

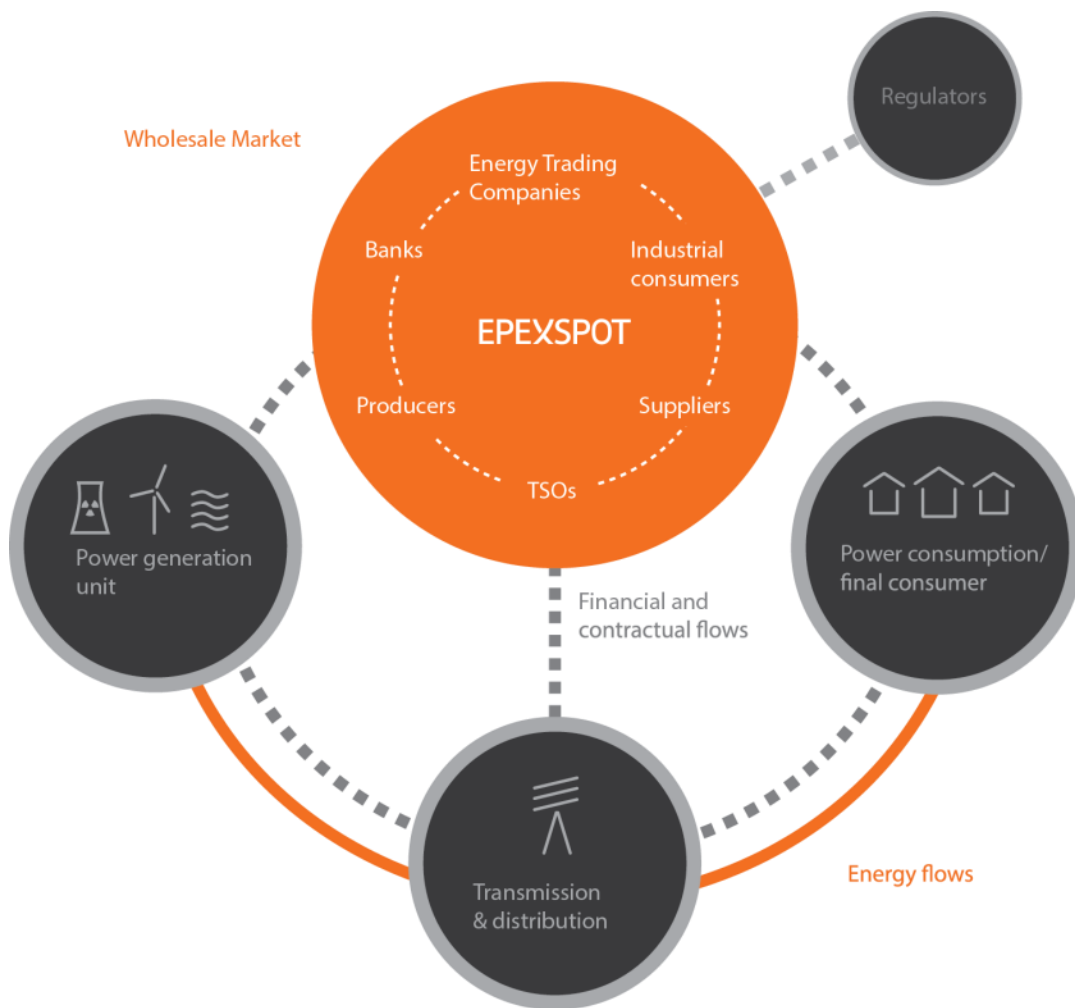
Short-term Flexibility Provision and Long-Term Capacity Support: Is the Current European Market Infrastructure Adequate?

CEEM Seminar on the European Electricity Market
Integration after the Winter Package: new impulse or business as usual?

