

A photograph of several stacks of smooth, dark grey stones on a beach. The stones are stacked in a way that they appear to be balancing on each other. The background is a blurred view of the ocean and sky.

***Impact of the PICASSO Platform -
Facts and Expectations
REKK Workshop – 26.02.2025***

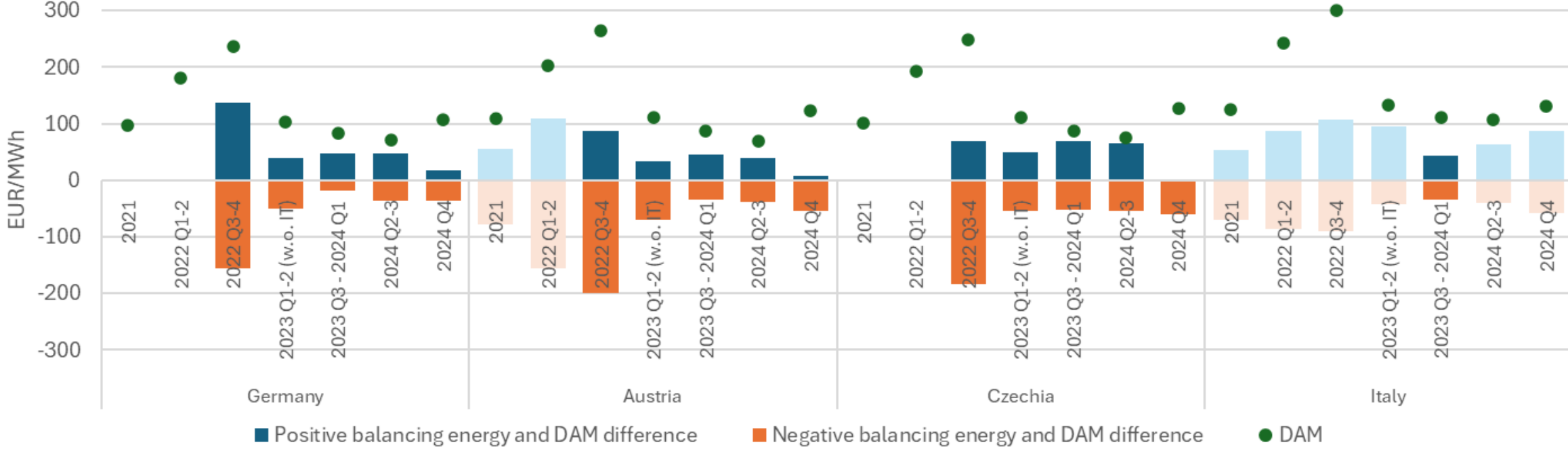
Adrienn Selei
senior research associate
REKK

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the European Climate
Foundation

Outline

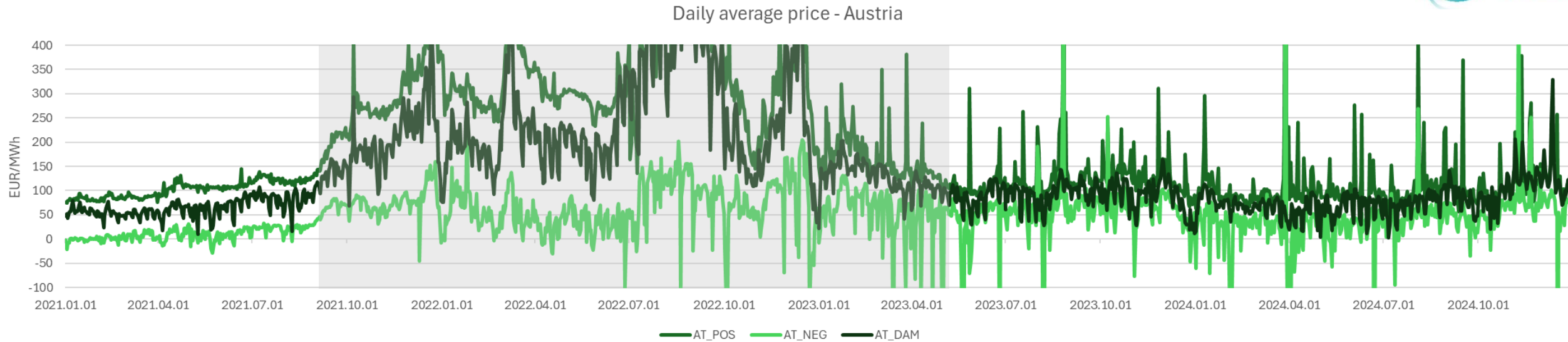
- Experience from the operation of the PICASSO platform - Analysis of balancing energy prices
- Summary of the main results of REKK's modelling of the European balancing energy markets

