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Coos Battjes, Energy Markets Specialist

Transcript

- 00:00 Welcome back to the second of our Energy Transition Shorts and I'm joined again by Coos, who's our Energy Markets Specialist. In the first session we talked about zonal pricing in the UK and its possible introduction. Of course, there are a number of markets in Europe, particularly in the Nordics where Downing is very active and has a great deal of generation, where zonal pricing already exists. Coos, could you perhaps give us your views on how the market works in the Nord Pool?
- 00:28 Yes, so as you know there's several zones, especially in Sweden and in Norway. Norway is split up in five and Sweden is split up in four zones. You have zones in the north where there's most of the generation, so prices are typically lower there. And then you have the zones in the south where prices are higher.
- 01:27 So it's basically exactly the same story as the UK, generation up in sparsely populated north, demand down in the heavily populated south.
- 01:37 Yes, and that's also what people are complaining about right, because where the demand is there are the people that are paying higher prices. Yeah, and we've particularly seen that in Norway recently where people are not happy.
- 01:45 Yes. So, what are the kinds of mechanisms that the Nord Pool is trying to introduce to ameliorate the effect of differential pricing in zones?
- 02:02 Well, the easiest one would obviously be to increase the transmission between the zones, but that takes time. What they have been trying to do is to make it more optimal, the capacity which is there. So they went into a thing called flow-based market pricing and that actually has to do with how the capacity is allocated between the day ahead and intraday markets.
- 03:02 And so you've got all those dynamics going on, you've also probably perhaps got some dynamics going on between different countries – these price zones expand not only within country but also between countries. So, what is next? What are they doing about that?
- 03:20 Yes, Countries have different incentives, and I think Sweden has learned a lesson a bit. So I think what has happened is that Sweden has actually included more reserve margins. So basically, just holding a bit of the capacity to make sure these anomalies will not happen again.
- 03:37 So, a bit of a rocky start. Hopefully things smoothing out, starting to reintroduce that capacity over time and I think it's probably wait and see. Yes. Well, we'll come back to that again in another edition. Thanks Coos.