Wolfram Vogel
Director Public & Regulatory Affairs

Paris, 30 January 2017


The organised market: principles



- Access to an anonymous market
- Level playing field between members
- Financial guarantees through the Clearing House
- Calculation and publication of transparent and fair price references

EPEX SPOT Markets

The widest range of operation and services in Europe, covering today 50% of power consumption

 Current own markets

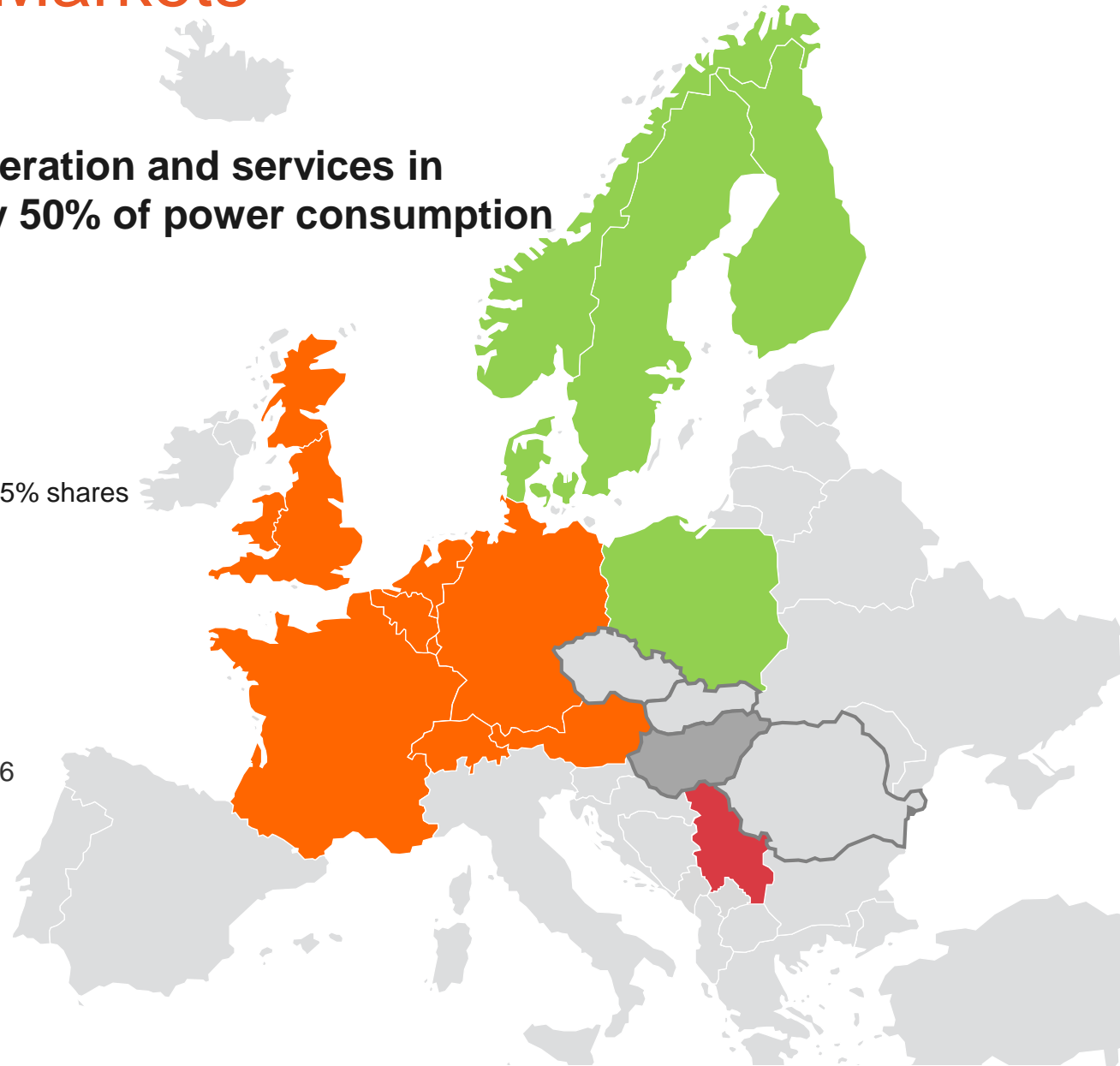
 Market expansion

 Market operation services and 25% shares

 Market operation services

 Market coupling services

- Over 275 Exchange Members
- 530 TWh of traded volume in 2016



Market review 2016: Volumes and delivery zones

DE/AT/LU: 275 TWh

Thereof intraday: 41 TWh

Share in consumption: 50%

Delivery zones: 50Hertz, Amprion, APG, TenneT, TransnetBW



FR: 115 TWh

Thereof intraday: 4 TWh

Share in consumption: 24%

Delivery zone: RTE



NL: 36 TWh

Thereof intraday: 1 TWh

