

## All NEMOs Consultation questions

From this document you can provide your comments on the following four proposals that the NEMOs must submit to the NRAs by Mid-February:

1. Algorithm Proposal, incorporating the Day-Ahead and Intraday requirements
2. Products Proposal
3. Back-up Methodology Proposal
4. Harmonized Max-Min Price Limit Proposal

This consultation questions form intends to gather related view, arguments, positions and assessment proposals from stakeholders. It consists of both very open and relatively specific questions on each of the proposed methodologies. Some questions may only appeal to certain market actors. We are grateful for your response and partial answers are also very welcome. Please relate your comments to the provided questions, where possible.

Please remember to send your contribution to [consultations@nemo.committee.eu](mailto:consultations@nemo.committee.eu) by 2 December at the latest. Do not forget to fill in the 'Respondent's information' on the first page of this consultation form too.

In case you would have any questions or remarks, do not hesitate to [contact us](#) directly.



### Respondent's information

1. What is your name?

Andrea Villa

2. What organization do you represent?

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## Algorithm Proposal, incorporating the Day-Ahead and Intraday algorithm requirements

### *Algorithm proposal*

1. Do you have comments on the proposal to base the SDAC and SIDC on the PCR Euphemia and XBID algorithms?

In Article 4 point 7. (DA Algorithm):

it should be made reference to "relevant market time unit" prices instead of to "hourly" prices. In fact, in the future quarterly prices could be used.

Article 5 point 3. and 4. (ID Algorithm):

it should be clarified that all orders entered in the local trading solution are automatically entered into the SOB. Then, the only issue would be the visibility based on network constraints. Orders in Bidding Zone X have to be visible to market parties in Bidding Zone X independently of whether they trade on NEMO A or B.

2. Do you have comments on the emphasis in the Proposal on monitoring and maintaining algorithm performance?

The involvement of Market Electricity Stakeholder Committee (MESC) is highly appreciated.

3. What should be the critical parameters of algorithm performance (DA; ID)?

4. Do you have comments on the proposals for transparency regarding the algorithm (public description, performance and incident reporting, consultation on changes)?

Performance reporting: it would be welcomed if the performance criteria and regular statistics on them could be publicly reported

Incident reporting: usage of back-up procedures should be reported.

Consultation on changes: since market parties can not directly post change request to the algorithm, it is important that all change requests posted by NEMOs and/or TSOs are made public. The MESC can then discuss whether or not it has any impact on stakeholders.

5. Do you have comments on the proposals for controls on usage and change requests for new functionality, to maintain DA and ID algorithm performance?

6. Do you have comments on the proposal to manage changes to the algorithms, or should all changes require a modification using the procedure outlined in CACM (Articles 9 and 12)?

We think that the following changes should follow the procedures outlined in CACM (Article 9 and 12):

- the ones impacting the Algorithm Proposal and the Algorithm Requirements (already foreseen in your proposal, Article 7 point 28)
- the ones classified as "Consulted Change"

7. NEMOs propose a formal escalation body where NEMO decisions (taken on the basis of QMV) can be challenged. This is relevant because some algorithm issues may involve conflicting NEMO, TSO or MS priorities. Do you have comments on the proposal to consult with the MESC? Should NRAs or ACER potentially play a role in resolving conflicts (e.g., acting as the arbitral body for NEMO decisions), or is an independent arbitral tribunal adequate? Do you have any other comments?

Given that we suggest to follow the CACM procedure for certain categories of change (see the answer to the previous question), the referral to an arbitral tribunal would be necessary only in case of conflicts on "notifiable changes". NRAs and ACER should act as arbitral body.

8. Do you have any other comments on the Proposal?

### ***Day-Ahead Algorithm requirements***

1. Do you have comments on the proposed DA Algorithm requirements – 1. Background?

2. Do you have comments on the proposed DA Algorithm requirements – 2. Terminology?

3. Do you have comments on the proposed DA Algorithm requirements – 3. Approach?

4. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 1- Requirements on functionalities and performance?

5. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 2- Requirements related to Cross-zonal capacities?

6. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 3- Requirements related to allocation constraints?

7. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 4- Requirements related to balance constraints?

8. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 5- Requirements on algorithm output and deadlines for the delivery of single day-ahead coupling results?

9. Do you have comments on the proposed DA Algorithm requirements – 4. Price coupling algorithm requirements-Title 6- Currency?

***Intraday Algorithm requirements***

1. Do you have comments on the proposed ID algorithm requirements – Title 1: General requirements?

2. Do you have comments on the proposed ID algorithm requirements – Title 2: Requirements related to Cross-zonal capacities?

3. Do you have comments on the proposed ID algorithm requirements – Title 3: Requirements related to allocation constraints?

4. Do you have comments on the proposed ID algorithm requirements – Title 4: Requirements on algorithm output and deadlines for the delivery of single intraday coupling results?

5. Do you have comments on the proposed ID algorithm requirements – Title 5: Currency?

6. Do you have any other comments on the ID algorithm requirements?



## Products Proposal

1. Do you have comments on the proposed DA and ID Products, including the categorisation of whether they are required at the start of operation of the SDAC/SIDC or at a future date?

The management of complex orders is increasing the complexity of the algorithms used by Market operators and preventing the full understanding of the results by Market Participants. Besides, the increase in complexity decreases market transparency and leads to the possibility to have price divergence among member states.

Our proposal is to eliminate complex products and to allow simple products together with portfolio bids in both DA and ID markets. Portfolio bidding should be guaranteed in all Member States: the methodologies/rules should clearly state that portfolio bidding is allowed. The rules should be harmonized and Member States shall not impose additional restrictions.

