

What are the key challenges of market coupling governance ?

A multi-level governance at risk of inefficiencies in an increasingly integrated market



- **Prioritisation and implementation timelines can be improved:**

- ⚠ Overdue legal requirements should be prioritised over long-term projects with unclear benefits under real market conditions.



- **Fragmentation through uncoordinated national decisions:** increase in local remedies to energy cost and grid issues affect the level playing field on coupled markets.

- ⚠ Ill-designed national policies (e.g. Italian energy decree, produce-and-forget CfD designs) have an impact on the internal electricity market.
- ⚠ Changes in injection tariffs for generators based on different national methodologies distort competition on the coupled markets.



- **Misalignment of policy and market priorities:** MP constraints are not always considered in project design and implementation.

- ⚠ More structured involvement is needed to increase buy-in and to avoid tedious ex-post adjustments.
- ⚠ Project-by-project assessments can miss the bigger picture.



- **Accountability gaps in market coupling governance:** difficult balance between local entities' priorities and collective interests.

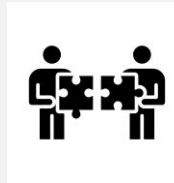
- ⚠ The oversight of regulated entities can be disconnected from their relevance for market coupling collectively.
- ⚠ Oversight arrangements need to ensure effective accountability and incentives to deliver projects improving net benefits.

Proposals for an improved market coupling governance



Prioritisation and timelines can be improved

- **Projects with the highest return**, largest market acceptance and/or easiest implementation timeline are prioritised and implemented.
- **Immediate delivery**: overdue legal obligations (ROSC), transparency and implemented-but-incomplete methodologies.
- **Near-term improvements**: intraday capacity, prequalification harmonisation, coordinated remedial actions and fallback arrangements.
- **Longer-term design**: evaluation and/or investigation of major design changes (e.g. co-optimisation, FB IDCT, fundamental market-coupling governance changes).



Misalignment of policy and market priorities

- **Involve MPs across policy stages**: EBGL 2.0 discussion is good example of MP involvement from the problem definition stage. This also matters all the way through implementation.
- **Assess the net benefits of coupling projects**, considering interactions across the market sequence.

Accountability gaps in market coupling governance

- **Central oversight, coupled with sufficient accountability, can be justified** where current arrangements are not effective.
- **Stronger ACER role in coordinating investigations** into network incidents to ensure a transparent, objective and inclusive process, as well as timely data collection.
- **Ensure transparency on ACER decision-making**: publish detailed minutes and votes of ACER BoR meetings.



Fragmentation through national interventions

- **Strengthen governance** to identify and tackle cross-border impacts of national decisions.
- **More coordination can be a first step**: open exchange about potentially harmful national measures.