Share in consumption: 33%

Delivery zone: TenneT



UK: 57 TWh

Thereof intraday: 13 TWh

Share in consumption: 17%

Delivery zone: National Grid



BE: 20 TWh

Thereof intraday: 1 TWh

Share in consumption: 24%

Delivery zone: Elia



CH: 26 TWh

Thereof intraday: 2 TWh

Share in consumption: 43%

Delivery zone: Swissgrid

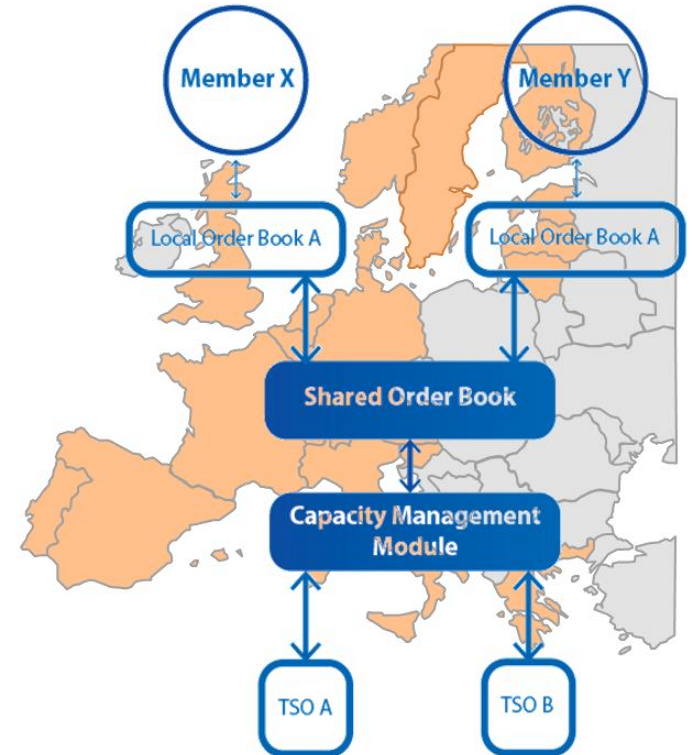


Two « Target Models » for market integration, now set in the EU Law

Day-Ahead Market Coupling



Intraday Market Coupling



Day-Ahead Market Coupling

Towards the Energy Union

- Multi Regional Coupling (MRC) is a day-ahead price coupling now covering **85% of European electricity demand**
- So far a voluntary cooperation between PXs and TSOs
- PXs operate the core market coupling processes through the “PCR” cooperation



PCR EVOLUTIONS

NWE, Baltic	Feb 2014
SWE	May 2014
Italy, Slovenia	Feb 2015
Switzerland	Technically feasible
CZ, SK, HU, RO	Separate PCR solution, end 2014
Austria-Slovenia	July 2016

