

**EEX/EPEX SPOT assessment of the
EU Commission proposals for Electricity Market Design Reform
Go for an evolution not a silent revolution – 24 April 2023**

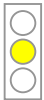
The European Energy Exchange (EEX) and the European Power Exchange (EPEX SPOT), with long-standing track record in operating long- and short-term power markets, have evaluated the EU Commission's proposals.

See our key insights below.

Assessment:



- It is positive that concerns of both end- and industrial consumers are addressed.
- Prices essentially reflecting marginal costs in the system are considered essential.
- The proposal discards any technology-dependent market split, protecting market integrity.
- We welcome that ad-hoc measures from the crisis period (inframarginal cap on revenues, Iberian exception, etc.) are not included in/omitted from the proposal.



- The further PPA-uptake is promoted in the Commission's proposal, *but* there is a pitfall: further clarification is needed to ensure that guarantee schemes do not interfere with market-based solutions for PPA hedging. It is important that large volumes are not precluded from spot and derivative markets.



- The establishment of Regional Virtual Trading Hubs is a highly dangerous idea that risks the efficient operation of long-term power markets and goes entirely against the notion that the development of hedging products is a genuinely commercial business. Ignoring already existing and well-functioning hedging possibilities clearly risks fragmenting forward market liquidity rather than improving it. The concept lacks a deeper analysis and support from the market.
- Support schemes for new investment could, in certain cases, take the form of a two-way CfD, *but* there should be no obligations imposed. Given that most renewable technologies are mature, member states should be free to decide *if* and *how* to support them. Efficient market integration of renewables should still be the overarching goal.
- Sharing of order books on the short-term physical power market is a first step to end innovation: If successful innovations are socialised, no business has an incentive to innovate and invest. Single Day-Ahead and Intraday markets are based on the clear principle that power exchanges only share order books when cross-border capacity is available. In no other competitive business set-up are exchanges (be it commodity or financial exchanges) requested to share order books (at all times).
- For short-term markets, setting up a Single Legal Entity to operate markets is considered again, which could be the first step towards a de-facto monopoly of exchange trading. Both TSOs and NEMOs, who run these short-term markets, are strongly opposed to this centralised approach, which would create a Single Point of Failure and tie up time and resources over years, instead of completing the pan-EU Market Coupling as fast as possible.
- While we appreciate the proposals to streamline REMIT terminology with financial services legislation, numerous proposals in the review of REMIT carry the risk of putting an excessive additional burden on market participants and marketplaces, without a positive cost-benefit analysis.

The way forward recommended by EEX and EPEX SPOT:

- Stimulate forward liquidity by enhancing predictability of market design and regulation, make use of already existing long-term products
- Refrain from structural market intervention
- Design temporary support to foster renewable development carefully
- Improve conditions for PPAs

- Complete full integration of EU power markets to increase benefits for end-consumers
- Implement measures that increase liquidity, such as increased cross-border capacities for trading, as well as locational price signals
- Complement Energy Only Market with market-based products where needed (i.e., capacity markets, congestion-related flexibility markets), aimed at greater involvement of end- and industrial consumers