

Exchange Council gives mandate for improvement proposals of Market Coupling fallback procedures

Localflex market operated on behalf of UK Power Networks develops rapidly

At the last meeting of the year, the Exchange Council supported a mandate for EPEX SPOT to propose improvements to the fallback measures applied by the Power Exchanges (Nominated Electricity Market Operators – NEMOs) involved in the Single Day-Ahead Coupling (SDAC) in case of partial or full decoupling of electricity markets.

Firstly, the members affirmed that all means must be exploited to avoid any decoupling scenario on European electricity markets.

- To reduce the likelihood of decoupling events, the Exchange Council Task Force calls for a review of decoupling and nomination deadlines in the Core¹ region, in order to reserve more time for resolving potential incidents.

Secondly, in the extremely rare case that partial or full decoupling occurs, the Exchange Council puts forward the following improvement proposals:

- In case of full decoupling of SDAC, NEMOs would publish and use a common pre-defined Reference price for each bidding zone, and shall be allowed to execute their collected orderbook against this Reference price. The definition of the Reference price should be jointly agreed and public.
- In case of partial decoupling of one Power Exchange in SDAC, as it was the case during the market incident experienced on 25 June 2024, the decoupled NEMO should be allowed to publish and use the SDAC price, computed by the remaining coupled parties, and execute its collected orderbook against this harmonized price.

A further improvement of this approach could be assessed, according to the Exchange Council, to manage the cases where the SDAC reference price under partial decoupling situation is considered inconsistent, as significantly diverging from the market fundamentals. In that case, an adjusted Reference price could be used by the decoupled NEMO also under a partial decoupling situation.

The overall objective of the proposal is to offer an improvement of the current mechanism of local fallback auctions, securing volume execution in the Day-Ahead timeframe, consistently with the harmonized market coupling processes, and correctly reflecting market fundamentals in the Exchange prices. These proposals will now be brought forward by EPEX SPOT towards the Market Coupling community, namely NEMOs, TSOs as well as national regulators, ACER and the EU Commission.

Jonas Törnquist, Chief Operational Officer of EPEX SPOT, comments: “The Exchange Council Task Force has thoroughly looked at every detail of alternative proposals and carefully assessed, evaluated, approved or discarded them. I thank the members for their effort, support and commitment to be a driver of the change we want to bring to the Market Coupling processes.”

Bernhard Walter, Chairperson of the EPEX SPOT Exchange Council, comments: “This process has shown that there is no easy alternative to current fallback mechanisms that fulfils all the raised criteria. Any approach intervenes in the delicate balance between avoiding imbalances, ensuring volume execution and grid stability,

¹ The Core region comprises 13 countries: Austria, Belgium, Croatia, the Czech Republic, France, Germany, Hungary, Luxembourg, the Netherlands, Poland, Romania, Slovakia and Slovenia.

while securing a sound Reference price that correctly reflects fundamentals. The mandate given strikes the right balance between all the requirements and we will follow closely the next steps, as EPEX SPOT advocates for these changes towards the Market Coupling community.” He also emphasises that it is important to reach a common approach quickly in order to generate clarity in the market.

The Exchange Council Task Force on fallbacks has met four times since July 2024, with a focus on defining a commonly agreed position for EPEX SPOT to propose a modification of the shared SDAC fallback regime. In parallel, EPEX SPOT has completed a workstream on individual improvements, with notably system enhancements and a new set of improved and clearer operational messages. They were presented to Market Participants in a dedicated Webinar on Day-Ahead processes end of November 2024, and a training session took place for Market Participants in December 2024.

Success of Localflex market in Great Britain presented to the Exchange Council

Since April 2024, EPEX SPOT has been operating a Local Flexibility Market for UK Power Networks (UKPN) in Great Britain. The market has expanded rapidly, illustrating the scalability of the Localflex solution. 129 trading zones offer long term reservation and utilisation as well as Day-Ahead utilisation of flexibility, via the EPEX SPOT dedicated Localflex© trading platform. “We are particularly pleased with the diversity of decentralised assets that have joined the market” says Jonas Törnquist. “Thermal units, EV management, batteries, instrumentation and control systems, renewable assets – the market setup is truly open. This way we enable our customer UKPN to generate savings, to adequately target investment decisions and to generate social welfare benefits via a market mechanism” he adds. Local flexibility markets connect System Operators with Flexibility Service Providers via a performant platform. By purchasing flexibility, i.e. relying on a provider’s ability to ramp up or down consumption, System Operators can avoid grid congestions before they occur, hence avoiding redispatch costs.

The fourth Exchange Council meeting of 2024 was held on 4 December 2024 in Vienna and was chaired by Bernhard Walter, Head of Market Design & Regulatory Affairs at EnBW.

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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 operates physical electricity markets for the largest trading community in Europe, with over 400 companies connected to our platforms. Committed to innovation, we deliver a full range of services across the value chain of electricity trading, with the highest standards of performance. Our gateway of market solutions include Day-Ahead, Intraday and After-market power trading, Capacity and Guarantees of Origin (GOs) auctions, Local Flexibility and Data services.

Building on its unique expertise as a co-creator of the Internal Energy Market for electricity, EPEX SPOT's services span over 19 countries: From power trading across Central Western Europe, the United Kingdom, Switzerland, the Nordics and Poland to Market Operation services in Ireland, Hungary, Montenegro, North Macedonia, Serbia and Slovenia. In the environmental market, EPEX SPOT's Pan-European GOs auctions cover a scope of 22 countries.

As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT enables a price-responsive power system, to achieve a competitive and climate neutral Europe. 49% of its equity is held by a holding of major European Transmission System Operators.

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