Average balancing energy prices approaching the DAM price thanks to the platform

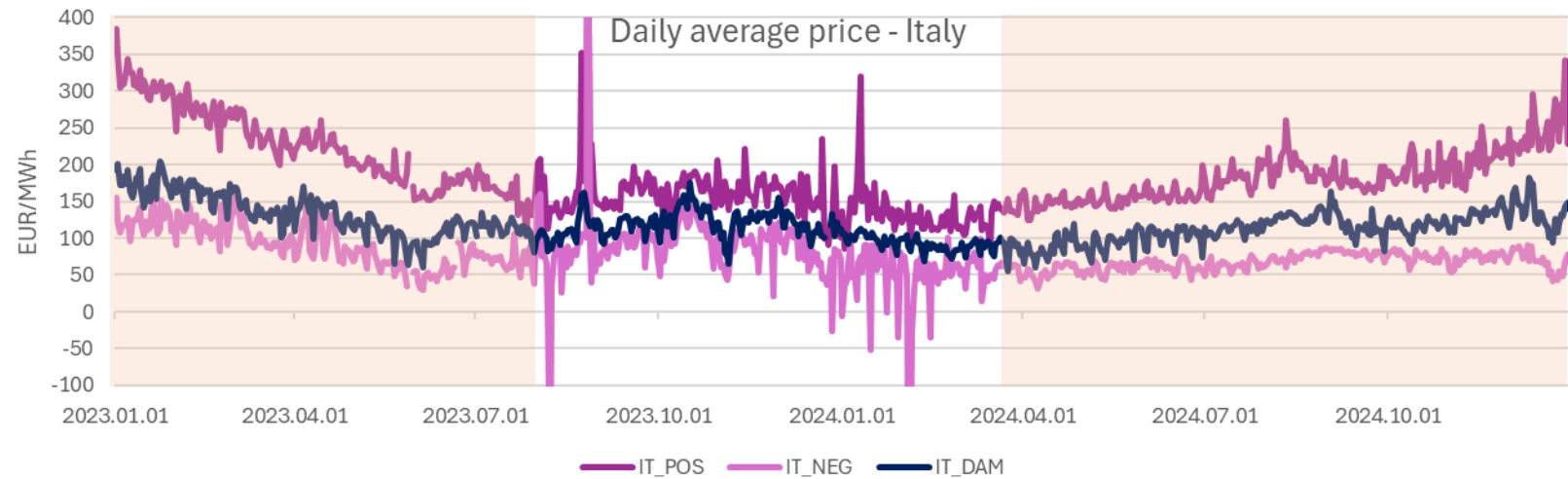


- A convergence towards DAM prices is observed, mainly in the upward direction.
- For downward regulation, the price differential increased slightly by Q4 2024 but decreased compared to Q1-Q2 2023, when the DAM price environment was similar.
- For Italy, which suspended its membership, the price differential has gradually increased since the exit.

The platform results in a lower average price, but higher price spikes

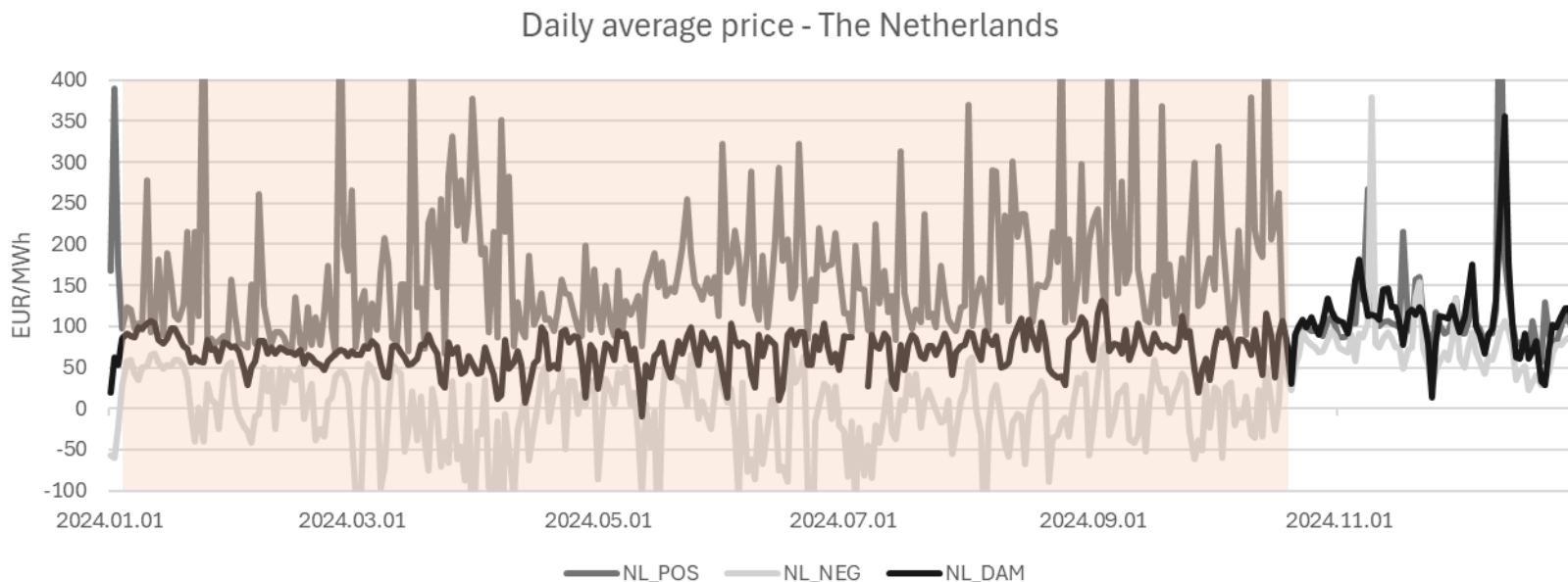
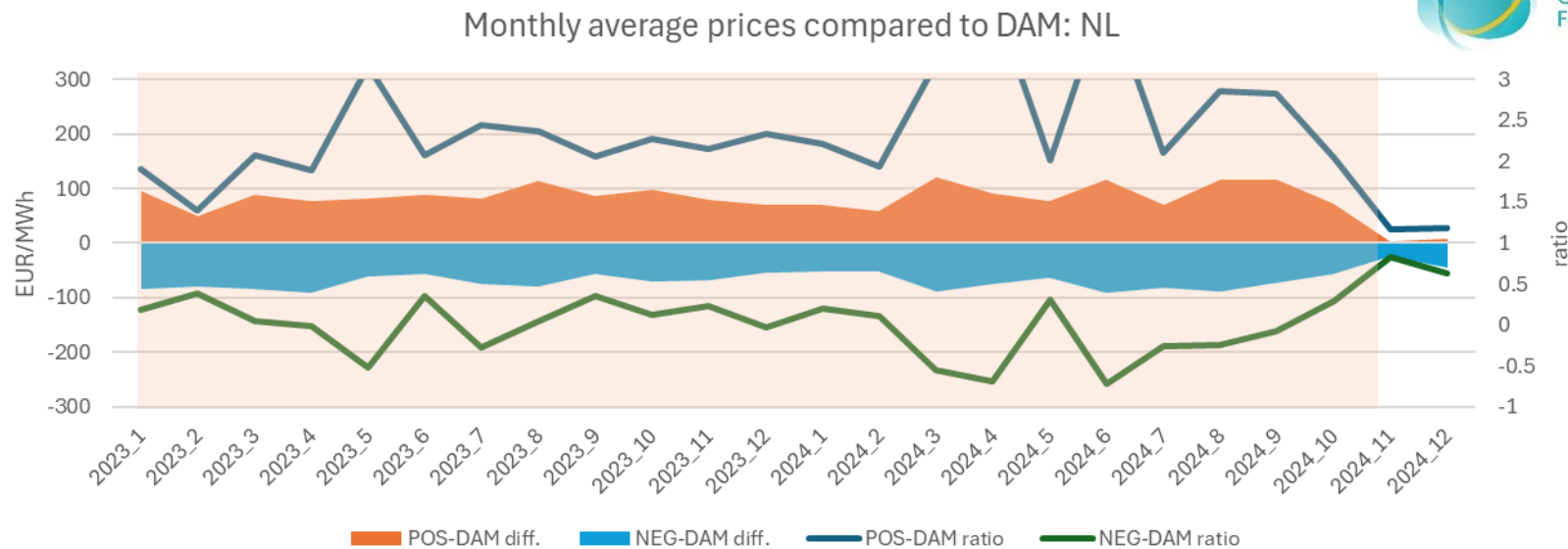


