From too low to too high and volatile?

- Increasing worries about excessive prices & fluctuations
- Despite efforts to better manage market

Source: Sandbag
Market Management Insufficient

- Market Stability Reserve (MSR)
  - Aims at structural imbalances, not short term fluctuations
  - Amplifies rather than dampens price fluctuations *not* based on current fundamentals

- Art. 29a
  - Aims at price changes not explained by fundamentals
  - Price trigger too high (tripling) and discretionary
  - Ill designed (one-sided, discrete, no accounting for cap or inflation)
  - If triggered, MSR would neutralize effect
Price Containment Mechanism

- Builds on Art. 29a
- Automatic
- Intervention continuously increasing with size of real price change
- Lower threshold (e.g. 20%)
- Addresses price increases & decreases
- Adjusts to size of cap
- Replaces MSR

Source: Willner & Perino (2022)