

Nordenergi calls for continued coupling of retail and wholesale prices in the energy market

Nordenergi is the collaboration between the Nordic energy associations Finnish Energy, Green Power Denmark, Renewables Norway, Samorka and Swedenergy.

Based on the Draghi report, Commissioner Jørgensen has highlighted the need to bring down energy prices and reduce volatility. He has made it clear that the essentials of the market design, i.e. marginal pricing and merit order, should not be amended. However, Jørgensen seems to indicate that a decoupling of retail prices from wholesale prices (and gas prices) is desirable.

Nordenergi sees it as essential that price signals in the wholesale market reach the consumer through the retail market in order to reflect scarcity and abundance. If we want consumers to invest in local production, flexibility and energy efficiency, price signals in a well-functioning market are the main driver. Nordenergi understands the undesirable effect on vulnerable customers due to high and volatile electricity prices, but at the same time, increasing shares of RES-production leads to an increasing need for flexibility. Supporting consumer's energy bills based on the energy consumption will lead to overuse in times with scarcity and thereby reinforce challenges in the market.

The Nordic countries have experiences with different kinds of measures to decouple retail prices from wholesale prices. Norway for example still has a system whereby consumers get a compensation of 90% of the energy cost above a level of ca. 70 EUR/MWh based on hourly consumption. This has led to significant reduced investments in solar power for self-consumption, energy efficiency and flexibility. The paradox is that the authorities first support the energy bill and then need to also support local production, energy efficiency and flexibility. These investments should all be done in a well-functioning market.

Nordenergi asks EU policy makers to:

- Keep a coupling of energy prices in the retail and wholesale markets in order to preserve the price signals and keep incentives for local production, flexibility and energy efficiency
- Remove, where relevant, remaining obstacles to contracts with fixed prices in order to make it possible for consumers to reduce or remove price volatility
- Ensure competition and innovation in the retail market with low barriers to shift supplier based on transparent information on prices
- Give targeted support to vulnerable households that are not able to pay their energy bills,
- Avoid regulated prices
- Facilitate new clean energy production by unregulated energy prices that ensures the right lever of supply and flexible demand. This will address the core of the problem with high prices resulting from low supply

Renewables Norway

Knut Kroepelien

knut.kroepelien@fornybarnorge.no

+47 938 64 018

Finnish Energy

Janne Kauppi

janne.kauppi@energia.fi

+358 50 478 7415

Swedenergy

Magnus Thorstensson

magnus.thorstensson@energiforetagen.se

+46 733 92 57 61

Green Power Denmark

Astrid Buhr Broge

abb@greenpowerdenmark.dk

+45 61 24 43 63

Nordenergi is the joint collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Swedenergy, Green Power Denmark, Renewable Norway, Finnish Energy and Samorka. Overall, Nordenergi represents more than 2,000 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas and services. For more information regarding Nordenergi please visit www.nordenergi.eu. EU Transparency register number: 85161125283-02.