- On average, **prices on the platform are more favourable/closer to DAM prices, but price spikes in both directions are more frequent and larger.**
- The shift to marginal pricing plays a significant role in the development of spikes.

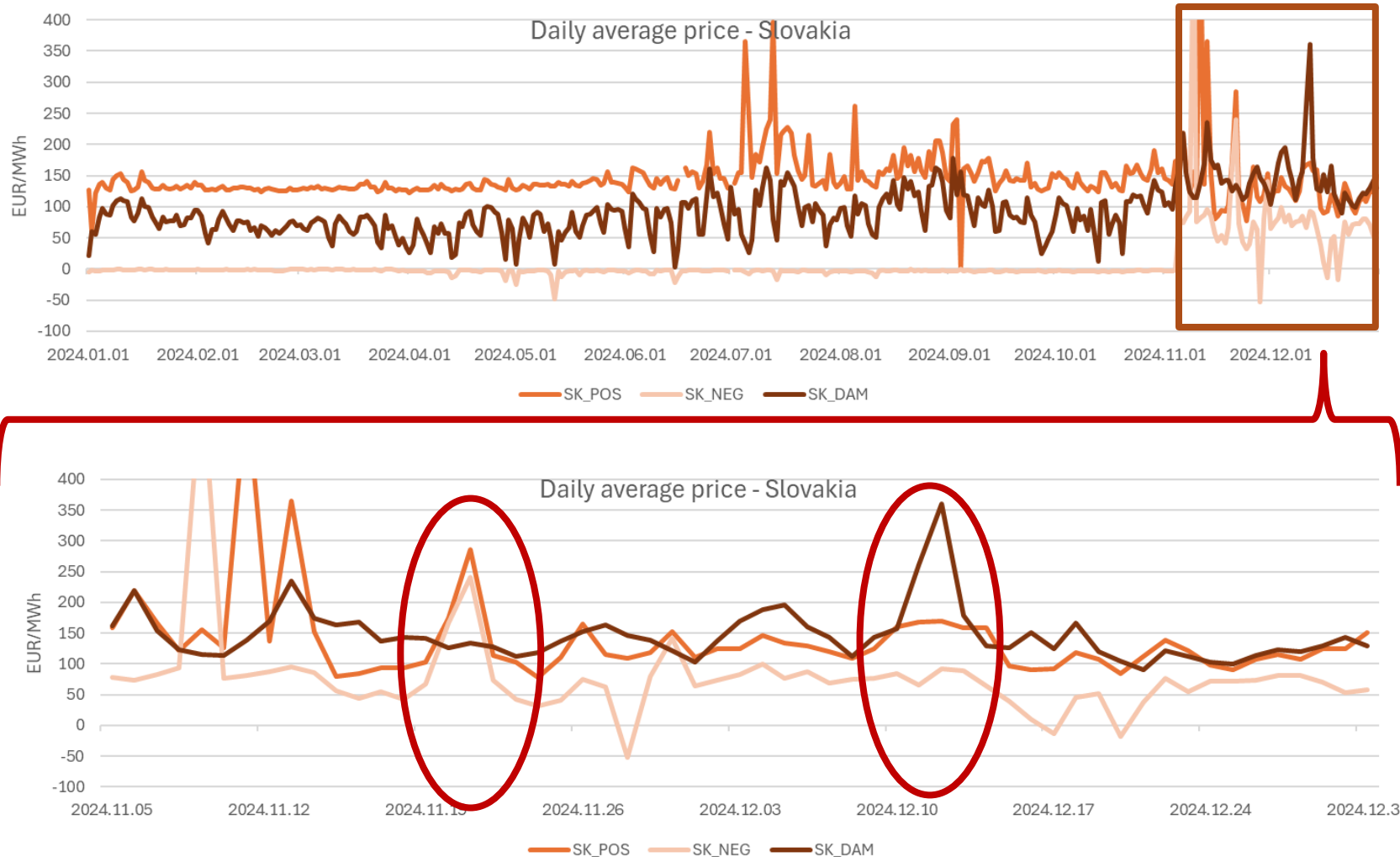


New entrants have also joined successfully - Netherlands

- A drastic positive change can be observed in both directions after entry.
- The frequency of price spikes decreases after entry - in the Netherlands, marginal pricing was already in place before entry.

