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Response to
ACER public consultation
“European Energy Regulation: A Bridge to 2025”

Brussels, 16 June 2014

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Introduction

EUROPEX is a not-for-profit Association of European Energy Exchanges representing the interests of exchange-based wholesale electricity, gas and environmental markets with regard to developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

Europex welcomes ACER's initiative to consult the stakeholders on the energy market challenges and possible regulatory responses and priorities for the period 2014-2025, as well as the possibility to present its position on these issues. We believe that proper identification of those challenges and the implementation of adequate regulatory responses are of interest of all energy market stakeholders.

In general ACER has identified the main issues and trends. ACER has taken a holistic approach in its draft vision, which we consider very helpful. Besides identifying priorities and engaging stakeholders by this consultation and possible forthcoming actions, it is important to report progress regarding the priorities.

The complete implementation of the third package, the network codes and REMIT, and subsequent evaluation, are prerequisites for identifying any specific residual issues that may require regulatory or policy intervention. This we believe should remain the key task for ACER.

A very important omission in the green paper is, however, that the link to the main key drivers of European energy policy is missing: the European energy and environment framework and therefore the development of EU ETS and the development of RES promotion.

Any new regulatory measures, such as those indicated below, should only be introduced after a cautious assessment of their impact upon the existing regulations, which govern both the energy and financial aspects of the market.

Key issues for the power market

- Market development needs first and foremost a clear and reliable legislative framework, with the necessary ability to adapt according to market developments. Further regulatory action should be limited in the sense of as much as necessary, as little as possible. Regulation should not be an objective in itself but it should foster energy markets and identify and remove any barriers that hamper the energy market development.
- We remain dissatisfied with the regulatory response to the transmission issues. Processes such as the Bidding Zone Review can be time and resource intensive, and possibly with limited impact. Before engaging in such an exercise it is key to establish purpose, objectives and methods and criteria to be used. It would be more productive to focus on more practical improvements – such as strict control of that internal congestions are not moved to cross border links in the Day Ahead allocation, further coordinated day ahead capacity calculation, coordinated intraday capacity recalculation, and flow-based methods where grid systems are significantly meshed.

- It must be noted that power exchanges across Europe operate in different legal frameworks and vary among themselves. There is no need for a one-size-fits-all detailed EU wide framework for the regulation of energy exchanges, but merely some key principles to assure how they need to perform and cooperate in regulated activities.
- Regarding the governance of market coupling responsibilities, Europex agrees with ACER that an appropriate governance structure/regulation is needed, respecting the principles of subsidiarity and proportionality.

Key issues for the gas market

- Focus of ACER resources on level playing field implementation and application (throughout member states) of 3 Energy Package and Network Codes.
- Review of Gas Target Model (GTM) is too early before the implementation is done and will lack implementation experience.
- GTM review should comprise of a proper and transparent quantitative and qualitative analysis with timely stakeholder involvement which is not met by recent series of ACER workshops on the GTM Review.
- Ancillary impediments such as different licensing or other requirements in member states should be analyzed by ACER.
- Access to gas wholesale market should be based on objective and best practice market methodology.
- Energy Exchanges should not be subject to regulation beyond, as appropriate based on performed activities, Financial Regulation and/or REMIT and relevant national energy and/or financial regulation, since overregulation will be a major competitive disadvantage in comparison to market places and hamper further energy market integration.

Responses to ACER questionnaire

Q1. Have we identified correctly the issues and trends within each area of the energy sector?

1.1 Electricity Wholesale Markets

- The European electricity system is very complex technically, commercially and regulation-wise. It is subject to rapid changes in its environment. Europex strongly believes that only well-functioning markets can efficiently achieve the objectives of competition, security and sustainability. Only markets can efficiently integrate the diverse and interrelated factors and knowledge held by a large, and growing, number of parties.

