Enhanced short term markets

European Commission proposal	eurelectric	
Article 9 The principle of price formation shall be based on supply and demand. Cautioned against intervention on price.	Electricity Regulation	✓
Article 10 There shall be no price cap unless it is set at the value of lost load (VoLL).	Electricity Regulation	≈
Article 6 Improvements in the DA and ID market formation. Market operators shall allow market participants to trade energy as close to real time as possible.	Electricity Regulation	✓
Article 7 By 01/01/2025, the ISP period shall be set to 15 minutes in all control areas.	Electricity Regulation	≈
Article 5 Marginal pricing shall be used for the settlement of balancing energy for each standard product. Market participants shall be allowed to bid as close to real time as possible.	Electricity Regulation	✓
Article 5.7 & 5.8 The dimensioning of reserve capacity and the amount of balancing capacity procurement shall be done on a regional level.	Electricity Regulation	≈
Annex 1 points 7.1 b, 8.1a and 8.2a Regional sizing of reserve capacity and capacity procurement to be performed only at the day-ahead and/or intraday timeframe.	Electricity Regulation	✗

Free formation of prices should reflect scarcity in terms of time and location

Barriers to free price formation should be removed, including price caps and floors. Where technical price limits are needed they should be harmonised. When energy markets are coupled, the technical price limit, if any, should be the same among all bidding zones and markets and across all timeframes. **A different technical price limit in coupled and strongly interconnected markets may generate unintended-effects.** While it is welcomed that Member States (MS) shall apply a pan-European methodology developed by ENTSO-E to determine the Value of Lost Load (VoLL), there should be no direct link between the VoLL of a country and the technical price limits of bidding zones, except to ensure that the technical price limit is not set below the VoLL.

Respecting real time value of energy is key

Balancing Responsible Parties shall be able to self-balance close to real time, whilst guaranteeing that TSOs can safely operate the system. Furthermore, intraday and balancing markets shall ideally not overlap. **Imbalance settlement prices should correctly reflect the real-time value of the energy**: price caps and floors should be removed for all timeframes (or at least aligned) and, as a target, marginal pricing should be established and accompanied by a pay-as-cleared principle for Balancing Service Providers' remuneration.

Imbalance Settlement Period: a level playing field for market parties and a better link between wholesale and retail markets

The proposal **to harmonise the Imbalance Settlement Period to 15min by 2025** in all control areas at wholesale and retail level is welcome as it **will ensure a level playing field between all market parties.** However**, ISP harmonisation will trigger adaptation costs across the value chain** in Member States where smart meters for retail customers with a different metering interval have already been rolled out. Special attention should be placed on changes needed in metering, IT and commercial infrastructures. Therefore, **Member States should decide on a voluntary basis to apply the smart meter functionality defined in Art. 20** (g) of the Electricity Directive. (cf. dedicated fiche on smart meters).

Key proposed amendments

Article 9.1.

There shall be no maximum limit of the wholesale electricity price unless it is set at ***or above*** the value of lost load of each bidding zone as determined in accordance with Article 10. ***In strongly interconnected market, the level of the technical price limits should be the same among all bidding zones and markets.*** There shall be no minimum limit of the wholesale electricity price ~~***unless it is set at a value of minus 2000 € or less and, in the event that it is or anticipated to be reached, set at a lower value for the following day.***~~ This provision shall apply, inter alia, to bidding and clearing in all timeframes and include balancing energy and imbalance prices.

Electricity Regulation

Justification

Energy prices should reflect market fundamentals, including scarcity in terms of time and location. Barriers to free price formation, including price caps and floors, should be removed.

It should also be underlined that when energy markets are coupled (e.g. day-ahead, intraday and balancing markets), the technical price limit, if any, should be the same among all bidding zones and markets. A different technical price limit in coupled and strongly interconnected markets may generate unintended-effects, such as electricity flowing in the opposite direction of the electricity system requirement thus not being able to meet consumers' demand.