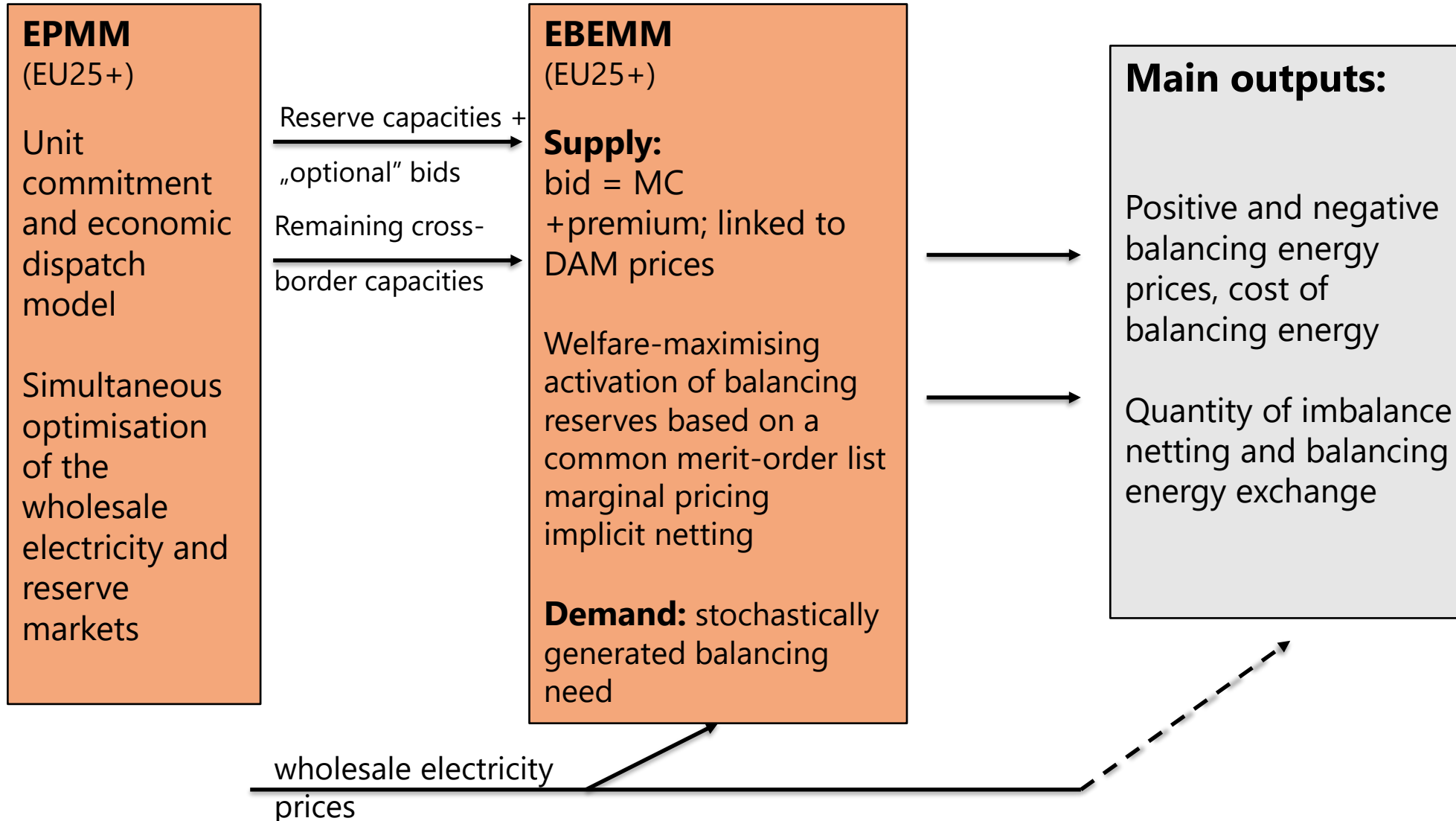


New entrants have also joined successfully - Slovakia

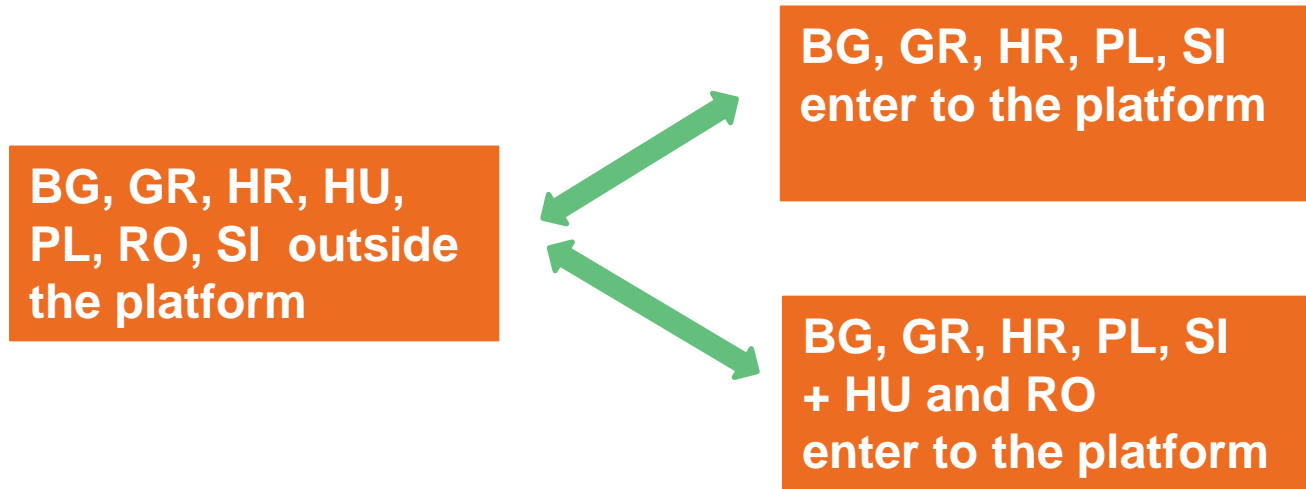


- In Slovakia, the platform had a significant impact on balancing energy prices, with both positive and negative prices significantly closer to the DAM price.
- Players started to behave in a more competitive way after accession.
- The platform's impact also leads to periods that may be surprising given the previous market logic:
