



Joint press release

Bonn, 30 November 2022

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Monitoring Report 2022 published by the Bundesnetzagentur and the Bundeskartellamt

The Bundeskartellamt and the Bundesnetzagentur have today published the Monitoring Report 2022 on developments in the German electricity and gas markets. The report's data analyses primarily relate to 2021 but also reflect current developments in 2022 because of the particular situation in the energy markets following Russia's invasion of Ukraine.

"The consequences of Russia's ongoing invasion of Ukraine have upturned the situation in the European and German electricity and gas markets as we knew it. They are having a noticeable effect on German electricity and gas consumers in the shape of rising energy prices. Our monitoring report also presents initial developments in 2022 with reliable figures," said Klaus Müller, President of the Bundesnetzagentur.

Andreas Mundt, President of the Bundeskartellamt: *"The energy transition and the shutdown of conventional electricity generation capacity have been leading to significant changes in the markets for some time now. In 2021 the concentration level among conventional electricity generators in Germany increased; a number of electricity producers are becoming increasingly indispensable to meet Germany's electricity demand. The heightened situation, particularly in light of the war against Ukraine, is one more reason why consistent measures are needed to protect the competitive structures. We will therefore continue to monitor the market closely, for instance in the context of the Bundeskartellamt's regular market power reports."*

Structure of the electricity generation market

The early closure of generation capacity in 2021 was also reflected in the market conditions for conventional electricity generation, which does not receive support under the Renewable Energy Sources Act (EEG). The cumulative market share of the five largest electricity producers in the first-time sale of electricity consequently rose from 65.3% to 66.5% in 2021. The reduction in conventional electricity generation capacity in the market,

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which was also needed to make up for the lack of renewable generation when there was little wind or sun, has reinforced the importance of the remaining capacity of a conventional power plant fleet that is getting smaller overall. The larger providers have increased the amount they each generate.

The decrease in domestic generation capacity in 2021 coincided with a restriction in the supply of gas as a result of Russia's invasion of Ukraine. It was virtually impossible to substitute expensive gas-fired power stations with less expensive power plants, especially at times of peak demand. Coal-fired power plants outside the electricity market or earmarked for closure are currently returning to the market because of the tense situation in the energy markets and to safeguard security of supply. These plants will be contributing fully to stabilising the electricity supply in the coming months. In addition, the legislators have decided to extend the life of the three remaining nuclear power plants until 15 April 2023 in the interests of security of supply. However, the legislators' long-term goal is still to gradually reduce and end coal-fired electricity generation in Germany.

Developments in the renewable energy sector

Generation from renewable energy decreased by around 7.2% in 2021 as the year was not particularly windy or sunny. The share of renewables in gross electricity consumption consequently fell to 40%, following a temporary record high of 45% in 2020.

The continuing growth in renewable generation together with delays in network expansion led to network overloading, which the network operators are obliged to remedy. Nevertheless, around 97% of the renewable electricity generated was successfully transported to consumers.

Electricity and gas wholesale trading

Prices in electricity and gas wholesale trading have once again multiplied and been very volatile since the invasion of Ukraine in February 2022. By the end of August 2022, Phelix Base Year Future prices had trebled to a peak of



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around €1,000/MWh. Since then, prices have fallen considerably and the trend in electricity wholesale prices is largely mirroring that in gas prices. This is because gas-fired power plants set the price in German electricity wholesale trading during most hours of trading (merit order principle). Although the planned extension in the operation of coal and nuclear power plants is able to bring down prices, they still remain at a high level.

Retail markets for electricity and gas

The combined market shares of the four largest electricity and gas suppliers for interval-metered and standard load profile customers in the retail markets were below the statutory thresholds for presuming market dominance. In light of this, the assumption continues to be that there is currently no single dominant undertaking in these markets.

"This is no reason for us to sit back though," said Andreas Mundt, "We are still keeping a careful watch on competition in all retail markets. This year, for instance, we were able to prevent the planned strategic connection between Westenergie and Rheinenergie from creating competitive problems above all in the supply of heating electricity to customers in and around Cologne. Large parts of Rheinenergie's heating electricity business are now being transferred to a third party."

The biggest impact of Russia's invasion of Ukraine has been on wholesale and retail prices. As at 1 April 2022, electricity prices for household customers were up by around 10.5% compared with the previous year. The price of gas for household customers as at 1 April 2022 was up by around 48%.

"The strong volatility in the supply markets and changes in gas suppliers' procurement strategies, together with a further restriction in the amount of gas available, are putting a burden on consumers, which the government is counteracting with its reduction in VAT and its brake on gas prices," said Klaus Müller.



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"With all the measures to curb the increase in prices in the supply of electricity and gas, we still of course need to keep an eye on the effects on competition as well. The major distortions in the market have also brought about negative effects on the ability and willingness of electricity and gas retail customers to switch supplier. It is not yet clear to what extent the current deterioration in the market environment will prove to have a sustainable structural effect or merely be a temporary phenomenon of the extreme price volatility," Andreas Mundt added.

Likewise, it will not be possible to fully measure the effect of the instruments put in place until the next two monitoring reports.

The latest report and additional information are available at www.bundesnetzagentur.de/monitoringberichte (in German).

The Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen is an independent higher federal authority with its main office in Bonn and is under the responsibility of the Federal Ministry for Economic Affairs and Climate Action (BMWK). Some of its areas of activity fall under the substantive supervision of the Federal Ministry for Digital and Transport (BMDV).