

Press Release

Exchange Council discussed potential replacement of Second Auction procedure in SDAC

Members welcome the Localflex market start in GB

Leipzig / Paris, 17 June 2024. The members of the recently elected EPEX SPOT Exchange Council welcomed the adoption of the new Electricity Market Design Reform and were informed of its entering into force in July 2024. The reform safeguards the functioning and role of short-term electricity markets for the power system and markets remain a cornerstone of the energy transition. EPEX SPOT will work on the ways and means necessary to comply with the new legal provisions and obligations of the EMD Reform.

In continuity with the previous meeting, the Exchange Council members also discussed the potential replacement of the so-called Second Auction procedure with a bolstered version of the Second Calculation process. The Second Auction procedure in the pan-European Single Day-Ahead Coupling (SDAC) gives trading members an opportunity to adapt their position in light of potential non-clearing. In practice, market participants may also rely on the Second Auction procedure to correct bidding errors. Due to the tight timings in SDAC, performing a Second Auction may lead to delays in the Market Coupling process, up to a risk of decoupling. While statistics show that performed Second Auctions rarely lead to a modified order book in the sense their design initially intended, EPEX SPOT is well aware of the necessity of a correction mechanism in case of trading errors. “According to careful analysis by EPEX SPOT, the current Second Auction procedure is in need of change given the needs of today’s market. This is why we recommend to our trading members to support a replacement of the Second Auction procedure in all SDAC countries and rely on an improved Second Calculation process instead, at the latest when 15 minute contracts are introduced.” confirms Jonas Törnquist, Chief Operating Officer of EPEX SPOT. The Second Calculation procedure allows for a targeted correction

of a timely signalled trading error directly in the order book, thus preventing the delays that increase the risk of decoupling. “Exchange Council members made it very clear that extensive sanity checks to the EPEX SPOT order book are required in order to acknowledge the potential of the Second Calculation process to allow for the correction of bidding errors” states Bernhard Walter, Chairman of the EPEX SPOT Exchange Council. Based on this discussion, EPEX SPOT will advocate for a replacement of the Second Auction procedure, also towards other stakeholders involved in SDAC.

Finally, the Exchange Council members were informed of the fruitful [cooperation between EPEX SPOT and UK Power Networks Distribution System Operator \(DSO\)](#). EPEX SPOT acts as service provider for UKPN’s market that was successfully launched in May 2024. Both Day-Ahead and long-term flexibility activation are operational and systems are running smoothly. “We are very pleased about the timely delivery of our turn-key Localflex solution to our customer UKPN” says Ralph Danielski, Chief Executive Officer of EPEX SPOT. “Local flexibility markets are designed for system operators to manage congestion with a market-based solution, and by unlocking the potential of distributed flexibility these markets play a key role to enable an efficient transition to Net Zero,” he adds.

Following the elections of the previous month, Bernhard Walter, Head of Market Design & Regulatory Affairs at EnBW, was confirmed as Chairperson of the EPEX SPOT Exchange Council. He states: “After all these years, I remain deeply convinced of the importance of the work we do at the Exchange Council and thank the members for their trust. It is our responsibility to discuss, scrutinise and contribute to the trading solutions of the future. Only a close cooperation between the Exchange and market participants can deliver a market that drives forward the decarbonisation of the power sector.”

The second Exchange Council meeting of 2024 was held on 12 June 2024 in Leipzig and was chaired by Bernhard Walter, Head of Market Design & Regulatory Affairs at EnBW.

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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. Over 400 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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