

# **CACM and the changing European power market dynamics**

European Power Market Summit  
Epex Spot

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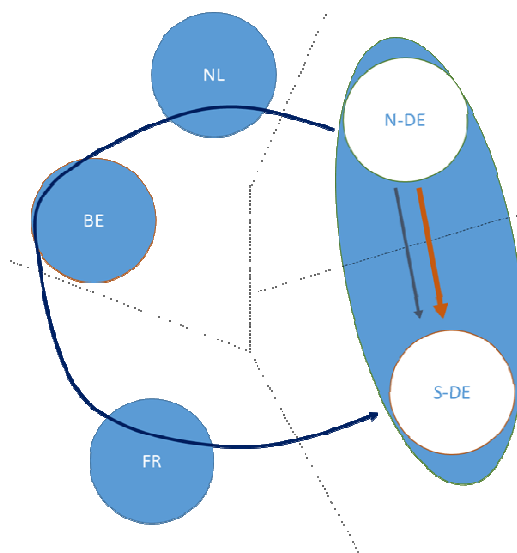


- Theory of CACM
  - Capacity Allocation of cross-zonal capacity: implicit
  - Congestion Management of XB capacity: flow-based
- Case study: price spikes in September and October 2015 on Belpex DAM

#### Conclusion:

forget the European copper plate,  
go for adequate and small price zones  
PXs can create hub prices covering several price zones

- High prices in September and October 2015 with peaks up to 448 €/MWh on Belpex DAM
- No indication of anti-competitive behavior causing prices spikes
- Main cause of price spikes: **loop flows** get priority access → inefficient and discriminatory use of cross-border capacity



- **Loop flows**

- flows resulting from exchanges inside countries not managed by the market coupling
- Inherent to the 'base case' (determined before FBMC)
- de facto priority access relative to commercial exchanges between countries/zones: they use physical interconnection capacity that cannot be used for cross-zonal exchange
- market cannot outbid non-competitive flows, not even at 3000 €/MWh => risk for SoS
- Absence of loop flows would have strongly mitigated the price spikes
- inefficient and discriminatory use of sometimes very scarce cross-border capacity
- not compliant with Regulation 714/2009 (art 16) and its Annex 1 (art 1.7)

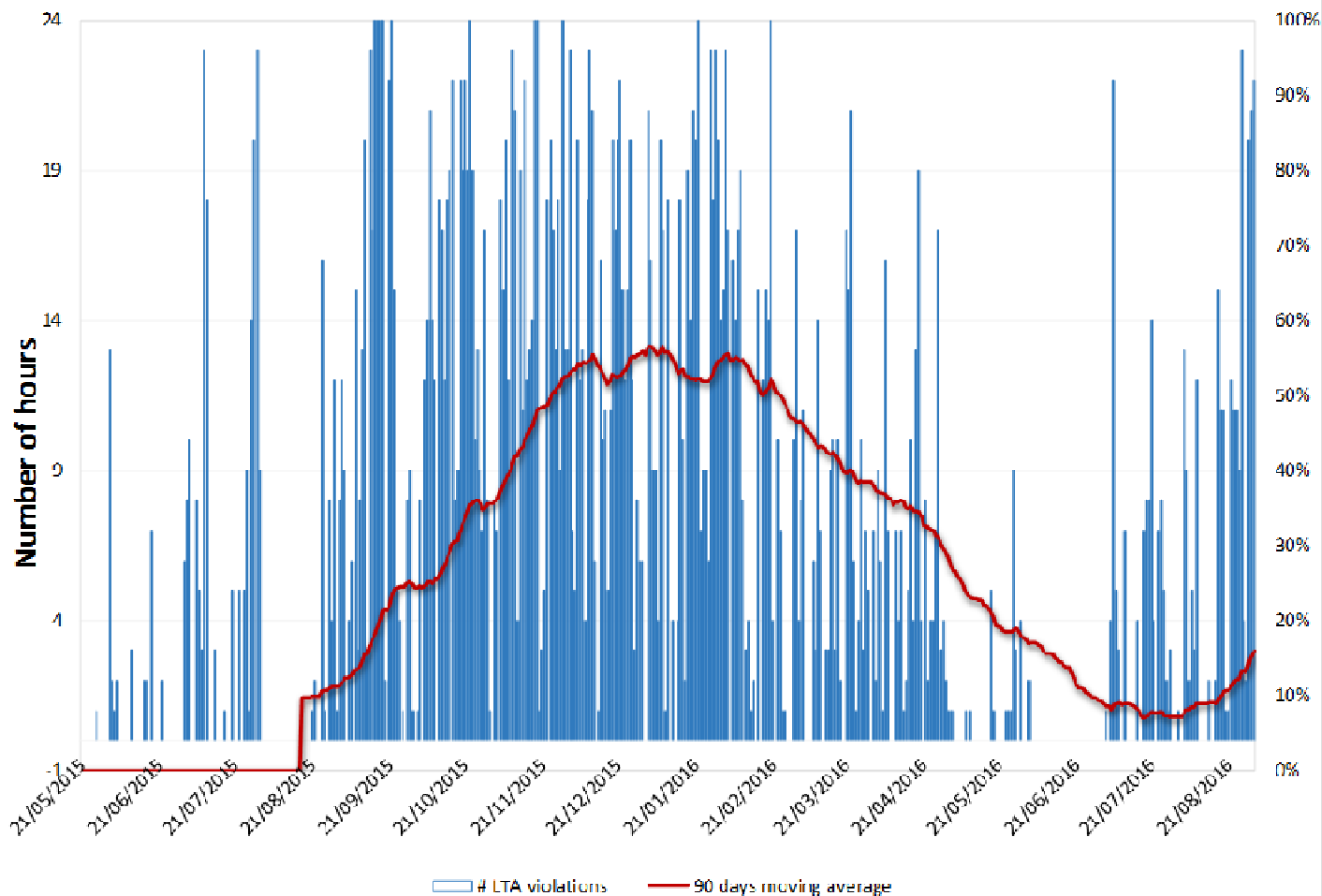
- Impact of LTA coverage – 16/10:
  - TSO choice to cover LT rights, approved by NRAs
  - Without LTA inclusion, the baseload price would have been 2149 €/MWh instead of 211 €/MWh
  - 17 hours with 3000 €/MWh, 14 hours “pre-congested case”





- LTA-inclusion is the rule, not the exception

Histogram of LTA violations for likely corner (virtual CB + FAV)



- Solutions to look into:
  1. Adequate delineation of bidding zones
    - smaller zones => smaller loop flows + more competition
    - PXs can create hub prices covering several price zones
  2. Use PSTs and internal re-dispatch to limit non-competitive flows in base case
  3. TSOs should consider using more regulating power on PSTs for the market

- **Smaller zones:**
  - Will achieve efficient and non-discriminatory use of cross-border capacity and more competition
  - Not only for Belgian market players: for **all market players** participating in market coupling
  - Will increase total liquidity and competition
  - Will reduce opaque and unfair redispatch
  - Necessary for creating internal market and Energy Union



**Thank you for your attention !**