall promote the necessary investments and provide a framework where it's possible to get sufficient funding for them. Regulatory framework has to remain predictable, and the independence of the national regulators shall be ensured. This is mostly a topic to be addressed at MS level. However, the market reform should include general instructions to Member States to immediately remove regulatory barriers that work against the needed upgrade of electricity grids.

1.5 Limiting revenues of inframarginal generators

Q 1. Do you consider that some form of revenue limitation of inframarginal generators should be maintained? Yes/No

	Yes
X	No

Q2. How do you rate a possible prolongation of the inframarginal revenue cap according to the following criteria:



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		Not at all preferable 0 – 10 Definitely preferable
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	0
g)	cross border trade intra and extra EU	0
h)	distortion of competition in the markets	0
i)	implementation challenges	0

Do you have additional comments? 3000 character(s) maximum

Finnish Energy is strongly against to the continuance of the current revenue cap or launching some form of revenue limitation of inframarginal generators for several reasons:

First, investments to low-carbon economy should not be jeopardized. The revenue cap is already giving negative signal for the investors and disincentivize crucial investments needed in RES & low carbon capacities to reach EU decarbonization objectives. Integrating this badly designed tool in the European Electricity market design review will only increase the investors' uncertainty even more.

Secondly, the revenue cap has been designed poorly. The implementation of the cap has raised significant implementation challenges. It is very bureaucratic to implement and the administrative cost for the generators and government are high compared to the benefits that could be achieved.

Thirdly, it fragments the European electricity market. Member States have had different approaches to implement revenue cap. Uncoordinated implementation from the Member States has undermined the integrity of the electricity market.

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
	EU

Do you have additional comments? 2000 character(s) maximum

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? **3000 characters**

2 Alternatives to gas to keep the electricity system in balance

Q1. Do you consider the short-term markets are functioning well in terms of:

	Yes	No
a. accurately reflecting underlying supply/demand fundamentals	X	
b. encompassing sufficiently liquidity	X	
c. ensuring a level playing field	X	
d. efficient dispatch of generation assets	X	
e. minimising costs for consumers	X	
f. efficiently allocating electricity cross-border	X	

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 cross border flows? **Yes/No**

	Yes
X	No

- If yes, please explain. 2000 characters
- If no, do you have additional comments? 2000 characters

The spot-price calculation in the wholesale markets based on merit order and marginal pricing ensure short-term optimisation and operation of the energy system, notably ensuring an efficient dispatch of generation and flexibility, efficient imports/exports, and cross-border sharing of resources to integrate renewables and strengthen security of supply. Wholesale markets reveal the value of electricity (including its scarcity), allowing thousands of generators, consumers, retailers, prosumers, and other flexibility providers to react to economic signals.

In many EU nations, gas prices have a significant impact on electricity prices due to their role in the energy mix. However, as the use of gas decreases, a transition to renewable and low-carbon energy sources is necessary, and we need to fast-track this transition. These sources

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can provide stable, low-cost energy, but their benefits may not always be reflected in consumer bills due to the impact of short-term price signals. To address this, solutions such as a consumer contracting and engagement framework, an investment framework for capital intensive low-carbon technologies, a framework to coordinate the future system needs to meet security of supply and policy objectives are needed, instead of distorting the marginal pricing system.

Q3. How can the EU emission trading system and carbon pricing incentivize the development of low carbon flexibility and storage? 3000 characters

The EU electricity and carbon markets function well together and complement each other in shaping the wholesale merit order, by prioritising the dispatch of the least emitting technologies, with the lowest variable cost.

Marginal pricing makes the true value of flexibilities visible and hence promotes for benefiting the high RES and hence low-price periods and avoiding the low RES and hence high price periods. The same applies to different storage technologies which benefit the price variations and hence help the market.

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/No

X	Yes
	No

Do you have additional comments? 2000 characters

In Finland it has been successfully piloted maintaining ID-trading open until the start of the operational hour. There are similar measures in many other member states. Having the trading possible as close to real time as possible is important especially for the vRES-generators.

Q5. Do you consider that market operators should share their liquidity also for local markets that close after the cross-border intraday market? 2000 character(s) maximum – Yes/No

X	Yes
	No

What would be the advantages and drawbacks of sharing liquidity in local markets after the closure of the cross-border intraday market? 2000 character(s) maximum

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We see only advantages. Finnish Energy is against the splitting of liquidity. Having all liquidity pooled together would be beneficial for the overall welfare. This principle should not depend on the availability of cross-border capacities.

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? 2000 characters

	Yes
X	No

Any restriction on the degree of freedom of the market participants would risk an efficient allocation of resources.

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)? 2000 characters

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.

