



Maximum and minimum clearing prices for single day-ahead and intraday coupling

Consultation document

PC_2017_E_02

24 August 2017

This consultation document is issued to invite comments on the Agency's proposals for a decision on Maximum and minimum prices for Single Day-Ahead coupling (SDAC) and for Single Intra Day Coupling (SIDC), amending the 'All Nominated Electricity Market Operators' (NEMOs) proposals developed in accordance with Article 41(1) and Article 54(1) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (CACM Regulation).

This consultation is open to all stakeholders, who are invited to submit their comments by:

15 September 2017
23.59 hrs (CET)

by sending them to the following address:

consultation2017E02@acer.europa.eu

This document contains three specific questions for consultation. Stakeholders are invited to address the issues raised in the questions, as well as to provide any other comment, which they may deem appropriate. In order to identify your response, please include the following contact information on the top of your answer sheet: Name, Company, Address, Contact email, Phone and Country.

Following the public consultation period, ACER will issue a decision and publish all answers received from stakeholders. Stakeholders should also consider that confidential answers should be used in a limited way. ACER advises stakeholders to claim confidentiality only on commercially sensitive information and to ensure that a non-confidential version is also submitted.

Related documents

- Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0001:0014:EN:PDF>
- Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross border exchanges in electricity and repealing Regulation (EC) No 1228/2003
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>
- Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management
http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2015.197.01.0024.01.ENG
- All NEMOs' proposal for Maximum and Minimum prices
<http://www.europex.org/wp-content/plugins/download-attachments/includes/download.php?id=3543>
(20170214_Harmonised Max-Min Prices Limit Proposal_Single Day Ahead Coupling and Single Intra Day Coupling)

1 Background

In accordance with Article 41(1) and Article 54(1) of the CACM Regulation all Nominated Electricity Market Operators (NEMOs) are obliged to develop proposals for harmonised maximum and minimum clearing prices for Single Day Ahead Coupling (SDAC) and Single Intra Day Coupling (SIDC; and these proposals hereafter referred to as ‘the Proposals’). The Proposals need to be developed in cooperation with the relevant Transmission System Operators (TSOs) and submitted no later than 18 months after the entry into force of the CACM Regulation to all National Regulatory Authorities (NRAs) for approval. The Proposals also need to take into account an estimation of the value of lost load (VoLL) and be subject to consultation in accordance with Article 12 of the CACM Regulation.

The consultation was performed between 3 November 2016 and 2 December 2016 and included a stakeholder workshop held on 14 November 2016.

On 14 February 2017, all NEMOs submitted the Proposals to all NRAs (received by the last NRA on 17 February 2017) in accordance with Articles 41(1) and 54(1) of the CACM Regulation.

Regulatory Authorities have not been able to reach an agreement on the day ahead minimum and maximum price proposal. For that reason, on 24 July 2017, all Regulatory Authorities agreed to request the Agency to adopt a decision on the day ahead minimum and maximum price proposal, pursuant to Article 9(12) of the CACM Regulation.

Although an agreement as to how the intraday minimum and maximum price proposal must be amended was reached, all Regulatory Authorities considered necessary to ensure consistency of the processes of the two highly related proposals (day ahead and intraday minimum and maximum price proposals). Thus, on 2 August 2017, all Regulatory Authorities agreed to request the Agency to adopt a decision on the intraday minimum and maximum price proposal, pursuant to Article 9(12) of the CACM Regulation.

2 Consultation topics

The Agency has closely followed the discussions between NEMOs, NRAs, TSOs and stakeholders on the possible solutions to define the harmonised maximum and minimum prices to be applied in all bidding zones participating in SDAC and SIDC (hereafter referred to $P_{\max DA}$, $P_{\min DA}$, $P_{\max ID}$ and $P_{\min ID}$). The Agency’s preliminary opinion is that the Proposals cannot be approved without amendments. In particular, the following two substantial elements need to be addressed before the Agency takes a decision on the Proposals¹:

1. Definition of harmonised min-max clearing prices which better takes into account the Value of Lost Load (VoLL).

¹ The consultation of stakeholders on the substantial elements of the Proposals does not preclude the possibility that additional amendments, more of a drafting nature, are introduced later on to improve the overall quality of the Proposals. This type of amendments will be discussed with all NEMOs and all NRAs separately.

