

Efficient **markets** *for* **mainstream renewables**

Electricity Market Design: a reality check after the ITRE vote and ahead of the trilogues

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Last month the European Parliament adopted its position on the market design files of the Clean Energy Package and gave a mandate to the rapporteurs for starting trilogue negotiations with the Council and the European Commission.

EEX and WindEurope welcome this vote as an important step forward in building an efficient and flexible electricity market which is fit for the energy transition. We now call on negotiators to ensure:

1 - Phase-out of regulated prices

Flexibility is essential to integrate larger shares of renewables. The capability to offer flexibility needs to be incentivised and rewarded when it has a value. In this sense, the removal of wholesale price caps is a progress. However, both the European Parliament and Council's positions on the Electricity Directive fail to encourage flexibility at residential level. Allowing regulated prices for households comes to the detriment of the demand response potential.

2 - Recognition of forward and future markets

As renewables power projects are getting more exposed to market signals, the value of hedging against price and volumes risks for renewable energy operators will further increase. Forward and future markets play a pivotal role in enabling the energy transition. This is now partly recognised in the European Parliament's position on the Electricity Regulation. What is missing is a general clause which ensures that the impact on forward and future markets is considered when the market design legislation is adjusted.

3 - No retroactive changes to dispatch and balancing regimes

The energy transition will be cost-efficient if all energy sources, supply and demand, can compete in the market on a level playing field. We welcome the alignment of short-term market rules towards more granular and close-to-real-time trading, the introduction of clearer redispatch rules and the opening of ancillary services market to all resources. However, we call policymakers to carefully consider the drawbacks of retroactive changes to dispatch and balancing regimes. Such modifications have an impact on the business case of existing projects adding uncertainty to the price and volumes of power to be sold by the installations.

4 - Large and liquid bidding zones are key

Large bidding zones are critical for the efficient development of power markets going forward. As an example, the size and liquidity of the German price zone facilitates the integration of ever more renewables into the market. Besides, market-based investments cannot materialise if bidding zones configuration is unpredictable and happens too frequently.

Both the European Parliament and Council's positions on the Electricity Regulation (Article 13 and 14) foresee that 75% minimum of cross-border capacity is made available for trading. This will have a cascading effect on the bidding zones review processes. An impact assessment in this respect is

lacking. When further specifying the 75% threshold in the trilogue, the impact on the liquidity of bidding zones needs to be considered.

5 - Stricter rules for capacity mechanisms

While some Member States face adequacy issues, the EU as a whole faces an overcapacity of power generation. The uncoordinated introduction of ill-designed capacity mechanisms tend to perpetuate this situation which impedes meaningful price signals for investors. Capacity mechanisms should be measures of a last resort, and compliant with the goal of a single electricity market and the transition towards a clean energy system. In this light, we welcome the stricter conditions by the European Parliament around the introduction and the design criteria of such schemes.

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About WindEurope

WindEurope is the voice of the wind industry, actively promoting wind power in Europe and worldwide. We have over 450 members, active in over 40 countries. In addition to wind turbine manufacturers with a leading share of the world wind power market, our membership encompasses component suppliers, research institutes, national wind and renewables associations, developers, contractors, electricity providers, finance and insurance companies, and consultants.

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