



Public Consultation:

Intraday cross-zonal gate opening and gate closure times

Comments document

january 2018



EDP - Energias de Portugal S.A.

A. General remarks

EDP - Energias de Portugal S.A. (hereinafter “EDP”) welcomes the opportunity to comment on the definition of Intraday Cross-Zonal Gate Opening Time (GOT) and Gate Closure Time (GCT) in the context of the introduction of the continuous intraday cross-border market in the EU.

EDP acknowledges the range of market design elements that may influence the setting of a harmonized framework for setting the GOTs and GCTs across European RRCs.

Most of those obstacles could be effectively addressed to reap the full benefits of the integration of pan-european intraday markets through the XBID if adequate reforms of the regional intraday market are accomplished which is particularly true in Iberia. It is worth pointing out that these reforms will also be necessary in view of the upcoming integration of balancing markets once the Electricity Balancing Guideline is adopted.

A stepping stone of the necessary reforms is the harmonization of national network congestion management practices and the coordination of the regional congestion management processes to avoid undue market intervention by TSOs.

A major obstacle to the integration of intraday markets is the perpetuation of multiple intraday market auctions in addition to the introduction of a “semi-continuous” trading. This mechanism hinders the full implementation of intraday continuous markets as prescribed by the European Target Model and limits the beneficial impacts for Iberian market participants for several reasons outlined below.

Although it may be acknowledged that the Guidelines on the Capacity Allocation & Congestion Management Code (CACM) open the door to both regional auctions and a single methodology for pricing intraday cross-zonal capacity, this solution risks undermining the effectiveness of XBID as a cornerstone for efficiently allocating intraday capacity close to real time, as enshrined in the CACM Guidelines.

The note of discord of EDP regarding the coexistence of multiple regional auctions with the continuous intraday market is mainly due to major unfavorable impacts on continuous trading:

- Multiple regional auctions risk splitting market liquidity and hampering the development of an efficient continuous intraday trading
- Regional auctions as currently proposed in Iberia (Model A) limit the availability of continuous trading only to blocks that were already auctioned thereby reducing opportunities for an efficient adjustment of positions on a continuous basis; effectively, XBID continuous trading must be suspended during auctions



EDP - Energias de Portugal S.A.

- Discrimination between market participants will become effective insofar as their geographical location and generating technology are concerned, particularly in relation to special regime market participants unless portfolio based offers become the standard

EDP underlines that complexity in the design of cross-border intraday markets should be avoided to attract market participants and foster liquidity.

Therefore, EDP advocates a solution as simple as possible for the intraday trading procedure based on portfolio bidding in a continuous market where positions are subsequently and directly nominated to the TSO, in line with market procedures in place in other intraday markets within the CWE region.

In any case, EDP is available to support a transitional one year period where one initial intraday regional auction could be set up to help setting the price of the cross-border capacity, provided that it would not distort the functioning of the market to a significant extent. Its timing may, however, be set in such a way that it enables market participants to meet specific portfolio balancing needs triggered by TSOs (e.g. network congestion management driven scheduling) if specific markets have not taken place beforehand. This may be a sensible approach particularly in a transitional phase given the expected liquidity concentration surrounding such events for which an auction is particularly well suited.

B. Responses to Consultation Questions

1. Do you find it reasonable to apply transitional GOTs which can be after 15:00 D-1 in order to give TSOs sufficient time to gain operational experience with congestion management procedures and intraday capacity calculation?

Provided the transitional period does not exceed 12 months, EDP finds it reasonable to apply transitional GOTs which can be after 15:00 D-1 in order to give TSOs sufficient time to gain operational experience with congestion management procedures and intraday capacity calculation. Considering the range of operational experience currently available across European TSOs, EDP considers that the technical feasibility of performing congestion management procedures and intraday capacity calculations is not an insurmountable issue beyond that period.

In fact, the harmonization of national network congestion management practices and techniques as well as of the coordination of the regional congestion management processes should advance without further delay to avoid undue local market interventions by TSOs. Such interventions are contrary to the efficient functioning of energy markets where market participants are best positioned to make sounder economic decisions concerning the offering of their generation portfolio.



EDP - Energias de Portugal S.A.

2. Do you consider the proposed GOT in the Baltic, Channel and Hansa CCRs ambitious enough or could TSOs on both sides of the bidding zone borders in those CCRs implement internal GOTs at 15:00 D-1?

Broadly, EDP does not consider the proposed GOT (18:00h) for these regions ambitious enough. ACER should clearly promote and incentivize a benchmark approach in which the standard would be set at 15:00h for all TSOs to comply within a 12 month period.

3. Do you consider that TSOs could further optimize their planned capacity calculation and congestion management processes to enable a transitional GOT in some CCRs to be set to 21:00 or even earlier?

Yes, as stated previously, EDP considers that optimizing capacity calculations and congestion management processes is an issue that TSOs should be encouraged to solve by sharing best practices.

Additionally, it is worth to bear in mind that the coexistence of intraday explicit auctions with intraday continuous markets should not be regarded as an element that adds complexity and hinders the adoption of a standard GOT at 15:00. Regional auctions should always be regarded as a complementary and transitional (in line with Regulation (EU) 2015/1222) solution and should not impact in any way the definition of intraday continuous market rules, including the setting of GOTs.

Overall, the benefits of very time-consuming optimization of the planned capacity calculation and congestion management procedures beyond a reasonable level should be weighed against the welfare losses of preventing market participants to fully exploit market opportunities or to optimize their own economic scheduling.

In reality, there are now large benefits to derive from the harmonization of national network congestion management practices and techniques as well as from the coordination of the regional congestion management processes.

Undue local market interventions by TSOs are contrary to the efficient functioning of energy markets where market participants are best positioned to make sounder economic decisions concerning the offering of their generation portfolio.



EDP - Energias de Portugal S.A.

- 4. Which option for the harmonisation of GOT do you prefer? Please, explain thoroughly why or, alternatively, propose a new concrete timing and add the reasoning for such a choice.**

EDP favours option A. Option A entails sufficient time on top of all the resources that have already been use insofar as the harmonization of the GOT is concerned. Moreover, a pan-european harmonization of the GOT within a common timeframe would potentially generate more incentives for NRAs and TSOs to focus on coordinating efforts rather than on exploiting the differences in market design elements to postpone the convergence towards a harmonized GOT within a reasonable time horizon.

- 5. Do you consider it acceptable that each CCR can have a different target date for implementing the harmonized GOT, depending on specific circumstances in such CCR?**

The target date to implement a harmonized GOT should be the same for all CCRs. On a transitional basis, distinct GOTs may be acceptable depending on specific circumstances in each CCR provided GOTs convergence within a specific and common timeframe is assured.

- 6. Do you agree with the exception from the harmonized GCTs and do you see other bidding zone borders than the EE-FI border where this exception could apply? If so, please explain why.**

EDP agrees with the exception insofar as it is aligned with the principle of maximizing trading opportunities for market participants which translates, in this case, into enlarging the trading window nearer to real time delivery.

Ideally, European TSOs should be encouraged to offer equivalent congestion management and capacity calculation capabilities to the market to allow trading up to 30 minutes ahead of real time.