 - The negative balancing energy price is higher than the DAM
 - The positive balancing energy price lower than DAM

Modelling Methodology and Models Used



Modelling Scenarios



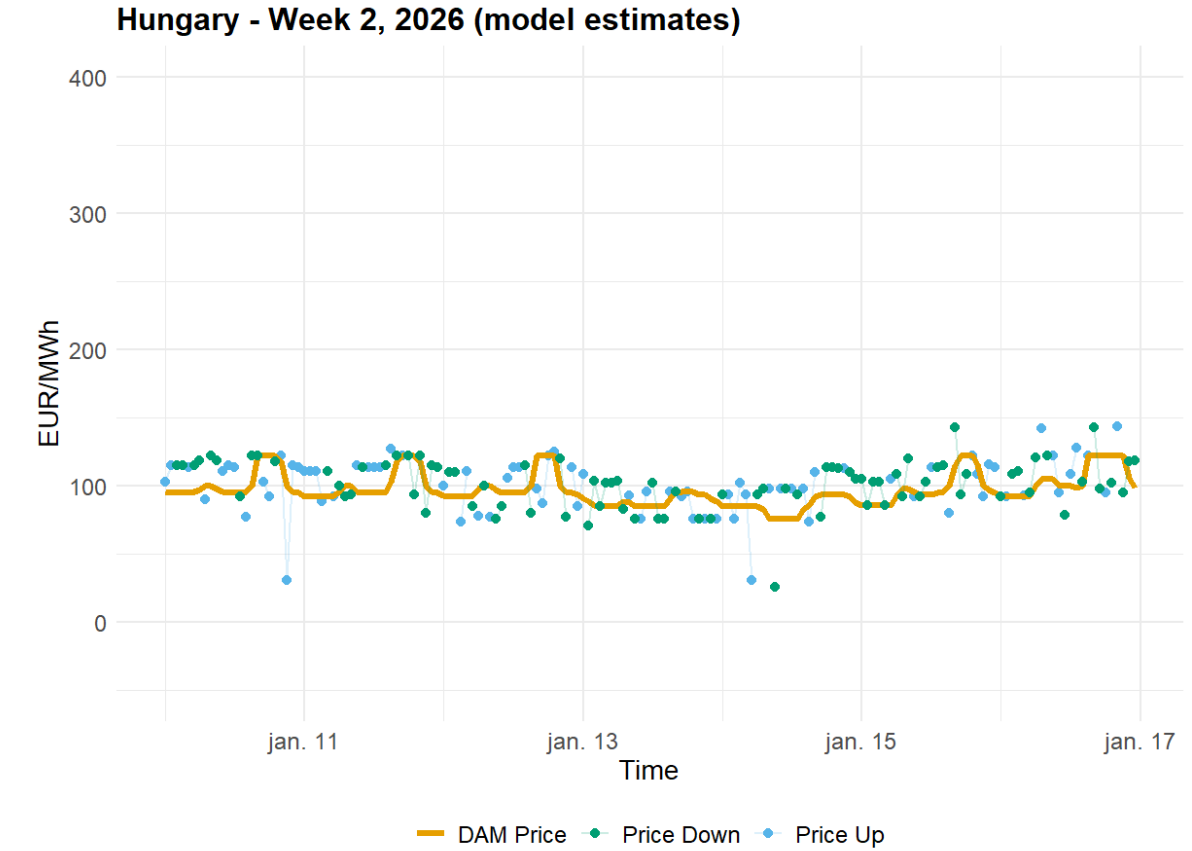
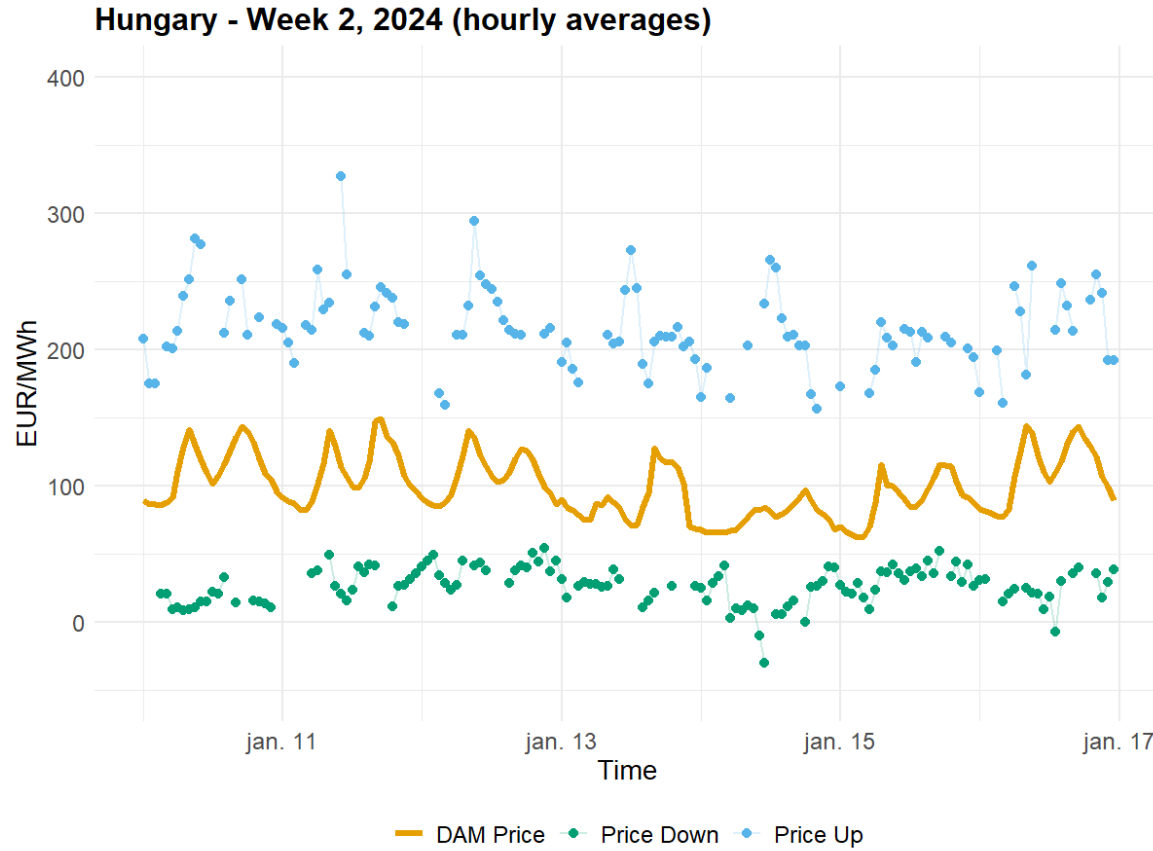
We assume that other members have already joined the platform:
AT, BE, CZ, DE, DK, EE, ES, FI, FR, IT, LT, LU, LV, NL, PT, SK

