

Exchange Council looks forward to first pan-European spot auction for GOs

Paris, 27 September 2022. At the quarterly meeting of the EPEX SPOT Exchange Council, the members were welcoming the launch of the pan-European spot auction for Guarantees of Origin (GOs) [planned for 28 September 2022](#). The spot auction is operated by the European Power Exchange EPEX SPOT. Building on the solid infrastructure of EEX Group, transactions are cleared by European Commodity Clearing (ECC) and delivered via the French GOs registry, held by European Energy Exchange (EEX). With a wide range of companies having registered for this new market, diverse market interests will be represented in the auction. The monthly auction features GOs from renewable production in a wide range of interconnected countries that are part of the European Energy Certificate System (EECS), as set by the Association of Issuing Bodies (AIB).

Ralph Danielski, Chief Executive Officer of EPEX SPOT, comments: “The market design of this spot auction is truly innovative. It answers to current market needs and regulatory requirements while remaining flexible enough to accommodate tomorrow’s market evolutions. We look very much forward to this launch, which represents another important step in our continuous efforts to provide innovative solutions that drive forward the energy transition and the European decarbonisation goals.”

The main challenge for the market design was to appropriately reflect the variety of GOs available across Europe, while securing the necessary liquidity to determine a reliable reference price. This is solved with an auction featuring specificities across three dimensions, allowing optimisation of market participants’ preferences based on an advanced matching algorithm:

1. power production technology (hydro, wind or solar),
2. issuing country within the AIB framework, and
3. subsidy regime.

This meets the increasing demand for specific GOs from market participants, while maintaining the option to trade generic GOs. Specific and generic demand will be bundled in one single auction, maximising liquidity from the start.

Members concerned about power market interventions

The members furthermore discussed the EU Commission's latest proposal for a Council Regulation on an emergency intervention to address high energy prices. The overall objective by the EU Commission to ease the pressure on vulnerable consumers was welcomed. Still, the Council expressed concerns as regards the details of the planned cap on market revenues for inframarginal electricity producers. It was made clear that the functioning of wholesale markets must not be affected by such a measure and therefore any cap on revenues should definitely be applied at the end of the overall application period of the revenue cap, in order to not distort electricity flows and short-term price signals across the continent. Secondly, it was stressed that caps on revenues may impact the interplay between short-term and long-term markets. Bernhard Walter, Chairman of the EPEX SPOT Exchange Council, comments: "If decided, there are several key aspects that are absolutely crucial to be considered, such as the recognition of hedging activities, no national deviations from the EU provisions and a fixed end date. We urge policy-makers to remain cautious as interventions in the wholesale markets are impacting the key signalling functions of the market and can therefore also have important repercussions in the overall system." The Exchange Council agreed to closely follow the current developments as well as the longer-term market design changes that are due to be proposed by the EU Commission.

Last but not least, the members were given an update by the Exchange on operational security. Even in these turbulent times for the market, EPEX SPOT makes sure to analyse all possible technical scenarios and outcomes to ensure a smooth functioning of the market.

The third regular Exchange Council meeting of 2022 was held on 20 September 2022 in Paris and chaired by Bernhard Walter, Head of Market Design and Regulatory Affairs at EnBW AG.

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The Exchange Council of EPEX SPOT is an official body of the Exchange. 27 members and 4 permanent guests represent adequately the diversity of economic and corporate profiles that exists among the Exchange Members from various sectors: producers, power trading companies, transmission system operators, regional suppliers, and financial service providers, as well as commercial consumers and academics. Its missions include in particular the adoption of the Exchange Rules and the Code of Conduct of EPEX SPOT and their amendments. The Exchange Council approves new trading systems as well as new contracts or market areas and approves the appointment of the Head of the Market Surveillance Office. It meets up quarterly.

The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, the United Kingdom, Switzerland, the Nordics and in Poland. As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT is committed to the creation of a pan-European power market. Over 300 members trade electricity on EPEX SPOT. 49% of its equity is held by HGRT, a holding of transmission system operators. For more information, please visit www.epexspot.com.

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