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

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

We would like to emphasize the role of competition in the retail markets and incentivize suppliers to offer different types of flexible contracts for consumers. In Finland, such fixed-price products have recently appeared on the market, in which the customer has the opportunity to reduce the price paid by their own behavior if they schedule their consumption for cheap hours. Accordingly, the price will increase if the customer uses the most electricity during expensive hours. Such products, which combine a fixed, even price and an incentive with flexibility, should also be possible alongside traditional fixed-price products and thus enable demand to participate in the market. Barriers that prevent demand responses participation in the markets should be removed.

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/No

X	Yes
	No

FINAL

The national regulatory models shall incentivize the SO's to utilize the most overall cost-effective solutions when developing the networks. This includes the incentives to utilize flexibility widely, when appropriate from the SO's perspective. Since utilizing flexibility will increase operational costs, it's crucial that the regulatory framework set by the NRA makes this possible. NRAs should implement the necessary mechanisms to make feasible for the SOs to utilize the overall most suitable and cost-effective solutions for network development, keeping in mind that the SOs are the best experts on determining case by case what is the most overall cost-efficient solution. SO's need to have a large variety of tools available for network development and operation, and the possibility to choose the most efficient ones in each case.

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/No**

	Yes
X	No

The main meter shall remain the central point of measurement, balance settlement and billing. Use of sub metering shall remain at the discretion of Member States, while some general principles may be set in the Network Code Demand Response currently in drafting phase.

We emphasize the importance of quickly rolling out smart meters throughout Europe. This would have far greater effects, for example to promote demand flexibility.

In case there's a need for separate electricity contracts (supply/flexibility) for a certain equipment (e.g. EV charging point or solar PV panel), it should be separated as a separate metering/consumption point from the rest of the electrical installation. This means there are two separate metering/consumption points with their own main meters that are handled according to the normal procedures (e.g. metering, balance settlement, data exchange, contracts and billing) in the national retail market. This also requires that both electrical installations remain clear and safe and follow all the nationally set requirements for electrical safety.

We do not support creating complexity by introducing a new customer type that would not have same equal rights and responsibilities as other customer in the retail electricity market.

Also, it's worth mentioning that of course it is possible for the customers to meter their appliances separately if they so need for their own purposes. This, however, shall not affect the retail market procedures.

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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/No**

X	Yes
	No

This should be market based and not to distort competition.

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? **Yes/No**

	Yes
X	No

We do not believe that demand response requirements that would apply in periods of crisis should be codified in European law. Emergency situations are often singular in nature and require tailored measures to address the situation in real-time.

Furthermore, developing market-based solutions to promote demand reduction can prevent these crisis situations before they occur and can spur further investment into flexibility assets. Articles 13, 15, and 17 of the Electricity Directive already address the rights of aggregation and demand response participation in the market. Before considering additional legislation, we feel the Commission should focus on ensuring the proper transposition, implementation, and enforcement of the existing Articles.

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? **Yes/No**

	Yes
X	No

The prices in day-ahead market deliver the appropriate signal to incentivize investments and the use of demand response, energy storage and other flexibility assets. However, the barriers should be removed that prevents the demand responses participation in the markets. We emphasize the importance of quickly rolling out of smart meters throughout Europe. This would have far greater effects, for example to promote demand flexibility.

Q 14: 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/No**

X	Yes
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FINAL

	No
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Mainly yes, though some adjustments could be considered. With the increasing amount of variable generation, it is becoming more important to ensure there is enough firm capacity and that the power system has all the needed capabilities. There are different mechanisms applied in different member countries. We remind that both consumers and producers are able to invest in different types of storages and also these investments must primarily be market based.

We consider the question is somewhat narrow addressing only uptake of storage and demand response, and not addressing firm and/or flexible generation forms.

The CRMs applied today focus on firm capacity. It should be looked at whether they could consider in addition other relevant capabilities, such as inertia and reactive power in order to provide the most cost-efficient solution for the end-consumer. Hence, Design of CRM could be a multi-criteria auction which minimizes cost for a set of capabilities which would be procured. Designing CRMs based on capabilities to secure that both storage and demand response can participate. J

Lastly, we recall that the latest electricity market regulation reform quite radically changed the way strategic reserves may be used, hence causing that the system instead of providing security of supply, increased electricity prices by withdrawing capacity from the market into the reserve. We call Commission to consider enabling member states to apply a new type of reserves better designed to cope the type of crisis we are in. The Security of Supply reserve would be decided by the member state, and it could procure into its capacity which otherwise would be demolished. Should a crisis emerge, the competent authority could recommend that these power plants in reserve could until the end of crisis, return into the market.

Q 15: Do you see a benefit in a long-term shift of the European electricity market to more granular locational pricing? Yes/No

	Yes
X	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.

3 Better consumer empowerment and protection

3.1 Energy sharing and demand response

Q1. Would you support a provision giving customers the right to deduct offsite generation from their metered consumption? Yes/No

	Yes
X	No

We do not support right to deduction of network tariffs. If the production is located off site, it is using the SO's grid and shall not be exempted to participate in grid costs.

