

Pricing Challenges in the Future Nordic Power Market with Large Amounts of Renewable Low Marginal Cost Units

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The Nordic Power Market is an international well-known market with several currencies and several countries based on a price-area model. The cooperation has a long tradition, also before the deregulation, since the hydro power share is around 50 percent so in dry years the countries with high share of hydro power imported and in wet year they exported. Norway is a hydro-dominated country which means that a price based on marginal cost must be set abroad, and in Sweden the production sources are mainly hydro power, nuclear, wind and CHP, all with low marginal costs. This means that also for Sweden the price has to be set abroad since the price will otherwise be too low to cover the capital costs. For the future Denmark has the ambition of more than 50 percent wind power and in Finland there are currently new investments in nuclear power. Currently the capacity market is insignificant which means that there will be challenges to get a stable price in the future in order to motivate investments.