

## SIDC (XBID) Update

*22<sup>nd</sup> MESC Meeting*

**23.09.2020**



## SIDC – Headlines on Progress

### Future Development progresses

- Agile pilot phase concluded, the project continues using the waterfall method.
- Changes implemented during the agile phase (3 CRs) successfully went live on 16 June.
- Testing of Release 3.1 (which includes 5 CRs) initiated– deployment planned in Q1 2021.

### Research & Development

- Several significant regulatory changes are subject to R&D:
  - Cross product matching
  - Flow based capacity allocation
  - Enduring shipping solution
  - European Intraday auctions (IDAs)

**SIDC couples  
22 European  
countries**

### 2<sup>nd</sup> Wave Go-Live successfully delivered

- 7 additional countries coupled with 15 already live.
- Interim solution for transit shipping implemented, extension secured until 19 November 2020.
- Significantly increased traded Intraday volumes as well as record numbers in trades registered, while system is performing well and running stable.

### Geographic expansion

- 3<sup>rd</sup> wave Go-live is planned in Q1 2021 including Italy, the Italian Northern Borders, Greece and Greece-Bulgaria.
- Slovak parties SEPS and OKTE have become full members of SIDC.
- 4<sup>th</sup> wave Go-live envisaged by end of 2021 integrating Slovak borders into SIDC.

## SIDC Update

### Operations

- The intraday market still exhibits strong growth rates. June 2020 was another record breaking month since SIDC was launched in June 2018. 3.4 million trades were recorded resulting in an average of almost 114k trades per day. The highest number of trades on a single day was achieved on 30<sup>th</sup> June with over 153k trades. More than 52 million trades have been completed since go-live (counting until end of July).
- Despite this high level of activity the system continues to perform well. The cumulated duration of unexpected downtimes in 2020 sums up to 2h 22min (as of 31<sup>st</sup> August).

### Current activity

- SIDC initiated the work on the implementation of Intraday auctions to enable capacity pricing.
- A detailed cost benefit analysis on the enduring shipping options has been initiated which is expected to be concluded in November. In the months following the submission of the cost benefit analysis the NRAs intend to take a decision on how shipping should be performed in the long run.
- Prioritisation of R&D changes agreed. Currently cross product matching has received the highest priority and an analysis is carried out with the service provider on the options for implementation. Technical design for the losses implementation needs to be further analysed.

## Transit shipping remains a significant risk

- NEMOs have formally requested a decision from all NRAs on the shipping arrangement in all bidding zones and associated cost-recovery scheme to be implemented as of the 19th May 2020 as per Art. 68 (6) and Art. 77 of the CACM Regulation. Transit shipping leads to additional costs for the entities performing it, thus it is essential that clarity on cost recovery (also for already incurred costs) is provided.
- In the meantime the existing rotational transit shipping model was extended until 19<sup>th</sup> May 2020 for another six months.
- In the past months transit shippers have submitted their transit shipping costs to the NRAs in an effort to move forward the discussions on cost recovery. In addition, SIDC and the NRAs have closely cooperated in order to create a process that provides the basis for decisions on the enduring shipping solution and even more importantly on cost recovery.
- Nonetheless these efforts have not yet brought about a resolution of the open questions on cost recovery, which is why the topic remains a material risk for the market coupling in its current form.

## EFET letter on ID market design

### Abolish need to be balanced in day ahead:

*'A number of jurisdictions maintain legal requirements for market participants to be balanced in DA. These requirements are a) impractical, as DA forecasts are increasingly unreliable due to the growing share of RES, and b) constitute a hindrance on portfolio optimisation and proprietary trading.... Turning the obligation to be balanced in DA to a simple notification of physical schedules without concern for a market participant's commercial position in DA (regardless whether the market participant is an asset owners or not) would both ensure that TSOs receive in a timely manner accurate information for planning purposes and remove a considerable restriction on free price formation.'*

### **SIDC assessment:**

This is a topic out of SIDC scope and needs to be discussed at national level.

### Portfolio bidding across Europe:

*'The market model chosen in certain Member States continues to mandate market participants to bid separately for each unit in the intraday market or imposes portfolio optimisation restrictions, while market participants in most other bidding zones can optimise their portfolio without linking bids to specific units and can net freely positions prior to trading. This "unit bidding" model either prevents market participants from deviating from schedules linked to individual transactions, or requires them to trade on the market every variation of schedules, rather than simply allowing the reallocation of production or demand within the same portfolio. Portfolio bidding allows for a more efficient optimisation of production and demand portfolios and is a necessary precondition for improving liquidity in the intraday market. We call for the introduction of this market model everywhere where unit bidding is still mandatory or portfolio use restrictions are in place.'*

### **SIDC assessment:**

This is a topic out of SIDC scope and needs to be discussed at national level.

