

#MarketDesign

The Electricity Market Design

ITRE Committee hearing – 24 April 2023

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1. What to **preserve** in the Commission's proposal?



Ensuring a European approach based on an evolution of the market design

1. Preserve market fundamentals & marginal pricing
2. Phase-out emergency measures

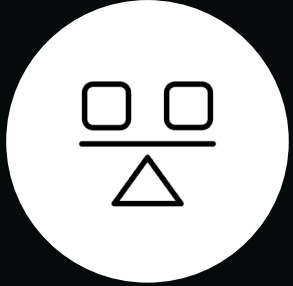


Enhancing long-term contracts & hedging to protect customers & de-risk investment

1. Combine forward market, PPAs, CfDs & capacity mechanisms – if well designed, they can complement each other
2. Remove barriers to PPAs by addressing credit risk & promoting standardisation
3. Maintain voluntary approach to CfDs, reject retroactive implementation on existing assets & allow for contract innovation

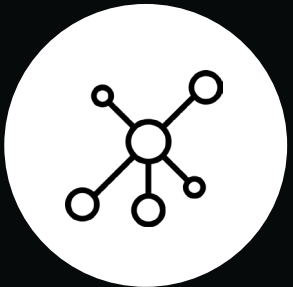


2. What to **adjust**?



Striking the balance between customer protection & supply regulation to preserve competition

1. Consider stress tests & reporting instead of hedging obligations
2. Allow for a variety of pricing offers for maximum choice & the best fit for customers
3. Ensure a level playing field between traditional supply & energy sharing



Addressing grid investments & modernisation challenge

1. Ensure that network tariff design provide the right incentives to system operators
2. Remove national obstacles



Unlocking flexibility in a technology-neutral & market-based way

1. Consider all flexibility providers on a level playing field to ensure cost-efficiency
2. Integrate flexibility need assessments to existing EU Resource Adequacy Assessment



3. What to **further assess**?



Introducing untested & lengthy to implement solutions to address forward market liquidity

1. Remove regional virtual hubs – assess cost & risk impact and address through the relevant regulatory vehicle (i.e. Forward Capacity Allocation Guidelines)
2. Go for practical evolutions of the current set-up (e.g., increased volumes, longer cross-border products > 3 years, more frequent auctions)
3. Tackle liquidity constraints by widening eligible non-cash collaterals



Embedding emergency framework and preempting ongoing workstreams such as bidding zone review and network code on demand-side response

1. Emergency framework should be addressed in Risk Preparedness Regulation
2. Several technical provisions such as virtual hubs, submetering, etc should be addressed in the relevant ongoing technical workstreams (e.g. drafting / review of relevant electricity guidelines)



A fundamental review of REMIT without a proper impact assessment

