European Market Integration - Industry Perspective

24th Energy Community Electricity Forum: Panel Debate I
– A Herculean Task: Integration of Electricity Markets

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Outlines – content of presentation

➢ Why is Market Integration needed?

➢ Lessons learnt at EU level (for proactive consideration at EnC level)
  ➢ Seeing the bigger picture – Status of EU market integration
  ➢ What are the challenges and what needs to be done?

➢ Overall status at EnC level, and recommended points of attention
Market Integration is a pre-requisite for the Energy Transition
Seeing the bigger picture – Status of EU market integration

Average annual DA electricity prices (euros/MWh) and relative changes compared to 2016 in European bidding zones

Further price convergence is wanted, up to the point of being economically efficient, without over-investing.

Source: ACER Market Monitoring Report 2018
**Challenges - Tradable cross-border capacities continue to be limited below economically-efficient levels**

- In Europe on average 85% of HVDC and only 49% of HVAC interconnector’s physical capacity is available for trading;

- Ensuring no undue discrimination between exchanges within & between bidding zones and increasing the level of TSO coordination are utmost priorities;

- TSOs should be given the right tools and incentives, to maximize regional overall welfare, and have access to all costly remedial actions on equal basis if economically efficient; The role of NRAs is crucial to this end.

- CCMs are the key; They don’t yet meet stakeholders’ expectations, they lack ambition & transparency;

**Sources:** ACER Market Monitoring Report 2017, 2018
Enhance further the regional approach to cross-border capacity calculation

From uncoordinated calculations

To regional coordination ... but still improvements to be made

Past

Present

RCCs
1. Nordic
2. Iberian
3. CWE
4. Italian north borders
5. Italian borders 2
6. SEE
7. SEWE
8. UJ
9. Channel
10. Baltic
11. SEE

Baltic
Coreso
Nordic
SCC
TSC
**Recommended points of attention**

- Priority on having the grid allocated to the market;
  - Focus on day-ahead coupling;
  - Implicit coupling is indeed the end-target (being more efficient), with a stepwise approach where needed;
  - Forward time-frame should not be ignored (need to have fwd hedging tools as well).
- The grid is **interconnected** and hence it should be effectively **managed as one** (single cooperation necessary).

Source: Energy Community Secretariat's WB6 Electricity Monitoring Report, May 2019
Keep in mind the Intraday, with XBID in its 2\textsuperscript{nd} stage currently

Overview 2\textsuperscript{nd} wave LIPs and parties involved

Source: Update on XBID - 16\textsuperscript{th} MESC Meeting – Brussels 5\textsuperscript{th} March 2019
European Market Integration - Challenges and Opportunities

Challenges are real
— A changing market;
— In a changing market environment;
— Adding complexity;
— With a heavy and fast-paced implementation track;

Opportunities are most promising
— Broader market & participation;
— Increased liquidity;
— Increased security of supply via the creation of a balancing market;
— Level playing field;
— Market-integration of new technologies;
Thank you!

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