

# Public consultation on ACER's decision for the Methodology for pricing intraday cross- zonal capacity

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A Eurelectric response paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

## We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

**investing** in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

**transforming** the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

**accelerating** the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

**embedding** sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

**innovating** to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

In general, Eurelectric opposes possibility of IDA, as they will have negative impacts on continuous intraday markets. A liquid continuous intraday market is a key feature of a flexible power market. It enables the system to accommodate an increasing share of intermittent electricity producers and helps keeping the cost of system balancing down. It also makes it easier for smaller competitors to manage their risks when entering new markets. IDAs may undermine this liquidity in the continuous intraday market and therefore be detrimental to the development of the internal electricity market.

### **Question 1:**

**Should the implementation of the intraday cross-zonal capacity pricing be linked/conditional to a recalculation of cross-zonal capacities?**

The price of cross-zonal capacity depends on the amount of available cross-zonal capacity and on the market fundamentals on each side of the border. Any recalculation can impact the price discovery, as much as any significant change in market fundamentals.

A recalculation of cross-zonal capacities should be done continuously and not only once in the intraday time frame. This would also make the need for auctions obsolete.

In general, Eurelectric opposes possibility of IDA, as they will have negative impact on continuous intra-day markets.

That being said, if at all, there should be at most one intraday auction, which has to be linked to a recalculation of cross-zonal capacities.

### **Question 2:**

**Do you see a value/benefit in having an additional IDA at 10:00 am market time delivery day, even without recalculation of cross-zonal capacities in some CCRs?**

No, there is no value or benefit.

The focus should be on continuous intraday trading, which delivers real-time price signals useful for market participants to manage continuously an efficient self-dispatch. Additional intraday auctions would only withdraw liquidity from continuous trading, challenging the relevance of prices on the continuous intraday market. There should be at most one intraday auction, which has to be linked to a recalculation of cross-zonal capacities.

Pursuant to Article 2 CACM, "single intraday coupling" means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market ". Article 51 CACM clearly states that continuous trading is the target solution for intraday market, and that information on cross-zonal capacity shall be provided 15-minutes ahead. Any further updates to amount of cross-zonal capacity provided are pursuant to Article 58 possible only when the situation in the grid significantly changes.

Quest for introduction of IDA thus clearly breaches the principles stated in the valid CACM Regulation. Furthermore, it provides no clarity to market participants, and diminishes market efficiency.

To this aim, we disagree with having an additional IDA at 10:00 a.m. market time delivery-day.

### **Question 3:**

**In general, do you see a value/benefit in having a progressive increase of the number of IDAs in the future?**

*Please note that the timings and obligations regarding the intraday capacity calculation methodologies in different CCRs are not in the scope of the IDCZCP Decision.*

We do not see a benefit in having a higher number of IDAs. Moreover, complementary intraday regional auctions should also be minimized, and aligned with pan-European auctions (if introduced), in order not to jeopardize the continuous intraday trading.

If at all, there should be at most one intraday auction, which has to be linked to a recalculation of cross-zonal capacities, as stated in question 1.

The timing of such an auction may have severe consequences for a trading day and should be thoroughly consulted. Again, Eurelectric strongly advises **not to** implement IDA.

As mentioned earlier, any interruption of continuous trading leads to significant decrease in market efficiency, and thus in social welfare. Introduction of 15-minutes trading intervals with possibility of block bids (or complex bids) is possible with continuous trading (and we support it), but seems to be a challenge for a pan-European auction (e.g. PCR seems to struggle with the algorithm whereas it deals with hourly products only); there is no need to introduce IDAs for that.

### **Question 4:**

**Do you see a value/benefit in having an additional IDA at 15:00 market time day-ahead, based on the cross-zonal capacities remaining after the end of the SDAC? What would be the drawbacks of such an auction?**

No.

We do not believe that introduction of IDAs even at the beginning of ID trading would increase market efficiency. We rather see it as an artificial process, if information on cross-zonal capacities is available, it should be provided directly to NEMOs for purposes of continuous trading: the decision of ACER on ID GOT allows XBID to open at 15:00, giving the opportunity to market participants to be active in the intraday market (see our remark on that point in “any other comment”). Article 63 refers to complementary regional auctions – not to general application of IDAs to single ID coupling.

As stated in the response to Q3, not more than one IDA at a thoroughly consulted time should be considered. Additional intraday auctions only withdraw liquidity from continuous trading.

Article 6(4) of the IDCZCP Proposal suggests an interruption in the continuous trading for 45 minutes (from 15 minutes prior and 30 minutes after the deadline for bid submission). It is important to note that such interruption would in practice mean that cross-zonal capacities in the capacity management module would be set to 0, but the continuous trade within bidding zones would remain uninterrupted.

Article 63 of the CACM Regulation, although applicable to complementary regional auctions and not to the methodology for pricing cross-zonal capacity, allows only 10 minutes of interruption for

complementary regional auctions. Thus, in the spirit of the CACM Regulation, the interruptions of cross-zonal continuous trading should be minimised as much as possible.

### **Question 5:**

**Do you think the proposed interruption of cross-zonal continuous trading is justified for the organisation of IDA? If not, please argue why. What would be the maximum length of interruption acceptable from a trading perspective and why?**

We strongly do not agree with any interruption of continuous trading for IDA purpose. Any interruption would massively impact liquidity and decreases efficiency of SIDC and thus decrease social welfare.

All TSOs proposal for Methodology for pricing intraday cross-zonal capacity shall be fully consistent with CACM regulation – and to this end it shall introduce no IDAs or lead to interruptions to single ID continuous trading.

### **Any other comments:**

Eurelectric considers that, up to now, no satisfactory solution for pricing the capacity in intraday has been proposed to stakeholders. Auctions are proposed following the conclusion from previous assessments which were concerned with other issues. Given the drawbacks inherent to intraday auctions, Eurelectric considers that it is the whole subject of pricing capacity for intraday that should be reconsidered. The need for implementing a solution for pricing should even be questioned. For Eurelectric, as already expressed in our joint paper of May 2016, the priority is to progress on capacity calculation methodology and frequency in the intraday timeframe.

Eurelectric would like to stress the need that ID capacity allocation applies to all borders from the IDCZGOT with the leftovers of the DA auction, which is necessary for the European-wide continuous ID market to work efficiently as soon as 15.00 DA. Unfortunately, the decision of ACER on IDCZGOT does not seem sufficiently clear in this regard, and a number of TSOs have already announced they would allocate no CZ capacity before 22.00. In Eurelectric's view, this is likely to hamper the efficiency of continuous ID markets in the period between 15.00 and 22.00 DA. We would therefore welcome a more prescriptive message from ACER on this matter.

Implementing a successful continuous trading must be the absolute priority.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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