



Information meeting

Friday, 19 November 2004

ELSAM and Danish Competition Authority

Public tender for trustee

- Why: Remedy in ELSAM-NESA merger approved March 2004
- Purpose: Enhancing competition

- Similar remedy used in other mergers
- Option buyers have dual roles
- Remedy not time-limited
- Measurement: Level of West-Danish prices, compared to Germany and Norway/Sweden, every hour

Problems

- Secure real and intense competition
- Avoid incentives to tacit collusion
- Buyers must compete with ELSAM

- Trustee assigned until March 2008

The remedy (1)

- 600 MW virtual capacity
- Three types of options: 3 m, 1 y, 3 y
 - in 2006 250 MW will be tendered
 - in 2007 500 MW will be tendered
 - in 2008 and 600 MW will be tendered
- The various products are distributed with respect to the prioritised objectives:
 1. Create a market for all products
 2. Ensure the entire capacity is sold
 3. Ensure a reasonable margin to Elsam

The remedy (2)

- Only competitors to Elsam are entitled to participate in the auction
- Option price – no minimum price
- Strike price – energy price per MW
- Buyers submit notification on the quantity required by the following day (MW hour by hour)

The trustee's duties

Ensure Elsam fulfils the remedy

1. Principles for control and procedure for the auction; Ensures that a realistic time schedule is set up.
 2. Ensures that all relevant legal documents are drafted.
 3. Prepare a proposal for an auction design
 4. Ensure the auction is implemented
 5. Ensures that the auction is adapted to prevailing market conditions
 6. Ensure that the energy price etc. is fixed correctly
 7. Ensure all relevant information is submitted to the DCA
- Assigned until 31 March 2008
 - Prepare a report concerning advantages and disadvantages in the auction design, the sale of options and the execution.

The competences of the trustee

- The trustee has good experience with conditions in the Danish and the Nordic electricity market.
- The trustee has in-depth knowledge of design, implementation and holding of auctions.
- The trustee works cost-effectively.
- The trustee has experience with financial products, particularly options.
- The trustee is in a position to use significant resources whenever required.

Practical information

- Tender form
- Three copies to Elsam and three copies to the DCA by 6 December 2004.
- By 17 December the trustee will be assigned

Tender form

- Contact information
- List of involved employees, CVs and their role
- Information on cooperation partners
- The tendered hourly rate and an estimate of hours to be used
- The tenderer's understanding of the assignment
- Preferably, a draft contract should be submitted