



- Press release -

Europex welcomes strengthened role for long- and short-term markets under new EU electricity market design rules

Brussels / Strasbourg, 26 March 2019 | Europex, the Association of European Energy Exchanges, welcomes today's adoption of the four remaining files of the *Clean Energy for All Europeans* package by the plenary of the European Parliament. These concern the recast Electricity Regulation and Directive, the Regulation on risk-preparedness in the electricity sector and the recast ACER Regulation. This new framework represents significant progress towards the further integration of the EU Internal Energy Market.

In the following, we would like to highlight four major improvements:

1. A strengthened role for electricity wholesale markets, based on the principle of free price formation, both on long- and short-term markets. Transparent price signals and the possibility to trade ever closer to real-time allow increasing amounts of renewable energy, in particular wind and solar, to be integrated into the system and ensure that production and consumption needs are met at all times. To allow the market to function efficiently, it is important to have a level playing field for all technologies, which is why we welcome steps to phase out priority dispatch for renewables, extend balancing responsibility to all sources and ensure equal market access, allowing different market participants to compete fairly.

2. Improved wholesale market access for new actors, including storage, and new incentives for consumer participation either through aggregation or individually. As diverse sources, such as storage and demand-side response increasingly offer flexibility on the market, in addition to traditional production sources, clear price signals ensure adequate remuneration of these different sources, steer investment decisions and incentivise innovation. Energy exchanges have pioneered regional and local flexibility markets and look forward to their further development, complementing the European wholesale market.

3. A clear pathway to maximise the amount of cross-zonal capacity available for trading. Europex emphasises the importance of the swift implementation of the new minimum 70% threshold for the amount of cross-zonal capacity available for trading and to undertake careful periodic assessments of its progress and impact. Given the proven welfare benefits

brought about by the further integration of European power markets, making the maximum possible cross-border capacity available for trading, whilst respecting security requirements, remains a key principle to drive the completion of the Internal Electricity Market. Against this background, an efficient and clear process to determine the optimal configuration of bidding zones is vital to reflect grid constraints while ensuring effective trading in liquid markets between zones. At the same time, a stable configuration of bidding zones is critical to provide a long-term investment environment for the further development of long-term forward and futures markets, which provide cost-efficient tools for securing prices and hedging against risks.

4. The formal recognition of ‘delegated operators’ as a distinct group of market stakeholders in the recast Electricity Regulation. Europex has been advocating this recognition for a number of years, given that delegated operators, many of whom are Europex members, perform essential market functions for the European energy market alongside Transmission System Operators. Functions typically carried out include imbalance calculation and settlement, data publication and other key tasks related to balancing markets. These delegated operator arrangements are in place in at least eleven EU Member States.¹

Besides these clear improvements, a few opportunities for additional changes have been missed. For example, in the retail market, prices continue to be regulated in some Member States, weakening the benefits of the Internal Energy Market. Consumers should rather be assisted through a combination of measures, such as special direct support schemes for vulnerable consumers in need. Also, some exemptions still remain for the balancing responsibility of renewable energy installations below a certain capacity, which could rather be dealt with through external service providers.

Europex strongly believes that an efficient, liquid, transparent and integrated European energy market is essential for achieving a successful and cost-efficient energy transition. We are pleased to have contributed to the discussions around the new market design, and we look forward to continuing to work together with all stakeholders to implement the new rules, whilst innovating for the future of energy markets.

¹ For further information see: <https://www.europex.org/position-papers/the-essential-tasks-of-third-party-market-operators-facilitators-in-the-electricity-market/>

About

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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