


# ACER

 Agency for the Cooperation  
of Energy Regulators

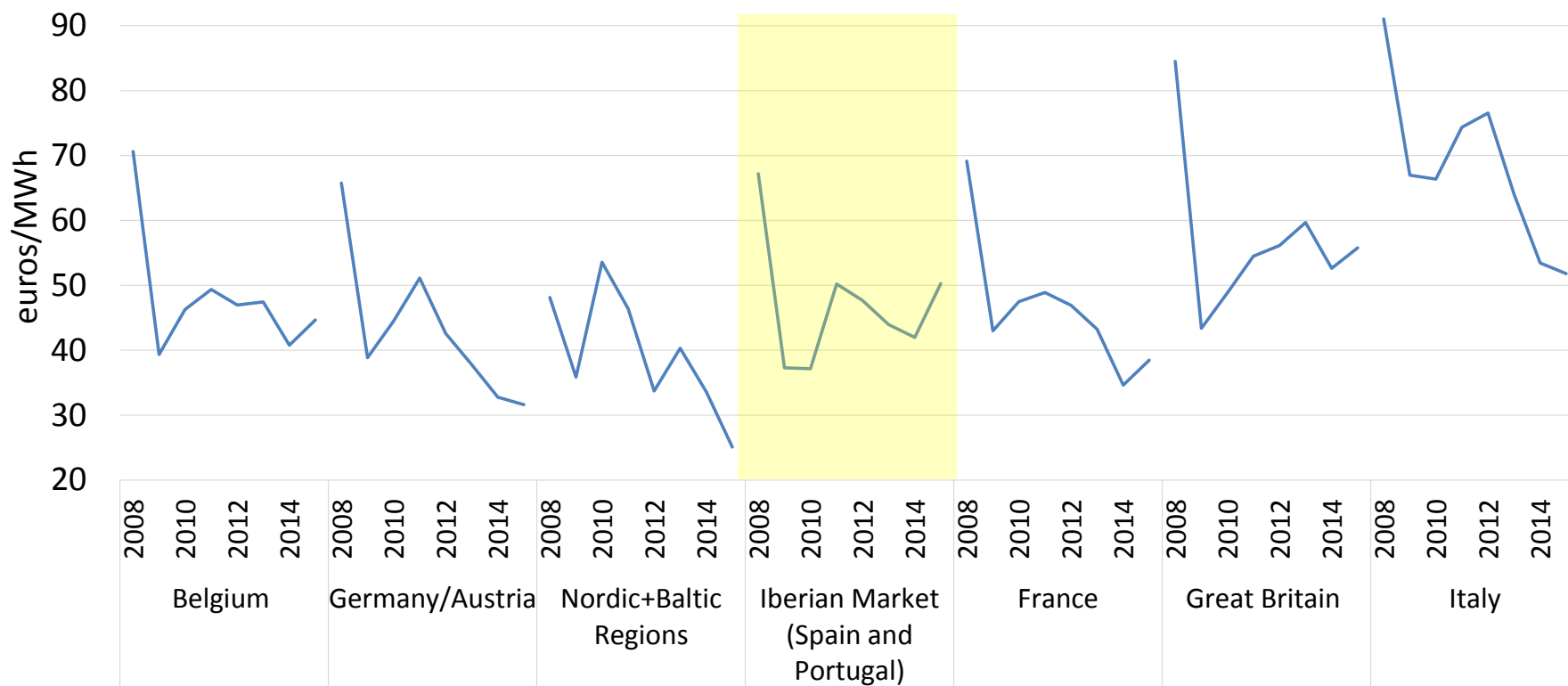
## **MIBEL and the Integration of the EU Internal Energy market: Competitiveness and Challenges**