2. Clarification of the effective implementation date of the new harmonised min-max clearing prices.

With regard to the **first element**, the Agency deems it necessary:

- 1) to implement a more dynamic automatic adjustment rule for $P_{\max\text{DA}}$, such that it allows for a faster alignment of the $P_{\max\text{DA}}$ towards the VoLL;
- 2) to introduce an automatic adjustment rule for $P_{\max\text{ID}}$, such that $P_{\max\text{ID}}$ is always equal or higher than $P_{\max\text{DA}}$.

The new text in point 5.2 of the SDAC Proposal would then read as follows:

5.2 The Harmonised Maximum Clearing Price Limit shall be increased by an increment of 1000 €/MWh in the event the hourly Clearing Price in an individual or multiple Bidding Zones has exceeded a value of 60 percent of the Maximum Clearing Price Limit in at least one market time unit.

A new point 5 would also need to be introduced in the SIDC Proposal, which would read as follows:

5 Criteria and Process for establishing and amending Harmonised Clearing Price Limits

5.1. The Harmonised Maximum Clearing Price shall be amended according to the following amendment rule, and such change shall be implemented in production in the Single Intraday Coupling 5 weeks after the rule has been triggered.

5.2. In the event that the Harmonised Maximum Clearing Price Limit applicable for the Single Day Ahead Coupling is increased above the Harmonised Maximum Clearing Price Limit applicable for the Single Intraday Coupling, the latter shall also increase to be equal to the former.

On top of the proposed amendments above, the Agency notes that most of the discussions between NRAs, NEMOs and stakeholders focused on the value of the $P_{\max\text{DA}}$. The Agency has identified three possible options, which represent the different views expressed by NRAs and stakeholders during the NEMOs' consultation period:

- **OPTION 1:** to keep the $P_{\max\text{DA}}$ as proposed by all NEMOs, i.e. +3000 EUR/MWh
- **OPTION 2:** to increase the $P_{\max\text{DA}}$ to +5000 EUR/MWh
- **OPTION 3:** to align the $P_{\max\text{DA}}$ with the $P_{\max\text{ID}}$, i.e. +9999 EUR/MWh.

The Agency deems it important to highlight that the proposed options above do not refer per se to the VoLL as required by CACM Regulation. Nevertheless, the Agency notes that the purpose of the reference to VoLL in the CACM Regulation is to ensure that limits imposed on Day-Ahead and Intraday prices do not prevent free price formation and they should be understood only as technical limits needed for the operation of the SADC and the SIDC. For this reason, the Agency considers that the automatic adjustment mechanisms as presented in this consultation would serve the same purpose and policy objective, which is to prevent that technical limits, which may be

needed for the operation of the SDAC and the SIDC impose any barriers to free price formation, in particular in the event of scarcity situations. The requirement of the CACM Regulation with regard to VoLL is therefore implicitly taken into account with the proposed automatic adjustment mechanisms.

With regard to the **second element**, the Proposals identifies a number of conditions for the effective implementation of the minimum and maximum prices for SDAC and SIDC. While the Agency finds it arguable that the implementation of harmonised minimum and maximum prices is conditional on the implementation of the MCO function, the Agency is not convinced that the other conditions specified in the Proposals are justified. In order to provide more clarity on the effective implementation of the minimum and maximum prices for SDAC and SIDC, the Agency proposes that the NEMOs implement the harmonised maximum and minimum prices to be applied in all bidding zones participating in SDAC and SIDC immediately after the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation and no later than 1 January 2019.

Accordingly, the new text in Point 4 of the SDAC Proposal would read as follows (equivalent change would be made in the SDIC Proposal):

4. Timeline for implementation

4.1 The NEMOs shall implement the HMMP for SDAC in Bidding Zones participating in the operation of the SDAC immediately after the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation.

3 Consultation questions

The Agency invites all concerned stakeholders to express their views and comments on the Agency's proposals for amending the Proposals and more specifically on the questions below.

Q1: Do you have any concern with respect to the new proposed automatic adjustment rule for $P_{\max DA}$ and for $P_{\max ID}$? If so, please explain thoroughly why.

Q2: Which of the three proposed options for the $P_{\max DA}$ would have your preference? Please explain thoroughly why.

Q3: Do you have any concern with respect to the new proposed implementation date? If so, please explain thoroughly why.