Position Paper

Maximising the Benefits of the Internal Energy Market: Europex Input to Forthcoming Commission White Paper on Deeper Electricity Market Integration

Brussels, 24 November 2025 | Initially announced under the Affordable Energy Action Plan, the forthcoming Commission White Paper on Deeper Electricity Market Integration offers a timely and valuable opportunity to reflect on how a genuine Energy Union can be realised. A well-integrated and well-functioning electricity market, built on efficiency, transparency, robustness and a stable regulatory framework is essential to deliver affordable, secure and sustainable energy for all Europeans.

1. Fully Leverage the Benefits of the Internal Electricity Market in Europe

Europe's wholesale electricity markets rest on a strong foundation: the integration of energy trading and cross-zonal capacity utilisation through coupled day-ahead and intraday markets in combination with liquid forward hedging via trading and clearing on regulated exchanges. These markets provide a stable and transparent framework for investments, enable reliable price formation and support effective risk management. Platform-based trading on regulated markets further ensures liquidity, accessibility and efficient matching of supply and demand.

Wholesale electricity markets have consistently strengthened cross-border integration, enhanced security of supply and enabled a cost-effective balance between supply and demand, while advancing Europe's decarbonisation targets. Standardised trading has proven highly adaptable, as demonstrated by the recent successful introduction of the 15-minute granularity in the Single Day-Ahead Coupling (SDAC). Looking ahead, exchange-based solutions will also play a crucial role in facilitating the development of local flexibility markets.

To fully leverage the benefits of the Internal Electricity Market, it is essential to phase out market-distortive measures - some of which were temporarily introduced during the recent energy crisis at both national and European levels - which continue to restrict effective market functioning.

A clear vision for enhancing integrated energy markets, cross-border trading and transmission capacity usage must be rigorously pursued. This includes maximising available cross-zonal capacity for day-ahead and intraday electricity trading. In this context, the full and timely implementation of existing and upcoming legislation ought to remain a priority. This includes the Clean Energy for All Europeans Package, the recently adopted Electricity Market Design Reform and relevant Level 2 measures, such as the forthcoming Network Code on Demand Response.

In terms of future market design, we reiterate our support for the existing, highly successful zonal electricity market, with a bidding zone configuration that supports overall liquidity and enables an efficient, accessible, resilient and transparent Internal Electricity Market. Clear, reliable price signals, supported by liquid and transparent short- and long-term wholesale electricity markets, are key for maintaining market credibility.

Other core principles of the current electricity market design, including uniform, marginal pricing, must also be safeguarded and further strengthened. This approach will consistently deliver efficient price signals and support cost-effective decarbonisation. A stable and predictable regulatory framework, free from unsought overhauls or distorting political interventions, is essential to safeguard investor confidence.

2. Ensure Stability, Foresight, Transparency and Stakeholder Involvement in Market Design

For the forthcoming White Paper, we call on the Commission to adhere to the following core principles:

- Reducing and managing market stress and uncertainty.
- Supporting efficient short-term market-based actions as well as long-term investment decisions.
- Aligning with the EU's competitiveness and simplification agenda.

Future policy developments should be informed by rigorous cost-benefit analyses and developed through inclusive stakeholder dialogue. Comprehensive and objective impact assessments must contribute to transparency and credibility, while engagement with market participants across different policy options can support well-informed and effective decision-making.

3. Foster the Extension of the Internal Energy Market Beyond the EU's Borders

Consistent efforts must be made on all sides to support the full integration of the Contracting Parties of the Energy Community, Great Britain and Switzerland into the rules and framework of the Internal Energy Market. A larger, well-integrated market will enhance social welfare, support growth, strengthen security of supply and drive efficient decarbonisation across Europe. Future legislative initiatives should explicitly support the extension of the single market coupling to bidding zones outside the EU.

