

To the Nordic Ministers for Energy  
Terje Riis Johansen, Norwegian Minister of Petroleum and Energy  
Connie Hedegaard, Danish Minister of Climate and Energy  
Maud Olofsson, Swedish Minister for Enterprise and Energy  
Mauri Pekkarinen, Finnish Minister of Employment and the Economy  
Össur Skarphéðinsson, Icelandic Minister of Industry Energy and Tourism

CC:  
Nordiska ämbetsmannakommittén för närings- och energipolitik  
Electricity Market Group

Oslo, September 4, 2008

## **Further integration of the Nordic electricity market requires stronger commitment and clearer regulatory measures**

As an input to ministers meeting in Umeå in September 2008, Nordenergi would like to address some issues of common concern in the Nordic electricity market.

The Nordic Council of Ministers (NCM) has in the past years issued a series of statements, putting emphasis on further Nordic market integration with the aim to boost Nordic economic efficiency. The ministerial declaration that was issued in August 2007 emphasised the vision of a “seamless Nordic power market”. Nordenergi supports the ministerial declarations, and we also support the EU policy aiming at a more integrated efficient energy market, triggering increased competition, security of supply and environmental sustainability. We believe that a strong Nordic perspective is called for in order to boost European market developments, as well as to meet the potential challenges that may arise from EU energy legislation.

On May 26-27, 2008, the Swedish Ministry of Enterprise, Energy and Communications hosted a seminar on Nordic Electricity Market. At the seminar, the Swedish state secretary invited the Nordic stakeholders to provide the NCM with clear messages on how we may achieve future Nordic market integration and harmonisation.

This is not a trivial task. For a period of five years, Nordenergi along with the other Nordic market stakeholders has worked on a series of issues in order to fulfil the NCM’s Nordic electricity market vision. Although there has been progress in several specific issues, there are important matters that still need to be resolved. This should call for stronger mandates and incentives to develop harmonised Nordic solutions.

When looking at the historical developments, we see that the harmonisation and integration of the Nordic market has been initiated by TSOs and power exchanges with the appropriate support from

regulators and market parties. However, this approach does not seem to be sufficient when aiming for further market integration. It is our belief that measures for harmonisation must be implemented by a stricter top-down approach, where the obstacles for development are removed by political, legal and regulatory measures.

In order to move forward, Nordenergi calls for reinforced policy statements from the NCM, instructing the national regulators and TSOs to implement harmonised solutions and regulatory framework. The statements should mention that harmonised methodology should apply to a number of key areas regarding Nordic system operation and market development.

Challenging goals of renewable energy require a strong grid investment program within the Nordic area and between regions. Increased renewable energy will also lead to more challenging balance management. New transmission investment projects should be started as soon as possible with a strong support from the Nordic governments and regulators. The need for financial resources in this regard is high. These measures are needed to fully utilize the Nordic renewable energy potential. Joint Nordic hydropower and North-European wind power will all benefit if the system allows them to balance each others' fluctuations.

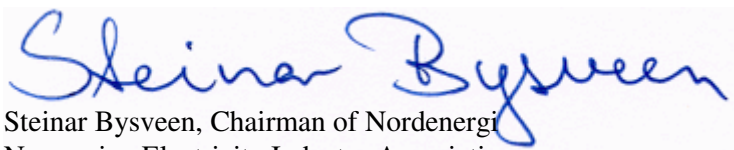
Nordic electricity market has recently suffered from significant price area differences which are harmful for the Nordic market and society. Better handling of outages and strong grid development are crucial to overcome these hurdles both in the short and long run.

The announced shutdown of Nordel has caused some concern within Nordenergi regarding the uninterrupted further development of the Nordic market. Necessary steps must be taken to strengthen the Nordic perspective in a European context. The Nordic ministers should address this matter.

Given clearer energy policy statements issued by the NCM, leading to the introduction of new legal and regulatory framework, Nordenergi is prepared to carry on the harmonisation and integration process in our electricity industry associations.

We wish you good luck with the meeting in Umeå.

September 4, 2008,  
Members of Nordenergi



Steinar Bysveen, Chairman of Nordenergi  
Norwegian Electricity Industry Association

On behalf of:  
Juha Naukkarinen, Finnish Energy Industries  
Hans Duus Jørgensen, Danish Energy Association  
Bo Källstrand, Swedenergy