If portfolio bidding is not guaranteed in all Member States, "complex" products will continue being necessary, with all the complexity that this entails (algorithm performance, etc.).

Moreover market transparency needs to be preserved (for example by publishing promptly the bidding curves). It is of great importance to introduce a full harmonization of procedures, timing and contents of information published by market operators.

2. The NEMOs believe that the technical specifications of the different products are better explained in separate public documentation, which can be more readily updated if needed. Do you have comments on this approach?

Technical Specifications of products should be present as Annex in the document "All NEMOs' proposal for products".

3. Do you have comments on the proposed process to enable new products, or should all changes require a modification using the procedure outlined in CACM (Articles 9/12 and 40/53)?

It is not clear how you intend to classify the introduction of new products (not-notifiable, notifiable, consulted). In case of "consulted change", they should follow the CACM procedures.

4. Do you have any other comments on the Proposal?



## Back-up methodology Proposal

1. Do you have general comments on the proposed Back-up Methodology for single day-ahead coupling and for the single intraday coupling?

2. Do you have specific comments on Article 3-the 'SDAC backup procedures and steps' of the proposed Back-up Methodology for single day-ahead coupling and for the single intraday coupling.

3. Do you have specific comments on Article 4-the 'Intraday timeframe price coupling algorithm backup procedures and steps' of the proposed Back-up Methodology for single day-ahead coupling and for the single intraday coupling.



## Harmonized Max-Min price Limit Proposal

1. Do you find that the proposal addresses all the relevant objectives and issues that it should?

- If not kindly list key issues not covered, and motivate why they should:

2. In the proposal being consulted upon two different levels are indicated as possible price limits to apply in the Single Intra Day Coupling (SIDC), one like proposed for Single Day Ahead Coupling (SDAC) and one with a wider range. The reason being that SIDC, contrary to SDAC (Implicit Auction), is based on continuous trading and matching of individual orders based on a continually, for each Bidding Zone, visible best bid/ask spread and accordingly there is no clear relevance for limits other than on technical grounds.

On that basis we have these specific questions linked to the price limits to be applied:

- Do you have any opinion about if the price limits set for Single Day Ahead Coupling (SDAC) and Single Intra Day Coupling (SIDC) should be identical or different?

For operational simplicity, we would prefer to have the same caps for DA and ID.

- If you argue for different levels can you kindly provide reasoning for why that should be the case:

- Do you have any opinions about the limits proposed for SDAC? If you disagree with the proposed limits what would you deem as more appropriate limits and can you elaborate on why?



As a first best solution, caps in electricity markets should be eliminated because they can introduce inefficient allocation. In addition to that, in many instances MSs have not calculated the VOLL or have calculated it in an inconsistent way.

As a second best, if a bid cap it is introduced, it must be equal to the maximum value of the VOLL in all the bidding zones where the algorithm is used (harmonized methods on how to calculate the VOLL should be used). This harmonization is required in order to avoid inefficiencies in the allocation process.

The minimum clearing price should be set at 0 €/MWh. Negative prices are not effective in situations of structural excess of supply due to the rigid offer of non-dispatchable production plants. Rather, incentives to RES should be better designed and it should be foreseen the possibility of curtailment remuneration based on a market approach, in order to promote competitive plants characterized by lower shutdown costs and lower costs-opportunity (included eventual loss of incentives due to missing production).

If negative prices are introduced, they have to be introduced also in the service market (MSD).

Finally, it is important to stress that minimum clearing price and bid caps are equal in all markets (DA, ID, and Balancing) and imbalance prices.

- Do you have any opinion about either of the options (A: +3000/-500; B: +9999/-9999) proposed as limits for SIDC? If you disagree with both sets of proposed limits what would you deem as more appropriate limits and can you elaborate on why?

See our answer to the previous point.

3. Do you have any suggestions on how to over time tackle the required need to consider the limits in relation to Value of Lost Load (VOLL)?

- Further, do you have a suggestion on how to in relation to price limits tackle the fact that there is no uniform VOLL across the EU?

See our answer to the previous point.

4. While the Proposal clearly says that harmonised limits shall apply for SDAC and SIDC respectively it also allows for derogations based on two options, namely (a) an agreement between relevant NEMOs and TSOs and approval by NRAs (Article 6.1), or (b) temporary derogations decided upon by the All NEMO Committee (Article 6.3), and for both options it may be valid in single Member States, Bidding Zones and regions or the whole SIDC or SDAC geographic scope if due consideration is made of the impact on the objectives of the regulation.

- What is your view on the derogation option in Article 6.1?

- What is your view on the temporary derogation option in Article 6.3?

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- What is your view in general about possible existence of derogations, and do you find that, when such decisions are made, the measures proposed to ensure consideration of overall objectives are sufficient?

In general terms, we are not in favour of derogations. It is important that max-min price limit proposal is harmonized in DA, ID and balancing markets with a price cap equal to the imbalance price (set at VOLL) in order to avoid strategic gaming by Market Participants.

If a derogation for some member states needs to be implemented, it has to be implemented after a CBA.

5. Do you have other specific feed-back on this Min-Max Proposal?

The presence of high caps (set at the value of the maximum VOLL present in the bidding zones object of the market coupling) should not increase the requirements on collateral: this is due to the fact that caps are rarely reached and, consequently, requirements on collaterals should be weighted by the (very low) probability that these high prices appear in the market clearing.