

14 July 2022

NEMOs consultation on the harmonized maximum and minimum clearing prices for SDAC and for SIDC

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide comments to the all NEMO Committee consultation on the harmonized maximum and minimum clearing prices (HMMCP) for single day-ahead coupling (SDAC) and for single intraday coupling (SIDC).

Importance of the free formation of prices

We remind the NEMOs of the importance of free formation of prices in the wholesale electricity market. One of the basic elements to ensure this is to avoid that regulatory or technical caps limit market participants' bidding behaviour directly or indirectly, which can have negative effects on the market similar to that of administrative interventions.

Reflections and comments on the all NEMO Committee questions

1. When integrating HMMCP for Intraday Auctions, NEMOs propose to follow the same principles as for SDAC. This means a differentiation from HMMCP for the SIDC continuous. What is your view on that differentiation, and do you have a view on what maximum and minimum clearing price should be applied for SIDC IDAs and what mechanism for possible upward or downward adjustment of that maximum and minimum clearing price should be applied?

Continuous intraday trading on XBID and intraday auctions (IDAs) form one market, the European SIDC. For this reason, technical price limits applicable to XBID and IDAs should be aligned.

On the upward adjustment for intraday (IDAs and XBID), we propose the following:

- On the magnitude of the incremental adjustments, we suggest to maintain the existing value, which is also similar to the SDAC adjustment value, i.e. by chunks of 1,000 EUR/MWh for each adjustment.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

- On the trigger of the automatic adjustment, we propose a reform of the mechanism so that the SIDC price limit does not only increase when the SDAC price limit gets close to it; rather, the SIDC price limit should (1) have its autonomy, and (2) maintain a sufficient 'gap' with the SDAC price limit. This translates into the following:
 - o The intraday price limit adjustment should not only be linked to SDAC clearing price adjustment². It should also be adjusted by increments of 1,000 EUR/MWh every time the 60% threshold of the existing intraday price limit is hit – and this, even in the case when the SDAC price limit remains unchanged. To implement this, a definition of how to compute the price trigger for continuous intraday trading will need to be established, as it does not clear in the same way as the day-ahead or intraday auctions (e.g. some kind of proxy should be calculated considering all trades/products for a specific delivery period).
 - o There should be a minimum 'gap' between the SDAC and SIDC upper price limits. Indeed, according to the current rules, once the SDAC price limit will have reached 9,000 EUR/MWh, the gap between that and the SIDC price limit in any future scenario will remain at 999 EUR/MWh. If and when SDAC market prices reach such high levels and beyond, market participants will still need the ability to trade in intraday at potentially much higher prices than day-ahead as buy and sell options are slimming down close to real time delivery. We propose that the minimum 'gap' between SDAC and SIDC technical clearing price limits is set either in the form of a fixed value equal to the existing gap (i.e. 5,999 EUR/MWh) or calculated using a multiplication factor.

On the downward adjustment for intraday, we are open to adjustments of the minimum clearing price limit. Before implementing this, we request an analysis by the NEMOs on negative prices and their fundamentals to fully justify such a reform. For more on the minimum intraday clearing price limit, please refer to Q6.

2. The current methodologies describe a dynamic process to increase the maximum clearing price if market prices reach certain thresholds. NEMOs would like to consult on the possibility to also implement a decrease of the maximum clearing price after a period when no thresholds have been exceeded and the maximum clearing price shows to be unnecessarily high.

Yes, we are open a conversation on this matter with the conditions above because of the effect on the collaterals provided by market participants. Stability of the mechanisms should also be one of the goals. Technical details should be further discussed with market participants in following consultations/workshops with an impact assessment coming from the NEMOs and TSOs of different proposals.

² See [EFET response to the ACER consultation on price caps in day-ahead and intraday, September 2017](#)

3. NEMOs would like to consult on the duration of the transition period between detection of the threshold and entry into force of the new price cap. Shall this be shortened, increased, or maintained to be 5 weeks after the triggering threshold (60% of max clearing price) has been reached?