***Alberto Pototschnig, Director***

**Conference of the Board of Regulators of the Iberian Electricity Market  
Madrid, 5 July 2016**

## Wholesale prices in MIBEL increased in 2015, against a more stable trend in other EU markets ...

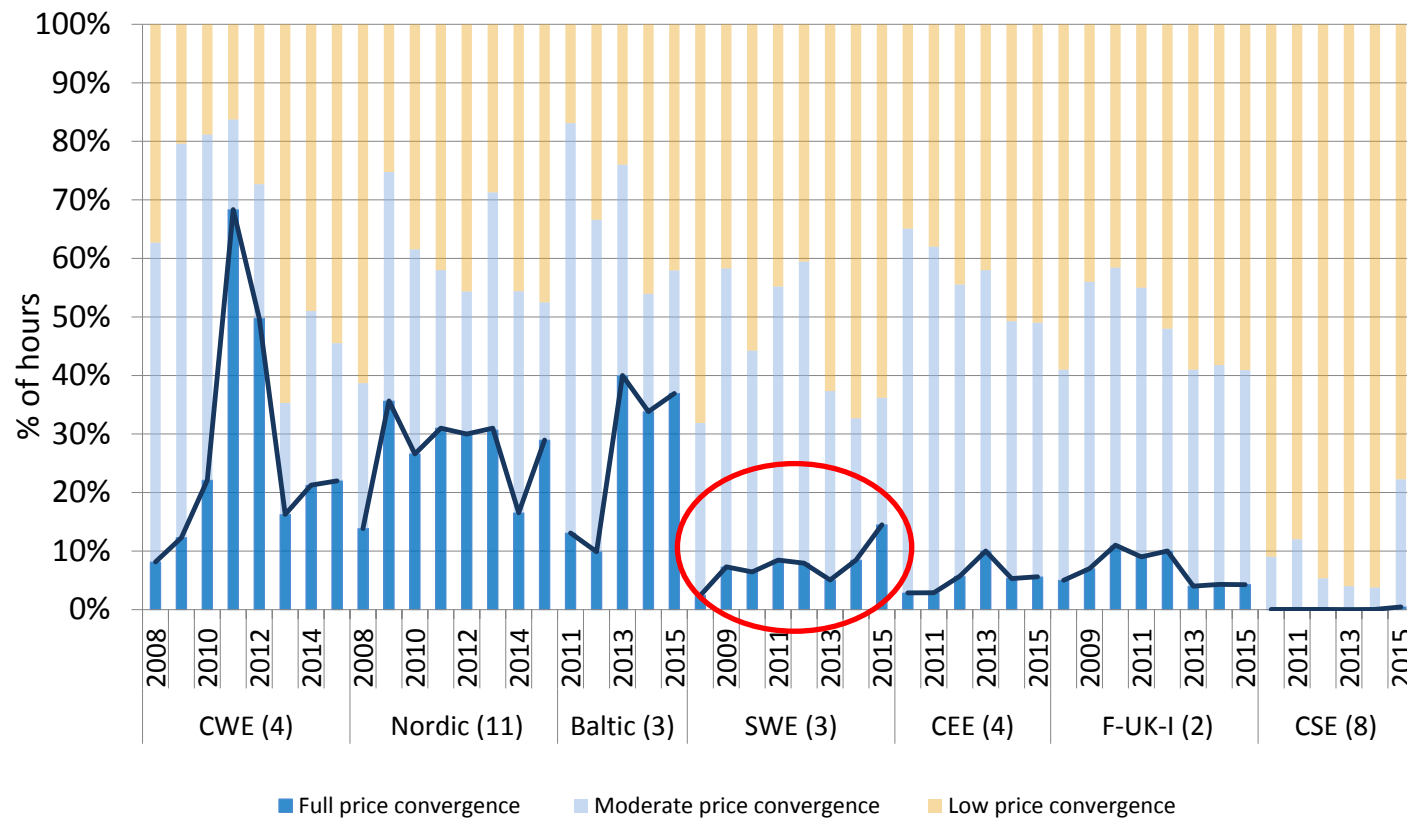
**Evolution of European wholesale electricity prices at different European electricity exchanges – 2008 to 2015 (euros/MWh)**



Source: EMOS, Platts and PXs (2016).

... while Day-ahead price convergence in the SWE Region improved over the last two years, it is still low