Intraday Market Coupling

XBID & Local Implementation Projects

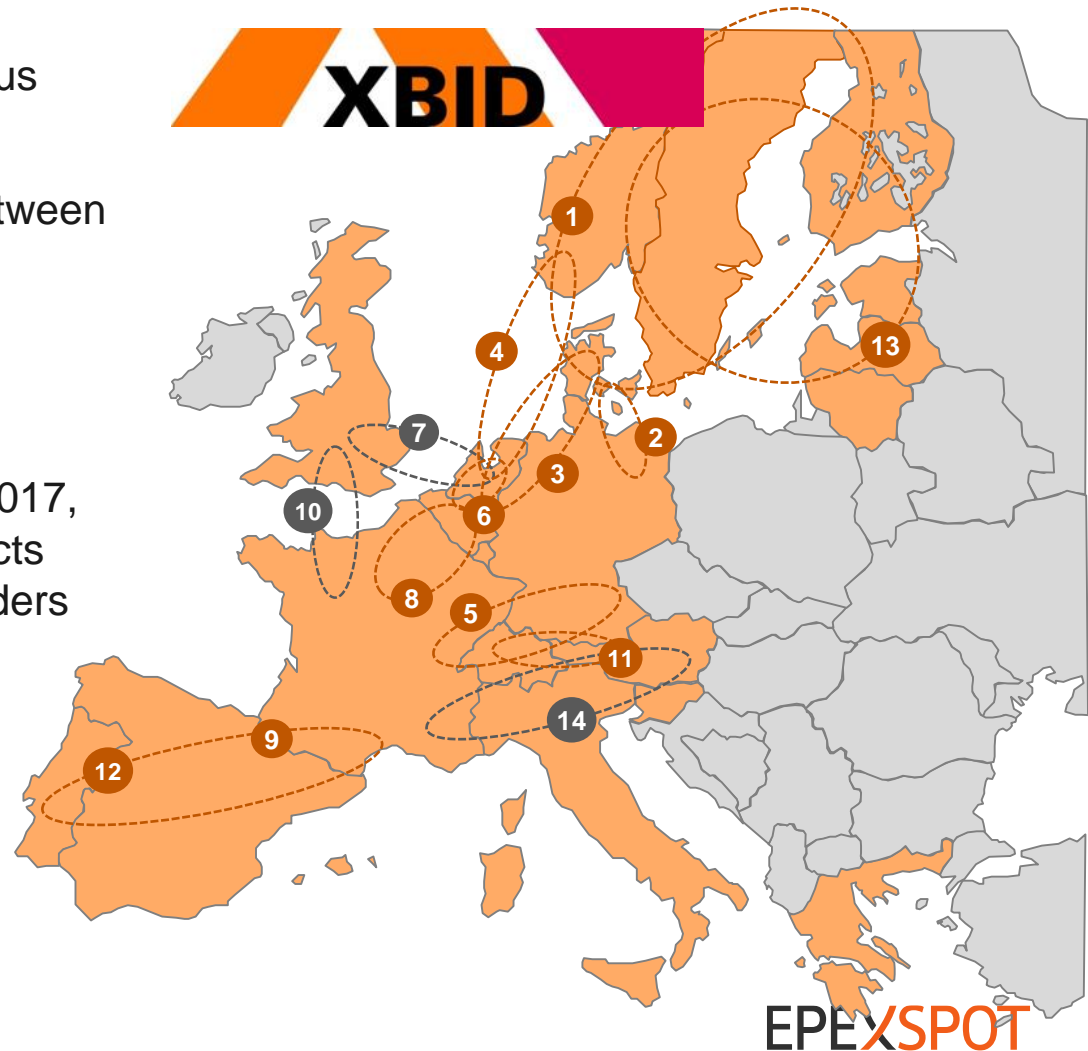
- XBID is a mechanism of continuous cross-border intraday trading
- So far a voluntary cooperation between PXs and TSOs
- PXs contract the XBID system to Deutsche Börse AG
- XBID is expected to go-live end 2017, while Local Implementation Projects (“LIPs”) set-up XBID on each borders