Main assumptions:

- Modelled scenario: REKK reference scenario
- Modelled year: 2026
- The bidding behaviour of BSPs does not change with entry to the platform.
- Marginal pricing is assumed in all scenarios

What is the impact of common merit order and balancing energy exchange?

Joining the platform is expected to have a significant impact on prices – example of Hungary

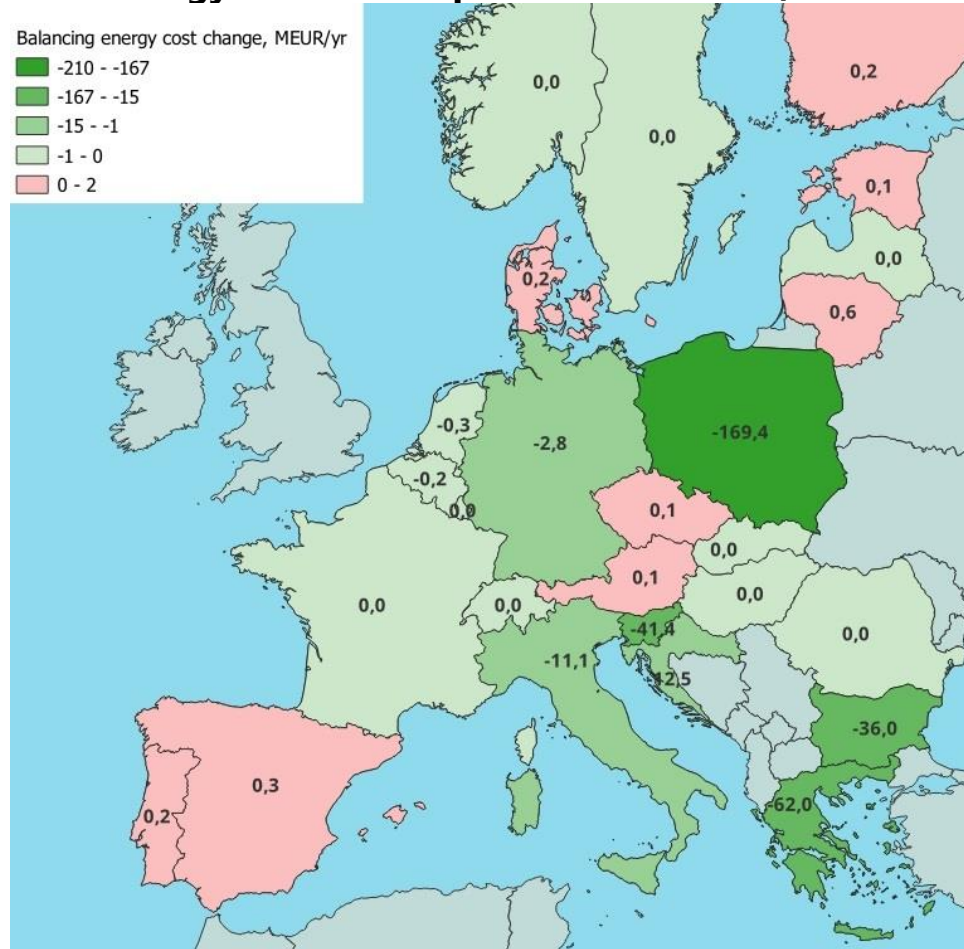


- Dramatic change after joining the platform: huge spreads expected to narrow significantly
- Spreads with opposite signs to those observed in the past can also be observed