**DA price convergence in Europe by region (ranked) - 2008-2015 (% of hours)**

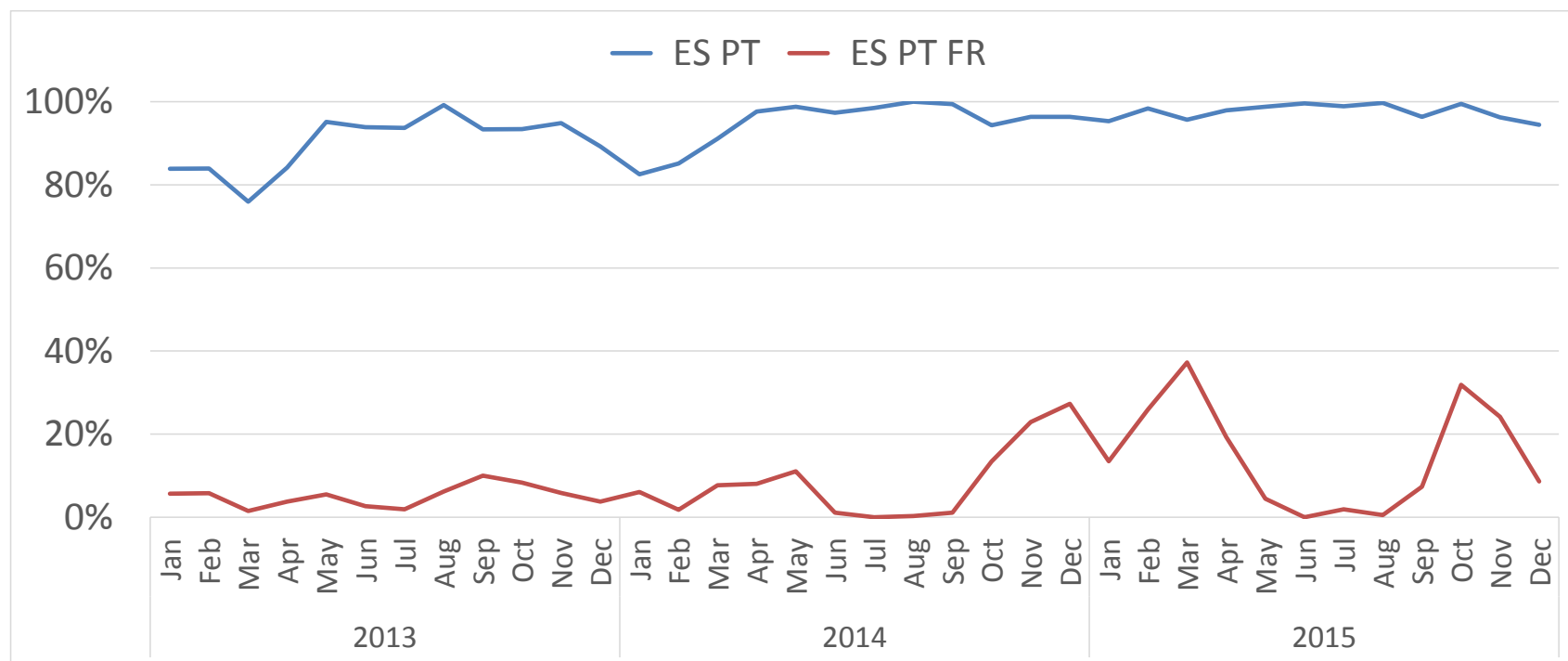


Source: EMOS, Platts, PXs and ACER calculations.

Note: The numbers in brackets refer to the number of bidding zones per region included in the calculations.

## The importance of Market Coupling: Day-ahead price convergence in the SWE Region increased following the coupling of the French and Spanish markets in May 2014