- The electricity target model is an important process, particularly for power exchanges, market operators and TSOs to achieve the internal energy market objectives, these parties have successfully launched the PCR solution and based on that achieved market coupling within the NWE and SWE regions. As energy exchanges we are committed to build forward on this to and to implement PCR further into Europe and to deliver a common European Cross Border Intraday implicit continuous trading solution.
- Integration of all national markets, remuneration for the services provided, and bringing renewables into the market are necessary for the Internal Energy Market's timely completion. Lacks of adequate price signals for investments and of remuneration for services delivered are signs of policy failure.
- We consider it crucial to exploit the full benefits of Energy-Only-Markets (EOM) by removing subsidies, price regulation and promote demand side participation in wholesale markets. Where necessary for an appropriate level of generation capacity and needed new investments, Capacity Markets should minimize the impact on the EOM, with a consistent cross-border design. Feed-in-tariffs and other distorting mechanisms must be abolished, and all generation (and demand-side) should be fully integrated into the IEM.
- More RES in the electricity system bring challenges, for example for balancing. But renewables also bring advantages, for example it increases the long term security of supply by decreasing dependence on conventional resources like natural gas and coal. And even regarding short term balancing also renewables can contribute through delivering flexibility by virtual power plants, demand side response etc. The challenges arising from RES could be reduced if incentives for RES are adjusted, e.g. no incentive to continue producing when there is already oversupply and very low prices. This would also decrease the merit order effect and thus allow the price mechanism to do its work regarding incentives for investment.
- An important trend is the likely growth of transmission constraints within the distribution networks, due to wide-scale distributed RES generation and aggregated demand-side management. Currently, the solutions for addressing this are fragmented and often not market-based – in many ways reminiscent of the same issues at the transmission grid level 10-15 years ago. It is not enough to suggest that DSO interventions should be in a “commercially neutral manner”: a more positive obligation to be integrated into the wholesale markets and target model is needed. There is a real risk that the IEM could degenerate into a patchwork of localized solutions with the TSO and wholesale markets reduced to a residual role. This could be extremely inefficient.
- A final critical issue facing the industry is *trust*. Society needs to be assured that the market mechanisms are indeed functioning well and delivering the objectives set efficiently. Trust will also be critical in the development of residential demand-side response, e.g. addressing privacy concerns. Greater emphasis is needed on building the trust of customers, and regulators have an important role in that respect as well as market parties and the energy industry at large.

1.2 Gas Wholesale Markets

- ACER has so far collected what can be perceived as common issues and trends. But any compiled list of issues and trends cannot be exhaustive and furthermore there is no compelling evidence that the collected trends are the top priorities in terms of coming future developments. In our view the regulatory work should focus on concrete issues and not speculate about the future market developments.
- The identified trends fail to show a clear link to the main challenges of European energy policy:
 - Diversification (and additional) in supply,
 - possible tailor-made treatment of gas fired power plants (in line with European energy and environmental goals) and
 - Development of network expansions projects.
- Therefore we also believe that a regulation should not be primarily “flexible” towards future developments but should rather more focus on tackling of concrete pressing issues. Flexible regulation alone does not appear to be the appropriate answer to the challenges in the energy markets since the flexibility can create (regulatory) uncertainty. The “*flexible approach*” contemplated ACER should be complemented with concrete measures and aims.
- Capacity markets with a consistent, cross-border design in gas have already proved that sound regulation facilitates development of standardized capacity products and joint web-based booking platforms (PRISMA, GSA and other). Competition between joint-web based booking platforms improves quality of capacity products and market-based management costs. As a consequence, the use of cross border capacity is easier and thus enables integration of wholesale trading markets. We consider it crucial to exploit the full benefits of energy markets by removing subsidies, price regulation and promote demand side participation in wholesale markets.
- Regulators should clearly focus on the creation of the right conditions for the market to function (such as level playing field and implementation of regulation). Any regulation that goes beyond setting the necessary framework may distort rather than enable market development.

1.3 Infrastructure investment – Gas and Electricity

- Emphasis should be put on infrastructure investments, since the enhancement of cross-border capacities is a necessary precondition for the further development of the Internal Energy Market.
- A critical trend that will significantly impair the successful integration of the European wholesale electricity market is the increased level of transmission congestion. Solutions such as market coupling can only allocate what transmission is available. The congestion seems to be largely a result of the very rapid relocation of generation in recent years. Ultimately, the answer must to a significant part be new transmission capacity, and increased demand and supply participation, but there are nearer-term opportunities (such as enforcement of not

allowing moving of potential internal control area congestions to Cross Border links, flow-based in meshed grids, coordinated calculation and re-calculation, coordinated redispatch) that could make significant improvements.

