

# EEX and EPEX SPOT call on EU Council and EU Parliament to prioritise the reform of the Electricity Market Design

*In the context of the EU triilogue on the reform of the European Electricity Market Design (EMD), EEX and EPEX SPOT are sharing their assessment on critical aspects of the EU COM proposal of March 2023 as well as on the amendments contained in the EU Council General Approach agreed on 17 October 2023, plus on the EU Parliament position as provided in the ITRE Final Report endorsed on 14 September 2023. EEX and EPEX SPOT are urging both institutions to focus on the key challenges within the initial proposal and tabled amendments. Six key topics arise.*

## **1/ Virtual Trading Hubs**

Regional Virtual Trading Hubs may fragment liquidity, create significant costs and risks for TSOs, market participants, and European consumers. They also hamper the overall functioning of European forward markets. The EMD should rather aim to address the underlying reasons for limited market liquidity and foster existing market-based hedging solutions. In line with the Parliament position, we call for a proper impact assessment before any decision is taken on the creation of regional virtual trading hubs. The impact assessment should look at the long-term transmission right framework more generally and should be based on a consultation of a wide spectre of market actors including market participants and exchanges.

## **2/ Contracts for difference**

Direct price support schemes in the form of two-way contracts for difference (CfD) risk cannibalising the existing market-based hedging solutions and thus crowding out the electricity forward market. Moreover, it promotes a mentality to “produce and forget”. We therefore call on the EU Council and EU Parliament to focus on the design principles for two-way contracts for difference which should include provisions to prevent any distortive effect on the electricity forward market and excessive costs for European consumers.

## **3/ Single Legal Entity for the Market Coupling Operation**

The implementation of a pan-European Single Legal Entity for the Market Coupling Operation would put market resilience at strong risk, generate unnecessary costs and be counterproductive. It would be clearly a first step towards a de-facto centralisation of the European Market Coupling operations and goes against the principles of proportionality and subsidiarity enshrined in the European Union’s key texts. It would hinder innovation and therefore put at risk Europe’s role in building the energy transition. We call the EU Council to follow the position of the EU Parliament and delete any reference to the Single Legal Entity.

## **4/ Ban of local products and markets outside of pan-European trading schemes**

According to the EU Council General Approach and the ITRE Final Report, any products outside the European Single Day-Ahead and Intraday Coupling 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 chance of innovation would be killed by law. We call for deleting the unclear and arbitrary definitions of covered products and markets and moving the discussion to the forthcoming CACM revision.

## **5/ Unit vs. Portfolio bidding**

The additional transparency unit bidding is supposed to provide would come at a huge and disproportional cost of highly increased complexity. Unit bidding will result in higher bureaucratic, financial, and organizational efforts with potential negative impact for energy wholesale markets. We therefore call on EU Parliament to follow the position of the EU Council and not impose unit bidding.

## **6/ Peak shaving products**

Peak shaving products would scatter the already existing flexibility market without any added value, as the price signal of the established short-term electricity wholesale markets already fulfils the function to react on high prices and shift demand. We support the proposal of an impact assessment to identify the negative consequences of peak shaving products and consider them a measure to be only included in future emergency packages.