## EFET letter on ID market design

### Capacity calculation and recalculations in intraday:

*'The adoption of capacity calculation methodologies (CCM) for intraday according to the CACM GL requirements has been a lengthy process. At this stage, most regions have adopted their CCM, but how, how fast, and how frequently calculation and recalculations of cross-zonal capacities will be performed in intraday remains unclear. The ACER Decision of 21 February 2019<sup>4</sup> recommends, for the Core region, that capacity calculation and recalculation for ID is carried out at least in accordance with the required auction schedule - first calculated by ID CZ GOT (i.e. 15:00 D-1), using the cross-zonal capacity remaining from the day-ahead timeframe, then at 22:00 D-1, and later at 10:00 on the delivery day. Paragraph (52) of the ACER Decision of 24 January 2019 on intraday capacity pricing appears to recommend these deadlines for intraday capacity (re)calculation for the whole SIDC area. We call on TSOs to implement these requirements.*

*When ID capacity (re)calculation is performed, TSOs should inform market participants of available volumes, as well as any use of ID capacities by TSOs themselves for countertrading or redispatch. Concretely, all the information on ID cross-border capacities available in the Capacity Management Module (CMM) should be shared transparently with all market participants.'*

### **SIDC assessment:**

Intraday capacity calculation methods are out of SIDC scope and are discussed in the CCR projects. The publication of intraday capacity fulfils the requirements set forth by the legal and regulatory guidelines.

## EFET letter on ID market design

### Development of 15 min products (both in DA and ID) and harmonisation of the imbalance settlement period (ISP) to 15 minutes across Europe:

*'Full harmonisation should include 15-minute ISP, 15-minute cross-border granularity (gates) and 15-minute granularity of tradable products. Due attention should, of course, be given to the performance of the day-ahead and intraday coupling algorithms to ensure coupling operations remain at least at the same level of reliability as today. A feasibility study with respect to cross-product matching on continuous trading between the moment 15-minute products are introduced and all ISPs are harmonised to 15 minutes should be carried out.'*

#### **SIDC assessment:**

- 15 minute products are already tradable on some SIDC borders (e.g. SI-AT) and smaller granularity products will be deployed on some CWE borders (30 min: FR-BE, 15 min: BE-NL and NL-DE) until end of year. Moreover, investigations are ongoing for further rollout on other borders as well.
- The harmonization of ISPs is out of SIDC scope.
- A feasibility study for cross-product matching in continuous trading is about to be initiated within SIDC.

## EFET letter on ID market design

### Effective harmonisation of cross-zonal intraday gate opening time:

*‘Although ACER has set the cross-zonal intraday GOT to 15:00 (CET) D-1 for the whole of Europe, many TSOs in Continental Europe do not offer capacity until much later - e.g. up to 22:00. We oppose this reading of the CACM GL and the ACER Decision, resulting in a CZ GOT in name only and circumventing the ACER Decision. We request that at least the capacity left from the DA timeframe should be offered at the GOT, if TSOs’ calculations allowing for new capacity to be offered have not been done yet.*

*In addition, to improve liquidity on the market, we request the sharing of order books by all NEMOs from the official CZ GOT set by ACER at 15:00, in line with the requirement that order books should be shared for the whole duration of SIDC. Local technical or regulatory hurdles to this should be removed to ensure full compliance with the ACER.’*

### **SIDC assessment:**

- The time of capacity release is out of SIDC scope because it is a topic to be discussed within CCRs.
- Parties, except Nord Pool EMCO, agree that the sharing of order books is out of SIDC scope as the current setup reflects the requirements set forth in regulatory framework. Nord Pool EMCO supports EFET request of sharing SOB.



## EFET letter on ID market design

### Cross-zonal intraday gate closure time set to 15 min before the start of the relevant market time unit:

*'...,with possible exceptions of 30 or 60 minutes before real time as a transitional measure and only if properly justified. In the long run, the ID CZ GCT should be set even closer to the start of a relevant market time unit.*

*The benefits of cross-border intraday trading closer to delivery are higher in cases of structural differences in the generation mix on each side of a border. This applies, for example, to borders with large shares of wind generation on one side and large shares of hydro generation on the other. For the sake of improving liquidity throughout the ID timeframe, including at local level, it is important to extend the sharing of order books by NEMOs until local ID GCT. Where local ID GCT is already 15 or even 5 minutes before delivery, and as market design evolves in other places towards extending the ID market closer to real time, continued sharing of order books until local ID GCT would be particularly.'*

### **SIDC assessment:**

- The current GCT setup is according to the requirements set forth in the respective ACER decision.
- Parties, except Nord Pool EMCO, agree that the sharing of order books is out of SIDC scope as the current setup reflects the requirements set forth in regulatory framework. Nord Pool EMCO supports EFET request of sharing SOB.