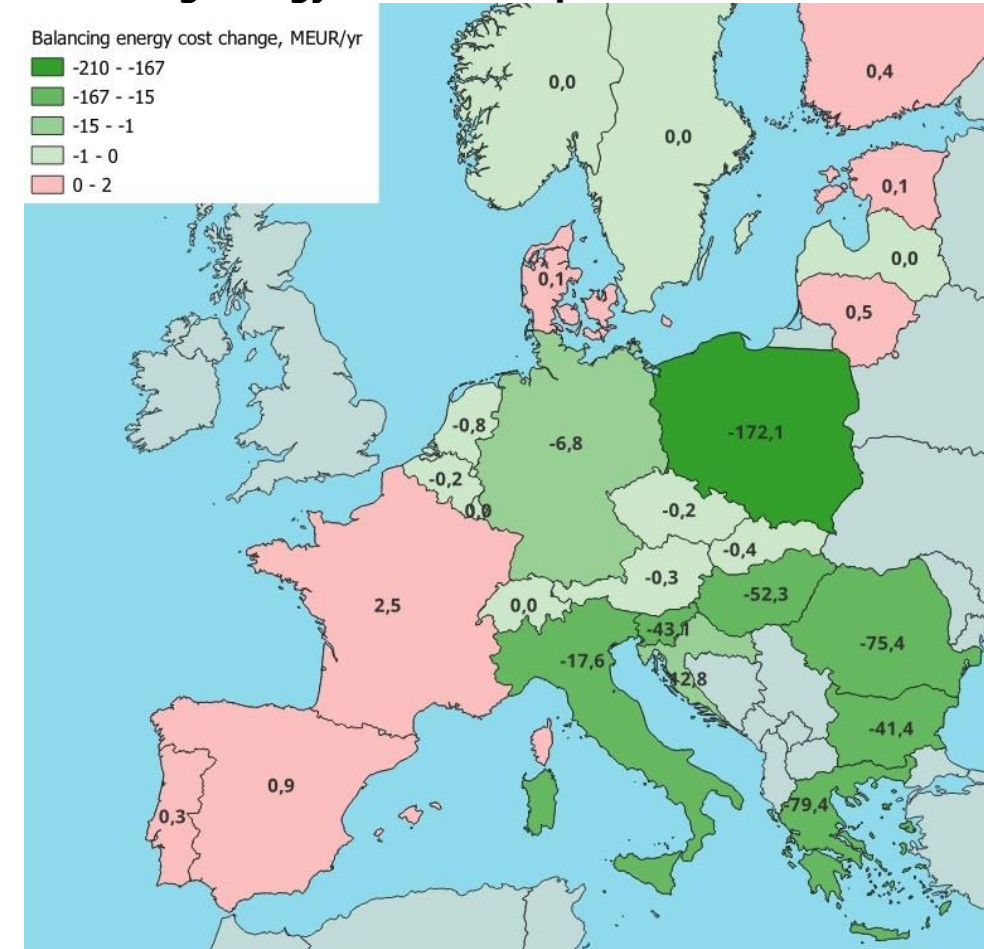
- Main drivers:
 - Competitive bidding behaviour
 - Lower costs (common merit order, balancing energy exchange)
 - Falling demand (increasing netting)

New countries joining the platform can also reduce costs for former members

Impact of accession of BG, GR, HR, PL, SI on the balancing energy costs of the platform countries, 2026



Impact of accession of BG, GR, HR, PL, SI + HU, RO on the balancing energy costs of the platform countries, 2026

