

21st MESC meeting – 23 September 2020

EFET position for an improved electricity market design in intraday



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ID market design – why a new EFET paper now?

- The intraday (ID) market has grown in parallel with the rise of intermittent RES, and is an important place to value short-term flexible capacities.
We believe it is time to **move away from looking at it as an “adjustment” market.**
- CACM GL regulates many detailed elements of intraday market design.
- Yet the **target model for the ID timeframe is not fully clear:**
 - Continuous trading vs. auctions
 - Calculation and recalculation(s) of XB ID capacities
 - Sharing of order books
 - National limitations and barriers to ID liquidity growth

Continuous intraday trading: benefits and criticisms addressed

- Why should continuous trading be safeguarded?
 - More and faster trading opportunities, closer to real time
 - Better suited for the needs of RES generation, demand response and storage
 - Minimising the volume and cost of TSOs' balancing activities
- Addressing criticisms of continuous trading:
 - **Price discovery:** Fundamentally, pricing scarce intraday cross-zonal capacity is about redistribution of benefits from market participants to TSOs, rather than about increasing social welfare. Prices of energy in ID trade is the main component of the price signal.
 - **Participation of new and smaller market participants:** Even with 3 auctions, the effort required of new and smaller market participants would not be much different from continuous trading.
 - **Lack of a reference price:** With the removal of constraints on the growth of ID market liquidity, there is no reason why continuous intraday markets cannot produce reliable reference prices.

Minimising the impact of ID auctions on continuous trading

- ID auctions shall only “complement continuous trading”, in order to price XB capacity
 - IDAs only make sense if there is new capacity to price; leftover capacity from DA was already priced
 - IDAs should not have a detrimental effect on liquidity or competition of continuous trading
 - Interruption time of continuous trading for IDAs should be minimised
 - Non-discriminatory principles of continuous trading should be upheld
- EFET recommendations:
 - **Liquidity and competition:** A parallel process to XBID will of course negatively affect liquidity, likely also competition on XBID. To limit this effect, the number of IDAs should be kept to a minimum.
 - **Interruption time:** Interruption time suggested for the pan-European IDAs should go down to the same maximum 10 minutes proposed for complementary regional auctions.
 - **Non-discrimination:** Access to complementary regional auctions should be open to all market participants, without restriction.

Sharing order books for as long as beneficial to the market

- What the Electricity Regulation and the ACER decision say
 - Regulation: opening of order books from the XB ID GOT to GCT
 - ACER decision: XB ID GOT at 15:00 D-1, GCT 1h before delivery
- In reality, order books are sometimes only shared as of the allocation of XB capacity
- EFET recommendations:
 - **Sharing of order books from 15:00 onwards:** NEMOs should applying the basic requirements of CACM and share order books from XB ID GOT, without regard whether XB capacity is available.
 - **Going beyond CACM and sharing order books locally until local ID GCT:** Sharing order books locally until local ID GCT would avoid splitting liquidity in the last hour of ID trading, the most important for market participants.

(Re-)calculating XB capacities from early in the ID timeframe to close to real time

- Why calculation and recalculations of XB capacity in ID is needed
 - ID market growth linked to more intermittent generation, DSR, storage
 - DA calculation reflects state of the market and system early in D-2; constraints may be relaxed in ID
 - Only capacity (re-)calculated in ID should be priced: leftover capacity from DA was already priced
- EFET recommendations:
 - **Timely and inclusive implementation:** TSOs should implement ID CCMs as soon as possible. Where the target solution is not clear yet, include market participants in the debate.
 - **Timings of the (re-)calculations:** (Re-)calculations should be as frequent as possible. As a start, (re-)calculations should be conducted to match the timing of IDAs.
 - **Making leftover DA capacity available to the market in the meantime:** Leftover DA capacities (+increase/decrease) should be made available to the market from the official XB ID GOT at 15:00.

EFET recommendations

- Removing EU and national barriers to ID liquidity growth.
- Developing cross-border products with a 15-minute granularity and harmonising the imbalance settlement period to 15 minutes across Europe.
- Ensuring the effective harmonisation of cross-zonal intraday gate opening time (ID CZ GOT) and opening of shared order books at 15:00 (CET).
- Setting cross-zonal intraday gate closure time (ID CZ GCT) to 15 min before the start of the relevant market time unit and ideally, even closer to delivery.
- Implementing clear, transparent and harmonised capacity calculation and recalculation methodologies and frequency.
- Ensuring that the technical price limit in ID includes an adjustment mechanism to reflect VoLL.
- Ensuring minimum interruption time of the three pan-European auctions required by ACER decision by postponing their implementation until 15 min products are available.

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