

# Messages from the Nordic Electricity Markets Forum 2023

The topic of the 2023 Forum was “**Lessons learned**” from the past winter – how did the Nordic electricity sector including the authorities react and what can we as a sector learn from it.

Out of the input received prior to the Forum we’ve picked four topics to discuss in break-out sessions during the Forum. The list is in order of priority they were ranked in the last forum session: facilitating investment (35%), social acceptance of the electricity sector (33%), acceptance and improvement of the retail markets (17%) and acceptance and improvement of the short-term wholesale markets (15%).

Here are some highlighted comments from the breakout sessions that came up in several groups. Duplications reflect the overlapping discussions within the groups and the sharing session on the second day:

## Facilitating investment

There was a strong consensus that investment in electricity production (both RES and firm capacity) and in the electricity grid (both TSO and DSO) was needed. But how would you facilitate the investment? Stakeholders mentioned the increased political risk due to the short-term measures taken during the energy crisis.

Amongst the recommendations were:

- Reducing political risk by having prepared “energy crisis legislation” that can be activated under certain known criteria – this would allow politicians to intervene but would reduce the uncertainty for the sector since the type of the intervention would be known in advance.
- Reducing political risk by working on and agreeing on cross party national energy and climate targets that are firmly linked to European targets and coordinated on the Nordic level (via the Nordic Council of Ministers and via the Nordic Council). Stable/coordinated targets give enough security to invest for producers and enough security for the TSOs to build sufficient electricity grid and prepare for investment in future hydrogen infrastructure. Concrete idea: build on the Nordic scenario reports and various national climate scenario reports to create something Nordic.
- Coordinate Nordic electricity grid investment – give the TSOs the mandate to formulate a true Nordic common grid plan. In addition there could be second plan addressing current/near future Nordic grid operation and grid usage.
- To increase investment in capacity something in addition to the energy markets might be needed. If regulation on capacity mechanisms, PPAs and CfDs is being considered the following factors should be kept in mind: market-based mechanisms, voluntary participation, technology neutral, open to cross border participation (or use a cross border mechanism) and coordinated with neighboring countries to avoid negative impacts on competition. Regarding the capacity needed: don’t forget the characteristics of the capacity needed, ie flexibility/responsive demand when asking for new capacity. TSOs need to communicate

what kind of capacity is needed. Concrete idea: use Nordic Council of Minister funds to look in detail at some questions connected to capacity markets.

### Improving acceptance of the electricity sector in general

- Permitting processes: establish clear, transparent and open permitting processes. The public needs to be involved from the beginning. The process needs to be clear – it needs to be clear to everyone when there is the time to discuss and bring in arguments/evidence, when the decision is taken, when there is a possibility to appeal and when a decision becomes legally final.
  - Environmental law needs to be simplified so that compliance becomes easier. That way mistakes can be avoided that at a later stage could add a big risk to the process.
  - Not all interests are “local” interests opposing investments – tourism sector is also playing a role. “Loud minority” instrumentalizing green arguments.
- Look into possibilities to share revenues with those communities impacted by the investment – possibilities are through local taxes, local ownership shares etc.
- Support more research into acceptance – currently a lot of research on the technical/economical aspects of an investment but less research from the social science perspective that could address questions of acceptance and legitimacy.
- The sector needs to take a bigger role in educating politicians. This needs to be done now and continuously – the more understanding is built up the less the risk of misinformation in times of crises.
- The sector needs to take a bigger role in educating the public – this is a role that the NRAs could play since they are considered to be impartial. Again this needs to be done continuously to avoid misinformation in times of crises.

### Improving the short-term retail markets

- Communicate that the market actually worked and defend it from misinformation. Communicate the positive reaction (reduced energy consumption and demonstrated consumer flexibility)
- Acceptance improves if the consumers can be flexible and react. Retailers have a role to educate their consumers, inform them about prices and their consumption etc. through easily accessible services, for example an app on the phone. Consumers also need a better understanding of the contract they entered (fixed/flexible etc.).
- Look at everything from bid sizes to aggregators to make it easier for households to participate (indirectly) in the market.
- Support for vulnerable customers was necessary but it is important to pay it out in a way that does not destroy price signals from the market and the signal to save energy. There are ways with different tariffs, for example to highly support a certain minimum consumption but expose “excess” consumption to market prices. It is not the energy companies’ job to identify vulnerable customers – that is the responsibility of the authorities.
- More flexible connection contracts between DSOs and end consumers or DSOs purchasing flexibility on local markets.
- Increasing awareness of the cost of the green transition – and ways to reduce those costs by for example becoming more flexible/increasing energy efficiency.



## Improving the short term wholesale markets

This list should be understood as a non-exhaustive snapshot of additional ideas – ongoing processes on balancing- and intraday market integration etc are of course supported. In this context the importance of Nordic coordination towards European regulatory processes was again underlined – for example now during the ongoing market redesign.

- Communicate that the market actually worked and defend it from misinformation.
- Introduce now, when the supply situation has somewhat improved, clearly communicated emergency measures, that have to be taken when there is a clearly defined capacity crisis – so that there is less speculation about who is helping whom to prevent black outs and no talk of closing borders.
- Grid usage should be improved in the Nordics and could reduce the need for investment: in addition there could be a Nordic plan addressing Nordic grid operation and grid usage – ideas mentioned in this context were to use that plan to identify the critical connections (and the investment need there) to meet the 70% target, and more efficient operation by cross border bidding zones.
- Real time pricing for all actors and move more responsibility to the balancing responsible party – that way there is a bigger incentive to be flexible when needed.