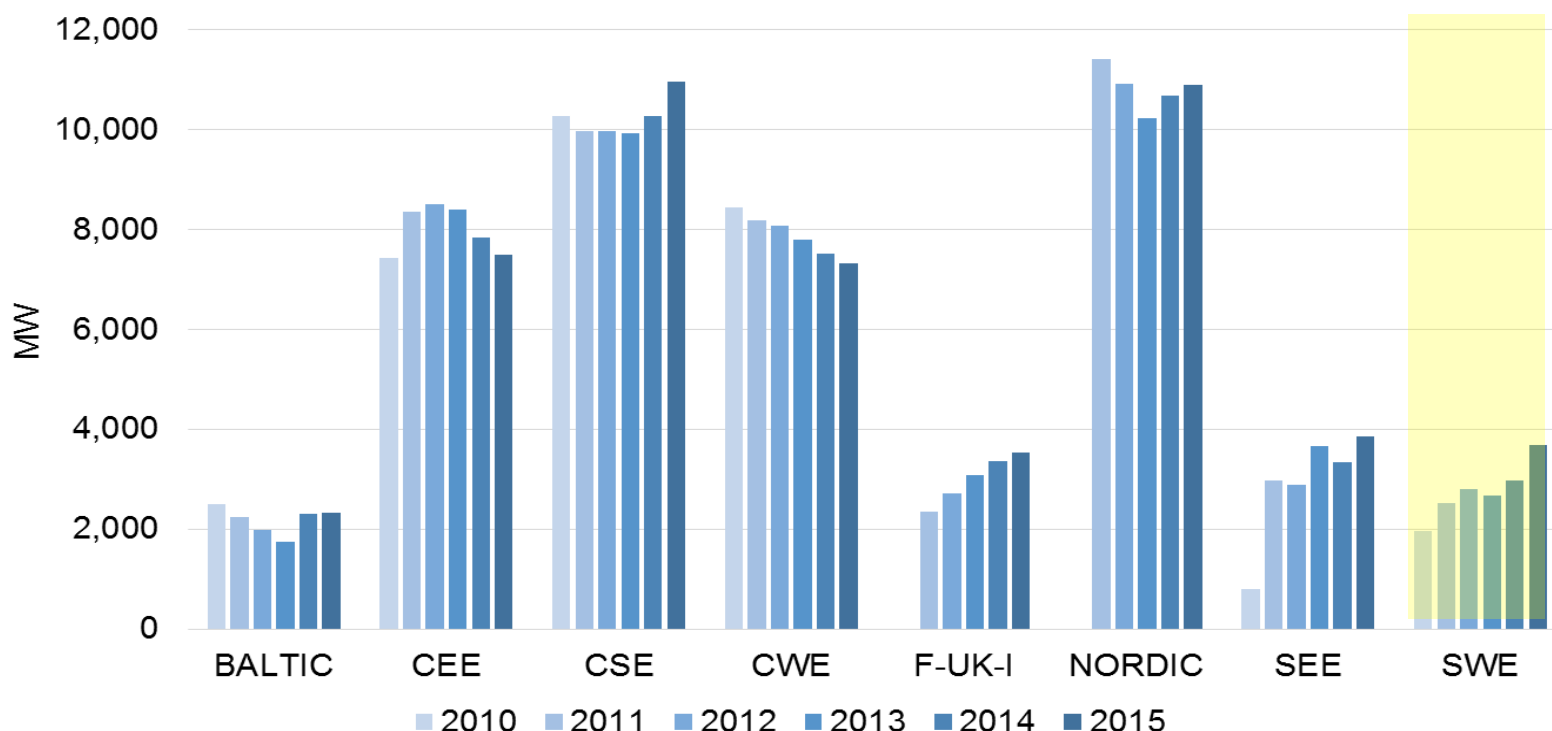
**Evolution of DA price convergence in the SWE Region and without FR  
2013 - 2015 (% of hrs)**



Source: EMOS, Platts, PXs and ACER calculations.

