



EFET European Federation
of Energy Traders

The European Union's Electricity Market Reform

27 June 2023

EFET promote competitive pan-European markets

**We represent 130
Trading Companies**

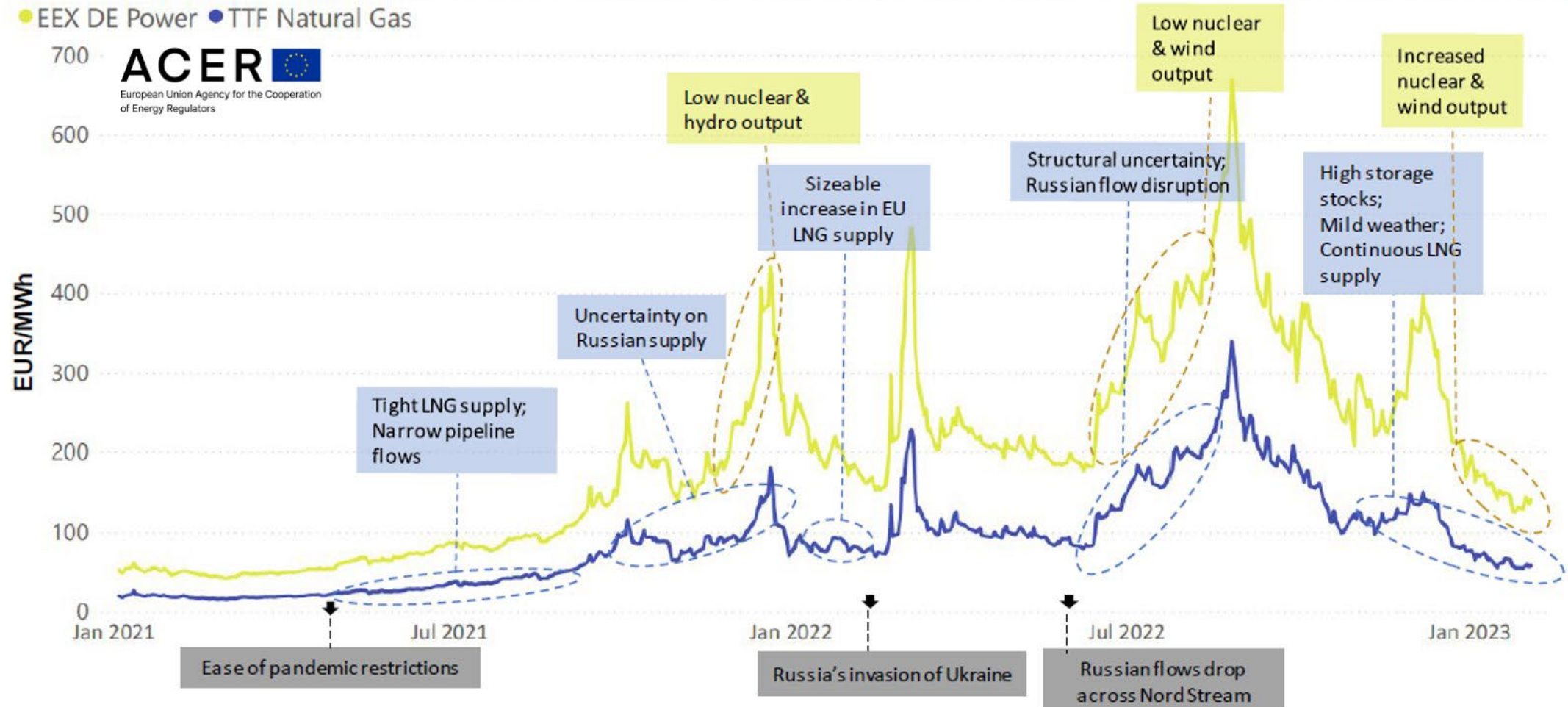
Active in over 30 European Countries



To understand the Electricity Market Design debate we need to look back on some exceptional market conditions

Electricity & natural gas price evolution, January 2021- February 2023 (Month Ahead, EUR/MWh)

● EEX DE Power ● TTF Natural Gas



And recognise that those conditions made energy prices headline news

EUROPEAN COMMISSION
Brussels, 13.10.2021
COM(2021) 660 final

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Tackling rising energy prices: a toolbox for action and support

EURACTIV
A new EU electricity market design for a decarbonised energy system

DISCLAIMER: All opinions in this column reflect the views of the author(s), not of EURACTIV Media network.