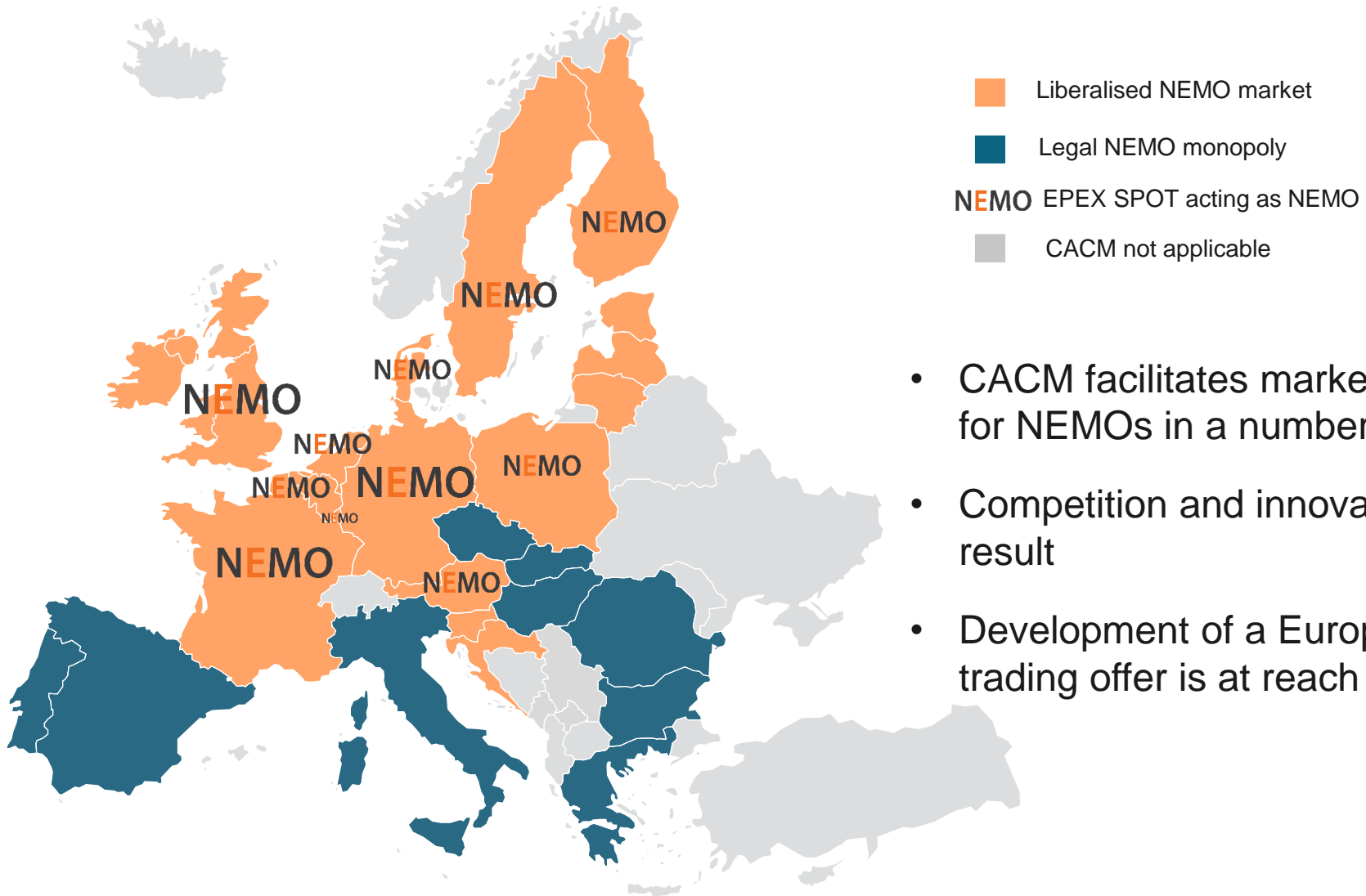
1st go-live wave LIP



2nd go-live wave LIP



A wider scope for integrated markets development and competition



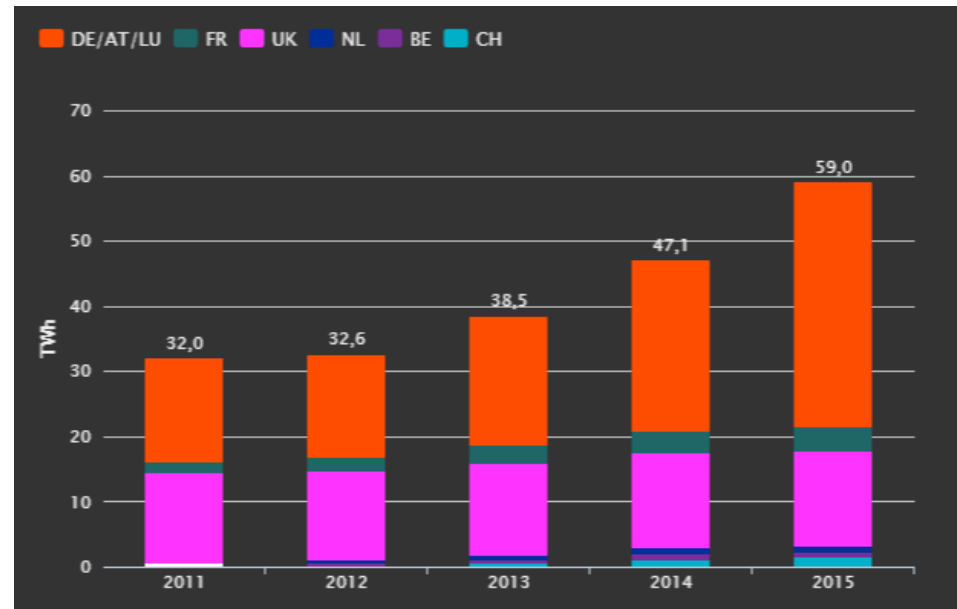
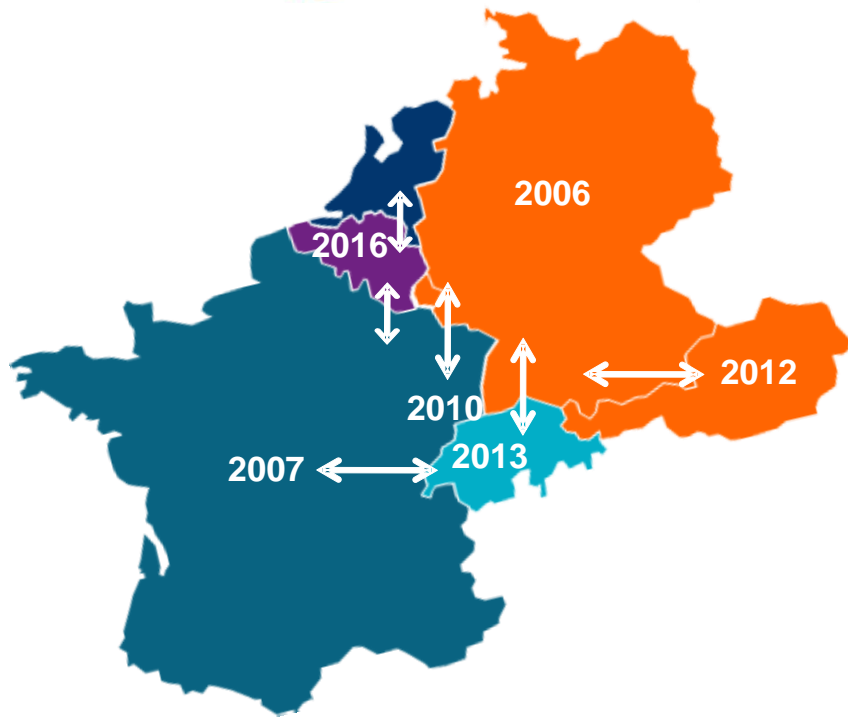
- CACM facilitates market entry for NEMOs in a number of hubs
- Competition and innovation as a result
- Development of a European trading offer is at reach

CACM partially set the rules for a more efficient CACM

- ✓ Clearer governance between TSOs and PXs (or “NEMOs”)
- ✓ Recognition of PCR and XBID as the EU Target Models
- ✓ Competition facilitated for NEMOs

- ? Financing of market coupling is uncertain
- ? Compatibility between national regulatory decisions
- ? Room for innovation aside the EU Target Models

