ENGIE response to the ACER consultation on minimum/maximum harmonized clearing price limits in day-ahead and intraday

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.

ENGIE supports the proposal from ACER. The price limits proposed currently by NEMOs are set too low. The proposed automatic adjustment rule for $P_{max}DA$ and for $P_{max}ID$ allows to have a fast adjustment of price limits.

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

ENGIE would like to make some preliminary remarks.

- First guaranteeing the free formation of prices in the electricity markets for all timeframes is key. Electricity prices must reflect the supply-demand balance at any moment in time. In particular, they must be allowed to reflect scarcity during moments of system stress (e.g. peak in demand, lack of available generation, unavailable demand response…).
- Permitted levels of electricity prices should not only be related to generation, but also to demand response and storage. For instance, they should provide the appropriate price signals to "displace" energy when there is too much injection compared to the demand.
- Given the on-going energy transition the system faces more and more intermittent renewable generation and therefore increasing needs for flexibility from various sources (generation, demand response, storage). Accurate price signal are required to ensure a proper reaction of all market participants and appropriate dispatching decisions.
- The price limits, even if not reached, are influencing the behaviour of market participants in the markets (forward, day-ahead, …). For instance, the positions taken in the forward markets by market participants are influenced by the price limits in the day-ahead market.

Therefore, ENGIE is in favour of option 3 ("align the P_{maxDA} with the P_{maxID}, i.e. +9999 EUR/MWh"), which set the price limit at the highest level, without any gap between P_{maxDA} and P_{maxID} (continuity between time frames) and is hence the less restrictive.

ENGIE insists that improving the short term market design is a necessity (i.e. a no-regret measure), but that it will not be sufficient to ensure a smooth, secured and cost-efficient energy transition. Although scarcity pricing is necessary for the well-functioning of the (short-term) energy markets, (cfr appropriate dispatch signals), it does not make capacity mechanisms redundant. Indeed the aim of capacity mechanisms is to ensure that security of supply can be guaranteed at a certain level of reliability. This aspect of security of supply is key for the success of the energy transition. Conversely, one should keep in mind that price spikes can still occur in the presence of capacity mechanisms (cfr incentivizing the dispatching of peak units, demand response or storage).

Last but not least, any impact of higher price limits on collateral should be either very limited and/or could easily be avoided through adjusting bidding strategy by changing "price-taking orders" to "price-sensitive orders". Such change in bidding strategy would increase the overall responsiveness of the market to price signals. This is exactly the sort of behaviour that measures such as increasing price caps aim to accomplish.

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

ENGIE has no concerns on the proposed timeline and implementation date and supports the ACER proposal.