## Cross-border NTC in the SWE Region has increased over the years ...

**NTCs (averages of both directions) on cross-zonal borders aggregated per region – 2010-2015 (MW)**

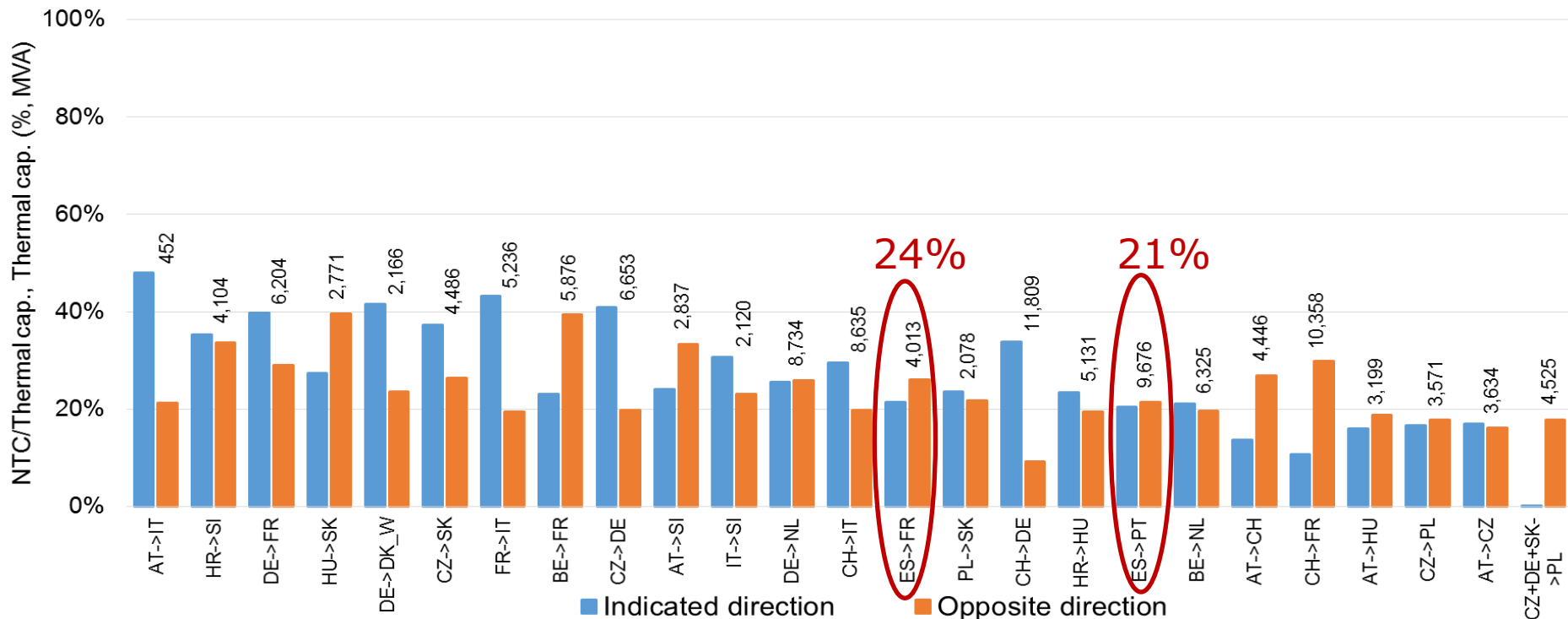


Source: Vulcanus, ENTSO-E, Joint Allocation Office (JAO), Nord Pool Spot.

Note: NTC values for all regions are available from 2011 with some exceptions. In addition 2015 the NTC values in CWE region are available only until May 20.

... but why is so little of the cross-border thermal capacity (20-25%) made available for trading?

**Ratio between available NTC and aggregated thermal capacity of interconnectors  
2014 (% , MW)**



Source: Data provided by NRAs through ERI questionnaire, Vulcanus, ENTSO-E, .

Unequal treatment between internal and cross-border flows in the capacity calculation process could be one of the reasons. Another explanation provided by TSOs for FR-ES border is the application of N-2 instead of N-1.

## The SWE Region is the most advanced in fulfilling the CACM Capacity Calculation Requirements ... ... but further improvements are necessary

**Regional performance based on fulfilment capacity calculations requirements  
2014 (%)**

REGION	Score
SWE region	45.8%
BALTIC region	38.9%
NORDIC region	37.2%
F-UK-I region	33.3%
CSE region	31.9%
CWE region	25.0%
CEE region	23.0%
SEE region	20.0%

*Source: Data provided by NRAs through the ERI (2015) and ACER calculations.*

*Note: Rating in the table was calculated by summing the scores of borders according to the region of which they are part and dividing them by the maximum score possible. The maximum score per border was set according to the CACM Regulation.*

