Public Hearing on "The Future of the EU Electricity Market"

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Strengthening the regional cooperation:
EP draft report brings important improvements

- **Regional Operational Centers (ROCs) become Regional Coordination Centers (RCCs), providing recommendations to TSOs**
  - In line with TSO responsibility and liabilities for system security (El. Reg. 32,35.1, 38, 39; AMs 85,86,98,101,106-112)

- **RCC services re-aligned with provisions of the Regulation on System Operations, while new services can still be added**
  - Cross-references to System Operations Regulation ensuring legal consistency and duplication (AMs, 80-120)

Strengthening the regional cooperation:
Further improvements still needed in following areas

- **Local responsibility for system security implies that TSOs must be able to select efficient means for fulfilling these tasks.**
  - Role of Regional Security Coordinators (RSC) is to support TSOs in these tasks, not replace
  - National power system specificities require different approach to i.e. risks and reserve sizing
  - European resource adequacy to be complementary to and challenge national assessments (El Reg. AMs 63-65)

- **Strong regional cooperation of TSOs shall be supported with strong regional cooperation of Member States and NRAs**
  - TSOs cannot solve important policy issues between Member States

Improving market design:
EP draft report brings important improvements

- **Stronger and wider balancing responsibility**
  - Responsibility for imbalances fosters correct incentives (El Reg. AMs 23- 25)
- **Balancing capacity procurement as TSO responsibility**
  - In line with TSO roles and responsibilities (El Reg. AMs 27, 127)
- **Integration of DSR into the market**
  - Active role of end consumers in markets, recognizing Aggregators, etc. (El Dir. AMs 14-18)
- **Congestion income possible to reduce network tariffs**
  - Efficient use of financial resources (El Reg. AM 53)
- **TSOs to own ancillary services assets integral to the system**
  - Reflecting the reality of power system development and operation (El Dir. AM 37)
- **Digitalization and cybersecurity**
  - Recognizing increasing role of ICT and the need for more intelligent infrastructure (El Dir. AMs 33-34)

Improving market design:
Further improvements still needed in following areas

- **Capacity Calculation should reflect actual power system operation**
  - Need for closer alignment between commercial world (market rules) and physical world (power system operation)
  - Large gap between these is detrimental for market efficiency and system security (El Reg. 14)

- **Cross-Zonal Intraday Gate Closure 15min before real time unrealistic**
  - European market design is not sufficiently aligned with physics of power system operations, hence TSO need time for taking corrective measures for ensuring secure system operation (El. Reg. AM 28)

- **Balancing provisions need further alignment with the EBGL**
  - Allow for real-time balancing prices to vary inside BZ (no need for El. Reg.13.2)
  - EU wide Imbalance Settlement Period at 15 min in 2022 rather unrealistic (El. Reg. 7.4, AM 30)

- **Stronger TSO-DSO cooperation needed to preserve retail-wholesale market integrity and avoid fragmentation into TSO and DSO markets**
  - Need to pool all resources and make them available for grid operators (El Dir. 31-32; El Reg. 51, 54-56)

Improving Capacity Markets:
Significant improvements of the draft El. Reg. needed

- **Energy transition towards more RES while maintaining generation adequacy is very challenging in current market conditions**
  - Inefficient price signals and ongoing policy discussions pose important investment and regulatory risks for generators
  - Improving scarcity pricing is no-regret measure, but its effects will take time
  - **In many Member States, CRM are needed to address the issue NOW.**

impracticable

- **Capacity market is a market-based means to correctly remunerate service rendered by stable generation for overall security of supply**
  - **Key tool to obtain obligation from generators to contribute to long-term security of supply**
  - Complement the energy-only market by missing market segment

- **Contribution from foreign resources to CRM must be real**
  - Equivalent contribution to system adequacy as compared to domestic resources is required
  - Participation of generation resources in several CRM shall be forbidden
  - Participation of generation resources in foreign CRM should not undermine local security of supply

- **Limiting CRM to max 5 years makes it useless and impracticable**
  - (El Reg, AM 63)

Future-proof market design
Alignment of system and market operations

Key pillars of efficient markets are:

- **Economic efficiency**: comprehensive market-based minimization of total energy supply costs, incl. energy, reserves, losses, congestion.
- **Security:** results to be technically feasible without out-of-market corrective measures
- **Incentive compatibility**: efficient behavior rewarded, gaming discouraged
- **Transparency**: provide full information, allowing to better understand market results

Get the prices right, so that they provide correct incentives for all grid users, fostering efficient use of resources (transmission assets, generation, demand flexibility) while respecting system security

Real-time prices are key, providing basis for price discovery in all forward markets

CEP should not forbid future-proof market design

- New article to be added: *„Electricity market design defined in this Regulation shall be without prejudice for the Member States rights to implement more efficient market solutions as better means of reaching the overall goals of this Regulation as defined in Article 1, subject to approval by National Regulatory Authority and ACER"*

Thank you for your attention