CONSULTATION RESPONSE

Response to changing the balancing price cap in Sweden

Brussels, 24 November 2025

General messages

- We highlight the recent Nordic balancing market price volatility following multiple operational changes, which have led to observations of persistently high imbalance prices, which have an impact on market behaviour. We welcome Svenska Kraftnät looking into initiatives to tackle the issue and starting to implement some mitigation measures.
- We **call for coordinated regional responses and actions**, with TSO cooperation on the mitigation measures to be taken – it is crucial to avoid a patchwork of national measures that negatively impact the functioning of the balancing markets.
- We generally **caution against significant deviations** from the Electricity Balancing guideline and encourage that any option considered and selected does not hinder accession progress towards the European balancing platforms, like MARI.
- At the European level, on discussions about balancing price caps, we emphasised the **need for transparency and reforming national balancing mechanisms** to reflect the target model as the fundamental long-term remedies, rather than implementing price limits or elastic demand, which impact balancing harmonisation and platform accession efforts.

Detailed comments

As outlined above in the general remarks, we strongly advise against balancing price caps, as they impact how markets work in several ways, notably on balancing capacity and how market risks are accounted for in market behaviours. Should Svenska Kraftnät go forward

with one of the price caps options, we strongly recommend to carefully consider the design and, in close collaboration with all Nordic stakeholders, to avoid a patchwork of mitigation measures.

Price limits may lead to discouraged bid submissions whenever the price spread is narrow, which would reduce the overall balancing energy available to SvK. Considerations should be made on the impacts of a price cap on Sweden's overall balancing capacity, with a focus on avoiding expensive energy activations. One measure to help provide balancing capacity is fostering a fast and efficient prequalification process for assets.

The most urgent measure to mitigate the recent price volatility on mFRR EAM is to focus on recalculations of cross-border capacity for balancing closer to delivery. It enables a more efficient use of the grid with optimised cross-border transmission capacity availability, reducing the reliance on local balancing resources. The planned implementation of flow-based calculation into the intraday and balancing timeframes is welcomed as another complementary mitigation measure. We are aware that the full implementation of this measure to both timeframes may take time and addresses a fraction of the market needs. Following the plans outlined in the latest Market Coupling Consultative Group (MCCG) by NEMOs and TSOs, we strongly encourage that the introduction of flow-based in intraday auctions keeps to the calendar announcement of Q3 2027.

Thus, in the meantime, we recommend the TSOs to first develop and implement an ATCE methodology for calculating initial capacity for the ID and balancing market and a new procedure for Nordic TSOs to recalculate and update ATC capacities before the balancing timeframe (based on the latest plans and updated forecasts). This ATC calculation should be run on an hourly basis, e.g. 1–3 hours before the delivery hour, where additional capacity is either released directly to the AOF of the Balancing market and/or for the last 1–2 hours of the ID trading.

In parallel, we urge TSOs to prepare and accelerate the rollout of flow-based capacity calculation in intraday auctions as soon as possible. This initiative should also be accompanied with a holistic impact assessment.

A third measure, following the Danish example, is to consider introducing elastic demand. Its implementation in regions facing acute price volatility can enhance market resilience. Nonetheless, we caution against the emergence and use of specific products and rather recommend refining their use to avoid unintended consequences.

The second impact of price caps is how market risks are perceived, which leads to changes in prices. When more risk is identified by market participants, they will incorporate that risk into their pricing; therefore, it will be reflected in the bids. A spiral is also created when market participants notice extremely costly activations; they then incorporate that rise into their bids, which reinforces the higher prices. One way to tackle this spiral is to recalculate the extreme prices, including before SvK's weekly recalculations, to signal to the market that these prices are not final.

This measure can be accompanied by greater transparency, including the publication of the merit order curve with price and volume data, as it is being implemented in Finland and Denmark.

Thus, with reduced risks, the bids should also reflect this with lower prices. While a price cap can reduce the risk of extreme imbalance prices, depending on the spread, it will impact the market. Hence, our recommendations for additional mitigation measures to be considered with other Nordic stakeholders are to have a regional and coordinated approach. The selected outcome of this consultation should also look to avoid creating any obstacles to acceding to the EU balancing platforms, including MARI.

We would like to further add to Article 18 paragraph 2 proposal on Capacity calculation an update accounting for the multiple calculations occurring throughout the intraday timeframe, rather than the mention of just one intraday capacity calculation.

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