We emphasize keeping the principles set for distribution network tariffs in the CEP, namely electricity regulation Article 18 (1) and (7):

- Charges applied by network operators for access to networks, including charges for connection to the networks, charges for use of networks, and, where applicable, charges for related network reinforcements, shall be cost-reflective, transparent, take into account the need for network security and flexibility and reflect actual costs incurred insofar as they correspond to those of an efficient and structurally comparable network operator and are applied in a non-discriminatory manner. Those charges shall not include unrelated costs supporting unrelated policy objectives. [...] Without prejudice to paragraph 3 of this Article, those charges shall not be distance-related.
- Distribution tariffs shall be cost-reflective taking into account the use of the distribution network by system users including active customers. [...]

Also, deduction would in practice mean deducting VAT. It should be found out whether it is possible according to EU VAT legislation. **Q2. If such a right were introduced:**

(a) Would it affect the location of new renewable generation facilities? Yes/No

	Yes
	No

(b) Should it be restricted to local areas –? Yes/No

X	Yes
	No

We do not support discarding the principle of not distance-related distribution network tariffs (Electricity regulation, Article 18 (1)). This would be a major change on the distribution system and for the distribution connected customers and at least it should be thoroughly analyzed before any legislative action. If such a provision were to be taken up, this right should remain as localised as possible and be restricted based on the grid topology, where

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the same DSO operates. Also, if such provision were to take up, it should be assessed based on cost reflectivity, to avoid cross subsidies.

(c) Should it apply across the Member State/control/zone --? **Yes/No**

	Yes
X	No

We do not support right to deduction of network tariffs. If the production is located off site, it is using the SO's grid and shall not be exempted to participate in grid costs. If such a provision were to be taken up, this right should remain as localised as possible and be restricted based on the grid topology, where the same DSO operates. Also, if such provision were to take up, it should be assessed based on cost reflectivity, to avoid cross subsidies.

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?

Yes/No

	Yes
X	No

The main meter shall remain the central point of measurement, balance settlement and billing. Use of sub metering shall remain at the discretion of Member States, while some general principles may be set in the Network Code Demand Response currently in drafting phase.

We emphasize the importance of quickly rolling out of smart meters throughout Europe. This would have far greater effects, for example to promote demand flexibility.

In case there's a need for separate electricity contracts (supply/flexibility) for a certain equipment (e.g. EV charging point or solar PV panel), it should be separated as a separate metering/consumption point from the rest of the electrical installation. This means there are two separate metering/consumption points with their own main meters that are handled according to the normal procedures (e.g. metering, balance settlement, data exchange, contracts and billing) in the national retail market. This also requires that both electrical installations remain clear and safe and follow all the nationally set requirements for electrical safety.

We do not support creating complexity by introducing a new customer type that would not have same equal rights and responsibilities as other customer in the retail electricity market.

Also, it's worth mentioning that of course it is possible for the customers to meter their appliances separately if they so need for their own purposes. This, however, shall not affect the retail market procedures. We emphasize the importance of quickly rolling out of smart meters throughout Europe. This would have far greater effects, for example to promote demand flexibility.

3.2 Offers and contracts

Q4. Would you support provisions requiring suppliers to offer fixed price fixed term contracts (ie. Which they cannot amend) for households? **Yes/No**

	Yes
X	No

We are not supporting any legislation which regulates which types of offers suppliers are required to offer in the market. The right for a supplier to choose the products offered is one of the basic characteristics of a free market.

It is very important to every way to foster free competition in the retail market, where suppliers can price their products freely. Provisions regarding suppliers' product limit innovation. We understand that some customers want certainty in managing their finances and value fixed prices. As is often pointed out in the consultation paper, the electricity market must retain extensive incentives for demand response. Fixed-price products can take away these incentives. In Finland, such fixed-price products have recently appeared on the market, in which the customer has the opportunity to reduce the price paid by their own behavior if they schedule their consumption for cheap hours. Accordingly, the price will increase if the customer uses the most electricity during expensive hours. Such products, which combine a fixed, even price and an incentive with flexibility, should also be possible alongside traditional fixed-price products.

In addition, if the supplier is obliged to offer fixed-price products, then before that it must be ensured that the supplier has the real possibility to hedge the purchase in question. Before imposing an obligation on the supplier, the functioning of the financial markets must be ensured. The obligations imposed on parties operating in competitive markets must be fair and reasonable.

Q 5. If such an obligation were implemented what should the minimum fixed term be? (at most 1 choice)

- (a) less than one year,
- (b) one year,**
- (c) longer than one year
- (d) Other

The right for a supplier to choose the products offered is one of the basic characteristics of a free market. Market regulation should rather promote this freedom of contract in every possible way. If such an obligation were implemented, one year is a clear and understandable period for consumers.

