

ACER consultation on the TSOs' proposal for intraday cross-zonal gate opening and gate closure times



EFET response – 30 January 2018

The European Federation of Energy Traders (EFET) would like to thank ACER for the opportunity to provide her views on the TSOs' proposal for intraday cross-zonal gate opening and closure times (ID CZ GOT/GCT). The response to this consultation builds upon the position developed by EFET during the May 2016 consultation of the TSOs on the subject¹. We also took note of the amended proposal of the TSOs dated August 2017 following the change requests of the NRAs.

Before responding to the individual questions in the consultation, we would like to reiterate the main objective of the CACM Guideline in relation to the intraday timeframe of the wholesale market: the CACM Guideline aims to improve cross-border transmission capacity access, in an objective, transparent and non-discriminatory manner, using a harmonised continuous trading method, with a view to maximising social welfare. As indicated in previous EFET contributions², the multiplicity of national design proposals by TSOs, PXs and NRAs for the organisation of the intraday market worries us. It does not bode well for the future coherence of the EU internal intraday power market. Recently, we have also directed the attention of decision makers to technical and market design challenges in view of the go-live of XBID³. Our goal when responding to this consultation is to ensure the achievement of efficient cross-border access to intraday markets, as mentioned above.

¹ EFET response to the TSOs' consultation on intraday cross-zonal gate opening and gate closure times, dated

² See notably the EFET response to the ENTSO-E consultation on intraday capacity pricing, dated 12 May 2017, available at: http://www.efet.org/Files/Documents/Downloads/EFET_ENTSOE_ID-capacity-pricing_12052017.pdf, and our reaction to the Iberian NRAs recommendations on intraday market design, dated 20 December 2017, available at:

http://www.efet.org/Files/Documents/Downloads/EFET_Reaction%20to%20Iberian%20NRAs%20decision%20on%20the%20ID%20market%20design_20122017.pdf.

³ EFET letter to the European Commission regarding urgent technical and market design improvements required for XBID go-live, dated 23 January 2018, available at:

http://www.efet.org/Files/Documents/Downloads/EFET%20letter%20to%20EC%20on%20ID_23012018.pdf.

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?

In their updated proposal of August 2017, the TSOs proposed different ID CZ GOTs per CCR:

- 15:00 for the Nordic capacity calculation region (CCR)
- 18:00 for the Hansa and Baltic CCRs
- 18:30 for the Ireland-UK CCR
- 22:00 for the Core, Italy North, Greece-Italy, SWE, Channel and SEE CCRs

EFET had originally criticised the first proposal of the TSOs to have a harmonised ID CZ GOT at 22:00 at all EU borders for its lack of ambition and justification. With the August 2017 proposal, the European TSOs improved their ambition for the GOT at a limited number of borders, while at the same time giving up – at least temporarily – on the objective of a harmonised ID CZ GOT at European level. In terms of justification, the TSOs explained the late GOT of 22:00 that would remain in all of continental Europe on their lack of experience with intraday capacity recalculation.

It is true that European TSOs have no experience with capacity recalculation in intraday. The TSOs' proposals for capacity calculation methodologies (CCMs) for intraday in all CCRs show that the TSOs have very little idea of how they will recalculate capacity in intraday, and we have made comments to this in our responses to the TSOs and NRAs consultations on this subject⁴. However, it is unclear to us why TSOs in continental Europe decided to go for such an extensive time margin between the time when the day-ahead market closes/day-ahead nominations are confirmed (15:30 at the latest) and the proposed ID CZ GOT (22:00). We would like to get more explanation on the exact reasons why TSOs need such a long time margin between the day-ahead clearing and the proposed ID CZ GOT.

In practice, an ID CZ GOT set at 22:00 means that many market participants (especially smaller ones) will only trade the following morning, with limited time for the first hours of the day. We also remind ACER that this GOT of 22:00 is later than the GOT currently in force at many European borders. It therefore represents a step backwards compared to current situation.

