

(short version of Annexe 2 – Core Principles - EFET Bye-laws)

## **Core Principles for Energy Markets**

These core principles should form the foundation for a European energy market design. Observation of the principles should promote free and fair competition between all producers and suppliers of energy. EFET expects such principles to be accepted by all *bona fide* participants in European power, gas and emissions markets, irrespective of their nationality, their business model and the location of their business.

### **Competition and market access**

Wholesale markets in all energy commodities and related products and services should be open to competition and intermediation.

### **Access to transmission networks**

The management, operation – and ideally the ownership - of transmission and distribution systems should be fully unbundled from other energy businesses. TSO unbundling helps ensure objective, transparent and non-discriminatory access to the network. Such access underpins the confidence of market participants in a level-playing field for producers, traders and consumers within and across national borders.

### **Transparency**

All market participants need access to disaggregated information about underlying supply and demand fundamentals to facilitate wholesale trading of power and gas on a level playing field.

### **Freedom of choice of trading venue**

Wholesale energy market participants should have the freedom to choose how and where to carry out their trading activities. A harmonious co-existence of OTC trading (with or without clearing as appropriate) and exchange-based trading opportunities is the fairest and most cost-effective outcome.

### **Cross-border markets**

The European single markets in power and gas can only transcend national borders if trade in energy commodities is unimpeded by artificial barriers, including tariffs.

## **Intraday markets and system balancing**

Intraday markets should be fostered by moving gate closure times as close to real time as possible. Harmonized balancing markets, periods and products on a cross-border basis will additionally ensure that supply and demand match near to real-time and the system delivers correct price signals.

## **Ancillary services**

Arrangements for the procurement of ancillary services by TSOs should be market based and help ensure the efficient functioning and integration of wholesale energy markets.

## **Sound market design and implementation of uniform or at least harmonised market rules**

A sound market design and governance framework at EU level must be recognized by national governments and Brussels institutions as crucial for the completion of the European single markets in power and gas.

## **Market integrity and financial regulation**

The legislative and regulatory framework needed to underpin wholesale market integrity should be flexible, and at the same time predictable and transparent. It should allow the market to adapt to future challenges and changing market conditions while giving good signals to investors.

## **Decarbonisation**

The EU ETS should play the central role in Europe's climate action policy. The EU ETS offers the most cost-effective solution to meet EU decarbonisation goals and should prevail as the central measure for abating CO<sub>2</sub>.

## **Integration of renewable energy in wholesale markets**

The integration of renewable energy in wholesale markets requires the elimination over time of all operational (grid access priority, priority dispatch, balancing immunity) and financial (support scheme) privileges enjoyed by RES-E generators.

## **Flexibility and storage**

An efficient energy market delivers the right mix of flexible capacity – production, demand and storage. The operation of the market in this respect should be free of regulatory interventions, so as not to prevent prices from reflecting the true value of any capacity scarcity in the system.

Access to and use of storage facilities should remain commercially driven in most of Europe.

Access to gas storage facilities should not normally be regulated in a particular nation or region.

Electricity storage operators should be afforded non-discriminatory access by TSOs and DSOs but need not normally be given special regulatory privileges.

## **Generation and demand adequacy**

Generation and demand adequacy must be assessed at pan-European level, taking account of the availability of a variety of generation sources, the flexibility of demand, and factoring in price signals from all market timeframes.

## **Security of supply**

Ensuring that nothing unduly prevents the proper market response is the most efficient way to maintain supply security. Publication of real-time information can optimize supply and demand and deliver security of supply.

## **Standardization**

Standard contracts and standard IT protocols for the exchange of transaction data should remain among the tools which facilitate open, liquid and transparent energy markets.

## **Retail market and demand side**

Regulated or fixed prices for power and gas, starting with those applying to industrial or commercial consumers, should be phased out as quickly as possible.

## **Freedom from Licensing and Obligation of Secondary Establishment**

Wholesale market participants legally operating in one European nation and wishing to expand their activities to others should not incur undue cost nor have to cope with duplicative licensing or reporting obligations, in order to operate in another Member State.