- In infrastructure, the key issue is one of coordination between TSOs. The TSOs argue that a RTO/ISO that separated system operation from network ownership would be highly inefficient. However, if we are to have multiple TSOs they should coordinate and, where relevant, centralize functions. The outputs should be benchmarked against what a single TSO could achieve.
- The increase of available physical levels of cross-border gas-transmission capacities in line with the available processes is important to minimize bottle neck situations and also to enable timely bookings of capacity.
- The availability of, and access to the gas-cross-border infrastructure on fair, transparent and non-discriminatory terms are crucial for gas market integration. Therefore we support the development of market based gas infrastructure and implementation of full implementation of Gas Network Codes to enhance ensure further integration of European gas markets.

1.4 Consumers, retail markets and the role of DSOs – Gas and Electricity

- We consider it crucial to exploit the full potential of the single market by removing end-consumer price regulation and by promoting the organic growth of markets and efficient, competitive, price formation leading to increased price convergence across Europe.
- Europex fully supports the regulatory framework for the removal of barriers and impediments which distort market functioning (in particular through price regulation).
- ACER correctly identifies the important potential impact of new, distributed sources of generation and demand response. A consequence of the technology advances is that the “electricity *supply* industry” is being turned on its head. Large scale introduction at household level of for example heat pumps, air-conditions, electric vehicles and PV-panels can have a significant impact on the amount of consumption, the pattern and related distribution and transmission needs. From a top-down, centrally controlled legacy serving end consumers, it is becoming decentralized and potentially even customer-driven in the future (e.g., smart metering). This could radically impact relationships:
 - Some customers (prosumers) may become market players, while other customers will need more traditional protections.
 - DSOs may start to gain significant influence and control of the increasing proportion of generation and demand-side response that is within their distribution networks.
 - New parties will emerge – such as aggregators – that may not fit well with the existing roles and responsibilities (e.g., balance responsibility).
- This implies the need to further clarify and amend the current market framework.

Q2. Have we identified an appropriate regulatory response?

2.1 Electricity

- ACER has in general rightly identified the initiatives to be promoted as well as the fields where improvements are possible. We agree on the need for a clear European governance framework for market coupling.
- Market development needs first and foremost a clear and reliable legislative framework, with the necessary flexibility so it can be adapted according market developments. Further regulatory action should be limited in the sense of as much as necessary, as little as possible. Regulation should not be an objective in itself but it should foster energy markets and identify and remove any barriers that hamper the energy market development.
- The implementation of the target model is clearly important. However, as mentioned above, day-ahead and intraday implicit allocation cannot fulfil its full potential in terms of overall welfare increase and efficient price formation if there is insufficient transmission capacity or too restrictive (conservative) limitation thereof. Greater emphasis is needed on measures to improve the current situation, including greater coordination and, if necessary, centralisation of TSO functions.
- The paragraphs addressing demand response focus very much on the flexibility offered to the TSOs and DSOs for system management and balancing purposes, but making this flexibility available to BRPs through the Day ahead and Intraday wholesale markets is likely to deliver even greater benefits in terms of increased market based competition and overall welfare, as well as better portfolio optimisation and security of supply. In addition, the owners of the new sources of flexibility (prosumers) need to be able to secure fair value. Given the mix of potential buyers of flexibility (many of whom are monopolies) and the emergence of new parties (such as aggregators), it would seem that a clear regulatory framework will be needed.
- We remain dissatisfied with the regulatory response to the transmission issues. Processes such as the Bidding Zone Review are likely to be very time and resource intensive, but with probably minimal impact. It would be more productive to focus on more practical improvements – such as coordinated intraday capacity recalculation, flow-based. It may also be better to focus on aligning incentives – for example, applying the “polluter pays” principle to loop flows could help motivate remedial action by the relevant parties.
- Regarding governance, as we move to an increasingly European Energy Market, there is a clear need for this to be supported by a European decision-making process, which is both transparent and fair, and allows identification of where National and European interests either align or are in conflict – and to achieve an outcome that is in the public interest. The PCR and MRC have implemented robust governance frameworks that should be extendable. Greater consideration should be made on how these arrangements should evolve.
- ACER should take into account the possible effects of making changes to established mechanisms, so it is essential to adopt a proportionate approach that builds on the arrangements already voluntarily established over a large part of Europe. However, appropriate governance rules could also contribute to codify the current balance of powers between TSOs and power exchanges, which is currently mainly ensured through contracts.

