GENERAL PRINCIPLE

REG EU 2019/943 Art 10(1)

"There shall be neither a maximum nor a minimum limit to the wholesale electricity price. This provision shall apply, inter alia, **to bidding and clearing** in all timeframes and shall include balancing energy and imbalance prices, **without prejudice to the technical price limits** which may be applied in the balancing timeframe and in the day-ahead and intraday timeframes in accordance with paragraph 2. "



general principle... no price limits restricting wholesale price formation

CLEARING PRICES



REG EU 2019/943 Art 10(2)

"NEMOs may apply **harmonised** limits on **maximum and minimum** clearing prices for dayahead and intraday timeframes. Those limits shall be sufficiently high **so as not to unnecessarily restrict trade**, shall be harmonised for the internal market and shall **take into account** the **maximum value of lost load**....."





ACER DECISION 5/2017 FOR CLEARING PRICE LIMITS

"In the Agency' s view, this automatic **adjustment mechanism** for harmonised maximum **clearing price** for SDAC **may substitute** the **requirement in Article 41(1)** of the CACM Regulation to take into account an **estimation of the VoLL**.

BIDDING PRICES



REG EU 2019/943 Art 10(2)

".....NEMOs shall implement a **transparent mechanism to adjust automatically the <mark>technical bidding limits</mark> in due time in the event that the set limits are expected to be reached. The adjusted higher limits shall remain applicable until further increases under that mechanism are required. "**





DYNMIC MECHANISM FOR TECHNICAL BIDDING PRICE LIMITS

A dynamic mechanism was consulted to adapt the 'technical bidding limit' towards the national VoLL.

REG 2019/943 Art 11: "Member state shall determine **a single estimate of the VoLL for their** territory "

CONSULTATION ON DYNMIC MECHANISM FOR TECHNICAL BIDDING PRICE

- Consultation process carried out in December 2019 among market participants
- Intends to **transform the current bidding limits of 0->180 €/MWh into a more flexible limits** in order to avoid future potential constraining of price formation
- Automatic increase of technical bidding limits when clearing prices approach 60% of the current bidding limit.
- initial limit of 300 €/MWh (180 €/MWh / 0,6 = 300 €/MWh)

BZ	price	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ES	0-20	1646	1654	1838	1953	1060	2775	1752	38	89	127	5	287	1067	178	395	1108	1259	166	876	81	165	176
	20-40	7090	6977	4709	4556	3942	3901	5909	2340	3464	4800	158	5971	3277	824	1519	1621	1960	1404	3319	916	620	1510
	40-60	23	129	2223	2058	3206	2048	1074	3459	2926	3149	3370	2282	4188	6849	5828	4590	4109	4987	3633	5960	3554	6307
	60-80	1		13	175	354	33	24	1930	1288	579	3959	204	199	888	1030	1091	1390	2198	955	1577	4403	766
	80-100			1	11	98	2		792	736	102	1281	14	26	20	11	286	39	4		222	17	
	100-120				7	77			180	256		10	1	1			63	2			3		
	120-140					11			20		2												
	140-160					11								1									
РТ	0-20										4343		237	1053	138	256	1069	1247	134	870	16	124	168
	20-40										772	1	5778	3128	757	1581	1829	2064	1433	3399	944	614	1468
	40-60										2737	1790	2538	4399	6888	5813	4508	4027	4981	3581	6007	3618	6336
	60-80										188	5205	197	153	954	1120	1035	1387	2207	933	1561	4386	787
	80-100										705	1744	9	22	21	13	260	33	4		228	17	
	100-120										12	43		2	1		58	1			3		
	120-140										2												
	180-200													2									

historical analysis of the day-ahead market prices in the Iberian bidding zone

CONSULTATION RESPONSES

Reactions to the proposal can be gathered in two groups, and were quite predictable:

Generators, traders and incumbent integrated groups were in favor of higher bidding limits closer to the clearing limits Independent suppliers, big consumers and some representatives were in favor of even lower limits than the proposed ones, and a less dynamic update mechanism



LEGAL ASESSMENT AND ASPECTS TO BE TAKEN INTO ACCOUNT

- Legal interpretation of CNMC and ERSE is that the proposal is **compliant with the point 2 of article 10**.
- NRAs should take care of the interest and risks of all market participants including consumers.
 - \checkmark 80% of the energy is traded through day-ahead market
 - ✓ 41% of the total household consumers directly linked to DA prices (11 M of consumers billed according to the day ahead price and real hourly consumption).
 - ✓ As inflexible demand is submitted to the market at the maximum technical limit, artificially high technical price caps beyond efficient price formation should be avoided (any coupling process error as happened in 2019 or NEMO default may drive to irrational prices)
- The **specificities** of the proposed mechanism (initial bidding limit, increase trigger, increment...) should be **assessed** to provide a level playing field among all kind of market participants
- The decision process have been delayed due to **other issues have been given higher priority due to COVID crisis** (consumers protection, suppliers viability, etc)
- The national VOLL calculation by MSs is now closer in time and should be taken into account.
- The future final decision will be incorporated in the **market rules**, which will be subject to a new consultation process.

COMMITMENT WITH THE INTEGRATION OF THE EU INTERNAL ENERGY MARKET

Iberian NRA's are **fully committed** to the implementation of the EU internal energy market, and the implementation of the Clean Energy Package, which has been done with broad, transparent and concrete **involvement of all agents and market participants.** The dynamic mechanism for technical bidding price is analyzed by CNMC and ERSE under the same spirit.

As an example, we have achieved several challenging milestones during the last couple of year, allowing for a more efficient trading in DA and ID timeframes:

- ✓ D-2 Capacity calculation implemented since January 2020
- ✓ Implementation of an intraday **continuous trading** since **June 2018**
- ✓ **IDGOT at 15:00** since **November 2018**
- Optimal integration of continuous trading with ID auctions, providing a level playing field for all participants.

Continuous trading only close for 10 ' during the ID auction and only for the hours subject of the auction (always open for H+2)