

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 consultation@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

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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?

EDF regrets that the XBID algorithm is a proprietary algorithm rather than open source. Given the importance of the XBID platform solution for the integration of ID markets in Europe, the public availability of the algorithms could have facilitated its progressive improvement by interested parties.

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

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)?

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)?

EDF believes that, as a general rule and for the sake of transparency, market participants should be informed of any change of the DA and ID algorithms functionality and usage. In this view, the category of “Non-Notifiable Change” should also be subject to notification or at least published to inform the market.

EDF believes that it is valuable that NEMOs realise a pre-categorisation of different types of changes based on the degree of importance of the modification. However, NEMOs should also provide in their proposal a more detailed definition of the types of changes falling within the identified categories in order for market participants to better appreciate the impact of the proposed governance solution.

EDF finally considers that the Change Request Process needs to ensure an effective involvement of stakeholders through an appropriate consultation process and it should be characterised by a transparent and opposable decision making process. EDF understands the need to introduce a simplified amendment process, faster than the procedure envisaged in the CACM for the amendment of terms and conditions or methodologies. Nevertheless, this fast procedure should not lead the NEMO Committee to only partially take into account the views and the remarks of the interested stakeholders. Thus, EDF suggests to complement the proposed consultation procedure with the possibility to resort to NRAs or ACER in case of conflicts between NEMOs and stakeholders.

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?

As highlighted in the previous answer, in EDF view, the consultation process should explicitly envisage the possibility for NRAs and ACER (for European wide issues) to act as the arbitral body for NEMOs’ decisions in case of disputes between the NEMO Committee and Stakeholders during the consultation phase, when it is not possible to find a satisfactory compromise. NRAs and ACER should play this role given their responsibilities in the approval of terms and conditions and methodologies to be established according to the CACM Regulation. Without this guarantee, it would be preferable to introduce significant changes in the algorithms only by requiring a modification according to the procedure outlined in CACM (Articles 9 and 12).

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?

Concerning the requirement set in paragraph 2 let (i), EDF believes that the algorithm should also be able to deal with scenarios without predefined price limits. Market participants should be enabled to freely set the price limits of their offers based on their forecast of market prices and their willingness to pay.

In general, there should be more transparency around performance and functionality. More detailed technical documents should be published in particular regarding the heuristics implementation.

Also, in addition to the above, the transparency requirement should be extended to the post calculation process, i.e. publication of information, bid-offer curves, blocks, etc. on anonymous basis.

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?

EDF wishes to point out that the maximisation of the economic surplus mentioned in paragraph 1 let (d) seems to correspond to an objective of the DA price coupling algorithm rather than to an objective of a continuous trading algorithm.

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?

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

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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?

[Answer to question n. 2, placed here because of a format problem with the box of question 2]

Concerning the requirement for back-up common communication system, EDF wishes to highlight the importance to ensure that confidential data are exchanged in a secured way. In particular, the risk of decoupling does not justify, in our view, a reduced security level of the exchanged data. Therefore, the possibility to exchange confidential data files without encryption should be carefully assessed and excluded if the same security level as in the normal data exchange process cannot be ensured.

As regards the requirement for timings, it would be useful to include in the proposal the deadlines mentioned in paragraph 39 if already agreed in accordance with the CACM Regulation.

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.

EDF wishes to underline that back-up procedures for intraday market coupling are not described since the proposed prescriptions are limited to the identification of the parties involved in setting back-up procedures and of the parties who have to follow these procedures. This lack of transparency is regrettable as these procedures can have a significant impact on the performance of the ID continuous market and thus on market participants' business



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:

As a general remark, we believe that the proposal of the NEMOs lacks ambition. The proposal presented by the NEMOs features at best the status quo, but could also mean a step back if, e.g., min/max intraday price limits would be set at the same level as the current day-ahead price limits. In any case, the proposal falls short of the objective set in the CACM Regulation, i.e. that harmonised price limits should take account of the value of lost load (VoLL). Moreover, the proposal does not seem in line with the objective of “respecting the need for a fair and orderly market and fair and orderly price formation”. In our view, free formation of prices, including in scarcity situations, is paramount to ensure efficiently functioning wholesale electricity markets.

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?

EDF believes that the market prices should not be subject to upper and lower limits in order for them to fully reflect the supply and demand balance, especially in scarcity situations.

Price signals are a key driver for all market players' short term decisions: daily operation of generators, consumers' behaviour (when their supply contract includes seasonal time-of-use or dynamic pricing), management of storage facilities, energy switches, etc.