- It must be noted that power exchanges across Europe operate in different legal frameworks and vary among themselves. There is no need for a one-size-fits-all detailed EU wide framework for the regulation of energy exchanges. Besides TSOs, only specific services with a monopolistic character may be regulated instead of the entire entities providing such services. The specific activity of market coupling and the related role of power exchanges require a clear European governance framework.
- Although coordination at Regional or European level might be necessary on some issues, subsidiarity often remains the best guarantee that local circumstances are adequately taken into account and that the necessary regulatory stability is offered to the parties having voluntarily engaged in the market integration process. National regulations and solutions should however not undermine the ability to have a well-functioning Internal Energy Market.
- Regarding the governance of market coupling responsibilities, Europex agrees with ACER that an appropriate governance structure/regulation is needed, respecting the principles of subsidiarity and proportionality.
- A new element is the announcement at the last Florence Forum that the CACM Network Code will become a guideline. An important consequence is that the drafting and amendment of Guidelines is controlled by the Commission. It is an urgent priority that an open, accountable and fair process is established to complete these new Guidelines, and future amendments.

2.2 Gas

A flexible framework for a liquid pan-European gas market

- We believe that the implementation of the Third Energy Package including the Network Codes is an important regulatory development for European gas markets. Consideration should also be given to the uneven implementation across national markets. Only after the complete implementation of the Third Package and the Network codes in all member states assessments should be conducted in order to establish whether / which further regulation is needed. Any analysis that takes place before the actual implementation of the Third Energy Package including the Network Codes is of limited value. Therefore in our view the review of the Gas Target Model comes too early.
- The review of the Gas Target Model furthermore should take into account the different characteristics of the wholesale markets in Europe such as spot versus forward markets and regional differences. We believe that applying any criteria (GTM 1, GTM 2 or any criteria) to the current state of the wholesale market areas is not useful as long as the Network Codes are not implemented evenly across Europe, and the different wholesale markets are in different phases of development. Market merger is first of all a measure that has the best chance of success when applied in a bottom-up form with the full support from the market. Top-down measures imposed by regulation are less likely to be successful and it is too soon to draw conclusions given the uneven development of the wholesale markets and the GTM 2 criteria.

Achieving liquid gas markets

- Spot and forward markets fulfil very different needs in terms of customer demand / inherent market functioning. Forward markets are typically used for hedging and speculative purposes, and the physical location is not comparably important as with spot markets. Spot markets fulfil needs of market participants regarding physical delivery and are for that reason much more regional/regionally focused markets with different characteristics and fundamentals.
- We would emphasize that the success of the North-West European hubs: TTF and NBP is actual evidence that in countries where markets are open, the integrated gas (forward) market is working and is already delivering tangible benefits for the consumers, not only within the market area but also outside its borders. Therefore we do not see a need for additional regulation on markets because the market will itself define vivid pan-European trading areas. Policy measures with regards to the number of liquid (forward) market areas currently being considered by ACER, however, are based on assumptions we do not share. The welfare loss that was indicated by reason studies occurring due to the lack of liquid regional future markets was not confirmed by industry / market participants and remains speculative. We would furthermore question the methodology used in the recent questionnaire into the functioning of European gas markets by ACER. Market participants were asked on different market aspects as number of deals per day per product and minimum time horizon what would ultimately best facilitate their needs.
- As a theoretical exercise it could be valuable to define criteria for liquid and well-functioning wholesale markets, but EUROPEX believes that the Gas Target Model 1 criteria are too formalistic and fails to recognize current realities. The same goes for “Gas Target Model 2 criteria”. By merging two market areas, the liquidity does not necessarily increase symmetrically. Subject to the case at hand, liquidity might actually deteriorate. One participant could be active in both market areas in order to arbitrage between the different markets. By merging the markets, such arbitrage opportunities disappear, and the liquidity may then possibly decrease or at least remain unchanged instead of increase. As stated above, wholesale markets have different characteristics and the criteria do not take the differences between the wholesale markets into account. It is not useful to apply these criteria to the different wholesale markets, simply because not all wholesale markets are in the same phase of development.
- Any evaluation for the need for review of the GTM should be made public and include information, if and how market participants answered to the questionnaire. And conclusions should be made subject to a wider stakeholder discussion before being introduced into the discussion.
- At this stage we feel that the individual gas market areas in Europe require rather a fine tuning on an individual bases - taking into account the specific and unique regional challenges - instead of an overhaul of already existing concepts and criteria. Creating a single European energy market is a complex, long-term process, beginning with the development of liquid regional markets, connected with multiple sources of supply. Therefore Europex favors and advocates a more flexible and tailor-made approach that provides for the

possibility to assess different situations and problems on a rather practical than on a theoretical market design level.