Value your flexibility : EPEX integrated and most liquid Intraday market

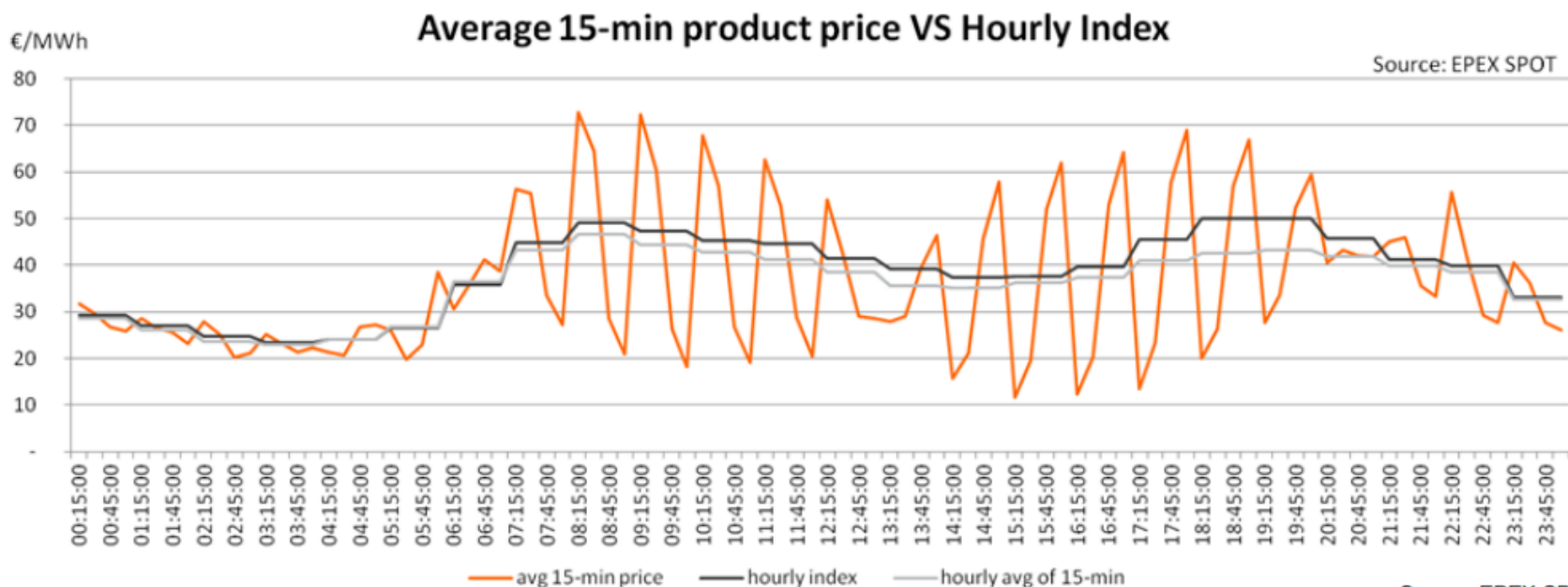


Years represent the launch of the respective market and / or cross-border trading solution

What is flexibility? Is there a value for flexibility on the Intraday market?