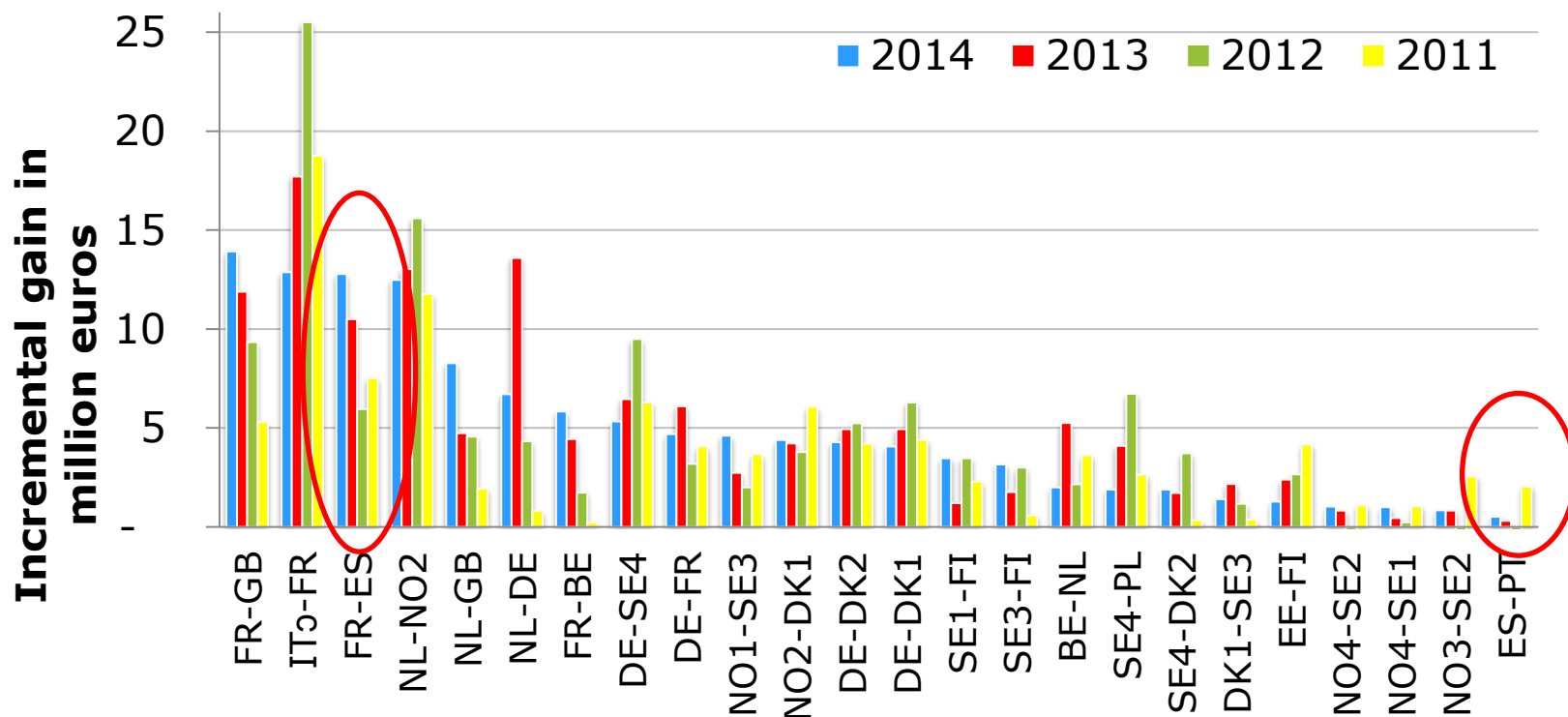
**The Agency is considering proposing a new approach to calculate cross-border available capacity and to share the costs of remedial actions according to the following high-level principles:**

- 1) TSOs of a CCR shall not be allowed to consider limitations in internal critical network elements in their cross-zonal capacity calculation methods**
- 2) The capacity of the cross-zonal critical network elements considered in the capacity calculation methodologies shall not be reduced in order to accommodate loop flows**
- 3) The costs of remedial actions shall be shared according to the “polluter-pays” principle, where the polluters are defined as those responsible for flows resulting from internal exchanges:**
  - a) Loop flows**
  - b) Internal flows**



## Large expected gross social welfare gains from expanding ES-FR cross-border NTC!

**Simulation results: gross welfare benefits from a 100MW increase in cross-border capacity at selected borders – 2011-2014**