- Europex considers the further development of liquid gas forward markets and efficient price formation leading to increased price convergence across exchanges and trading hubs to be a matter of time and subject to regional particularities. The mere existence of a higher number of “liquid” forward markets is not likely to contribute to lower end consumer prices but will rather pull liquidity from already existing forward markets (such as TTF and NBP) and increase end consumer prices.
- An additional European regulatory framework for the regulation of exchanges is not needed. In order to keep the barriers to access the market as low as possible the licensing regimes for energy exchanges need to be light touch.
- The set of minimum regulatory framework conditions/requirements for market participants that supply end consumers facilitates easy access to the markets without burdensome registration process and thus enabling competition. Highly competitive retail markets should secure that market based prices on hubs / exchanges are effectively passed on to end consumers. Situations where price advantages are locked in at hub/exchanges level should be avoided by competition on a wholesale level and thus opening up the end-consumer supply market across national borders.
- Liquid and competitive gas markets are currently being developed in Central and Eastern Europe. Therefore, it is vital to also reflect the needs of those markets when assessing development/amendment of regulations.

Q3. Which regulatory actions are most important and should be prioritised?

The tables below indicate Europex views, both for power and for gas markets separately on regulatory actions proposed by ACER in the Annex A of the consultation paper:

3.1 Electricity Market

3.1.1 ACER Actions supported by Europex

ACER Statement of Annex A of the consultation paper	Europex Comment
We will support the development of Regional Security Coordination Centres and investigate the opportunities for these eventually to merge into a single European Security Coordination Centre, or one per synchronous area.	In principle, we support any initiatives that improve the functioning of the Internal Energy Market (IEM). Nevertheless, it is not in our competence to further comment on this specific option.
We will map out a framework covering the required commercial, regulatory and standardisation aspects necessary to facilitate the market in demand response.	It is important to establish a <u>market-based</u> framework for demand response. A European framework should be limited to setting out guidelines/principles recognising that solutions are likely to be national.

<p>NRAs and ACER will work with DSOs and TSOs to allow them to more clearly define the respective roles and responsibilities that enable DSOs to manage their networks in a transparent and reliable way whilst also supplying system services to TSOs.</p>	<p>It is important to establish a coherent framework that supports the IEM and avoids the risk of fragmented, non-market based outcomes.</p>
<p>We will continue to identify barriers to entry in national retail markets and examine how they can be removed.</p>	<p>Worth underlining that a well functioning, open retail markets improves the functioning of IEM.</p>
<p>NRAs through CEER will further develop the CEER-BEUC 2020 Vision principles into practical actions as to how the future regulatory framework might evolve to enable market developments across Member States while continuing to protect and empower consumers.</p>	
<p>We will assess the appropriate level of regulatory oversight for power exchanges and other market coupling operators, and trading and capacity allocation platforms.</p>	<p>We support proper framework for regulatory oversight for market coupling, respecting subsidiarity and proportionality. However, we do not see need for a single European solution for the regulatory oversight of energy exchanges. It must be noted that energy exchanges across Europe operate in different legal frameworks and vary among themselves. There is no need for a one-size-fits-all detailed EU wide framework for the regulation of energy exchanges.</p> <p>Energy Exchanges are in some cases already subject to regulatory oversight according to stock exchange law (subject to EU secondary law – e.g. MiFID, MAR, MAD), and in other cases according to national/regional energy regulations that provides for either licensing as an energy exchange or legally mandated tasks as an energy exchange.</p>
<p>We will, within the ambit of our responsibilities and resources, consider the participation of NRAs of relevant countries outside the Union willing to develop regulatory arrangements compatible with those applicable in the EU.</p>	<p>Improves functioning of IEM, and facilitate extension</p>
<p>We will place great emphasis on the need for the rapid implementation of the present electricity Target Model across all geographies and market timeframes and commit to review the need for any changes.</p>	<p>Support this as a being a key focus objective, but it is essential to as far as possible reflect the efficient governance and functional structures that have already been established via among others PCR and recent DA Price Coupling deliveries (NWE, SWE) and likewise upcoming CB Implicit Continuous ID deliveries.</p>
<p>We will undertake further analysis to develop and improve the common European balancing target model defined in the Network Code.</p>	<p>Important to build on/coordinate balancing pilots to deliver clarity on the Target Model</p>
<p>We will review the process for the development, modification and enforcement of network codes to ensure that it is effective and that the present governance arrangements are robust to the future pace of change.</p>	<p>Regarding CACM: need a clear European governance framework that builds on established solutions (PCR, MRC). Need for a objective, transparent amendment process to new Commitology Guidelines with strong involvement for stakeholders.</p>

