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

The larger the supply and demand, the more relevant and competitive the prices.

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 market’s needs.

At EPEX SPOT, we are driving innovative and state of the art power trading.

European-wide interconnected wholesale markets

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.

Remaining barriers to cross-border trade must be further abolished.

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.

Unrestricted, market-based price formation and scarcity pricing

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.

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 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.

Large and liquid bidding zones

Large, stable and cross-border bidding zones are the basis for well-functioning, liquid and competitive power markets.

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 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.

Energy-only markets preferred, complementary capacity mechanisms where needed

While the main price signal must come from power markets, capacity markets may provide a reasonable complement to ensure generation adequacy.

Capacity mechanisms shall be: market-based and least distortive, technologically neutral, and coordinated across borders.

With its innovative flexibility products, EPEX SPOT plays a pioneering and unique role in the Energy-only market as well as in capacity markets.

Analysis Policy recommendation EPEX SPOT engagement
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

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