

Exchange Council welcomes new combined block products

Members concerned about EU plans on Market Design and REMIT

Paris, 22 September 2023. At their third quarterly meeting in 2023, the EPEX SPOT Exchange Council members welcomed the positive development of volumes on the Day-Ahead and Intraday markets in the first 8 months of 2023. Volumes on the Day-Ahead markets grew by 8.6% compared to 2022, while volumes on the Intraday markets increased by 33%. This development has been supported by new members joining the market, new business models, as well as favourable economic and weather fundamentals. “These strong volumes reflect the resilience and confidence of trading participants in the market and its infrastructure” says Bernhard Walter, Chairman of the EPEX SPOT Exchange Council. “Faith and robustness are important, especially in times of uncertainty.”

The Exchange Council also welcomed the upcoming introduction of new combined block products on EPEX Day-Ahead markets. These *Exclusive Links* are smart block products which combine the characteristics of Exclusive and Linked blocks. By doing so, they provide brand new opportunities for members to maximize the use of their assets’ flexibility, enabling them to monetise their investments with additional means to manage their risks appropriately. “As the energy transition accelerates, the focus on flexibility becomes vital” says Jonas Törnquist, Chief Operating Officer of EPEX SPOT. “This is another proof that we are able to increase the value for our customers through innovation.”

Furthermore, the Exchange Council was informed about the first full year of monthly auctions for Guarantees of Origin (GOs). 3.2 TWh have been traded over the first 12 months of this new innovative market. A growing trading community has built-up around EPEX SPOT GOs marketplace since its launch in September 2022, now counting 55 market participants, with many more being in the

admission process. “The success of our GOs market proves that its innovative, multi-dimensional design is able to cope with both specific and generic GOs within one liquidity pool” says Ralph Danielski, Chief Executive Officer of EPEX SPOT. “The ultimate goal is to support the widest range of customers in their energy transition towards Net Zero objectives, boosting the expansion of renewables using this complement of revenues.”

As one long standing item, the Exchange Council discussed again several aspects of upcoming European legislation with regards to the EU Electricity Market Design Reform as well as to REMIT. The members of the Exchange Council raised concerns:

- **... about unit vs. portfolio bidding:** Unit bidding will result in higher bureaucratic, financial, and organizational efforts with potential negative impact for energy wholesale markets. The additional transparency such design is supposed to provide would come at a huge and disproportional cost of highly increased complexity.
- **... about the possible ban of local products:** According to the current proposal, any products outside the SDAC or SIDC would be banned. This ban would also apply to purely local markets such as pre-auction Day-Ahead markets or flexibility markets. Should such a proposal become EU legislation, any incentive for innovation and the introduction of new trading products requested by market participants would be killed.
- **... about peak shaving products:** As part of the emergency measures, TSOs were asked to develop so-called peak shaving products. However, this would scatter the already existing flexibility market without no added value, as the price signal of the established Day-Ahead markets already fulfils the desired function of peak load shaving.
- **... about third countries requirements in REMIT:** According to the recent draft, non-EU market participants would be forced to open a registered fully-fledged trading office inside the EU. This would result in a de-facto entry barrier to EU energy wholesale market affecting competition, liquidity and diversity in trading.

“Constant evolution of the European market design is fundamentally important – we need to adapt to a fast-changing industry” says Bernhard Walter. “At the same time, we shall not damage well-functioning and effective market solutions and products that facilitate the energy transition. Furthermore, launch of new innovative products and services, such as local flexibility markets for congestion management at TSOs and DSOs-level will be key.”

The third Exchange Council meeting of 2023 was held on 20 September 2023 in Paris and chaired by Bernhard Walter, Head of Market Design and Regulatory Affairs at EnBW AG.

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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 SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, the United Kingdom, Switzerland, the Nordics and in Poland. Furthermore, EPEX SPOT newly offers local flexibility markets solution and Guarantees of Origin auctions, to foster the integration of renewable energy sources and to enhance the engagement of consumers and producers in the power market.

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.

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