

Association of Energy Users in Finland Response

**To public consultation 2017 E 02 launched by ACER on Maximum and Minimum Clearing Prices for Single Day-Ahead and Intraday Coupling
15 September 2017**

General comments

Association of Energy Users in Finland's task is to improve position of the large electricity users in the electricity market. By promoting better understanding for authorities and policy makers about cost efficient electricity market solutions that contribute competitiveness to the industry and the services.

Association of Energy Users in Finland gives full support to harmonize market rules in the European electricity market and encourage competition in the market. To achieve harmonized level of playing field in the European day-ahead markets it is important to establish so called second auction on the Nordic and Baltic day-ahead spot markets as a part of integration of European electricity market.

There is common price and flow algorithm operating today in the day-ahead market. When mechanism and price range for second auction is in place and equal for all market parties then European electricity market will be one big step closer reality.

Q 1: Do you have any concern with respect to the new proposed automatic adjustment rule for PmaxDA and for PmaxID? If so, please explain thoroughly why?

Association of Energy Users in Finland support mechanism which will set clear rules for market price formation in the day-ahead and the intra-day markets.

It is good to understand that when creating mechanism to market which will increase high price risk to all it will affect as well to other connected markets. **Day-ahead market price caps has strong connection to retail prices for small customers and all price of the long term financial products.**

In Finland the reason behind the high prices (more than 1000€/MWh) have never been lack of power in the electricity system. There have either been late changes in the cross border connection capacities or weather forecast errors from market parties. In the balancing market during those high price hours have always been need for regulation down electricity production rather than up.

It is good to understand that day-ahead market price in EU is not established without market power. If this kind of behaving is behind high prices then end-user confidence to market will vanish. Inflexible automatic mechanism which can only raise price caps will not help to receive status que. **There must be an automatic adjustment rule in place in the market rules which will as well lower price caps to normal level.**

Other important signal to the market is to let market work properly. Conventional 60 percent cap which will change fundamentals in the electricity market will affect to market behaving. It is important to give all needed room for market to solve challenges without fundamental changes in the price caps.

Association of Energy Users in Finland's proposal for 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~~ **100** percent of the Maximum Clearing Price Limit in at least one market time unit. **The Harmonised Maximum Clearing Price Limit shall be decreased of 1000 €/MWh after increased by an increment of 1000 €/MWh when market price have not exceeded value of 50 percent of the Maximum Clearing Price in ten consequences days in every market time unit.**

Q 2: Which of the three proposed options for the PmaxDA would have your preference? Please explain thoroughly why?

Association of Energy Users in Finland' prefers the OPTION 1: "to keep the PmaxDA as proposed by all NEMOs, i.e. +3000 EUR/MWh".

Such a limit protects the consumers of any market disruptions. In addition, increasing the price cap will automatically increase the risk premium in market futures which will increase the bill for all the consumers.

Q 3: Do you have any concern with respect to the new proposed implementation date? If so, please explain thoroughly why?

For the Nordic consumers it is important that rules for second auction in the day-ahead market would be harmonized to all price areas which are using same algorithm for the day-ahead price calculation before establishing automatized rules for price caps.

European wide second auction in the day-ahead market is the most effective mechanism to find "extra" demand side MW's from to the market when needed. Areas with peak load capacity today's rules regarding for peak load activation seems unjust for consumers and are based on assumption of perfect market. As we all know European electricity market function well but is not perfect, yet.