⁴ See our common response, with Eurelectric, MPP and Nordenergi, to the TSOs consultations on their draft capacity calculation methodologies, dated 19 July and last updated on 14 December 2017, available at: http://www.efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_Nordenergi-TSOs%20consultation%20CCM_14122017.pdf. See also our responses to the corresponding NRA consultations on the subject for the Hansa, Nordic and CORE regions, dated 26 and 27 October 2017, available respectively at: http://www.efet.org/Files/Documents/Downloads/efet_eurelectric_mpp_nordenergi-energitilsynet_hansa_ccm-2017-2210-0013-01-e.pdf, http://www.efet.org/Files/Documents/Downloads/26102017_Response%20of%20NORDENERGI_EFET_EURELECTRIC%20and%20MPP%20to%20the%20NordREG%20....pdf and http://www.efet.org/Files/Documents/Downloads/27102017_RESPONSE_EFET_EURELECTRIC_NORDENERGI_MPP_BUNDESNETZAGENTUR_CORE%20CCM_FINAL.pdf.

In addition, we understand that the intraday capacity allocated in the Nordic CCR at 15:00 will be based on remaining available capacities after day-ahead market clearing. The CACM Guideline foresees in its articles 14.4 and 21.2 that cross-border intraday capacities can be recalculated a number of times during the operation of single intraday coupling. Therefore, it is to be understood that the CACM Guideline foresees the option to suspend temporarily the single intraday market coupling to re-adjust cross-border capacities. As a consequence, we believe that the option proposed by the Nordic TSOs to open the intraday market before capacities are recalculated and to re-adjust capacities once the recalculation has been performed is a valid proposal. The TSOs from all the other CCRs have not given proper justification as to why they would not be able to follow the same process of opening the market and performing the recalculation in parallel. Considering that the Nordic option would allow seven more hours of intraday trading for market participants in continental Europe, there are significant welfare gains to reap by opening cross-border intraday markets at 15:00. These welfare gains do not seem to have been considered in the TSOs' proposal. Therefore, we support the Nordic solution as the target solution for the whole of Europe.

In the meantime and as an transitional solution, EFET is ready to compromise on the objective of a harmonised ID CZ GOT for Europe provided that:

- There is no step back compared to existing cross-border intraday access;
- There is a clear timeline to reach the objective of a harmonised ID CZ GOT at 15:00 in Europe.

Therefore, we recommend the following:

- **Amend article 4.1** of the methodology so that the ID CZ GOT for the Core, Italy North, Greece-Italy, SWE, Ireland-UK and SEE CCRs is set at 18:00. A transitional GOT at 18.00 would be a fair compromise, giving time for TSOs to perform the ID capacity calculation after day-ahead market clearing while at the same time ensuring that market participants, regardless of their size, have the opportunity to trade in the market and contribute to the liquidity of the first traded hours of the day.
- **Amend article 5** of the methodology as follows:
 1. The TSOs shall set the future default IDCZGOT to be at ~~the earliest IDCZGOT possible as defined in Article 4~~ **15:00**, taking into account scheduling and balancing processes in relation to network and operational security.
 2. The TSOs shall ~~review the possibility to~~ further harmonise the IDCZGOT ~~and~~ to achieve the future default IDCZGOT ~~of 15:00 later in the implementation process of the CACM Regulation within 6 months after the implementation of intraday capacity calculation in each CCR.~~

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?

As mentioned in our response to question 1, we believe that the proposals for ID CZ GOT in most CCRs, including Baltic and Hansa, but especially Channel, lack ambition. The target ID CZ GOT for all CCRs in Europe should be 15:00.

For the specific case of the Baltic, Channel and Hansa CCRs, which only comprise radial HDVC interconnectors and in limited numbers, we believe that the ID capacity recalculation process should be easier than in CCRs with meshed networks.

The reluctance of TSOs to advance the ID CZ GOT for some of those radial CCRs may be linked to the ID CCM proposals they made. For example, in the Hansa region, the concerned TSOs made the capacity calculation process subordinate to the capacity calculation in the CCRs it connects (Nordic and Core), which we believe is a fundamentally wrong approach. For the ID CZ GOT, this subordination to the methodologies of the regions that these radial CCRs connect is particularly apparent for the Channel CCR: the main argument brought forward by the TSOs to justify the ID CZ GOT at 22:00 for Channel is the ID CZ GOT of 22:00 in the Core region, one of the two regions the Channel CCR connects. However, this seems inconsistent with the approach taken in the Hansa region (ID CZ GOT at 18:00), which also connects with the Core region.

In our view, there is no other technical limitation to ID CZ GOT of the radial CCRs (Hansa, Baltic and Channel) than the GOT of the internal ID markets in the bidding zones they connect – not the full CCRs they connect.

