The challenges of the “new” European market design

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Europe is the place where …

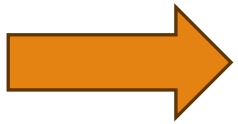
IN THEORY: You are invited to a party. You're welcomed by an Englishman. Food is prepared by a Frenchman; An Italian puts you in the mood; everything is organized by a German.

IN PRACTICE: You are invited to a party. You're welcomed by a Frenchman. Food is prepared by an Englishman; A German puts you in the mood; everything is organized by an Italian.

The evolution of European market design: where do we come from

Short-run market design

- Focus on short run DA optimization,
- need to foster physical and regulatory integration on transmission infrastructures
- Need of creating room for wholesale and retail competition

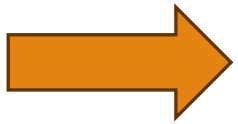


- Liberalization of generation (and creation of DA markets);
- progressive liberalization of retail markets;
- removal of (targeted) incentives.
- Focus was on generation (and retail) competition

The evolution of European market design: where are we going

Planning: long-run needs

- fostering energy transition
- Enhancing energy security
- Protecting customers from price volatility
- Increasing room for competition in AS markets



- Push towards CfD and PPA
- Shift from short run to long run pricing
- Speeding up interconnection procedures
- New approach to capacity markets
- More price responsibilities to En. Providers
- Integration of DSR (and BSP) into Balancing services ' markets

Challenges:

- Price volatility. Customer protection.
- Price signals, risk of hog-cycles.
- Investment coordination. Market first, procedure follows?
- Grid expansion, grid coordination
- Multiplicity of targets (SoS, Energy Transition, Affordability, Implementation-acceptance)

Solutions:

- Piecewise integration is no solution (need to an overall market approach)
- There is a trade-off between technical and market efficiency: less homogeneous products are more difficult to regulate, but imply larger market efficiency
- This is particularly so for “prosumers” activities (generation + storage, at distribution level)
- Same for incentives. Fixing remuneration, competition “for” the market, not “in” the market : 2w CfD, regulated price (or regulated boundary of price), competition for providers of services (MACSE)

Open issues:

- What room is left for the pricing of the “commodity” (i.e., the energy conversion of primary energy into power)?
- What room is left for decentralized efficient solution (i.e., market-based?)
- How to control efficiency (can we really control market power)
- How “European” are European companies?

Some questions from the audience:

- A discussion on the importance of investing in energy infrastructure and cross-border interconnections, as well as the need for transparent communication with citizens regarding the costs of the green transition.

- Energy security and human resources: Europe speaks extensively about energy security, system resilience, and accelerated investment in grids and low-carbon technologies. Do you consider the availability of qualified personnel to be an emerging factor in energy security? How should the energy sector and individual states weigh investments in human capital development against investments in infrastructure?

Thank you!

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