

Low spot prices amidst mild and windy autumn weather

The extremely high spot prices we have now become familiar with were replaced by a sudden price fall last week and periods of negative hour prices in some parts of the Nordic region.



Here and now

Wet, windy and relatively warm autumn weather led to significant delivery price falls in the Nordic region last week. The average Nordic system price was just EUR 59.98/MWh in week 40. This is less than half of the level from the previous week and only a sixth of the record-high prices observed in August. During certain periods on Friday and Saturday, several countries even experienced negative hour prices, which emphasises just how volatile a period of enormous price fluctuations the market is currently experiencing.

Negative hour prices across parts of the Nordic region

Last week offered some very different price levels in the Nordic region to those we have become accustomed to in recent months. With an average Nordic system price of EUR 59.98/MWh, the Nordic region has experienced its cheapest week since the start of July due to a combination of windy, warm and wet autumn weather. It was especially the final days of the week that offered low prices. Across all of Sweden and Finland, as well as parts of Norway, there were negative prices for five hours overnight between Thursday and Friday and a single hour overnight between Friday and Saturday, and the

price level was generally close to 0 for the rest of these days. The level was extremely low also in Denmark at the end of the week but did not go below 0 at any point. Production at Nordic wind turbines remained at very high levels of around 20 GW per day on both Friday and Saturday. Although the price level is likely to increase slightly, this week looks set to continue with what can now be considered low prices in the Nordic region compared to recent months. We therefore anticipate an average Nordic system price of EUR 70-75/MWh for the week.

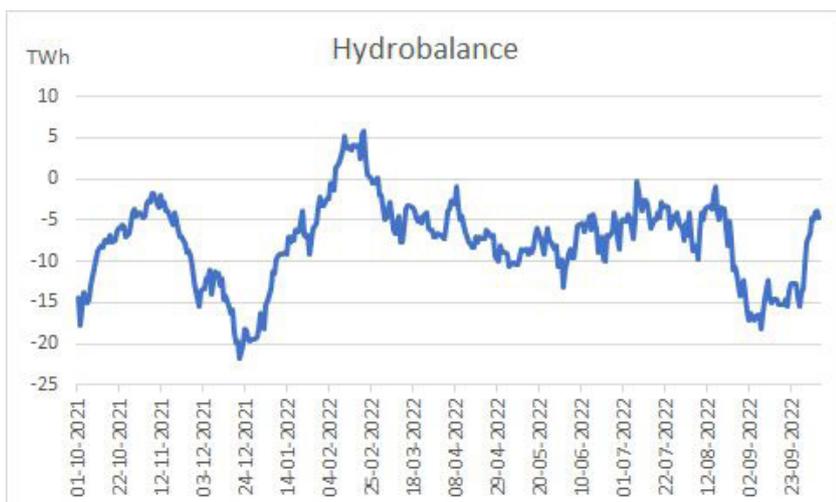
Our recommendation

Forward prices in the Nordic region are now around the same level as they were a week ago, but the level has fallen slightly at the start of week 41. Further price falls would appear likely in the coming week, but the market, which remains nervous, would react immediately to any changes in the weather forecast.

Forward	Wk 39 (EUR/MWh)	Wk 40 (EUR/MWh)	Expectation (w 41)
ENOMNOV-22	225.00	220.00	→
ENOQ1-23	316.00	315.00	→
ENOYR-23	159.50	160.50	→
SYHELYR-23	20.00	28.50	→
SYOSLYR-23	78.72	77.05	→

Rapid hydro-balance improvements

The hydro-balance deficit is currently dwindling fast. High precipitation volumes across the Nordic region, combined with low consumption due to the mild autumn weather has helped to improve the hydro-balance, which has been at a significant deficit for most of the year. According to figures from the PointCarbon analysis bureau, the hydro-balance deficit is expected to shrink to just -4 TWh by the end of October, if the coming weeks are as wet and mild as predicted by the forecasts. This, only around one month after the level dropped to -18 TWh.



Sharp price fall in the carbon market

In August, the European carbon market reached its highest-ever level with a price of EUR 99/t. Since then, the price has only decreased, and an allowance now costs around EUR 66/t. The soaring energy prices have resulted in the market expecting a notable fall in demand for allowances over winter, where the prices of electricity and gas, in particular, are expected to peak. The EU energy-saving plans have also had a bearish effect on the market. Last week, the EU member states agreed on a declaration of intent to save 10% of electricity consumption over the winter months.



Forecasts

The weather: Following a long period of mild and wet weather, slightly cooler and drier conditions are expected from the end of this week. Precipitation volumes and temperatures do, however, look set to climb again from as early as the middle of next week. Overall, the precipitation volumes in the Nordic region are expected to be around 30-40% higher than the seasonal norm in the next ten days.

Spot: Even though Nordic spot prices will remain relatively low in the coming period, the price level looks set to climb slightly compared to week 40. We anticipate high EPADs for delivery, especially in Denmark.

EPADs

The forward market has stabilised in the last week following several weeks of significant movements in both directions. In Finland, the 2023 EPAD did, however, increase sharply. There were no notable fluctuations in the 2023 EPADs in Norway.

Kimmo Kuusinen, Managing Director
(kimmo.kusinen@energiasuomi.fi)
Tel.: +358 40 1633922

Communicative Analyst
Karsten Sander Nielsen
(ksni@energidanmark.dk)
Tel.: +45 8745-6948