Q6. Cost reflective early termination fees are currently allowed for fixed price, fixed term contracts.

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(a) Should these provisions be clarified? Yes/No

	Yes
X	No

The present regulation already includes the possibility for early termination fees, no further regulation needed. The retail markets are currently national. The functioning of the retail market differs so much between different member states that any clarified regulations must be built on a national basis. In addition, if the regulation is too strict and makes it too risky for sellers to offer fixed contracts, there is a risk that these contracts will be out of reach from the actual selection of consumers.

Important to ensure that the framework supports the basic principle, that the parties have a mutual obligation to respect the fixed term, fixed price contract. It is also crucial that the termination fee is allowed to cover all relevant costs, otherwise the suppliers would not be able to offer fixed price, fixed term contracts (or other consumers would subsidize the exiting consumer).

(b) If these provisions are clarified, should national regulatory authorities establish ex ante approved termination fees? Yes/No

	Yes
X	No

We do not support the proposal. This is a matter to be agreed in the contract and may, if necessary, be subject to ex-post supervision.

Q7. Do you see scope for a clarification and possible stronger enforcement of consumer rights in relation to electricity? Yes/No

	Yes
X	No

We see the proper implementation of the clean energy package, especially the implementation of the internal electricity market directive, as the most important action. Before giving any new legislation, adequate implementation of the current legislation must be ensured.

3.3 Prudential supplier obligations

Q8. Would you support the establishment of prudential obligations on suppliers to ensure they are adequately hedged? Yes/No

	Yes
X	No

FINAL

We see the mandatory hedging requirements as restriction of business models of suppliers and retail competition rather than a measure for the benefit of customers. We suggest that instead of restricting the business models, the solvency of suppliers could be monitored as, for example, is done by the financial supervisory authority. The supervision of the energy and consumer authorities can also be strengthened by intensifying the cooperation between them, so that possible abuses can be prevented or corrected in a timely manner and by this way to improve the consumer's position.

In Finland, the competition in the retail market is functional, and numerous operators offer many types of contracts to consumers, and there are no obstacles for new suppliers.

Instead of creating different obligations, the focus should be on developing hedging opportunities and removing different obstacles in their way to enable efficient hedging for suppliers. Since the financial crisis, there has been a gradual reduction in the liquidity in the Nordic financial market, further exacerbated by the introduction of EMIR and MIFID II. Furthermore, the current energy crisis has shown the shortcoming of the current forward markets in terms of the collateral requirements that have become unreasonable for many market participants and led market participants to leave from transparent marketplaces.

Furthermore, we are skeptical to introducing requirements and obligations on European level to sort problems that are of more local or national character.

Retailers should always hedge their contract portfolio, usually extending 2-3 years into the future (customers are typically committed only 1 month – 2 years into the future). This is prudent risk management.

Q9. Would such supplier obligations need to be differentiated for small suppliers and energy communities ? **Yes/No**

	Yes
X	No

The same rules should apply for all market participants to ensure a level playing field which is a basic feature for competitive markets. Differentiating suppliers' obligations risks competitive distortion, and regardless of the size of the supplier, the operational difficulties of supplier have the same effect on the final consumer. In addition, the limit for a "small players" is difficult to define.

3.4 Supplier of last resort

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? **Yes/No**

	Yes
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FINAL

X	No
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The retail markets are currently national. The functioning of the retail market differs so much between different member states that such regulations must be built on a national basis. We don't see the need for the responsibilities of a supplier of last resort to be specified at EU level. The supplier of last resort framework has no implications on cross-border relations and there is a need to take national circumstances into account. Though, mechanisms that put a specific supplier based on legacy, geographical or other similar reasons in a better position than the competitors should be prohibited by EU level legislation, to safeguard a level playing field and efficient competition.

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 ? **Yes/No**

	Yes
X	No

Do you have additional comments? **2000 character(s) maximum**

We do not support the codification of an emergency framework for below-cost regulated prices. Regulated prices do not help customers in the medium- and long-term. Such a mechanism would have restrictive and detrimental effects on competition. We see that healthy competition in the market is the best way to secure the customer's position and ensure a reasonable energy price for the customer.

The challenges related to the high price level cannot be addressed by imposing requirements on the retailers. At least in the Nordics, the retail markets work well.

4 Enhance the integrity and transparency of the energy market

Q1. What improvements into the REMIT framework do you consider as most important to be addressed immediately? **4000 characters**

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.

FINAL

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? 4000 characters

Lack of coordinated communication related to market surveillance and breaches.

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? 4000 characters

Obligation on TSOs to disclose imbalance price in real-time to ensure that BSPs are not unnecessarily put in an insider position.

Synchronize collection and use of data between TSOs and Regulators under different regulations.