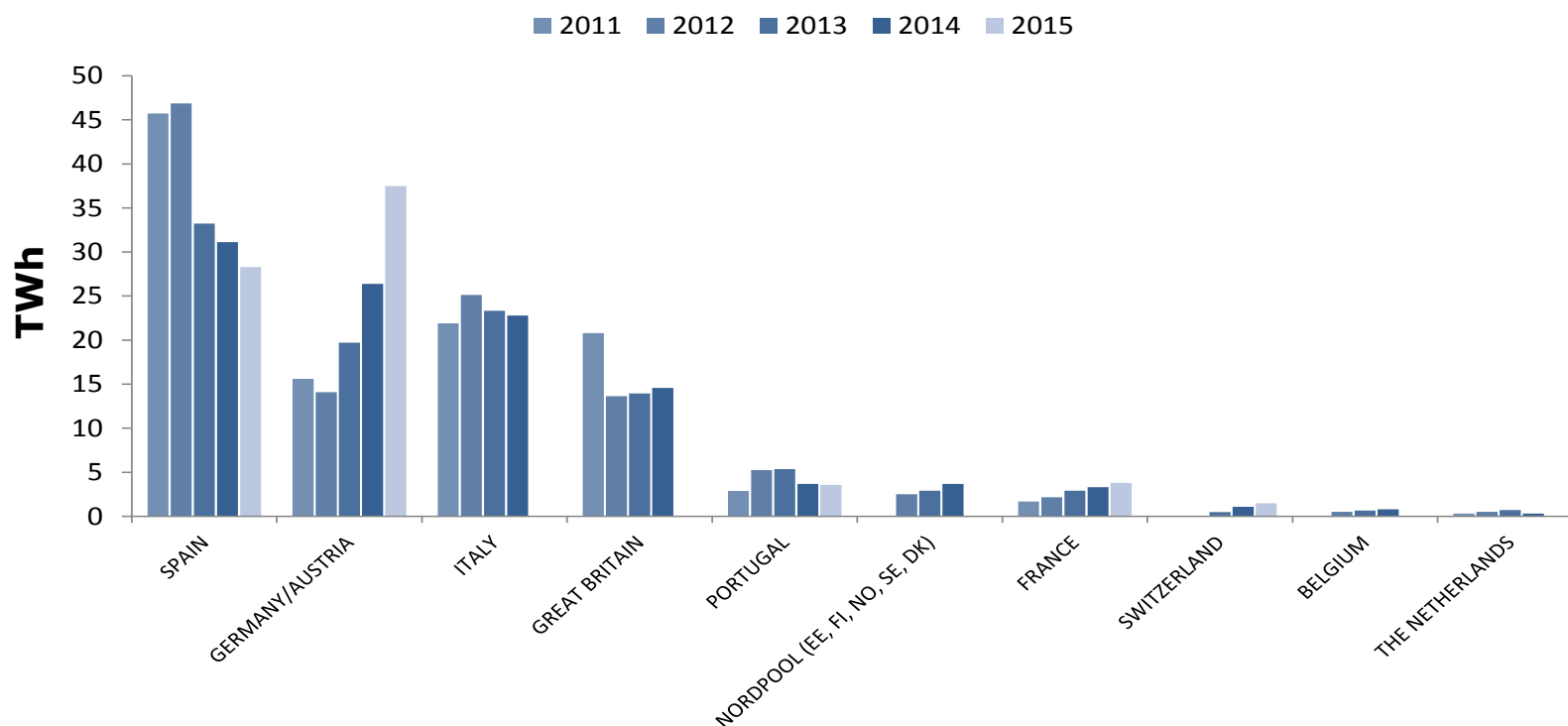


Source: PCR project, including APX, EPEX SPOT, Nord Pool Spot, GME, OMIE.

Note: G indicates that the zone is a GME zone; DK, NO and SE with a number refers to the different bidding zones in Denmark, Norway and Sweden. Results for 2014 exclude the period 1 January to 5 February.

## High Intraday trading volumes in Spain are declining against expectations (RES penetration) ...

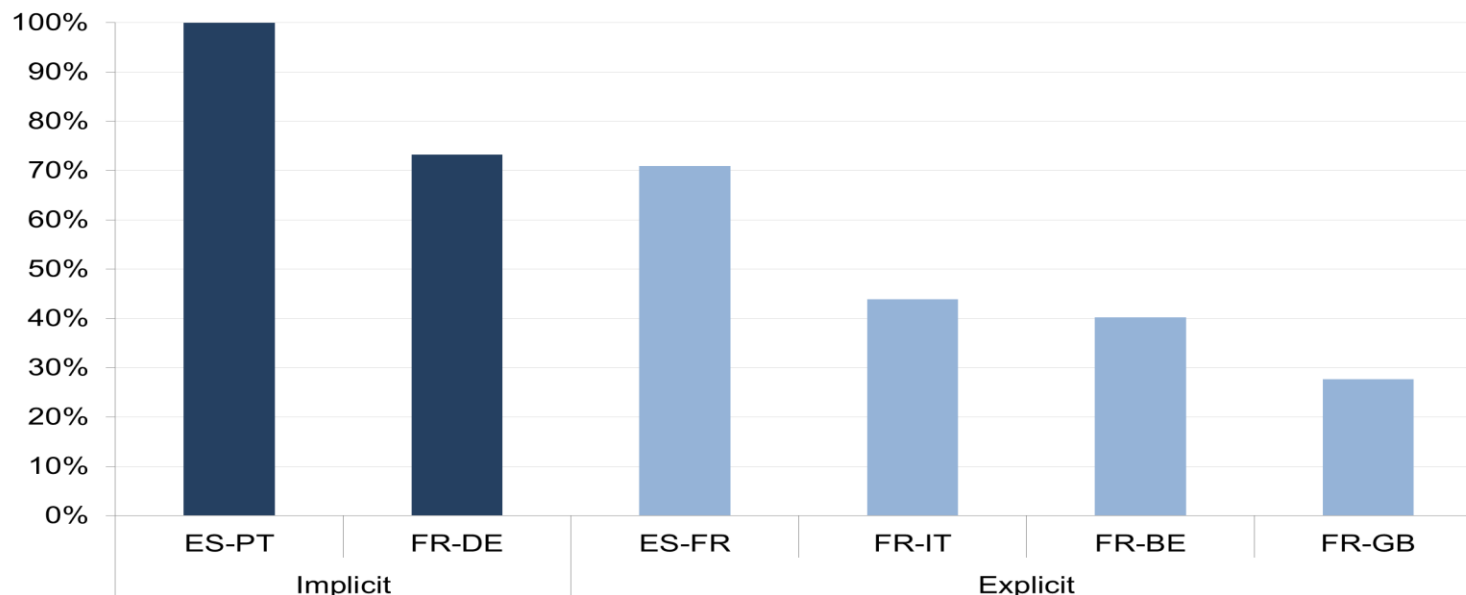
**ID traded volumes in a selection of EU markets – 2011 to 2015**



