

Peder Østermark Andreassen, CEO, Energinet
Jukka Ruusunen, CEO, Fingrid
Auke Lont, CEO, Statnett
Ulla Sandborgh, CEO, Svenska Kraftnät

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Regarding the New Nordic Balancing Concept

It has been brought to our attention that the Swedish and Norwegian TSOs are developing a new balancing concept for the Nordic power system.

The Nordic NRAs have observed that the frequency quality has been weakened in previous years and that it has been challenging for the TSOs to find efficient common solutions. We welcome that the Nordic TSOs are forward looking and wish to outline a new and sustainable concept for system balancing in the Nordic power system in order to address the emerging and increasing challenges with balancing the power system. So far, our Nordic cooperation on system balancing has brought significant benefits to the whole region, but new challenges might require new measures and also further developed ways of cooperation, where roles, responsibilities and accompanying rights are clearly defined. There is always room for improvements.

We understand that the new balancing concept was presented to the Danish and Finnish TSOs in June 2017 with an invitation to join the balancing function by signing a binding agreement before 15 September 2017. Simultaneously a notice of potential termination of the present system operations agreement was presented to the Danish and Finnish TSOs. We note that the new balancing concept introduces a new governance structure with “Balancing Principals” (Swedish and Norwegian TSOs) and “Balancing Participants” (Danish and Finnish TSOs), which permits the Swedish and Norwegian TSOs to lead work streams and make decisions relating to balancing, including the preparation of joint proposals to NRAs, which will in practice affect all TSOs in the synchronous Nordic area.

Without understating the urgency of establishing a new balancing regime, we would like to remind the Nordic TSOs that terms and conditions or methodologies related to system balancing within the synchronous area must be developed in line with the governance structure of the relevant EU-legislation under implementation (System Operation Guideline as well as the Electricity Balancing Guideline). For instance, the SO Guideline implies that proposals for terms and conditions or a methodology within smaller regions (five Member States or less) must be made in consensus by all concerned TSOs. It should also be pointed out that according to the SO Guideline

Art. 141 (2) the proposal for determination of LFC-block(s) in the Nordic synchronous area shall be jointly developed by all TSOs of the synchronous area and approved by the NRAs. In this respect, we find it important that TSOs assess governance structures to be proposed and applied in order to make them compatible with the governance structure of relevant EU-legislation.

In order to develop a successful balancing concept we also recommend that the TSOs seek to involve all relevant stakeholders in the Nordic countries at the appropriate stage in the process. Consultation and engagement with relevant stakeholders in a transparent process is key for the development of a successful and legitimate market design in the Nordic area.

It is important to note that not all aspects of a new balancing concept may be governed by legislation or need regulatory approval. There are also differences in the regulatory framework between the Nordic countries in this respect.

In this early part of the process, we encourage the Nordic TSOs to continue working closely together and we look forward to eventually receiving well-developed proposals that serve to meet the challenges of the present and future Nordic market. We will invite the TSOs to give us more information about the concept and the background as well as updates on the process in a common meeting to be organized in the near future.

Yours sincerely,



Ove Flataker
Chair, NordREG Board

In copy:

Swedish Ministry of the Environment and Energy
Finnish Ministry of Economic Affairs and Employment
Danish Ministry of Energy, Utilities and Climate
Norwegian Ministry of Petroleum and Energy
The Electricity Market Group (EMG), The Nordic Council