

Press Release

Alternatives to Second Auction on Day-Ahead market discussed with trading members

Exchange Council welcomes implementation of Localflex in GB

Berlin / Paris, 21 March 2024. At their first meeting in 2024, the members of the EPEX SPOT Exchange Council started with a review of the previous trading year. Traded volumes reached a new record on the Exchange in 2023, with 542 TWh traded on the EPEX Day-Ahead and 176 TWh traded on the EPEX Intraday. In addition, a record number of 60 new trading members joined the Exchange that year. Ralph Danielski, Chief Executive Officer of EPEX SPOT, states: "I would like to express my gratitude to our trading members for an outstanding year 2023: Thank you for your trust, for your support and for your dedication to cooperate with us in developing power markets which facilitate the energy transition. This forum, the Exchange Council, plays a key role in our success, as only a constant dialogue with our trading community can enable us to cater to your needs in the way we are committed to."

Furthermore, the Exchange Council took note of the outcome of the [public consultation of the NEMO Committee](#) on a potential removal of the so-called Second Auctions. In light of the reply of stakeholders, the NEMO Committee acknowledged that there is no consensus among market participants whether the Second Auction should be maintained or abolished. Second Auctions are triggered in the Single Day-Ahead Coupling (SDAC) in certain market areas when predefined price-thresholds are reached. Their purpose is to give market participants the possibility to readjust their orders in the light of a tense market situation. There is an ongoing debate in the market on whether Second Auctions should be removed from the set of SDAC procedures or not. "For market participants, this is a vital discussion which needs thorough evaluation. While the Second Auctions happen under a lot of pressure related to the tight timings in SDAC, they may provide an additional benefit in relation to the issue of trading

errors.” comments Bernhard Walter, Chairman of the EPEX SPOT Exchange Council. “In this context it is good to see the checks and balances in place across markets as well as the additional sanity checks, both automated and manual, performed by EPEX SPOT.”

As a potential alternative to Second Auctions, EPEX SPOT presented to its members improvement proposals to the so-called Second Calculation process, which is already part of the all-NEMOs SDAC procedures. This process consists in correcting previously flagged individual bidding errors before running a second price calculation, without reopening the orderbook for the whole market. EPEX SPOT discussed with the Exchange Council members the potential improvements which could be applied to the Second Calculation process in order to bring the proper adequacy between issue resolution and operational efficiency.

The members also welcomed the advancement of the cooperation between EPEX SPOT and UK Power Networks Distribution System Operator (DSO). The testing of the systems and the market setup started in February and an official go-live of the flexibility market is planned for May 2024, subject to successful testing. UK Power Networks DSO has committed to saving customers £410m by 2028 by utilising flexibility. Local flexibility markets, designed and set-up for DSOs and TSOs to manage congestion with a market-based solutions, are playing a key role to enable a timely and low cost transition to Net Zero.

The first Exchange Council meeting of 2024 was held on 13 March 2024 in Berlin and was 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. Furthermore, EPEX SPOT newly offers local flexibility markets solution and Guarantees of Origin auctions, to foster the integration of renewable energy sources and to enhance the engagement of consumers and producers in the power market.

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. More than 380 trading members are registered 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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