

The Importance of Portfolio Optimisation in Electricity Markets

What is portfolio bidding in wholesale electricity markets?

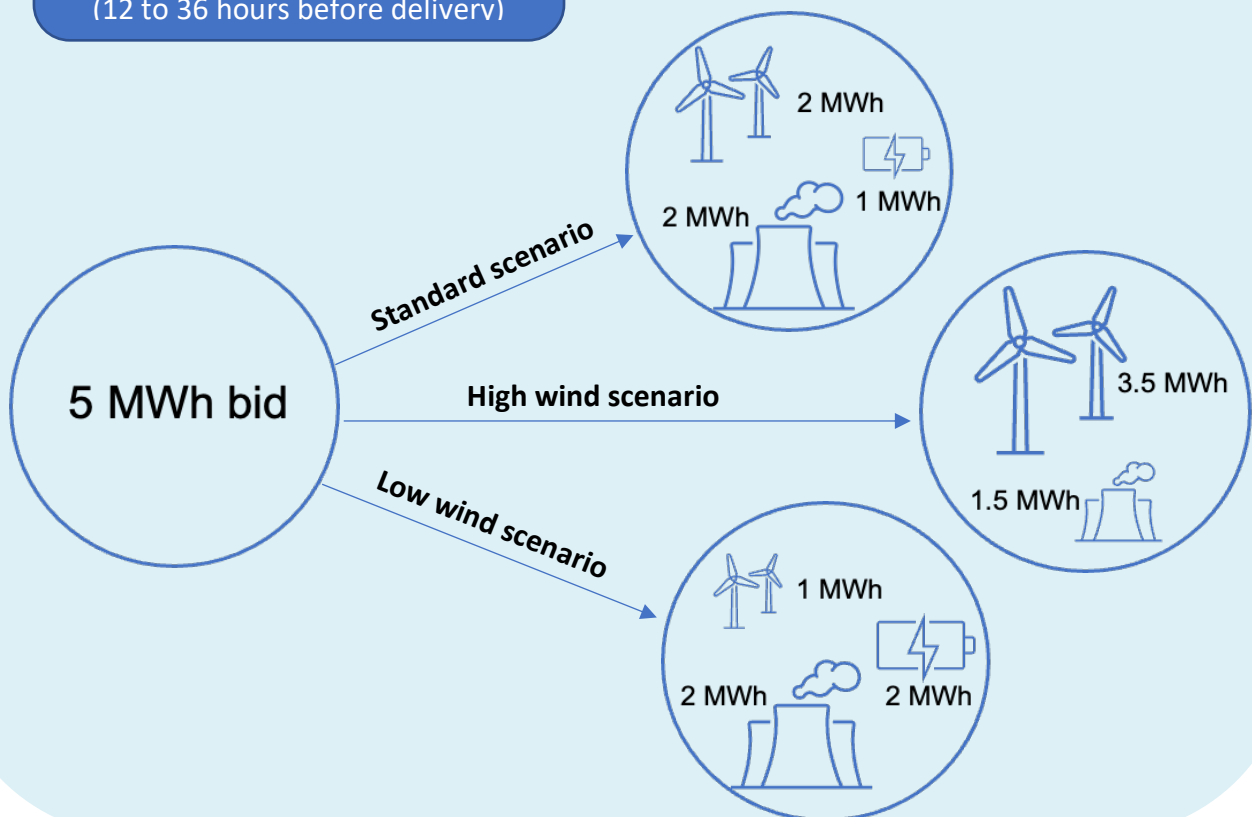
To supply consumers, producers sell electricity on the market in advance of delivery, which retail suppliers can buy on behalf of domestic consumers. To optimise this and deliver electricity to consumers at the least cost, sellers generally place electricity bids on the market which can be fulfilled by different sources of production – so-called “portfolio bids”. At the time of delivery, this allows producers to pick the least-cost sources they have available to produce the electricity – and adapt to unexpected changes in production capacity.