As a consequence we recommend amending article 4.1 so as to immediately establish the ID CZ GOT for the Hansa, Baltic and Channel CCRs at the earliest internal ID GOT of at least two markets they connect. Within six months after the implementation of intraday capacity calculation in those CCRs, the ID CZ GOT should be harmonised at 15:00.

3. Do you consider that TSOs could further optimise 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?

To comply with the objective of improving cross-border access to intraday markets, and in line with the commitment taken by ACER and the European Commission, we believe that the methodology should at the very least avoid any step backwards in terms of ID CZ GOT.

Therefore, we refer to our answer to question 1 and **recommend amending article 4.1** of the methodology so that the ID CZ GOT for the Core, Italy North, Greece-Italy, SWE, Ireland-UK and SEE CCRs is immediately set at 18:00 for the transitional phase.

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.

We refer to our answer to question 1 in favour of option (c) and **recommend amending article 5** of the methodology as follows:

1. The TSOs shall set the future default IDCZGOT to be at ~~the earliest IDCZGOT possible as defined in Article 4~~ **15:00**, taking into account scheduling and balancing processes in relation to network and operational security.
2. The TSOs shall ~~review the possibility to~~ further harmonise the IDCZGOT ~~and~~ to achieve the future default IDCZGOT ~~of 15:00 later in the implementation process of the CACM Regulation~~ **within 6 months after the implementation of intraday capacity calculation in each CCR.**

We do believe that a strict time requirement on TSOs to harmonise ID CZ GOT at 15:00 is needed, otherwise this evolution may not see the light of day. However, fixed deadlines in the CACM have proved very inefficient to implement smart and sturdy solutions that improve market functioning. Whether initial lack of preparation or miscalculation in the Guideline of the time needed to develop proper methodologies is to blame, we often observe a last-minute rush on the part of TSOs to comply with deadlines, often resulting in disappointing outcomes. Besides our own criticism in many consultations, the number of amendment requests made by the NRAs on the methodologies proposed by the TSOs is indicative of that. Therefore, we believe a short deadline linked to the implementation of the intraday CCM in each CCR would be more efficient.

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

As mentioned in our responses to questions 1 to 4, we support the target solution of a harmonised ID CZ GOT at 15:00. In the meantime, and considering the strong interdependence of the CCM and the ID CZ GOT, we are not opposed to a phased harmonisation of the ID CZ GOT at 15:00 based on the implementation of the CCMs in each CCR, provided that it is bound by the strict requirement of six months following the entry into force of the ID CCM in each CRR, as mentioned in our responses to questions 1 and 4.

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

We do not oppose the EE-FI border exception to the harmonised ID CZ GCT of 60 minutes, as this exception would bring the GCT at this border closer to real time.

ACER might feel that market participants want to bring the ID CZ GCT closer to real time “to have more trading opportunities”, whereas TSOs want to maintain it further from real time “for system security reasons”. However, this debate “more market vs. more system security” is deceitful. By allowing market participants to use cross-border trade to close their positions close to delivery, the need for residual balancing is reduced and thus system security is improved. Therefore, GCTs close to real time are beneficial both for market efficiency and system security.

EFET wishes to bring the ID CZ GCT closer to real time than 60 minutes. Trades on the internal intraday and balancing markets will continue to take place during those 60 minutes and will thus affect flows on the network including at borders in a meshed network. Freezing cross-zonal intraday trade therefore does not provide more security for TSOs.

Therefore, **we recommend amending article 6** of the proposed methodology to set the ID CZ GCT closer to real time, for example at 15 minutes, with possible exemptions to maintain it at 30 or 60 minutes before real time in a transitional period if properly justified. To avoid setting regulation on the lowest common denominator, we believe that the highest standard should be the main rule and laxer norms the exception, not the other way around.

If a harmonised ID CZ GCT of 60 minutes is maintained, then the possibility to have exemptions (i.e. to have a shorter GCT of 30 or 15 minutes) should also apply to other borders and not only to the EE-FI border. We see the BE-NL and NL-DE borders as natural candidates for such exemptions, for example. The benefits of cross-border intraday trading close to delivery are higher in case of structural differences in the generation mix on both sides of the border. This applies for example to borders with large shares of wind or hydro generation on one side of the border and small shares of wind respectively hydro generation on the other side. The need to have ID CZ CGTs close to real time is also higher for countries where TSOs do not use Replacement Reserves as the value of cross-border flexible capacity could be largely absorbed by cross-border procurement of Replace Reserves otherwise.