Source: PXs and the CEER national indicators database (2016).

**... while market coupling promotes the full and efficient use of cross-border NTC on the ES-PT border in the ID timeframe – scope for improvement on the ES-FR border**

**Level of utilisation of cross-border capacity in the ID timeframe when it has a value, for a selection of borders – 2014**

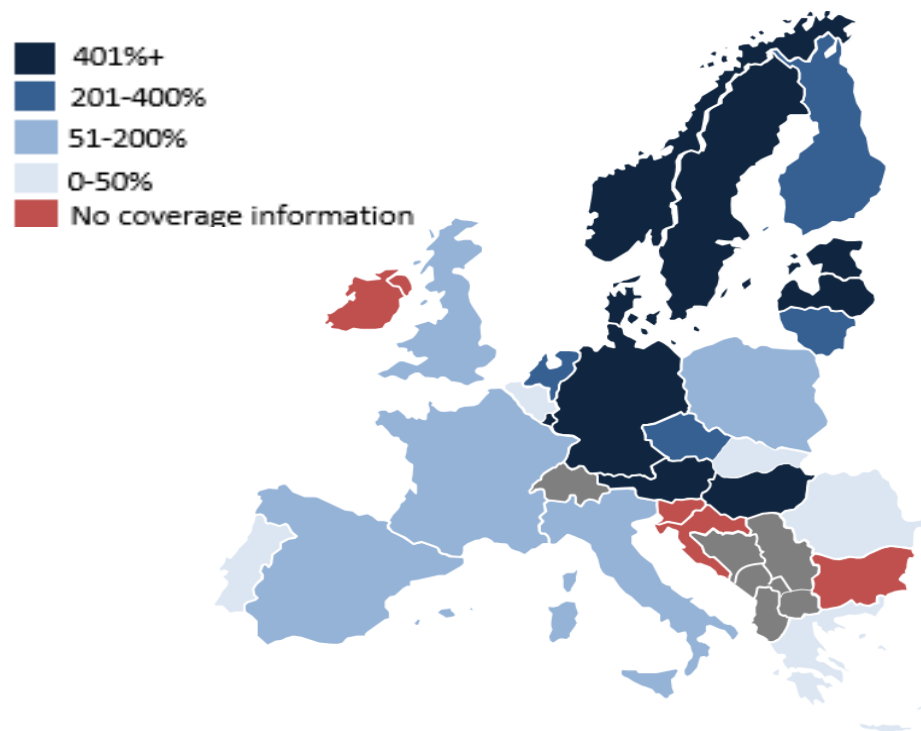


Source: ENTSO-E, data provided by NRAs through the ERI, Vulcanus (2015) and ACER calculations.

Note: Since in some markets ID liquidity (volumes traded) is relatively low, an arbitrary threshold of 50 MW was used for the analysis. The percentages indicate the share of the hours when capacity is used in the right direction (>50 MW used) with ID price differentials of at least 1 euro/MWh and a sufficient availability of cross-border capacity (at least 100 MW).

## There seems to be scope for increasing the liquidity of the Long-term forward market in MIBEL

**Approximate forward market volume (traded through exchanges and brokers) as a percentage of demand – 2014 (%)**



*Source: European Electricity Forward Markets and Hedging Products – State of Play and Elements for Monitoring, Economic Consulting Associates (2015).*

**Thank you  
for your attention**

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