3.1.2 ACER Actions on which Europex has a neutral position

ACER Statement of Annex A of the consultation paper	Europex Comment
<p>We will proactively advise on the design of interventions so that the goals of security of supply and competitive markets are met as far as possible.</p>	<p>We agree with the objective of ensuring that any interventions support the goal of competitive markets but this is perhaps better led by EC; any advice should be based on robust analysis and needs the active input from relevant stakeholders. For example, Europex does not support ACER's review of the gas target model at this time.</p>
<p>We will further consider changes to market arrangements that are required to ensure gas markets meet the needs of the electricity market.</p>	<p>Gas markets are separate and distinct energy markets. Any change in market design shall be subject to a consultation comprising of all stakeholders. Particular issues such as economics of gas fired power generation shall be addressed particularly addressing both needs of gas and electricity markets.</p> <p>In this context it has to be noted that in the recent past a number of regulatory obligations have been put in place that has to be honoured and administrated by market participants. Compliance with these regulations is an exercise that leads to significant costs on the side of undertakings and also locks up capacities at regulators. To achieve a workable level of oversight and regulation that enables authorities fulfilling their roles already existing pieces of regulation shall be utilized and implemented.</p>
<p>We will assess whether bodies performing pan-European functions are regulated adequately and proportionately.</p>	<p>This is distinct from the issue of regulation of market coupling.</p>

3.2 Gas Market

3.2.1 ACER Statements supported by Europex

ACER Statement of Annex A of the consultation paper	Europex Comment
<p>NRAs and ACER will work with DSOs and TSOs to allow them to more clearly define the respective roles and responsibilities that enable DSOs to manage their networks in a transparent and reliable way whilst also supplying system services to TSOs.</p>	<p>It is important to establish a coherent framework that supports the IEM and avoids the risk of fragmented, non-market based outcomes.</p>

<p>We will continue to identify barriers to entry in national retail markets and examine how they can be removed.</p>	<p>Worth underlining that a well functioning, open retail markets improves the functioning of IEM.</p>
<p>NRA's through CEER will further develop the CEER-BEUC 2020 Vision principles into practical actions as to how the future regulatory framework might evolve to enable market developments across Member States while continuing to protect and empower consumers.</p>	

3.2.2 ACER statements on which Europex has a neutral position

<p>ACER Statement of Annex A of the consultation paper</p>	<p>Europex Comment</p>
<p>We will proactively advise on the design of interventions so that the goals of security of supply and competitive markets are met as far as possible.</p>	<p>We agree with the objective of ensuring that any interventions support the goal of competitive markets but this is perhaps better led by EC; any advice should be based on robust analysis and needs the active input from relevant stakeholders. For example, Europex does not support ACER's review of the gas target model at this time.</p>
<p>We will further consider changes to market arrangements that are required to ensure gas markets meet the needs of the electricity market.</p>	<p>Gas markets are separate and distinct energy markets. Any change in market design shall be subject to a consultation comprising of all stakeholders. Particular issues such as economics of gas fired power generation shall be addressed particularly addressing both needs of gas and electricity markets.</p> <p>In this context it has to be noted that in the recent past a number of regulatory obligations have been put in place that has to be honoured and administrated by market participants. Compliance with these regulations is an exercise that leads to significant costs on the side of undertakings and also locks up capacities at regulators. To achieve a workable level of oversight and regulation that enables authorities fulfilling their roles already existing pieces of regulation shall be utilized and implemented.</p>
<p>We will map out a framework covering the required commercial, regulatory and standardisation aspects necessary to facilitate the market in demand response.</p>	<p>We will map out a framework covering the required commercial, regulatory and standardisation aspects necessary to facilitate the market in demand response.</p>
<p>We will, within the ambit of our responsibilities and resources, consider the participation of NRA's of relevant countries outside the Union willing to develop regulatory arrangements compatible with those applicable in the EU.</p>	<p>Improves functioning of IEM, and facilitate extension</p>