Portfolio bidding in practice

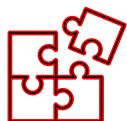
1 portfolio bid in the day-ahead market

(12 to 36 hours before delivery)

Different options for delivery in real time



How portfolio bidding optimises electricity supply?



By ensuring that electricity production matches consumer demand at least cost

In real time, electricity producers will **use their cheapest assets** to produce electricity at the least cost. When selling based on a portfolio, they can choose at the time of delivery which assets are available and most efficient to use.



By allowing to easily adapt to unforeseen changes, even at the last minute

It is windier or cloudier than expected? A gas/coal/nuclear power plant suddenly has a technical problem? Hydrological conditions have changed? A portfolio bid in the day-ahead market allows producers to **quickly adapt to changing circumstances**. The TSO and other market participants will be notified where the energy comes from before delivery.



By improving the use of renewable electricity and flexible technologies

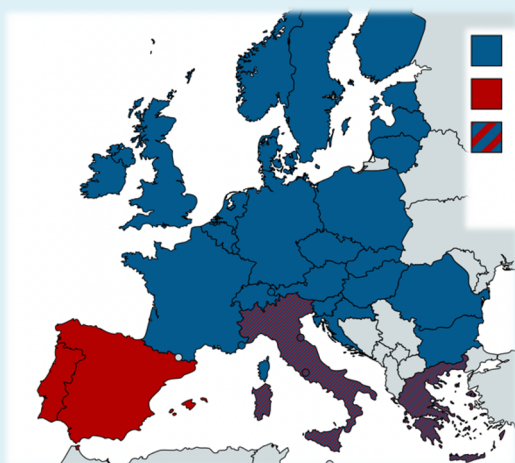
As the most intermittent but also cheap sources of electricity, **renewables benefit hugely from portfolio bidding**. They will generally be included first into the production schedule for a portfolio bid, anytime they can produce electricity. When they don't produce, flexible assets (incl. battery storage) can also be used to manage renewable intermittency.



By allowing a high level of transparency on all market activities

- **Transparent with other market participants** – via REMIT market messages issued by producers, e.g. on the unplanned unavailability of their assets
- **Transparent with network operators** – via the nomination and scheduling process
- **Transparent with regulators** – via data reporting required by REMIT, MAR and EMIR

Almost all EU Member States allow portfolio bidding



- Portfolio bidding allowed (DA/ID)
- Mandatory unit bidding (DA/ID)
- Portfolio bidding restricted - mandatory unit bidding in some cases (DA/ID)



Trend over recent years:
moving towards more portfolio bidding

(Italy and Greece have moved from a general unit bidding obligation to allowing partial portfolio bidding)



In summary

Market participants must constantly adapt and fine-tune their positions. In a fast-paced and dynamic environment, they must respond continuously to changing circumstances.

Portfolio bidding allows fast adaptation to such changing circumstances producers. It lets producers use the flexibility of their assets as efficiently as possible. And it facilitates the dispatch of cheap renewable electricity whenever the weather permits.

Portfolio bidding is gaining traction in almost all EU Member States to provide more flexibility to the system and to guarantee the supply of electricity to consumers at the least cost.

Forcing bidding per unit everywhere in day-ahead and intraday markets does not add transparency in the electricity system.

It is a threat to the efficient optimisation of supply and the ability to provide electricity at the lowest cost for consumers.

We call on the European Parliament and Council to remove their proposed addition to art. 7.2(f) of the Electricity Regulation:

“Art. 7.2(f): Day-ahead and intraday markets shall be transparent, **and, where applicable, provide information by generation units** while at the same time protecting the confidentiality of commercially sensitive information and ensuring trading occurs in an anonymous manner.”



Strasbourg, 14.3.2023
COM(2023) 148 final
2023/0077 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design

(Text with EEA relevance)
{SWD(2023) 58 final}

For more information, feel free to contact us at secretariat@efet.org.