

Press Release

CACM revision plans might endanger European power market efficiency and climate objectives

EPEX SPOT responds to ACER consultation

Amsterdam / Berlin / Bern / Brussels / London / Paris / Vienna, 21 June 2021. The European Power Exchange EPEX SPOT has responded to the consultation of the Agency for the Cooperation of European Regulators (ACER) on the next iteration of the Guideline on Capacity Allocation and Congestion Management (CACM) – and warns that the options on the table might endanger European power market efficiency and ultimately EU climate objectives. In the consultation, ACER has suggested a complete overhaul of the governance of market coupling and a change of paradigm in the European electricity market design, e.g. the ban of organised trading outside of the Single Intraday and Day-Ahead Coupling (SIDC and SDAC).

What might sound like a discussion about technical details, could have in fact severe impacts on how electricity wholesale markets in Europe will function in the near future. The options on the table are likely to endanger the overall efficiency of the European electricity sector, leading to missing resources for implementing critical projects and for further innovation to decarbonise the energy sector.

Market coupling: A reality for almost 15 years

From 2000 onwards, organised markets such as EPEX SPOT have been created to cope with the effects of the unbundling in the energy sector. They provide transparent and reliable price signals through meeting offer and demand of electricity. In 2007, power exchanges started integrating electricity markets through an innovation called market coupling: prices and power flows between countries when cross-border capacity is made available are since then calculated across different power exchanges at the same time in the most efficient way, creating benefits of hundreds of millions of Euros per year for European consumers and industries.

In 2015, CACM came into effect and cast the existing market coupling into European legislation. It also provided a framework to power exchanges for the extension of services to other European markets. Since then, the current setup of market coupling has proven its resilience, from the increased competition between power exchanges to several geographical and technical extensions as well as to the COVID-19 crisis. It has already brought a significant contribution to European consumers' access to safe, secure, affordable and clean energy.

CACM revision: Possible effects for the market

The current proposals may put at risk the completion of the European single power market and associated projects for several reasons:

1. **Effectiveness, efficiency and transparency** of the overall system might be endangered by the creation of additional governance layers and intermediaries;
2. **Safety of operations** might be less resilient, as the governance options lead to the creation of a potential "single point of failure" which could increase the risks and the impacts of an incident and in the end endanger energy security;
3. **Significant transition costs** of a new setup may divert resources away from critical projects aimed at expanding the geographical scope of market coupling and making new trading products available for the sake of the goals of the EU Green Deal and 2030 Climate Target Plan;
4. **Longer time-to-market for innovations** may result from the proposed market design changes and new restrictions placed on power exchanges.

EPEX SPOT's proposal: Foster competition and innovation

EPEX SPOT's priority is that electricity markets can further develop in line with the EU's goal of climate neutrality by 2050. We call for:

- **Building on the existing market coupling setup** while increasing organisational efficiency and decision-making processes to reduce time-to-market of new products and features;
- **Fostering market innovations**, to be able to integrate ever-growing shares of renewable in the power system and drive the decarbonisation, decentralisation, and digitalization of the power system;
- **Enabling competition between power exchanges across all EU Member States** to provide market participants with additional trading opportunities and enlarge the benefits of market coupling for European consumers.

We call on ACER, the National Regulatory Authorities and the European Commission to carefully assess the implications of the current options – and to consider the alternative proposals submitted by EPEX SPOT and under discussion between power exchanges and transmission system operators. In the past 20 years, the European electricity market with its benefits for industries and consumers has become a blueprint for many other regions – an achievement that should not be put at stake.

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The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, the United Kingdom, Switzerland, the Nordics and in Poland. 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 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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