

CONSULTATION RESPONSE

Energy Traders Europe response to the NEMOs Committee consultation on products that can be taken into account in the Single Day-Ahead Coupling

Brussels, 4 March 2024

General remarks

Energy Traders Europe welcomes the opportunity to provide our comments on products that can be taken into account in day-ahead coupling (SDAC) made by all Nominated Electricity Market Operators (NEMOs) in accordance with Article 40 of Regulation (EU) 2015/1222

In this review, the NEMOs are proposing some amendment for the introduction of 15 minutes market time unit (MTU) products.

Key messages

1. We welcome maintaining block orders in the category of mandatory products for SDAC.
2. This list of mandatory products should be extended to linked bids and exclusive bids.
3. We ask to increase the availability of smart block orders and foresee new products enabling flexibility to be properly represented.
4. We agree with the removal of PUN orders from the algorithm.
5. We suggest making all block orders available in Iberia on top of the Scalable Complex Orders (SCOs).

SDAC mandatory and optional products

First, we welcome that block orders have to be included in SDAC (art. 4.2).

Second, the current ACER-approved methodology still lists linked bids as well as exclusive bids as optional products (art. 5.1 a). We wish to see these products included in the list of mandatory products to be accommodated by SDAC as they are crucial in day ahead. They allow market participants to reflect the constraints of their physical assets or contracts, and thereby the optimisation of portfolios.

The removal of such products could lead to an increase in electricity prices and a de-optimisation of the whole market: in case linked bids are not available, market

participants will not be able to spread expenditures such as start-up and run-down costs over multiple bids.

In case exclusive bids are not available, this would force market participants to choose ex-ante and place their bid for a certain MTU, when they would have had alternative options that the market coupling algorithm could have optimised.

We question whether linked or exclusive bids introduce such a degree of complexity in the algorithm that they need to remain as optional products. In our view, only a thorough demonstration of their negative impact on algorithm performance would have warranted their exclusion from the list of mandatory products.

We missed such quantitative analysis in the last three years of consultations and workshops. We appreciated that NEMOs increased their availability and we propose a modification of the ACER methodology to make these products mandatory.

The change to 15' MTU in 2025 can only improve welfare if it provides the right products. Using 15' MTU order exacerbates the risk that the cleared volumes are not technically feasible (e.g., due to ramp rates), re-increasing the need for risky intraday adjustments, in contradiction with reform's objective.

Only smart block products (linked blocks, exclusive group, flexible blocks,...) can today ensure the respect of those technical constraints while providing the flexibility to the algorithm.

Therefore we ask the NEMOs to:

- provide precise specificities on the future products.
- increase the availability of smart block orders and foresee new products enabling flexibility to be properly represented.
- harmonize the availability and the limits of smart block orders between power exchanges.

PUN and MIC products

We understand that PUN orders are expected to be phased out from the SDAC algorithm as soon as the 15 minutes MTU is introduced and this is a development we very much welcome. We understand that the removal of the PUN within Italy will take more time with a new index created and we encourage the NEMOs to publish a timeline for this. Sufficient notice should be given to market participants.

We welcome the transitional period in order to accommodate the update of the regulatory framework to allow the transition from Complex Orders to Scalable Complex Orders.

As far as we understood their projected design, scalable MIC condition will not allow to properly reflect market participant constraints, flexibility and costs, and risk impacting price formation and price clearing.

Complex block orders currently available in the rest of Europe can alleviate this limitation of Scalable MIC condition and should be made available to all capacity resources, such as all types of storage, demand side response, etc. This would improve the optimisation of SDAC and achieve a level-playing field with other European market participants.

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