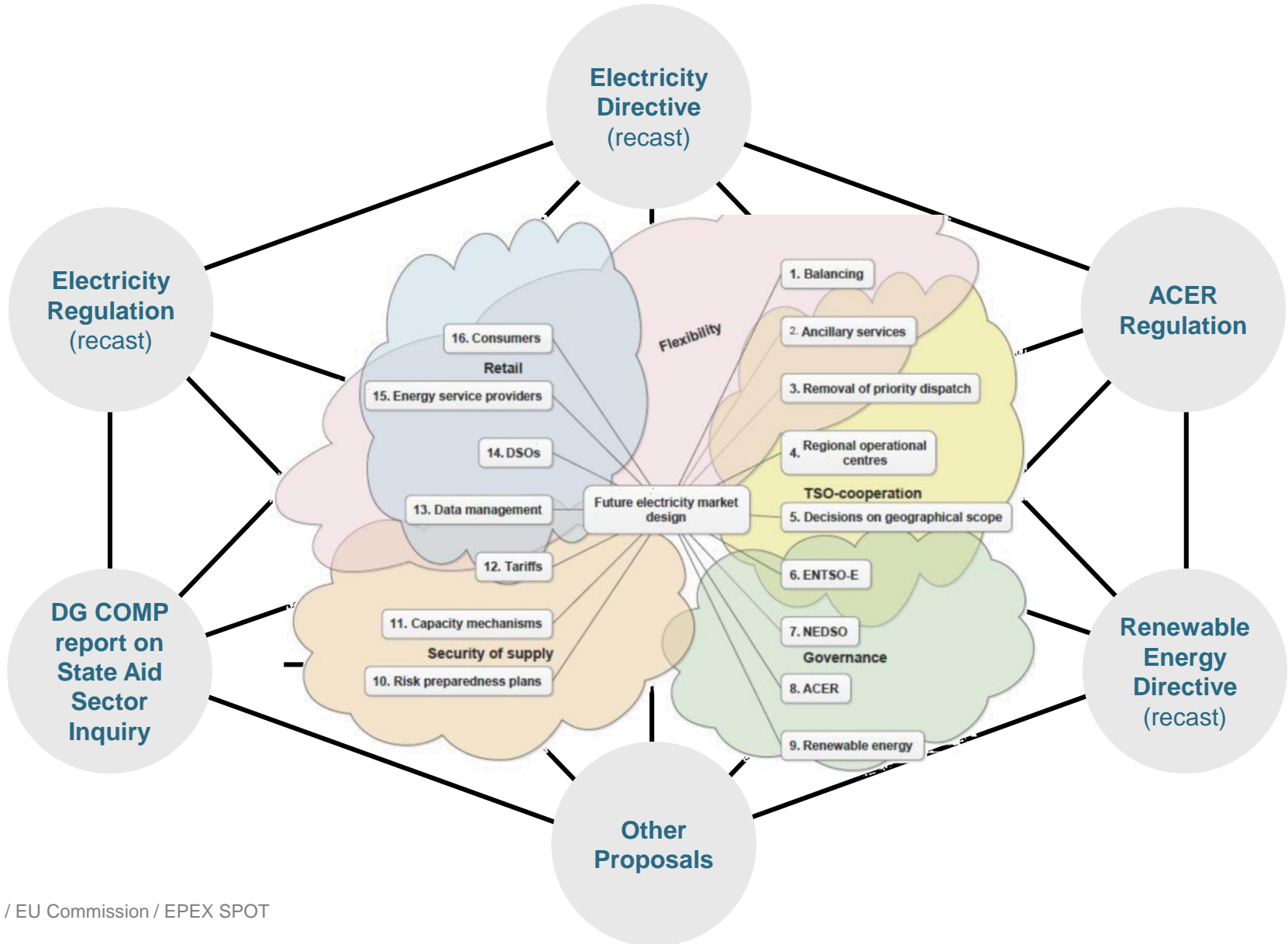
System level → « Ability of the system to accommodate increasing levels of uncertainty while maintaining satisfactory levels of performance »

Ressource level → « Ability of a ressource to start-up quickly and adjust load output to changing market conditions »



Source: EPEX SPOT

EU Clean Energy Package



Sources:
ENTSO-E / EU Commission / EPEX SPOT

EU Clean Energy Package



EPEX SPOT WELCOMES...

- Reinforcement of competitive, non-discriminatory and market-based energy markets
- Emphasis on further interconnecting EU wholesale markets & abolishing barriers to cross-border trade
- Recognition of positive evolution of coupled short-term markets in Europe
- Recognition of critical role of PXs & NEMOs in day-ahead & intraday coupling
- Importance of free, market-based price formation, scarcity pricing & competition
- Importance of freedom for PXs to further develop innovative products & trading opportunities suiting market participants' needs
- Further harmonization and integration of balancing markets



EPEX SPOT SUGGESTS TO...

- Explicitly mention recast of CACM Regulation in Clean Energy Package
- Mitigate risk of balancing harmonisation at expense of intraday markets
- Clarify new *market operator* status
- Further clarify ACER empowerment to regulate NEMOs; risk by lowering decision-making key from QMV to simple majority in the ACER BoD
- Reconsider removal of technical price caps on DA & ID, which contradicts CACM and threatens market access of small parties
- Reconsider sole decision power of EU COM on Bidding Zones, rather enhance decision-making of MS (EU COM can arbitrate if no mutual decision reached)
- Unlock negotiations with Switzerland, to allow market coupling (technically already possible)

Thank you for your attention!

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