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EPEX SPOT response
to consultation on day-
ahead balance
obligation of the
balance responsible
parties by Elia

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Introduction

EPEX SPOT welcomes the opportunity to participate in the consultation on the day-ahead balance obligation of the Balance Responsible Parties (BRPs) by Elia.

The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in Central Western Europe, Great Britain and Nordic countries. On our markets, we bring together different market participants and allow them to react in short notice for example to updated forecasts for renewables and to adapt their consumption and production pattern to a reliable price signal.

EPEX SPOT concurs with the analysis that the day-ahead balance obligation currently imposed upon market participants active in Belgium has been hindering their ability to trade efficiently in the European Multi-Regional Coupling day-ahead auction. Indeed, with the increasing role of renewable energy sources in the Belgian electricity mix, lifting such constraint on market participants is key. EPEX SPOT identifies room for improvement of the Belgian market design and is eager to contribute as a Spot Power Exchange and Nominated Electricity Market Operator in Belgium.

Most appropriate evolution of the day-ahead balancing obligation

Elia assessed several blueprints going forward, namely:

- Keeping the balance obligation in day-ahead while making some adjustments and trying to answer to some of the limitations of the current system;
- Shifting the day-ahead obligation to the Intraday timeframe;
- Removing any kind of balance obligation before the real time.

Elia's analysis revealed that fully removing any kind of balance obligation before the real time is the most suitable proposal to consider as per the indicators defined in the study.

EPEX SPOT champions Elia's proposal to fully remove any kind of balance obligation before the real time. In particular EPEX SPOT agrees with the fact that the current balance obligation prevents a fair level playing field between physical and trader BRPs. The removal of this obligation would thus increase the liquidity in the day-ahead auction by also allowing traders to arbitrage between the day-ahead market and subsequent markets.

Incentives for BRPs to be balanced before real time

EPEX SPOT shares Elia's position that the imbalance price should strongly incentivize BRPs to be balanced in real time. On that topic EPEX SPOT would like to point out that the current imbalance price formula is not coupled to the intraday market price as it can be the case for neighbouring countries. We share the conclusion that at the moment the imbalance price signal is sending a strong signal to BRPs to be balanced in real time. However, arbitrage between the imbalance price and the market prices is hindered at the moment by the low liquidity of 15min products on the Belgian Intraday market and this could evolve in the coming months. Indeed, we expect the liquidity of 15min products on the Intraday market to increase in the coming months through the introduction of 15min product in XBID (continuous cross-border trading) as well as the recent launch of a local intraday auction with 15min products. This could increase arbitrage opportunities between the intraday market and the imbalance price and weaken the incentive for market players to be balanced. Therefore EPEX SPOT recommends as a way forward to closely monitor the evolution of the 15min intraday market and assess whether linking the imbalance price to the intraday market price could increase the robustness of the imbalance price signal.

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About EPEX SPOT

The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in Central Western Europe, the United Kingdom and Nordic countries. 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. In 2019, its 302 members traded 593 TWh – a third of the domestic consumption in the countries covered. 49% of its equity is held by HGRT, a holding of transmission system operators.

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