



CACM 2.0 draft by European Commission (EU COM) Severe shortcomings, from proposals to process

EPEX SPOT call for reset – 27 June 2025

What the Spot Power market needs and expects of CACM 2.0

- ✓ An evolution, not a revolution, like for the review of the Electricity Regulation
- ✓ Develop the internal market for a decentralized governance & system for the next decade
- ✓ Secure a price formation in the most democratic and safest way
- ✓ Competition & innovation, not complacency

Conclusion & Call to action

The EU COM proposal is based on wrong foundations with a flawed outcome. It would deliver negative effects for the power market and Europe as a whole. EPEX SPOT invites Member States to reject the EU COM proposal in order to initiate a constructive reset of the process.

This would allow to:

- establish a proposal in line with the legal framework (EMD Reform which formally rejects the Single MCO proposal)
- protect the principle of subsidiarity and the competencies of Member States
- take into account the recent evolution of the electricity system with its potential to be stored and traded in combination with other energy sources

The pitfalls of a centralized and tightly EU-controlled market setup

- ✗ Inefficiency: Lack of market incentives leads to bloated costs and poor service
- ✗ Streamlining: No consideration for national requirements in a central setup
- ✗ Central point of failure: both for market coupling and clearing & settlement



EPEX SPOT assessment

Considering the timeline of the process and the far-reaching legal and conceptual problems posed by the EU COM proposal, a reset of the process is the only appropriate way forward.

Nonetheless, EPEX SPOT provides a more detailed assessment of the proposal below reflecting how we come to the above conclusions.

Shortcomings in detail:

1. **Lack of competence; infringement of the EU rules and Charter of Fundamental Rights, questioning of the position of Parliament and Council:** The proposed recast of CACM contains the creation of a “Single Market Coupling Operator” (Single MCO) **without the necessary legal basis to do so**. It is in **violation** of the EU Parliament and EU Member States final compromise on the Electricity Market Design Reform (2023) to amend Regulation (EU) 2019/943¹. In the reform, EU COM was empowered to adopt implementing acts in order to ensure uniform conditions for the implementation of this Regulation, including ‘different governance options’ for CACM. The proposal is in **clear contradiction to the positioning of the two co-legislators** in the Electricity Market Design Reform, as the reference to a single legal entity for the operation of market coupling was clearly removed from the EU COM’s proposal back then. The EU COM’s proposal foresees a complete overhaul of the governance without explanation why this is necessary and proportionate to guarantee uniform conditions and without a proper impact assessment. The CACM 2.0 proposal also ignores the majority positions that all stakeholders - except ACER and DG ENER - have voiced in previous public consultations, vehemently opposing the Single MCO, but calling for targeted improvement measures.
2. **Lack of debate and of a clear impact study:** If the EU COM thinks that the best way for the EU Internal Energy Market to develop is to establish a single central EU Independent System Operator (ISO) having the monopoly over the market and system operation functions (and directly under ACER supervision, **bypassing NRAs and Member States** and ignoring regional specificities), they should propose it and debate it **openly in a democratic and constructive manner**. Attempting to do so via the recast of CACM and the “Single MCO” proposal is not the due process, and denies the success achieved by TSOs and NEMOs over the last decade, in cooperation with authorities. The EU COM is clearly aware of the benefits to orchestrate the reform in “close cooperation” with stakeholders and experts to arrive at “effective, balanced and proportionate rules” (c.f., recital 36 of CACM 2.0). As EPEX SPOT, we just ask to have exactly such a process.

¹ See especially the compromise found on Article 59(1)(b) of the Electricity Regulation by the Trilogue of the 5 December 2023 (amendment 208)



3. **Way forward:** The key objective should be to enhance CACM building on its successes so far. Over the last couple of years NEMOs, TSOs and other stakeholders have proposed a number of targeted improvement measures that the EU COM could consider. Some of these measures have been implemented already and are operational. The current competitive European MCO is superior to any comparable solution available in the United States or United Kingdom and has even been copied by Japan. It should therefore remain regulated and decentralized, based on the subsidiarity principle that is so profoundly European, delivered jointly by NEMOs and TSOs while meeting the ever increasing operational and cyber-security standards.

- ➔ An overhaul of the EU Power Market in the middle of the ongoing energy transition is a death sentence for investment decisions and a danger to the competitiveness of the EU and the achievement of net zero targets.
- ➔ The institutional design of the Single MCO places strategic and enforcement levers in the hands of a single EU-level agency, potentially altering the regulatory balance between ACER and national authorities. We urge Member States to reflect carefully on the long-term implications of this shift for subsidiarity and democratic oversight.



Annex - EPEX SPOT Preliminary Assessment of the Single MCO proposal

The EU COM proposal contains the centralization of all Market Coupling functions performed by NEMOs, CCPs and shipping agents today into a “Single MCO” company jointly owned by TSOs and NEMOs. It is de facto proposing that price determination will no longer be the responsibility of market operators, their main economic function and main reason of their existence. Isolating the MCO and CCP functions in a splendid Ivory Tower would wipe out all the synergies, including cross margining, necessary for an efficient Energy Transition.

Subsidiarity principle discarded

A) An unjustified claim of inefficiency

- The claimed inefficiencies are unjustified by any cost benefit analysis or even by any benchmark with any other comparable system worldwide. Which other comparable system produces such results in a faster and more inclusive way?

B) Reduced roles for NEMOs

- Not performing their core responsibility of neutral electricity price determination via matching of orders anymore; only order routing to the Single MCO
- Not performing day-to-day MCO operations anymore
- Only indirectly report on roadmaps, programme, etc. (through MB of the Single MCO)

C) Expropriation of MCO assets and exclusion of NEMO/CCP business models

- Possibility for NEMOs to be excluded from negotiations on the MCO assets selection
- Possibility for NEMOs to not be remunerated for usage of EUPHEMIA
- No right without approval of EU COM to use MCO assets outside of EU
- Possibility for Single MCO / clearing and settlement methodology to dictate access conditions, which contradict with some CCPs' regulatory framework and best practices inspired by financial market regulation