

ERGEG  
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## **Energy Norway response to the ERGEG benchmarking report on medium and long term transmission capacity allocation rules**

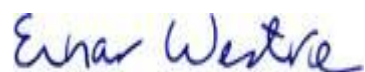
Energy Norway welcomes the opportunity to contribute to ERGEG's benchmarking report. It is a good overview over the different medium- and long term allocation mechanisms in Europe and identifies the relevant issues for the future development of future allocation and auction rules.

In the Nordpool countries area prices are hedged with financial Contracts for Differences (CfDs) and not with transmission rights. While CfDs work in theory, the market is currently lacking liquidity and CfDs for some price areas are missing, which makes the hedging of substantial volumes difficult. Irrespective of the room for internal improvements, the question of medium and long term capacity allocation is also relevant for the Nordic region due to the ongoing price coupling projects with Central Western Europe.

With these projects in mind, we advocate the gradual introduction of financial transmission rights or other financial instruments for the medium- and long term, as physical capacity should be automatically allocated and used in the day ahead price coupling processes. These financial solutions should be firm to encourage trading. Concerning auction rules we agree with ERGEG that there is currently a lack of harmonization. In the move towards financial solutions, auction and trading rules should gradually be harmonized to allow unhindered trading across Europe.

For more specific information do not hesitate to contact us in Energy Norway,

With best regards,



Einar Westre, Executive Director Networks and Markets