

## Second auctions in the day-ahead market survey

30 March 2023

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide our comments to ACER's questionnaire but we question the objective and the legal grounds for this consultation. We welcome the fact that ACER published the consultations publicly and extended the deadline as requested during the MESC.

### Second auctions - Current functioning

**Do you consider that second auctions bring benefits?**

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

**Please justify your previous answer and list the benefits and drawbacks you consider that second auctions bring.**

The second auction procedure is triggered when prices reach certain levels in the coupled day-ahead auction. This is to allow market participants to review their positions when price levels are higher than usual. EFET considers that such a "sanity check" mechanism makes sense and should be preserved.

While our support for second auctions is strong, setting the threshold triggering them is a difficult exercise to balance:

- a) the risk of operational errors leading to unjustified price spikes (keeping the second auction threshold low) vs.
- b) the risk of heavy operational burden in case of recurrent second auctions due to sustained high prices (moving the second auction threshold higher).

We would have welcomed a cost-benefit analysis performed and greater legal background information behind this consultation.

**Do you consider that second auctions pose a 'principle' issue by allowing market participants to have a second chance in case of high/low market outcomes?**

Strongly agree

# CONSULTATION RESPONSE

Agree

Neutral

**Disagree**

Strongly disagree

**Please justify your previous answer.**

Please see answer 2.

**Do you consider that second auctions cause an operational burden to market participants?**

Strongly agree

Agree

Neutral

**Disagree**

Strongly disagree

**Please justify your previous answer.**

**Do you consider that second auctions in case of partial decoupling bring as much value as second auctions in case of normal operations?**

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

**Please justify your previous answer.**

The question lacks clarity. Could ACER clarify to what the two cases are referring to? To our understanding, "second auction" refers to the "book reopening" in case potential high prices (higher than a threshold) are detected by Euphemia. In that case, market participants have 10 minutes to check their orders in order to make sure they did not make a mistake.

In case of partial or full decoupling, “shadow capacity auction” (not “second auctions”) are organised in order for market participants to acquire transmission rights between bidding zones, and then “national / within bidding zone energy auctions” are organised.

The two processes serve different purposes, they should not be ranked or compared with each other.

We understand that ACER is asking stakeholders if they see the need to also have a book reopening process in case of announcement of a partial decoupling, and in the case the price risks exceeding the threshold. EFET supports such a proposal, to the extent that it does not lead to a full decoupling. Indeed, NEMOs should clarify to which extent adding a book reopening when a partial decoupling is announced increases or not the risk of a full decoupling (which should be avoided as much as possible).

**Do you consider that overall the benefits of the second auctions outweigh their inconvenient?**

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

**Please justify your previous answer.**

EFET considers that avoiding price spikes due to operational mistakes is a sufficiently strong objective that outweighs the operational burden linked with the extension of the process by 10 minutes.

## **Second auctions - Potential evolutions**

**If they are to be maintained, do you consider that second auctions should be harmonised at EU level?**

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

# CONSULTATION RESPONSE

**Please justify your previous answer.**

Simplicity and good understanding of the process across power exchanges, avoiding additional errors or lack of familiarity with local processes should be all objectives.

**Do you consider that second auctions common rules (and not specific NEMO rules) should limit the modifications that can be brought to bids in case of second auction (for example, only allowing bid modification that would lead to a reduction of price peaks, in case of high prices)?**

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

**Please justify your previous answer.**

We need uniform communication on what is allowed and what not by the NEMOs in case of a Request for Quotes and NEMOs should have “control-systems” in place.

We would agree to have harmonized rules by ACER so that there is no difference between the NEMOs.

However, we would like to remind that the purpose of second auctions is to review and correct potential bidding errors. Market participants should have the freedom to modify their bids and offers freely in case they detect errors in their bidding.

## Contact

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