ACER
ACER's Final Assessment of the EU Wholesale Electricity Market Design
April 2022

GOV.UK
Home > Environment > Climate change and energy

Press release
UK launches biggest electricity market reform in a generation

REMA is a major review into Britain's electricity market design, set to ensure cost benefits of cheaper energy trickle down to consumers in the long term.

From: Department for Business, Energy & Industrial Strategy. The Rt Hon Greg Hands MP, and The Rt Hon Kwasi Kwarteng MP
Published 18 July 2022

REPowerEU

Analysts decry 'energy nationalism'
August 22, 2022

Norway's record-high electricity rates have prompted calls by some politicians to cut off exports of the country's hydroelectric power. They want to preserve electricity supplies and bring rates down, but experts warn it could backfire badly and may not even be allowed.

Analysts and other critics have also likened the calls for export cuts to "energy nationalism," with newspaper Dagens Næringsliv (DN) editorializing over the weekend that it won't serve Norway's interests in the long run. Almost all countries are suffering under high electricity rates and record costs for all forms of energy, they note, and this is not the time for Norwegians to keep all their electricity to themselves.

Figuring out how to reform the EU's power market

Now work is ongoing to assess if EU energy ministers will discuss reforms, what will not clear is just how a new energy market would work.

ELECTRICITY MARKET REFORM

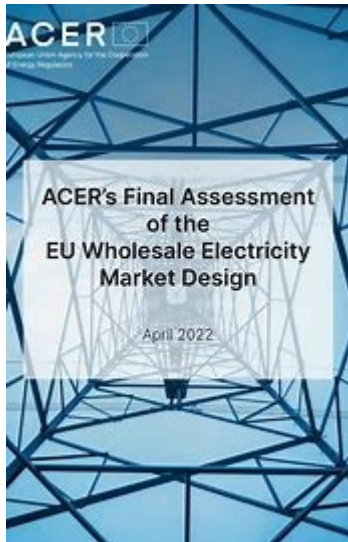
With some of the most senior politicians in Europe involved

June 2022 - Ursula von der Leyen, acknowledged that the EU's electricity market "does not work anymore" and needs to be adapted to the "new realities of dominant renewables".

March 2022 - At the insistence of Spain and other southern countries, EU leaders will instruct officials to look into the contagion effect of gas prices on electricity markets.

August 2022: EU promises 'emergency intervention' to rein in energy prices
The EU is planning an "emergency intervention" in the bloc's power market to curb soaring prices, Commission President Ursula von der Leyen said on Monday.

And the policy responses paid little attention to the views of experts



A recent ACER report found there had been 439 individual policy responses to the Energy crisis across Europe!

