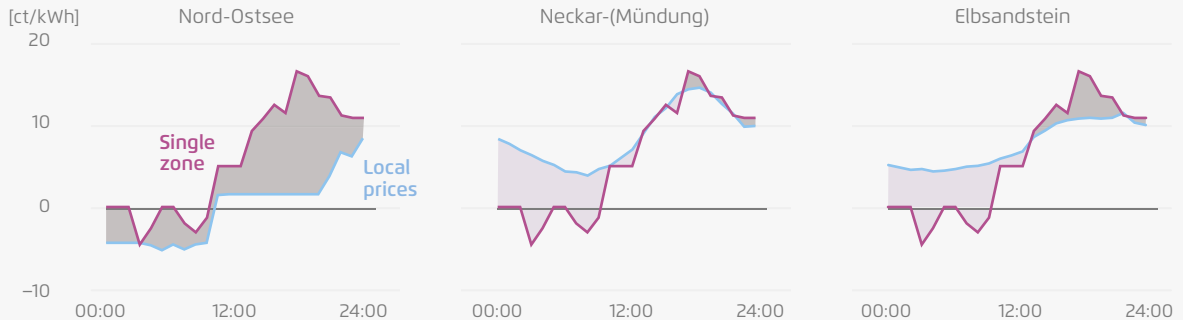


Effects of the choice of electricity market design

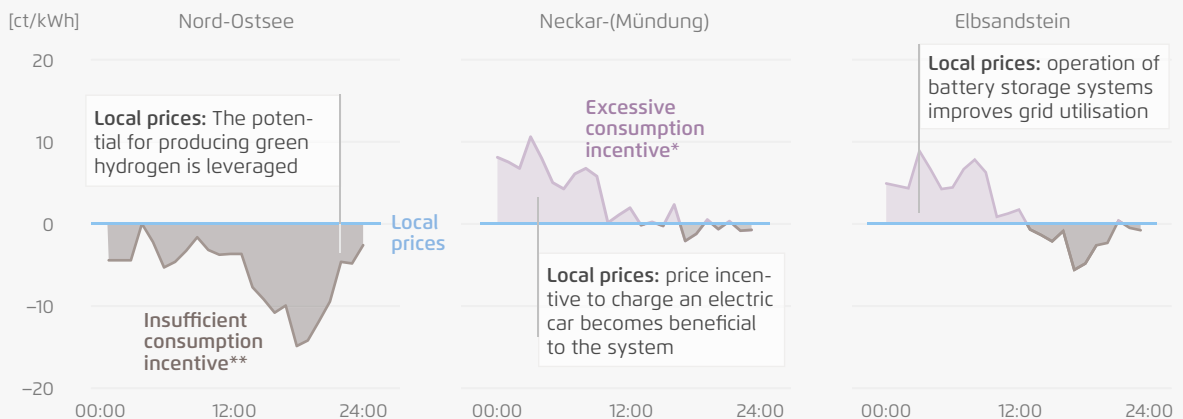
Only an electricity market with local differentiation instead of a single price zone provides the right signals for generation, storage and consumption.

Exchange electricity prices in the current single zone compared to local prices, 1 January 2023



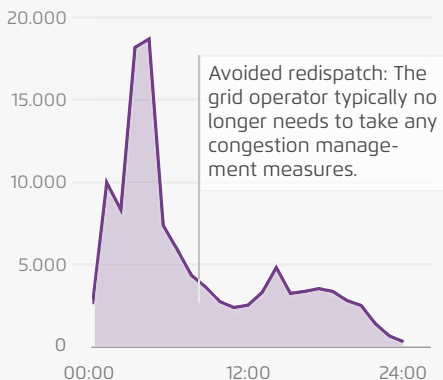
Local electricity prices eliminate excessive and insufficient incentives for flexible electricity consumption and storage.

Price difference between single price zone and local prices, 1 January 2023



Local electricity prices avoid redispatch.

Necessary redispatch per hour, 1 January 2023
[MWh]



Challenges posed by the introduction of local electricity prices.

- **Distributional effects:** While the average electricity price, particularly in the north, decreases, the electricity price for industry in the south increases. Renewable (RES) plant operators in the north face substantially lower electricity market revenues.
Approach: Compensation for RES in the north via the EEG and for industry in the south via congestion rents.
- **Forward market liquidity:** Smaller price hubs have lower trading volumes, making price hedging more expensive.
Approach: System transition with lead time, introduction of new forward market products (hub prices, EPADs, FTRs).
- **Market power:** In smaller price hubs, individual power plant operators can more easily exercise market power when the transmission grid is heavily loaded.
Approach: Expanded competencies for market oversight by the Federal Network Agency (BNetzA) and the Federal Cartel Office.