

Missing Swiss-EU electricity agreement endangers achievements of EU Internal Energy Market

Last solution for implicit cross-border trading stopped on 21 September 2021 – Significant welfare losses for Swiss and EU industries and citizens

Paris / Bern, 21 September 2021. On 21 September 2021, Switzerland quits the last bit of electricity market integration with EU countries: the Intraday auctions at 4.30 pm and 11.15 am are no longer coupled with Italy. As of today, market participants will need to estimate and buy cross-border capacity additionally to the electricity – which will inevitably lead to inefficiencies and overall welfare losses. This will, in the end, result in higher prices for end consumers in both Switzerland and the surrounding EU countries.

The end of the coupled Intraday auctions marks a further crucial step of a disintegration process which happens due to a missing electricity agreement between Switzerland and the EU, which would give Switzerland equal access to the EU Internal Energy Market. This is in stark contrast to the history of the bilateral cooperation in terms of electricity between Switzerland and its neighbours, as Switzerland is strongly rooted within the European electricity sector. In the 2000s, the country created an electricity market model similar to the EU and unbundled its transmission system operator (TSO) just like the EU countries. Moreover, Switzerland was a pioneer in cross-border electricity transport, with the «Star Laufenburg» being the first European interconnector. The Swiss transmission grid is part of the European interconnected grid (the Continental European Synchronous Area) and today, Switzerland shares 41 interconnectors with its neighbours.

Despite this, Switzerland is neither part of the Single Day-Ahead Coupling nor of the Single Intraday Coupling, although the country, being in the geographical heart of Europe, is a central platform for the EU Internal Energy Market from a physical point of view. As Switzerland is integrated as a "copperplate"

into the calculation of the electricity market coupling, unscheduled flows are putting high stress levels on the Swiss transmission grid:

- Due to its high share of hydropower production, electricity production in Switzerland is particularly high during the summer, whereas during the winter months Switzerland is dependent on imports; however, in the current situation, im- and exports are limited.
- This limited im- and export towards the major hydro-driven market Switzerland hurts the EU's climate and decarbonisation goals defined in the Clean Energy Package. The Green Deal, Fit for 55 and its ambitious targets of the EU – and Switzerland - with the goal of climate neutrality by 2050 can only be achieved if the generation and storage capacities throughout Europe will be used as efficiently as possible. The exclusion of Swiss hydropower from the short-term optimisation of renewable energy generation in the EU due to a purely political blockade is counterproductive.
- Moreover, the unscheduled flows lead to issues with the Swiss grid stability and potentially endanger Swiss security of supply; a blackout, however, would spread quickly to other countries in Europe.

In short, the achievements and the benefits of the European Union Internal Energy Market – and to a certain extent, grid stability and security of supply – are put at risk by the missing electricity agreement between the EU and Switzerland. Achievement of climate neutrality is a declared goal of both the EU and Switzerland. EPEX SPOT therefore would welcome a new prioritisation of the electricity agreement by all involved stakeholders.

- ENDS

The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, Great Britain, 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.

CONTACT

EPEX SPOT SE • 5 boulevard Montmartre • 75002 Paris (France)

Email press@epexspot.com • Tel +33 (0) 1 73 03 61 33