

EPEX SPOT VISION FOR THE POWER MARKET DESIGN OF THE FUTURE



The megatrends of decarbonisation, decentralisation and digitalisation are leading to fundamental change in European electricity markets. Increasing shares of renewables must be integrated into the market. Decentralised and intermittent generation needs to be matched with security of supply requirements. Digitalisation drives new business models and technological developments.

Competitive, liquid and European-wide electricity markets with unrestricted, market-based price formation enable these changes. They benefit consumers and aim to maximize social welfare.

To attain this goal, a clear and stable regulatory framework is needed. How shall such future European electricity market design look?

EPEX SPOT operates Europe's largest and most important power markets and has been architect of European Market Coupling. We continuously innovate to develop new power trading solutions. EPEX SPOT markets already integrate large amounts of renewables while guaranteeing reliable and orderly trading.

OUR RECOMMENDATIONS FOR THE POWER MARKET DESIGN OF THE FUTURE

Competitive, non-discriminatory and liquid energy markets

- Analysis The larger the supply and demand, the more relevant and competitive the prices.
- Policy recommendation The future market design shall foster efficient and liquid wholesale markets which are a prerequisite for competitive retail markets and benefits final consumers. New legislation should remove any barriers hampering Power Exchanges to establish, maintain and enhance services that best suit the markets' needs.
- EPEX SPOT engagement At EPEX SPOT, we are driving innovative and state of the art power trading.



1

European-wide interconnected wholesale markets

- Analysis Market coupling is a major step towards market integration: It optimises EU-wide electricity flows, lowers wholesale prices, facilitates the integration of renewables and contributes to security of supply.
- Policy recommendation Remaining barriers to cross-border trade must be further abolished.
- EPEX SPOT engagement With its markets at the heart of Europe, EPEX SPOT plays an active role in establishing the new European schemes for single day-ahead and intraday coupling.



2

Large and liquid bidding zones

- Analysis Large, stable and cross-border bidding zones are the basis for well-functioning, liquid and competitive power markets.
- Policy recommendation Bidding zones need to be defined by reference to transmission constraints. Hence, imbalance price areas need to be drawn based on the existence of bidding zones and not the other way around.
- EPEX SPOT engagement EPEX SPOT calls for the respect of the subsidiarity principle and the full involvement of all key market stakeholders in the decision-making process on redrawing bidding zones.



4

Reliable regulatory framework for Power Exchanges

- Analysis An appropriate regulatory framework is important to ensure a clear unbundling between regulated and competitive market functions.
- Policy recommendation Regulatory oversight should be strictly limited to what is needed and not impose unnecessary bureaucracy.
- EPEX SPOT engagement As an independent and competitive Power Exchange, EPEX SPOT is driving innovation for cost-efficient and market-oriented business solutions.



7

Flexible markets to fully integrate renewables into the market

- Analysis Short-term electricity markets are key for the successful integration of renewables into the market.
- Policy recommendation The future market design should allow customers to offer their flexibility in a market-based manner, e.g. via demand side management and aggregation services. A more coordinated approach to support renewables is required.
- EPEX SPOT engagement EPEX SPOT makes markets fit for renewables. We continuously develop further flexibility products. We shorten and harmonize lead times and product granularity.



6

Energy-only markets preferred, complementary capacity mechanisms where needed

- Analysis While the main price signal must come from power markets, capacity markets may provide a reasonable complement to ensure generation adequacy.
- Policy recommendation Capacity mechanisms shall be: market-based and least distortive, technologically neutral, and coordinated across borders.
- EPEX SPOT engagement With its innovative flexibility products, EPEX SPOT plays a pioneering and unique role in the Energy-only market as well as in capacity markets.



5

Unrestricted, market-based price formation and scarcity pricing

- Analysis The reference price for electricity is decisive for short-term generation and consumption decisions as well as for long-term investment decisions in new generation capacities. Unrestricted price formation is thus an important ingredient to the market design.
- Policy recommendation Regulatory price caps shall be removed to allow free price formation. Only EU-wide harmonized technical price limits – set by market operators – are necessary.
- EPEX SPOT engagement EPEX SPOT generates and publishes a reference price for electricity on a daily basis for every hour of the day. We continuously innovate to provide a fair, transparent and orderly price formation.



3

EPEX SPOT AT A GLANCE

The European Power Exchange EPEX SPOT SE operates the short-term electricity markets for Germany, France, the United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg. In 2017, its 285 members traded 535 TWh on its Day Ahead and Intraday markets – a third of the domestic consumption in the eight countries covered.

The nature of our industry makes EPEX SPOT who we are: an innovator and connector in the power sector. As a decisive player in the electricity landscape, our role is to:

- Organise the European-wide matching of electricity supply and demand
- Provide a trusted electricity price for Europe during every hour of every day
- Actively promote market transparency and integrity
- Drive forward the goals of the Energy Union

Contact

EPEX SPOT SE, 5 boulevard Montmartre, 75002 Paris (France), www.epexspot.com, Twitter : EPEXSPOT_SE
Offices: Hoogoorddreef 7, 1101 BA Amsterdam (The Netherlands); Marktgasse 20, 3011 Bern (Switzerland); Boulevard de l'Impératrice 66, 1000 Bruxelles (Belgium); Augustusplatz 9, 04109 Leipzig (Germany); 11 Westferry Circus, Canary Wharf, London E14 4HE (United Kingdom); Mayerhofgasse 1/19, 1040 Wien (Austria)

Public & Regulatory Affairs and Communications, Wolfram Vogel, Tel +33 (0) 1 73 03 61 32, publicaffairs@epexspot.com

POWER FOR TODAY. POWER FOR TOMORROW.