The time lag between hitting a price limit threshold and the entry into force of the new price limit should be shortened to the maximum (e.g. one week, but not less than three days). This will allow to adjust the market framework quicker to react to possible prolonged periods of very high or very low prices, while guaranteeing enough time for procedural adjustment on market participants' and NEMOs' respective sides.

4. Do you consider the current approach to increase the maximum clearing price in steps of EUR 1000, still adequate?

Yes, see our response to Q1.

5. Do you think that the event that the clearing price exceeds a value of 60 percent of the harmonised maximum clearing price for SDAC in one market time unit of a day in single bidding zone is a sufficient trigger to increase the harmonised maximum clearing price for SDAC? For example: to instead as the basis for triggering a maximum clearing price increase to be given by a requirement that the threshold has been exceeded on multiple different days (e.g. separate SDAC trading days) within a given period

Yes, we support keeping the existing threshold. When prices hit 60 percent of the price limit in one market time unit in one bidding zone, the harmonised price limit is at a higher risk of unduly constraining prices. The existing 60-percent threshold allows the market framework not to restrict prices (unless for technical reasons) and the tiniest sign that the price limit may soon be hit should be an indication the limit needs to be increased.

We take the opportunity of this question to react to the recent report published by the French regulator CRE³ and their proposal to (1) suspend the current rules of automatic adjustment of the technical price limits until further notice, and (2) reform the automatic adjustment mechanism to avoid that exceptional market conditions in one bidding zone for one or few hours lead to an increase of the price limit. We believe that these suggestions

³ Analysis and learnings of the day-ahead auction price peak of 4 April 2022, CRE report dated 30 June 2022 and available (in French) at <https://www.cre.fr/Documents/Publications/Rapports-thematiques/analyse-et-enseignements-sur-le-pic-de-prix-sur-l-enchere-journaliere-pour-le-4-avril-2022>.

are contrary to article 7(2)c of the Electricity Regulation (“Day-ahead and intraday markets shall provide prices that reflect market fundamentals, including the real time value of energy”) and article 10 setting the rules of the technical price limits. In particular, the objective of the French regulator is to limit prices based because of their current levels; this would prevent prices from reflecting fundamentals of demand and supply; it would also be a limit based on economic rather than technical reasons.

At the moment, we see no legal basis for a temporary suspension of the automatic adjustment mechanism. Further, should the European regulatory framework evolve, we fail to see on which unquestionable standards the automatic adjustment would be triggered: after how many bidding zones hit the threshold? In how many market time units? Over a period of how many days or weeks? All this would entail a number of arbitrary choices that will make the adjustment mechanism a political or economic tool, rather than a technical mechanism.

6. HMMCP methodologies to describe also an automatic extension of the minimum clearing price when a certain threshold is reached?

This can be discussed, and we are open to an adjustment mechanism for the minimum clearing price limit if the lower threshold is hit. Before implementing this, we request an analysis by the NEMOs on negative prices and their fundamentals to fully justify such a reform.

7. Any other views regarding the HMMCP methodologies for SDAC and SIDC?

It is important to have an automatic adjustment mechanism for ID that mimics the DA mechanism, i.e. make ID price limit adjustment not only dependent on DA. See our response to Q1 for more details.

As stated in the current version of the HMMCP, decoupling events should not be counted for the review of the technical clearing price limits. However, more precise conditions to review or not the technical clearing price limits in case the threshold is reached should be discussed as the allocation mechanisms in both day-ahead and intraday evolve (e.g. day-ahead flow-based fallback, or partial decoupling in a multi-nemo bidding zone).

We suggest that NEMOs, together with market participants, discuss the introduction of plausibility checks when accepting market participant’s orders. This would help prevent false orders from being entered into the system and therefore affecting the market clearing price.