

Mr. François Lamoureux, DG TREN
European Commission
200, Rue de la Loi
BE-1049 BRUSSELS

Dear Mr. Lamoureux,

As a response to your letter dated on 8 April 2005 I am pleased to note the Nordic electricity market has proved its status as a well functioning regional electricity market. The objectives of the Electricity Directive is, in our view, well met in this region.

However, there is always a need for further development. The objective of a regional electricity market without borders, as defined by the Nordic Energy Ministers, still requires work.

The broad issues that need to be addressed include e.g. network congestions, incentives for generation investments and demand-side flexibility, control of market power due to e.g. industry concentration and enhancing of a true retail market in the Nordic region.

As far as the TSOs' role is concerned, Nordel has recently identified the TSO related areas where further steps are needed to enhance the effective electricity market. These are summarised in the attached report that Nordel has released in February 2005 ("Enhancing Efficient Functioning of the Nordic Electricity Market").

The report constitutes, in fact, an answer to your enquiry from the Nordic market perspective. In brief, the following actions were proposed by Nordel:

Issues that may need legislative changes:

- Common definition of the system responsibility and TSOs' role in enhancing effective functioning of the electricity market
- Clarification of the roles of market players, TSOs and Governments in maintaining reliability of the power system
- Clear distinction between the system responsibility and other duties performed by TSOs.

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Issues that are related to practices of the TSOs:

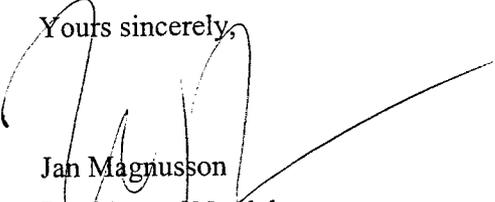
- Harmonisation of operational rules and practices like
 - Balance control
 - Settlement of imbalances
 - Capacity allocation and congestion management
 - Provision of system services
 - Connection terms
- TSOs' co-operation in disturbances and shortage situations
- Actions in strengthening of the market mechanisms in peak load situations.

The recommendations and actions in the above issues are presented in the report and more deeply discussed in the background reports that are available in the Nordel homepage (www.Nordel.org).

Nordel has up to now not been involved in the gas issues. However, in Denmark and Sweden, the TSOs, Energinet.dk and Svenska Kraftnät, from now on will have responsibilities concerning operation of the national gas network as well. A corresponding development is likely to take place in Norway. We believe that there will be a ground for the Nordic gas market to develop in a similar way and with many parallels to the electricity market in the future.

I hope that you will find Nordel's assessments useful for your process in issuing a report on the impact of the Electricity and Gas Directives.

Yours sincerely,



Jan Magnusson
President of Nordel