Maintaining regulatory coherence and ensuring continued market access with energy neighbours is essential for liquidity and resilience across the European energy system. Building on its own positive experience, the EU should also encourage regional energy system integration initiatives beyond its borders, particularly in neighbouring regions such as Türkiye, the Caucasus, Central Asia and North Africa.

Europe's energy markets are strongly influenced by global market dynamics, both in terms of imported commodities, such as oil and natural gas, as well as critical technologies essential for renewable energy deployment and other significant elements. Large-scale subsidy programmes outside the EU may pose challenges to the competitiveness of European industry. Preserving and promoting global market-based mechanisms must therefore be a strategic priority within the EU's broader industrial and climate policy framework.

4. Build Technology-Neutral Markets That Are Fit for the Future

Despite these external challenges, there are clear opportunities to strengthen and expand the role of markets in Europe's energy transition. Emerging commodities and traded products – such as hydrogen, carbon removals and advanced energy efficiency certificates – will require well-designed, efficient and liquid markets to scale effectively and add tangible value.

The price of energy or the respective underlying commodity should remain the central award criterion in any such mechanism, with non-price elements considered only where necessary, to preserve cost-efficient short- and long-term investment signals.

The energy transition also requires a renewed focus on long-term price signals. Trust in long-term hedging instruments and a stable, predictable regulatory environment are critical elements to unlocking the investment needed in generation, transmission infrastructure and flexibility resources. As new market participants emerge and decentralised assets proliferate, organised markets must be enabled to innovate while remaining open and inclusive. When allowed to operate freely, they can fully leverage their core strengths: transparency, reliability, efficiency, liquidity aggregation, adaptability and technology neutrality.

On this basis, Europex:

- Advocates uniform pricing (supply-and-demand-based price formation), particularly in increasingly renewable-dependent energy systems, to support the gradual phase-out of subsidies and other distortive measures.
- Promotes efficient, unbundled demand-side flexibility markets centred on exchanges, enabling direct or aggregated participation from demand-side resources. Local (e.g. DSO-level) markets should complement and, where feasible, connect to organised wholesale energy markets at the wholesale level.
- Supports efficient, compatible framework conditions and targets to ensure timely and sufficient investments in grids, new technologies, smart demand response applications and new fossil-free generation capacity.

5. Market Reforms Need to Support Efficient and Orderly Markets

One of the most significant and concerning emerging regulatory trends in recent years has been the EU's push for greater institutional centralisation of market functions and more extensive regulatory intervention.

Proposals to establish a Single Legal Entity (SLE) or a Single Market Coupling Operator (SMCO) for Single Day-Ahead and Single Intraday Coupling, the co-optimisation between day-ahead and balancing markets, or the introduction of Regional Virtual Trading Hubs for forward markets have been widely rejected by market stakeholders. Major concerns stem from the fact that these proposals do not address the actual underlying challenges. Instead, they are mainly based on theoretical concepts but remain inconsiderate of complexities in practice, clearly voiced market needs, and negative side-effects.

If implemented, such reforms would severely undermine the well-functioning of the Internal Energy Market, ultimately harming end-consumers by increasing cost and lowering resilience. These measures further risk weakening the technological efficiency, liquidity and innovation-driven potential of integrated energy wholesale markets.

Europex therefore advocates for targeted market reforms, recognising the cost-effectiveness and innovative nature of today's markets. Examples include the decentralised single market coupling model, jointly developed by all NEMOs and all TSOs - and operated by the NEMOs - in a decentralised manner using established systems and price coupling rules. Another example is the ongoing evolution of forward markets, such as exchange-traded electricity derivates markets, which are further developed in close collaboration with market participants and allow the market to respond efficiently to its own changing needs.

6. Conclusion

Europex stands ready to support the Commission in elaborating a White Paper that strengthens the Internal Electricity Market, aligns reforms with real market needs and delivers clear benefits for consumers, investors and Europe's energy system.

About

Europex is a not-for-profit association of European energy exchanges with 37 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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