Generally speaking, it is desirable that price signals sent to the market reflect the scarcity including externalities such as CO₂. This is essential both in terms of level and structure. This principle is also true for peak periods in the supply and demand balance (including load shedding situations when demand exceeds the supply) within which price peaks reflect the scarcity value.

For instance, the introduction of artificially low price caps in day-ahead market would not allow producers or demand response providers to properly value their resources when market conditions are particularly tense. This could induce market participants to leave organized markets (preference for OTC markets) or to postpone transactions closer to real time if intraday or balancing markets are subject to higher or no price caps.

In EDF view, it would be preferable to remove price limits for both Single Day Ahead and Intra Day Coupling or to set them at a sufficiently high level (in case of price caps) in order not to curb exchanges in tense situations.

Furthermore, in order to avoid arbitrage between different market timeframes, price limits, if any, should be the same for day-ahead, intraday and balancing markets as far as possible. Harmonisation of price limits across Europe is also necessary to ensure a proper integration of electricity markets and the level playing field among market participants irrespective of their location.

- 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 underlined above, price limits should be removed or fixed at a sufficiently high level (in case of price caps), ideally at the value of lost load level (VOLL) which should also be the reference for possible price limits in balancing markets. Hence, the upper limit proposed for SDAC (+3000 €/MWh) seems to be too low to avoid any constraint on market exchanges, especially when high electricity prices should reflect scarcity.

EDF is aware of the impact that an increase of price caps in the day-ahead market can have on trading costs, especially in terms of increase of the collaterals required by NEMOs' Central Counterparties (CCPs). However, this should not justify the application of the current price limits in DA MRC (and 4MMC). In particular, market participants should be enabled to freely set the price limits of their offers based on their forecast of market prices and their willingness to pay.

In any case, EDF advocates for a revision of the risk models used by CCPs for the calculation of collateral requirements since this cannot be considered a valuable reason for imposing limits to exchanges in organised markets which may ultimately reduce the efficiency of these markets.

- 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?

As already highlighted price limits for SDAC and SIDC should be ideally the same. This should result in an increase of day-ahead price caps and floors, which may require a revision of the risk policy in terms of collaterals.

EDF does not believe that the technical limits advocated by NEMOs are sufficient to justify their inability to extend price limits over the level ± 9999 €/MWh. Thus, EDF asks to consider the opportunity to already remove price limits for intraday markets or to introduce limits closer to the VOLL (e.g. 20000 €/MWh) in order to avoid undue limitations of ID trading.

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?

EDF acknowledges that the VOLL may differ across European countries and even across bidding zones in one country. Moreover, the VOLL is not currently calculated in all the Member States. Yet, it seems that the European Commission in its market design legislative proposal ("Clean Energy for all Europeans Package") is oriented to introduce an obligation for Member States to calculate VOLL and to use it as a reference for the calculation of reliability standards.

So, once the VOLL will be calculated by all Member States, the highest VOLL adopted in European countries could be used, if necessary, as a reference to fix price caps for SDAC and SIDC in order to exclude the possibility to artificially limit trade in one of the country involved in the coupling.

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?

Given the importance to have harmonised price limits at European level, the possibility to grant derogations should be limited as far as possible and NEMOs should be obliged to perform a cost-benefit analysis showing the impact of the derogation on the achievement of the overall objectives of the CACM Regulation. This obligation should be introduced in the paragraph 6.1 of the current proposal. EDF also believes that derogations should be limited in time (e.g. no more than two years).

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

EDF believes that the exceptional circumstances justifying the introduction of temporary derogations to harmonized maximum and minimum price limits should be described in details in the proposal. As already mentioned, market prices should reflect supply and demand balance conditions also in scarcity situations, therefore the possibility for NEMOs to impose stricter price limits should be limited to few identified exceptional circumstances. Furthermore, Article 6.3 does not mention any obligation for NEMOs to timely inform and consult market participants on the introduction of temporary price limits. Timely communication to the market of such decisions is fundamental to guarantee an appropriate level of transparency and to build confidence over NEMO's activities.

- 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?

EDF shares the objective of the CACM regulation regarding the opportunity to introduce harmonised maximum and minimum clearing prices to be applied in all bidding zones, taking into account the estimation of the VOLL. The harmonisation (wider limits than today) or removal of price limits are necessary to avoid any distortion of electricity market outcomes and to ensure the level playing field among market participants located in different bidding zones. This evolution should in the end lead to an increased efficiency of electricity markets.

For these reasons, EDF wishes to reiterate that the possibility to grant derogations to harmonised price limits should be limited as far as possible and be subject to a cost-benefit analysis showing that the proposed derogation is not detrimental to the objectives of the CACM Regulation.

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