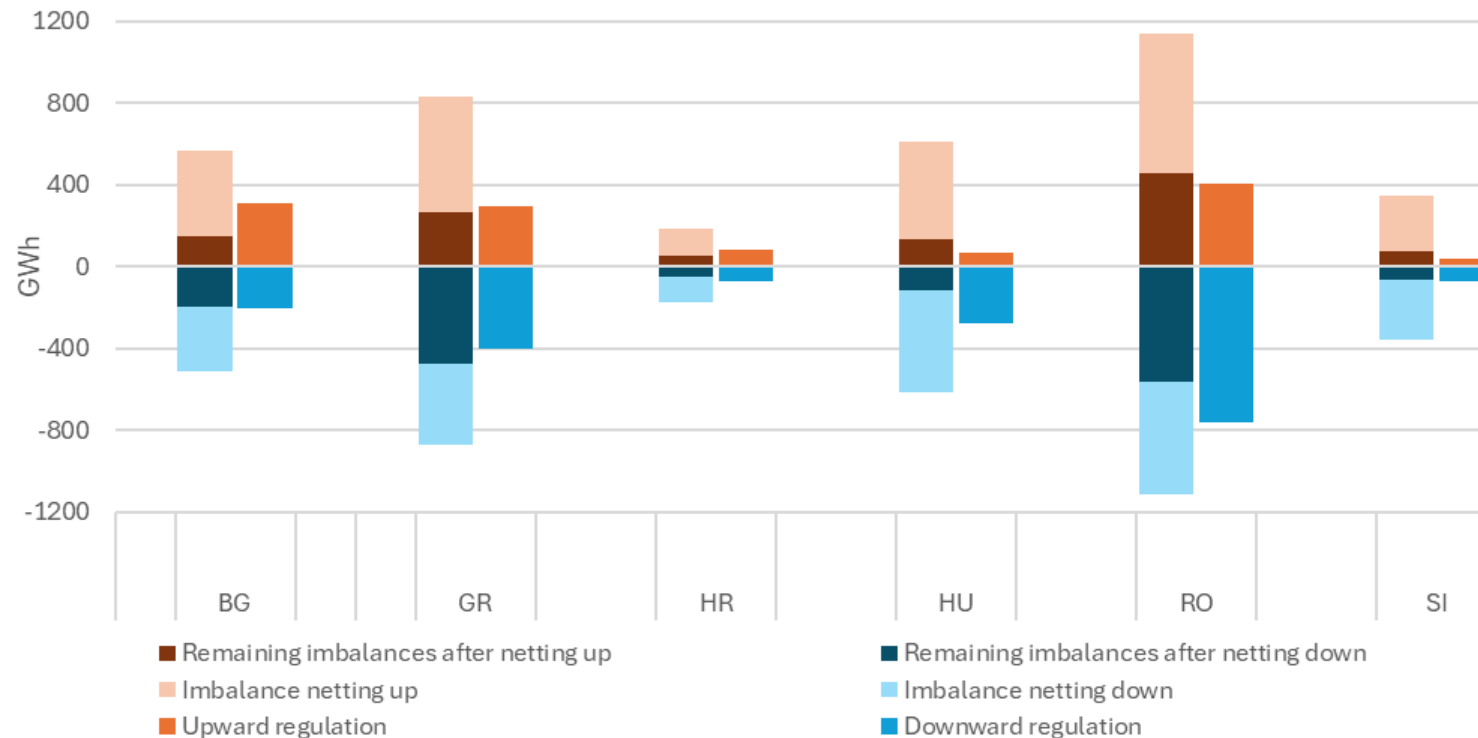


- Joining the platform is expected to significantly reduce the cost of balancing energy for countries in the region.

- The positive impact of Hungary's and Romania's entry is also visible in the region (mainly in the Greek and Bulgarian markets).

Domestic activation can differ significantly from the domestic balancing energy need

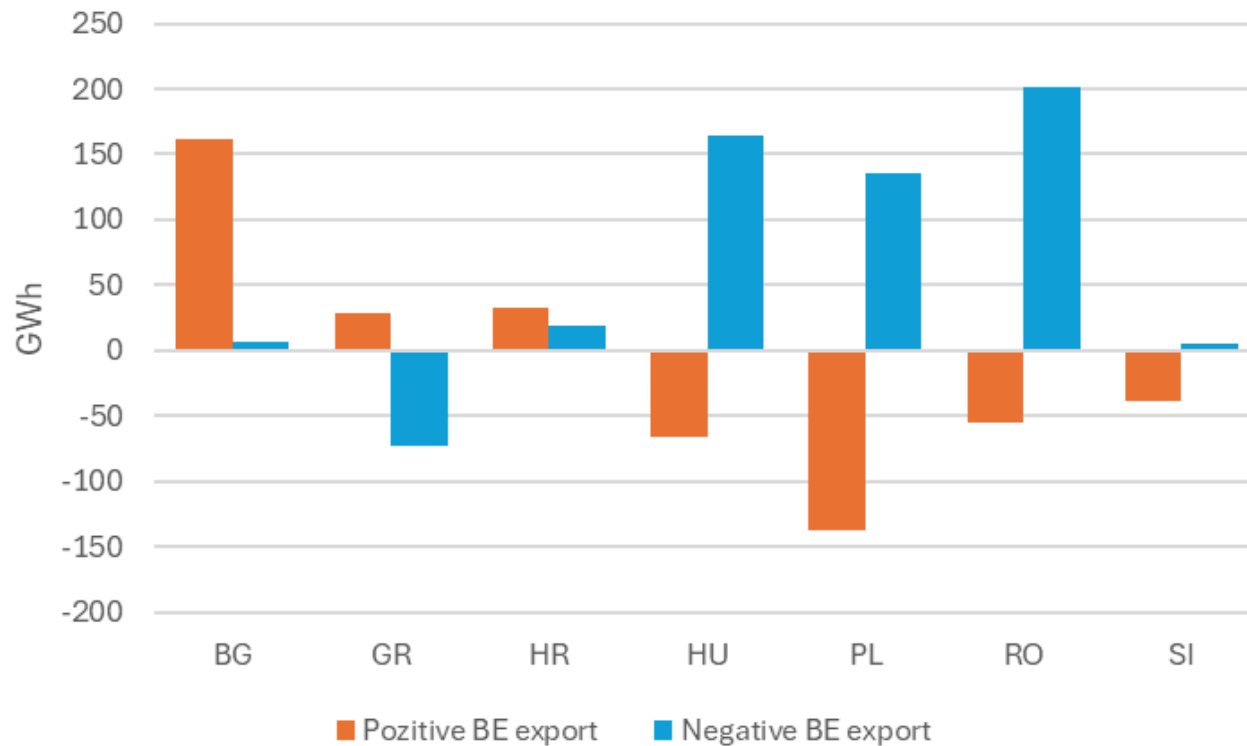
Imbalance netting, balancing energy need and activation in the countries of the region, 2026



- Imbalance netting may increase further after joining the platform.
- Imbalance netting is lower in countries at the edge of the platform.
- In most countries in the region, the upward and downward activation of market players differs significantly from the level of domestic balancing energy need.
- Acceding countries typically export balancing energy at an aggregate level.

Hungary imports positive balancing energy but could be a major negative balancing energy exporter

Changes in the activation of domestic BSPs due to the platform



- New accession countries tend to export balancing energy
 - HU and RO typically export negative balancing energy
 - BG exports positive balancing energy
 - Greece and Slovenia are overall importers of balancing energy.
- Hungary could become a major exporter of negative balancing energy in the integrated European balancing energy market.
- At the same time, we import positive balancing energy.

Selei Adrienn (adrienn.selei@rekk.hu)

THANK YOU FOR YOUR ATTENTION!