

Press Release

Reliable price signals and integration of flexibilities are essential to smart sector integration

EPEX SPOT reacts to the strategy of the European Commission on energy sector integration

Paris, 08 July 2020. The European Power Exchange welcomes the European Commission's strategy on energy sector integration and in particular the high prioritisation of the topic on the political agenda, also confirmed by the upcoming German EU presidency. EPEX SPOT strongly supports the EU Commission's approach that an integrated energy system shall be at the heart of Europe's economic recovery post-COVID-19. The Exchange estimates that the central role of the price signal as well as the exploitation of demand-side flexibility have to be carved out even further. Only then can smart sector integration truly be achieved.

"It is the natural role of a Power Exchange to support the coupling across sectors. As a pioneer in the coupling of European power markets, we have gained legitimacy to do so. This is further complemented by our market participants who are actors from diverse fields, as well as from our integrated one-stop-shop model within EEX Group, having under the same roof power and gas markets" comments Ralph Danielski, Chief Executive Officer of EPEX SPOT.

The price signal drives sector integration and unlocks the potential of demand-side flexibility

Competitive, non-discriminatory and liquid markets deliver reliable price signals for electricity, flexibility, gas and CO2 emissions to enable cost-efficient sector integration. Price signals trigger decisive short-term generation and consumption decisions as well as long-term decisions on investments in new

generation capacities. A strong and reliable price signal will set the right incentives to run power-to-x plants to produce hydrogen from electricity when it is most efficient. Also, the dissemination of price signals to decentralised assets and loads, such as charging electric vehicles, supports the whole energy system.

According to the European Commission, increased demand-side flexibility could lead to savings of EUR 5.6 billion per year. EPEX SPOT underlines that market-based solutions are urgently needed to unlock the full potential of demand-side flexibility, to make the energy transition cost-efficient. Cost-based and regulated mechanisms do not create incentives for the development of load-side flexibilities. Load-side flexibilities can only unfold their potential through a transparent market with free and anonymous bids, such as local flexibility markets.

Regulatory interference among the factors that hinder efficient energy sector integration

Regulatory interference in market price formation hinders a proper reflection of the value of flexibility in the electricity price for the end-consumer. The lack of harmonisation of taxes, charges and levies across different sectors considerably slows down efforts of system integration.

“Some sector integration is already taking place today in various forms on different markets. Dedicated market-based solutions will allow to further foster the integration of the energy systems.” Ralph Danielski adds.

[Click here to read](#) the full response of EPEX SPOT to the Public Consultation on smart sector integration initiated by the EU Commission.

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The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in Central Western Europe, the United Kingdom and in Denmark, Finland, Norway and Sweden. As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT is committed to the creation of a pan-European power market. Over 300 members trade electricity across twelve countries on EPEX SPOT. 49% of its equity is held by HGRT, a holding of transmission system operators. For more information, please visit www.epexspot.com.

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