

Second pan-European spot auction for GOs sees increased market interest

69 GWh traded in this month's auction session

Paris, 28 October 2022. The second exchange-based pan-European spot auction for Guarantees of Origin (GOs) took place on 26 October 2022. A total of 69,326 MWh was traded with GOs from the production period January 2022 to September 2022. The first auction took place on 28 September 2022 with 19,171 MWh of certified green energy traded. The comparison of the results shows a rise in volume of 262%. The growing interest is supported by a good representativity of market participants.

Just like for the first auction, the market activity was truly pan-European: all available technologies were traded (wind 23%; hydro 74%; solar 3%) and certificates from 5 countries were exchanged. Market clearing prices range from 5.76€/MWh to 5.89€/MWh, reflecting adequately the market and weather conditions of the production period. Detailed market results are available on www.epexspot.com.

A dedicated algorithm responds to specific market needs

Unique of its kind, the market design of this new pan-European spot auction features order submission according to different levels of specificities tradable across three dimensions:

- power production technology (hydro, wind or solar),
- issuing country within the framework of the Association of Issuing Bodies,
- subsidy regime.

The auction meets the increasing demand for specific GOs from market participants while accommodating some buyers' need for more generic GOs: buyers can bid for either specific GOs (e.g.,

‘German wind’) and fully or partially generic GOs (e.g., ‘any renewable energy produced anywhere’ or ‘French renewable energy’). Both specific and generic bids are then matched via a pay-as-clear algorithm. When submitting generic bids, buyers can leave it to the algorithm to find the most cost-effective set of GOs to match their bids. Besides simplifying the bidding process for market participants considerably, this matching process has multiple advantages: a) it increases the overall liquidity of the market; b) it makes the market more competitive at all levels (between buyers and also between countries and technologies); and c) it generally improves the executed quantities and prices of the orders.

The main objective is to determine the optimal matching which maximises social welfare and traded volumes, and to compute the market clearing price for different levels of specificities. The performance of the algorithm has been confirmed already from the first auction. The technical set up fulfils today’s market requirements while also being ready for future evolutions (e.g., new technologies, countries, or innovative dimensions such as temporal).

The monthly multilateral spot auction is operated by the European Power Exchange EPEX SPOT. Transactions are cleared by European Commodity Clearing (ECC) and delivered via the French GOs registry, held by European Energy Exchange (EEX). The matching algorithm for the auction is provided by Artelys, a specialised company in optimisation, data science and decision support systems. With this new market, the partners aim to facilitate GOs trading and foster market liquidity at the European level by providing trading standards, improving transparency, and publishing robust price signals. The overarching target of a functional pan-European GOs spot market would be for GOs to support the integration of renewables and ultimately replace costly national support schemes for renewable generation. More details on the market design are available [here](#).

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The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in 13 countries: in Central Western Europe, the United Kingdom, Switzerland, the Nordics and in Poland. Furthermore, EPEX SPOT newly offers local flexibility markets solution and Guarantees of Origin auctions, to foster the integration of renewable energy sources and to enhance the engagement of consumers and producers in the power market.

As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT is committed to the creation of a pan-European power market. Over 300 members trade electricity on EPEX SPOT. 49% of its equity is held by HGRT, a holding of transmission system operators.

For more information, please visit www.epexspot.com.

Artelys is an independent software edition and consulting company specialized in optimization, data science and decision support. Artelys consultants are highly qualified and apply their expertise in quantitative techniques to provide specialized software and consulting services to a wide range of customers. Artelys operates in diversified sectors such as energy, transportation and logistics. Thanks to their very strong expertise in the energy domain, Artelys consultants have recently designed and implemented multiple operational market clearing algorithms used for Guarantees of Origin, balancing markets, capacity procurement, etc.

For more information, please visit www.artelys.com.

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