3.2.3. ACER statements not supported by Europex

ACER Statement of Annex A of the consultation paper	Europex Comment
<p>We will review the Gas Target Model to ensure that it remains a flexible regulatory framework for gas wholesale markets, identifying the most appropriate measures to develop liquidity in all markets and timeframes including possible tools of market integration.</p>	<p>The complete implementation of the Third Energy Package and the Network Codes, and subsequent evaluation, are prerequisites for identifying any specific residual issues that may require regulatory or policy intervention. This should be ACER's key objective.</p> <p>ACER should be entirely focused on delivering the full finalisation and implementation of regulatory action already started before embarking on an update of existing regulation / introducing new regulation.</p>
<p>We will consider offering training modules as part of its future collaboration with Third Countries subject to the availability of resources including financial support by the European Commission.</p>	<p>ACER should focus on its main tasks to facilitate the implementation of the IEM</p>
<p>We will assess the appropriate level of regulatory oversight for power exchanges and other market coupling operators, and trading and capacity allocation platforms.</p>	<p>Additional European regulatory framework for the regulation of energy exchanges is not needed. In order to keep the barriers to access the market as low as possible the licensing regimes for energy exchanges need to be light touch.</p> <p>Energy Exchanges are in many cases already subject to regulatory oversight according to stock exchange law (subject to EU secondary law – e.g. MiFID, MAR, MAD). Additional regulation by Energy Regulators will bring no benefits but would certainly be a competitive disadvantage for exchanges, increase costs for market places and create an entry barrier.</p>
<p>We will assess whether bodies performing pan-European functions are regulated adequately and proportionately.</p>	<p>This is distinct from the issue of regulation of market coupling.</p>

Q4. Are there other areas where we should focus?

4.1. Transparency and Integrity of the Wholesale Market

- The successful implementation and application of REMIT should be the central goal of ACER. With REMIT constituting a big step into the right direction, it is now of utmost importance to effectively apply the new regulation Europe-wide. The regulation may need a certain application period to discover possible shortcomings which then have to be addressed by ACER.
- REMIT aims at all actors in the wholesale energy markets, applying also to EEs as to broker platforms and OTC. Transparency and market monitoring issues are also regulated by the REMIT framework. Indeed, REMIT is targeted at all actors in wholesale energy markets, applying also to EEs as to broker platforms and OTC.

- There is a tendency to create additional layers of national energy regulation in the areas covered by REMIT. ACER and NRAs should avoid duplication or unnecessary requirements, and ACER could monitor national regulatory actions and raise the awareness of potential overregulation. There should be a clearer framework setting out the division of responsibilities between ACER and NRAs.

4.2. Environmental Markets

ACER should consider whether it can facilitate the setting of efficient renewable energy sources (RES) policies. In the production of electricity, this is having an important impact on the functioning of markets. At least the following aspects should be considered:

- We should strive toward a coherent pan-European support system for RES putting minimal strain on the electricity end-users. ACER's involvement in the design of such a system would be positive if focused on ensuring consistency with the target model, for example.
- The problems arising from RES could be reduced if incentives are adjusted (e.g. no incentive to produce when the system does not need it). This would also lessen the merit order effect and thus allow the price mechanism to do its work regarding incentives for investment.
- Renewables should also have a potential role in providing balancing services, and not only be the "object" of balancing – e.g. through smart grids, VPPs etc.
- Consumers should be given a more important role in the incentives for RES. This could be accomplished by putting more emphasis on Guarantee of Origin systems.
- The interplay between "green" and carbon markets should be considered.
- Among potential technological changes, electric vehicles should be emphasized. Until 2025 they could bring about important changes regarding consumption patterns in electricity.



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