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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: Divergence of wholesale electricity prices
- Exchange of views

Delegations will find in Annex the Presidency background note on the divergence of wholesale electricity prices in view of the TTE (Energy) Council on 15 October 2024.

Divergence of wholesale electricity prices**Context and Overview**

In recent months, Central and Eastern and Southeastern Europe have faced high electricity prices, with severe price spikes during peak hours, particularly in the evening. These prices, which in some cases exceeded EUR 400/MWh during July and August 2024, have disproportionately affected the SEE region, putting significant pressure on their economies and competitiveness.

Member States in the region have been particularly impacted, leading to competitiveness issues, and as a result are calling for coordinated EU action to stabilise prices and improve energy security in the region.

The Commission, in close cooperation with the Member States affected, is looking into the possible drivers and factors that may have led to this situation, including high electricity demand during a heatwave, or maintenance works on the transmission grid and in several power plants. Inadequate cross-border infrastructures also hamper the efficient distribution of electricity between some regions, especially during peak demand times, which increases prices and creates market inefficiencies. Additionally, the SEE region is not fully integrated with the larger EU electricity market, which may also lead to significant price differences and hinder the smooth transfer of excess energy from other areas.

Simultaneously, the region is experiencing challenges related to managing variable renewable energy due to insufficient availability of storage or other flexibility solutions. For instance, decreased hydroelectric power due to drought conditions has made some Member States more reliant on coal and gas power plants, which in turn drives up costs.

These spikes on the wholesale electricity market — particularly in Central and South Eastern Europe — highlight the need to consider targeted measures that can contribute effectively to strengthening the electricity market, energy security and stability in the region and in the Union more generally.

Necessary measures

In order to address these challenges, ensure proper market functioning across the EU, better manage the variability of renewable energy and more effectively align supply with demand, substantial investments in interconnections and flexibility (demand-response, storage capacity, etc) are necessary, beyond further investments in infrastructure, while also allowing for targeted adaptations and solidarity mechanisms to support Member States. At the same time, short-term measures may be needed to prevent high price periods during the winter period. It is important to ensure that national decisions also consider wider regional impacts. Enhanced coordination among TSOs and coordination for infrastructure planning are key to unlocking the full potential of the region and to stabilising prices.

Guiding Questions for the discussion

1. What additional steps could be taken to increase physical cross-border capacity, in order to improve trade between different regions of the European Union?
2. Is there a need to enhance coordination to ensure that country-level decisions consider their wider regional impact?
3. What short-term and long-term steps are necessary in the region and in the internal energy market more generally to facilitate the roll-out of flexibility, improve the efficiency of cross-border flows and enhance transparency and accessibility of electricity data?