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### **INFORMATION NOTE**

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From: General Secretariat of the Council

To: Council

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Subject: Any other business

Nordpool day-ahead market incident on 23 November 2023

- Information from the Finnish delegation

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In view of the Transport, Telecommunications and Energy Council on 19 December 2023, delegations will find in Annex an information note from the Finnish delegation.

### Nordpool day-ahead market incident on 23 November

On 23 November we saw something extraordinary in the day-ahead markets in Finland. The outcome for the next day showed negative prices for almost half of the day. This as such is not so uncommon, but the level was: the prices hit -500 eur/MWh for 10 hours even though the temperatures were below zero in the whole country and wind was on average level.

It turned out that one market player had offered 5787 MW of generation with -500 EUR/MWh price for the whole day by accident. This constituted around half of the expected generation in Finland for the day. The exchanges refused to correct this obvious fault.

The market player was a small Norwegian company and the fear was that it would simply walk out of its commitments. Other fear was that other market participants would follow the market results and shut down their generation, as they would have had to pay for the electricity they provided to the market. This would have left Finland in a huge electricity deficit for half of the day.

Due to active information campaign by the TSO, generators did not shut down the power plants but stayed ready for the intraday phase. Also, luckily, the erroneous market participant stayed in the market and corrected its balance in the intraday markets. The offers in the intraday markets were ca. 70-80 EUR/MWh. The generators did not take unfair advantage of the situation, which would have meant offering prices near the technical maximum price, 10 000 EUR/MWh.

In the end, everything went smoothly. It can be considered as the ultimate Black Friday offer for the consumers. However, this event should have never been possible. The rules of market places should allow for correction of obvious mistakes, in this case in order of 100 times larger offer than normal. For some reason the NEMOs (power exchanges) did not react either during bidding phase or after the results came out.

To note, this can happen anywhere in Europe. It requires very little imagination how someone with malign intentions could exploit this vulnerability. Thus, Finland is making a serious request to the Commission to start preparing for a revision of the guideline on capacity allocation and congestion management so that NEMOs will have both the possibility and the obligation to launch a mechanism for correcting obvious erroneous offers made by the parties.

### Technical price limits

The question of technical price limits of different electricity markets has been in discussions since last winter. Especially the price limit on the day-ahead market is unnecessarily high, 4000 EUR/MWh, and should be lowered as the day-ahead market price is the most liquid market place for electricity. The electricity market situation is now better than during the crisis year. Long cold periods and unavailability of large generation units or interconnectors could also significantly raise market prices. In addition, the geopolitical situation raises new concerns. Possible attacks, physical or cyber, on critical infrastructure would affect the market radically. All these risks affect the futures markets and thus raises the retail prices of fixed long-term contracts for households and SMEs. There is still also the risk that very high prices increase companies' liquidity needs due to collateral requirements.

Lowering price limits will lock out the most expensive production and demand response offers from the markets. Therefore, price limit should be set carefully by considering ways on how to incentivize these units to bid with a lower price to the markets. In the Finnish and also wider European context, the price limit of EUR 1000-2000 /MWh could be foreseen.

Looking back over the past one and half years and the experience of the energy crisis, Finland would like to raise the question whether we should even better protect our electricity markets from attacks by hostile countries through energy supplies. Finland therefore calls on the Commission to consider reviewing the Article 10 on technical price caps of the Electricity Market Regulation. The provision has now been drafted with a view to normal times and was not included in the Commission's proposal on Electricity Market Design. The technical price cap can only rise upwards, but it cannot be lowered if it has reached unrealistically high levels from the point of view of the energy economy during the energy crisis. At present, the provision leaves us vulnerable to further attacks.