

## Exchange Council: EU Commission proposals for market reform endanger setup of short-term markets

**Madrid / Paris, 28 March 2023.** At their first quarterly meeting in 2023, the EPEX SPOT Exchange Council members voiced concern over the proposals of the EU Commission to reform the European electricity markets. They joined EPEX SPOT in its criticism that revolutionary elements were a part of the Commission's proposal, while stakeholders advocated for an evolution of the market rather than a revolution. Such proposals are not only a threat to markets, but also to the achievement of the net zero targets.

In its [response to the EU Commission Consultation](#) on the Electricity Market Design, EPEX SPOT advocated for a reform that further integrates the pan-European electricity market, rather than overthrowing its fundamentals. Furthermore, any reform should increase the overall security of supply by fostering investments in decarbonised production assets, activate decentralised potential and enable innovation along the whole value chain. To encourage investments, the potential of market-based hedging instruments needs to be achieved. The current proposal, however, introduces counter-productive hedging obligations while suggesting a setup of virtual hubs which would disrupt the long-term market rather than strengthening it. Furthermore, the functioning of short-term markets needs to be ensured to secure the efficient integration of renewables into the system. Ralph Danielski, Chief Executive Officer of EPEX SPOT, comments: "The proposals of the EU Commission have the potential to create nothing less than a disruption of short-term markets. This may not be obvious at first glance, but it is evident: For example, the term of a Single Legal Entity is reintroduced. There is no clarity on the needs, objectives, or the benefits of such an entity. What is clear is that its implementation would create a loss of time and resources, while creating a centralised market setup, newly introducing a single point of failure for the pan-European power market." Furthermore, the sharing of orderbooks at

all times, even without cross-border capacities, is put on the table by the EU Commission. Ralph Danielski adds: “This measure is a first step towards a monopoly setup on a market which has been thriving under competition. We really need to focus the efforts on those areas where further progress can be made to foster the Internal Energy Market and clearly must avoid any ideas that have been proven to be counterproductive.” The Exchange Council members also reminded that no impact assessment or benefit study has ever been conducted to back up the necessity of these structural changes. Finally, the EU Commission proposals on the REMIT Regulation were looked at very critically, since these put significant additional burden on market participants increasing the cost of trading. Most concern was raised regarding the proposed massive shift of powers and competencies from national regulators towards ACER which the Exchange Council considers as very problematic: it bears the significant risk of double regulation, again creating uncertainties for market participants.

Furthermore, the members discussed the results of the Annual Customer Survey. The overall customer satisfaction has risen to an all-time high and reached 96% this year, driven by increased performance of the Day-Ahead and Intraday trading systems, as well as high-quality customer service. Jonas Törnquist, Chief Operating Officer of EPEX SPOT, comments: “We are very pleased with these results. They confirm that our first-in-class strategy is meeting the needs of our market participants. Systems with increased stability, scalability, better ergonomics, and new functionalities are at the centre of our attention, as well as our people, teams, and processes to support our customers. We are on the right track, with more improvements to come in order to further increase satisfaction of our members.”

To conclude, the Exchange Council looked back on seven monthly pan-European GOs auctions that have taken place since the [launch in September 2022](#). The interest in this young market is very strong with more than 140 market participants lined up to join the segment, and a record volume of 129.35 GWh was traded at the last auction which took place on 22 March 2023. Bernhard Walter, Chairman of the EPEX SPOT Exchange Council, comments: “This market shows a promising development. Standardisation and transparency are key to for trading members and will foster the further growth of GOs trading in Europe. For a continent in transition, such certification schemes and their efficient trading are indispensable.”

The Exchange Council also approved the go-live of EPEX SPOT’s Localflex market in the Netherlands, [planned jointly by EPEX and GOPACS for June 2023](#). Its introduction in the Exchange Rules was also confirmed by the members.

Last but not least, the Exchange Council members welcomed two trading anniversaries in Poland: In February 2021, the Polish Day-Ahead market was launched, and the Intraday offer followed one year later in February 2022. Since the launch, both markets have achieved a solid level of liquidity, bringing

true added value to market participants in the region: the Direct Clearing Participant scheme, the highly performant Intraday continuous system and Future-to-Spot services have been implemented by EPEX SPOT over the last two years.

The first regular Exchange Council meeting of 2023 was held on 22 March 2023 in Madrid and chaired by Bernhard Walter, Head of Market Design and Regulatory Affairs at EnBW AG.

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**The Exchange Council of EPEX SPOT** is an official body of the Exchange. 27 members and 4 permanent guests represent adequately the diversity of economic and corporate profiles that exists among the Exchange Members from various sectors: producers, power trading companies, transmission system operators, regional suppliers, and financial service providers, as well as commercial consumers and academics. Its missions include in particular the adoption of the Exchange Rules and the Code of Conduct of EPEX SPOT and their amendments. The Exchange Council approves new trading systems as well as new contracts or market areas and approves the appointment of the Head of the Market Surveillance Office. It meets up quarterly.

**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. Furthermore, EPEX SPOT newly offers local flexibility markets solution and Guarantees of Origin auctions, to foster the integration of renewable energy sources and to enhance the engagement of consumers and producers in the power market.

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](http://www.epexspot.com).

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