

EuroPEX on Market Coupling

13th Florence Forum

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European Power Exchanges



- All European PXs are members of EuroPEX and they operate **16 daily electricity markets**
- Liquidity of the daily markets provides for **relevant and reliable price formation and price indices**

Implicit Allocation Projects



- **8 European regions:** 7 under Florence Forum and 1 under Athens Forum
- EuroPEX members promote implicit methods in 3 operative solutions and 7 projects involving 25 countries

Market Design Elements

- Implicit auctions complemented by hedging instruments represent the most efficient solution to congestion management
 - implicit auctions are **the most efficient short-term method** for congestion management
 - financial Transmission Rights (FTRs) and, where sufficiently liquid compared to cross-border volumes, electricity derivatives are **preferred hedging instruments**
 - physical Transmission Rights (PTRs) **with UIOSI are possible interim solution**
- Price difference bids (or ‘capacity bids’, but for firm flow obligations) if desired and beneficial to the market
- Implicit intra-day cross-border markets: continuous matching, or intraday market coupling, or both

Governance of Market Coupling

- Recognised as a critical issue
- PXs have a critical role in market coupling: provide orders, enable firm positions, clear and settle
- Governance needs to reflect roles and responsibilities of TSOs and PXs
 - TSOs: capacity allocation according to regulation
 - PXs: price formation, fair and orderly market, may be regulated
- Market coupling should be supported by a Central Coupling Office (CCO) – possibly jointly owned
 - contractual interface to TSOs and PXs
 - possible role of CCO in price formation
 - limit regulation to existing scope, and may vary locally

Way Forward

- **EuroPEX should play an active role** on two aspects:
 - need to **define a longer-term model** by continuation of the work on MC modelling
 - need to **define a strategy for transition** towards the longer-term model – how to build on existing/planned arrangements?
- **Institutional and governance issues are crucial** in progressing towards a common approach to congestion management
- **EuroPEX can facilitate consultation process** across markets

EuroPEX Members' Projects

<i>Member(s)</i>	<i>Project</i>	<i>Involved Countries</i>	<i>Status</i>
GME	Specific unilateral Market Splitting via virtual trading zones connected to Italy	Austria, France, Greece, Italy, Slovenia, Switzerland	Operative
NordPool	Market Splitting	Denmark, Finland, Germany, Norway, Sweden	Operative
OMEL	Specific unilateral Market Splitting via virtual trading zone connected to Spain and Phase 1 of the Spain - France arrangement	France, Morocco, Portugal, Spain	Operative
APX, Belpex, Powernext	TLC – Trilateral Market Coupling	Belgium, France, Netherlands	To be launched soon, subject to regulatory approval
OMEL	Market Splitting	Portugal, Spain	Subject to approval
EEX	OMC – Open Market Coupling	Germany	Regulatory due diligence
APX, Belpex, Nord Pool, Powernext	NorNed: extension/co-operation of Nord Pool & TLC – Market Coupling over NorNed cable	Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden	Common approach between 4 PXs and 4 TSOs
APX, Belpex, Nord Pool, OMEL, Powernext	Iberian-market & Nord Pool & TLC – Market Coupling of markets primarily belonging to separate market coupling/splitting mechanisms	Belgium, Denmark, Finland, France, Germany, Morocco, Netherlands, Norway, Portugal, Spain, Sweden	Phase 1 (of 3 phases defined) approved by regulators of Spain and France
Borzen, OPCOM	Market Coupling	Bosnia and Herzegovina, Bulgaria, Croatia, FYRoM, Montenegro, Romania, Serbia, Slovenia, UNMIK	Proposal
EXAA	Market Coupling	Austria, Hungary	Proposal