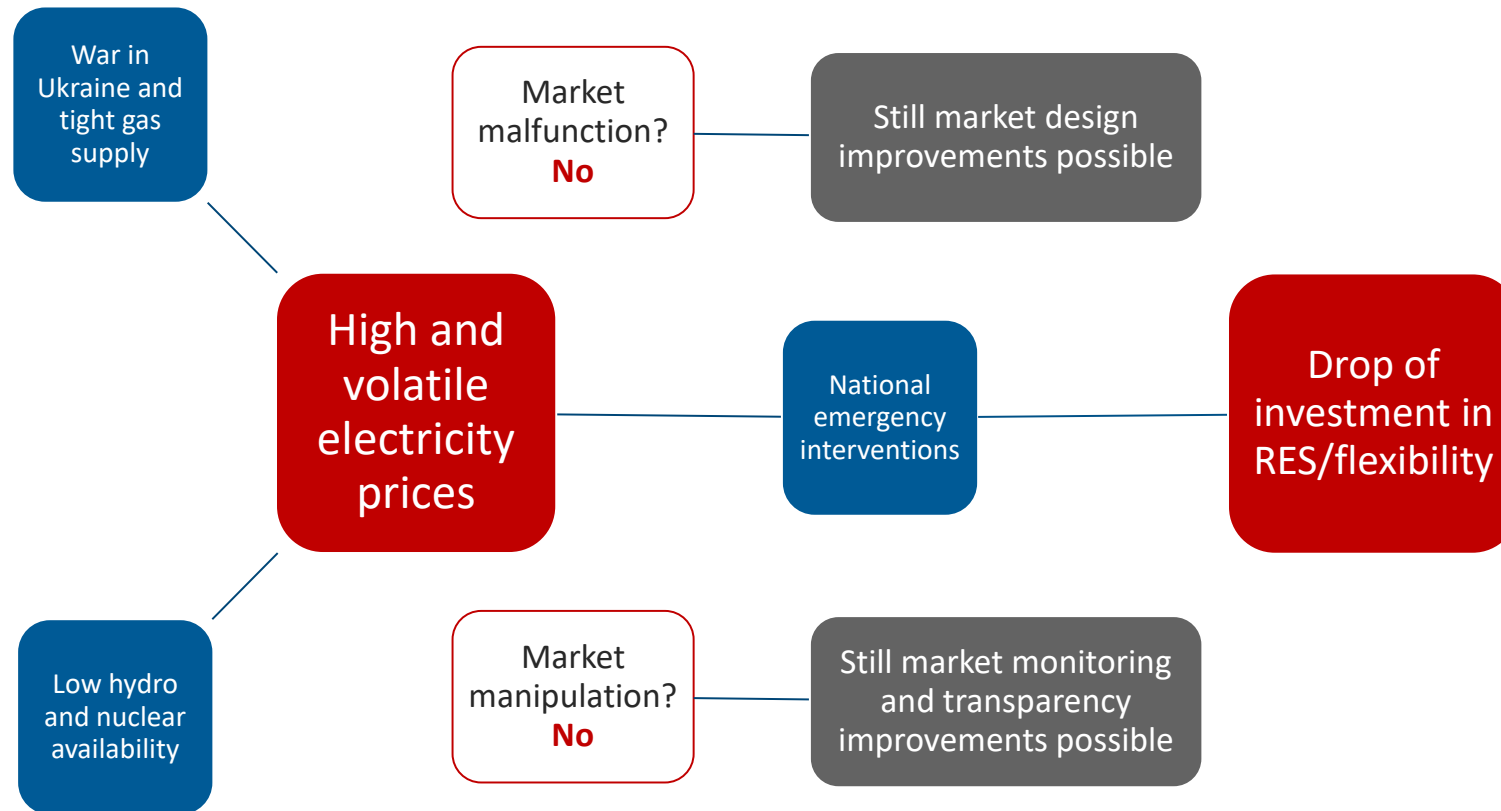
Which brought us to a very rapid market design debate

In the wake of the difficulties in the EU energy market seen in 2022, with particularly high and volatile prices and serious concerns about security of supply, EU heads of government called on the Commission to work swiftly on the structural reform of the electricity market, with the dual objective of securing European energy sovereignty and achieving climate neutrality.

Following a public consultation in early 2023, the Commission presented a proposal on 14 March to revise the rules for electricity market design and for improving the EU protection against market manipulation in the wholesale energy market.

It aims at making the EU energy market more resilient and making the energy bills of European consumers and companies more independent from the short-term market price of electricity. This can be done by way of using more long-term contracts, such as power purchase agreements, and investment support should be structured as two-way contracts for difference. The aim is to better protect consumers, accelerate the deployment and better integration of renewables in the energy system, but also to enhance protection against market manipulation stability and predictability of the cost of energy and thereby contribute to the competitiveness of the EU industry.

With high expectations and little time



So where's the focus of that debate?

Promoting
PPAs

Fwd market
liquidity

Mandatory
CfDs

What
constitutes an
emergency?

Revenue
caps/
clawbacks

The EU and UK market design experiences

| Speed | Scope | Focus – what’s similar | Focus – what’s different | What’s not included in either |
|---|---|---|---|--|
| <ul style="list-style-type: none"> • Europe – extremely quick. • REMA – Much more considered. | <ul style="list-style-type: none"> • EU – Relatively narrow. • REMA – V. broad, the challenge is filtering options. | <ul style="list-style-type: none"> • Decoupling gas and power • Attracting investment. • Support mechanism design. | <ul style="list-style-type: none"> • Locational pricing. • REMA feels longer term. • CFDs – the ‘solution’ in the EU, a much different debate in the UK. | <ul style="list-style-type: none"> • Distribution level issues. • Much retail reform. • Tariffs, access questions • Governance topics. |

**THANK YOU
FOR YOUR ATTENTION**

MORE INFORMATION



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