



## ASSOCIATION OF POWER EXCHANGES

### APEX Objective

To facilitate the development and communication of ideas and practices in the operation of global competitive electricity markets. One of its primary intentions is to provide a platform for the sharing of information between its members.

## APEx Annual Conference 2022 Oct 19 - 21, 2022 (Dubrovnik, Croatia)

THE ASSOCIATION OF POWER EXCHANGES (APEX) IS EXCITED TO ANNOUNCE THAT WE WILL ONCE AGAIN BE HOLDING AN IN-PERSON CONFERENCE IN 2022!

# APEX ANNUAL CONFERENCE 2022

OCTOBER 19 - 21, 2022

\*EXCELSIOR HOTEL - DUBROVNIK, CROATIA.

WE LOOK FORWARD TO SEEING YOU AT THE CONFERENCE!

\*DETAILS WILL BE FORTHCOMING AND COMMUNICATED REGARDING THE HOTEL AND SPECIAL ROOM BLOCK RATES FOR ATTENDEES.



### Leonard Kula

*APEx Board Member  
VP and COO  
Independent Electricity  
System Operator (IESO)*



As we look to the future, we continue to see significant changes coming to our power systems driven by customer choice, policy changes and technological advances – often tied to the goal of decarbonizing our electricity systems and economies.

Across the globe, we are at various stages of this energy transformation. In Ontario, our coal fleet was retired in 2013, replaced by gas generation, increased quantities of nuclear generation, and substantially building our wind and solar generation resources. This change required significant support – particularly to integrate this evolved resource fleet into our market and system operations.

This change will continue in the future.

I believe all paths forward will involve an increase in the amount of generation supply from renewable resources – that is, hydroelectric, wind and solar. While these resource types support decarbonisation goals, these ‘variable energy resources’ (VERs) are frequently limited in their ability to supply energy – that is, they are often not able to produce electricity when needed given the uncertainty of their fuel supply.

This significant challenge – of managing the uncertainty of variable energy resources – will be one of the key challenges of the next decade. Organizations like the North American Electric Reliability Corporation (NERC) are reacting to this challenge by establishing task forces to address energy reliability – and develop the methodologies to assess energy adequacy in the planning and operating time-frames.

It is quite possible that we will find it is prohibitively expensive for any jurisdiction with material amounts of VERs to ensure self-supply – that is, to build enough buffer to ensure reliability when, say, the sun isn’t shining or the wind isn’t blowing. To ensure reliability, the answer then lies in looking outside our footprints of operation and ensure the pieces are in place to mutually support our neighbors. Key enablers of this new future will include storage to move energy from when it’s produced to when it’s needed, smart investments in transmission infrastructure to facilitate moving energy, and nimble regionally-oriented markets to identify hourly areas of surplus and shortfall and move energy to where it’s needed.

APEX is a great forum to consider and discuss these growing challenges – to identify key challenges and share best practises for addressing them – in both our webinars and in our annual conferences.

# In the Spotlight

## Making Sense of a Maturing Market



**It is difficult to predict the challenges that will be thrown up as power markets mature and develop. That is equally as true of established, coupled markets like that which we see in Europe today, as it is of fledgling power trading set-ups starting out in new geographies.**

Last year, Europe's Agency for the Cooperation of Energy Regulators (ACER) consulted with a broad range of power market stakeholders, concerning potential amendments to the Capacity Allocation and Congestion Management (CACM) Regulation. CACM is a central plank of legislation governing Europe's single market in electricity. It provides the legal basis for the designation of Nominated Electricity Market Operators (NEMOs – the title given to power exchanges in this context), outlines the tasks they are responsible for as regards market coupling and gives a working framework for their cooperation with Transmission System Operators (TSOs).

Although Nord Pool (Nord Pool, the European power exchange) has always been a supporter of CACM, in the belief that it presents a basis on which to establish fair competition between power exchanges – in the course of its operation CACM has, perhaps unsurprisingly, proved to be an imperfect tool. Hence the recent round of consultation undertaken by ACER, which produced some interesting proposals, in terms of tracking the development of a maturing coupled power market.

Disappointingly for Nord Pool (and for others among the NEMOs - power exchanges - operating in Europe today), ACER recommended the establishment of a single legal entity to perform all market coupling operation (MCO) tasks. This included a proposal to create one legal entity to operate the market coupling algorithms, acting as a central counterparty to all NEMOs. This proposal was very much contrary to Nord Pool's viewpoint, reflected in the advice and wishes put forward by many other NEMOs, TSOs and market participants which took part in the consultation – the organisations 'at the sharp end' of administering the market coupling.

It would be hollow to criticize without proposing an alternative – which Nord Pool, along with other European NEMOs and TSOs, has duly done. This solution is much closer to what we see operating in Europe today, one which would be more robust, more capable of efficiently managing and accommodating the 'green shift' which is evident not just in Europe, but across power markets, and also more cost- and time-efficient than ACER's proposition.

So why the widespread discomfort with these aspects of the ACER proposal? Nord Pool feels that a European single legal entity will add an expensive additional layer to the market coupling process, while also removing that process from market participants and the regional specifications of the markets. It will provide an unwelcome diversion of scarce resources away from implementing important projects. And it will also remove from NEMOs their core competence of operating markets, instead placing market operation into the hands of a new entity with no credentials or track record. And this is important because Europe is the world's 'exemplar' coupled power market – which means the world is watching how it develops.



### Association of Power Exchanges

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Nord Pool is of the opinion that, should ACER’s proposal go ahead, the risk of a far-reaching market failure, increased by bundling all operations into a single legal entity deemed “too big to fail”, becomes very real.

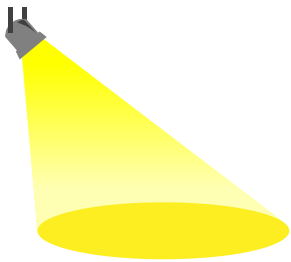
But it is not all bad news. As we said at the start of this article, Nord Pool has been a longstanding champion for CACM in the belief that it guides the way to real, meaningful competition between power exchanges – which can only be good for customers. On the plus side, ACER’s proposal contains some much-needed improvements to the level playing field for competing NEMOs. ACER has provided some welcome statements around NEMOs not organising trading outside the Single Day Ahead Coupling (SDAC) and the Single Intraday Coupling (SIDC), and that the intraday timeframe should only end at the latest point in time when continuous trading stops matching orders for a given bidding zone.

This will see market participants benefiting from increased liquidity in both the SDAC and SIDC in the future, as all NEMOs will have to submit any orders received from market participants for single matching during these timeframes and for the entire duration of the intraday market in a bidding zone.

So, while – in Nord Pool’s view – these long-overdue improvements to multi-NEMO competition promise real benefits for market participants, those benefits may well prove to be outweighed by the planned centralization of the MCO tasks into a single new legal entity.

Find out more about Nord Pool at: [www.nordpoolgroup.com](http://www.nordpoolgroup.com)

To read ACER Recommendation 02/2021 in full, go to [www.acer.europa.eu](http://www.acer.europa.eu) or click on the icon below.



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