## EFET letter on ID market design

### Technical price limits in intraday:

*‘For single intraday coupling, ACER set a technical price limit of +/- 9,999 EUR/MWh in its Decision of 14 November 2017. The intraday technical price limits, however, do not foresee an automatic readjustment mechanism when prices come close to the limit, as is the case for day-ahead price limits. ACER should review its Decision to ensure compliance with Article 10.2 of Regulation 2019/943 and include an automatic readjustment mechanism that would allow the technical price limit in intraday to effectively reflect the value of lost load (VoLL).’*

### **SIDC assessment:**

- Currently SDAC has a maximum clearing price of 3000 EUR/MWh, which can increase by 1000 EUR/MWh each time the final price for any product is equal or greater than 60% of the maximum clearing price. Within the relevant SIDC procedure it has been defined that our maximum clearing price will increase to be equal to that of the SDAC maximum clearing price once this value will reach the current SIDC maximum price limit which is 9999 EUR/MWh, and which is only a configured limit and technically possible to increase if necessary. Considering that the difference in price limits between SDAC and SIDC are large, we do not foresee the need for an increase in the price limit on the SIDC market in the near future and therefore believe that changes to an automated process are unnecessary.

## EFET letter on ID market design

### Keeping the negative impact of auctions on continuous trading to a minimum:

*'Ideally, intraday auctions should not be implemented in parallel to continuous trading, as their harmful impact on the liquidity of the continuous market would outweigh considerably the advantages suggested by their proponents. Auctions only make sense if they are used to allocate additional amounts of cross-zonal capacity. We nonetheless take note of ACER's Decision to introduce three pan-European auctions to complement continuous trading.'*

*However, we call for reducing the interruption time that the pan-European auctions would cause to continuous trading. In particular, we seek confirmation that one year following the go-live of these auctions, the interruption will, in effect, be reduced from 60 min per auction to 40 min at most. It should be the goal of TSOs to reduce the interruption time of XBID induced by the pan-European auctions to 10 minutes maximum.*

*Further, we oppose market design proposals that would increase the number of pan-European auctions beyond the three auctions foreseen in the ACER Decision, as that would have an even greater detrimental effect on the liquidity of the continuous market.*

*Should complementary regional auctions be introduced in certain regions, they should be accessible to all market participants without discrimination, i.e. irrespective of location or physical asset ownership. They should be designed from the start to ensure that each auction does not interrupt XBID for more than 10 minutes, as per Article 63.2 of the CACM Regulation.'*

### **SIDC assessment:**

- NEMOs and TSOs have started the work on the implementation of pan-European intraday auctions with the intention to fulfil the mandate provided by ACER's decision on capacity pricing.
- The implementation of CRIDAs is out of SIDC scope.

## Backup material

## SIDC assessment of EFET letter on ID market design

Recommendations	Assessment
Abolish the need to be balanced in DA	Out of SIDC scope
Portfolio bidding across Europe	Out of SIDC scope
Capacity calculation Intraday	Intraday capacity calculation methods are out of SIDC scope. The publication of intraday capacity fulfils legal and regulatory requirements.
15min ISP and 15min products, Cross product matching	15min products are tradable on some SIDC borders and smaller granularity products will be deployed on additional CWE borders until end of year. Investigations are ongoing for further rollout on other borders. The harmonization of ISPs is out of SIDC scope. Feasibility study for cross-product matching is about to be initiated within SIDC.
Effective harmonisation of IDCZGOT	The time of capacity release is out of SIDC scope. The sharing of order books is out of SIDC scope.
IDCZGCT to be set to 15min before MTU	The current GCT setup is according to ACER decision on IDCZGCT.
Sharing of order books between IDCZGCT and local intraday gate closure time	The sharing of order book is out of SIDC scope

## SIDC assessment of EFET letter on ID market design

Recommendations	Assessment
Technical price limits in intraday	<p>The relevant SIDC procedure defines that the maximum clearing price will increase to be equal to that of the SDAC maximum clearing price once this value will reach the current SIDC maximum price limit which is 9999 EUR/MWh, and which is only a configured limit and technically possible to increase if necessary. Considering that the difference in price limits between SDAC and SIDC are large, we do not foresee the need for an increase in the price limit on the SIDC market in the near future and therefore believe that changes to an automated process are unnecessary.</p>
Limiting negative impacts of IDAs	<p>NEMOs and TSOs work on pan-European intraday auctions will follow the mandate provided by ACER's decision on capacity pricing. The implementation of CRIDAs is out of SIDC scope.</p>