

Shadow Auctions Survey Results

March 2021

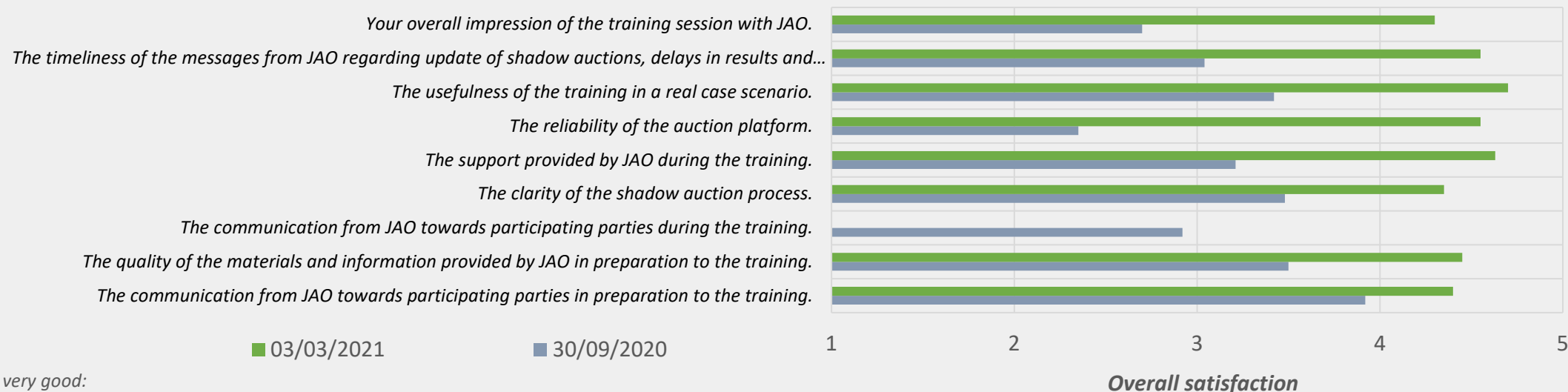


Shadow Auctions Survey (March 2021)

Background on the last Shadow Auction training

JAO facilitated based on improved training processes and IT-infrastructure the **second Shadow Auctions training session** on 3rd March 2021 (1st training session held on 30th September 2020). In the course of this training session **many positive feedbacks** from TSOs, NEMOs and Market Participants were provided which will be incorporated in the **bi-annual Shadow Auction training sessions for SDAC**.

Market participants' survey of the 2nd Shadow Auction training session – 67 participants



Feedback of a Market Participant:

« The training was really useful. Next time I suggest to have a little extra time to place our bids in the market operator platforms, maybe just 10 minutes more. On the other hand, it would be very useful to have these kind of trainings a couple of times a year though we understand that it involves a lot of effort. We appreciate it. Thank you. »

Shadow Auctions Survey (March 2021)

Background details

Building on the SDAC Shadow Auctions training session with Market Participants, ENTSO-E prepared an additional survey to give Market Participants the opportunity to express their views on the fallback processes currently in place and potential alternatives.

Main questions

1. When a decoupling message is communicated, **do you participate in the Shadow Auctions process** (Never, sometimes, always)
2. What is for you the **key objective / added value** of Shadow Auctions?
3. What are the **criteria** you apply as Market Participant to decide **whether or not to participate** to Shadow Auctions?
4. What are the **criteria** you apply as Market Participant to decide **whether or not to nominate** the acquired Shadow Auctions rights?
5. Which of the following process do you deem appropriate to be used as **fallback to the Day-Ahead market coupling**?
6. For each of the options in question 5, please explain why you deem it appropriate or not (**Shadow Auction, intraday continuous allocation, Intraday Auctions (IDAs), other**)?

Shadow Auctions Survey (March 2021)

Main take-aways

Shadow Auctions Survey main figures



- **24 survey participants** divided in **16 companies registered in JAO**, 4 non-JAO companies, and 4 Associations/NEMOs
- 16 companies registered in JAO divided in **11 Large companies** and **5 Small and Medium Enterprises (SME)**, categorized by the market participants' collaterals at JAO (*above or below 1 million €*).
- **Participation/readiness in Shadow Auctions generally low**
- Overall “consensus” to have a **robust day-ahead Market Coupling Price** (whatever happens!)
- No (present) fallback options/alternatives (Shadow Auctions, Continuous ID and/or Intraday Auctions) are widely supported by MPs

Some participants did not provide an answer to all questions, thus not all the numbers add up to 20 (number of relevant participants (Large + SME))

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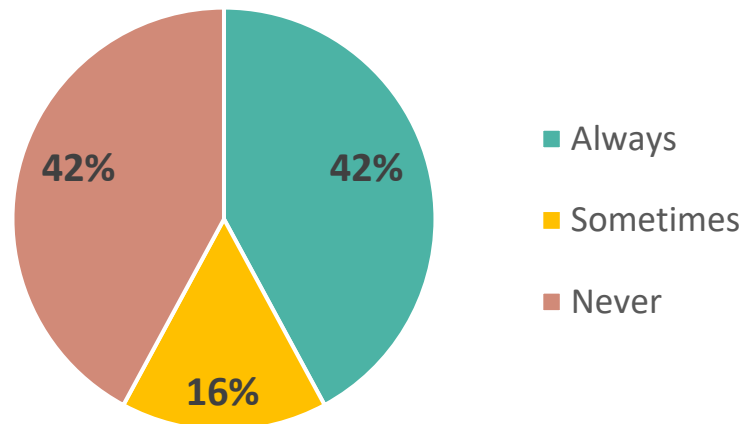
Q1. When a decoupling message is communicated, do you participate in the SA process? (Never, sometimes, always)

24 responses – 36% of overall Shadow Auction training participants

Shadow Auctions survey participation

- 11 large MPs
- 5 SME MPs
- 4 Not JAO's MPs

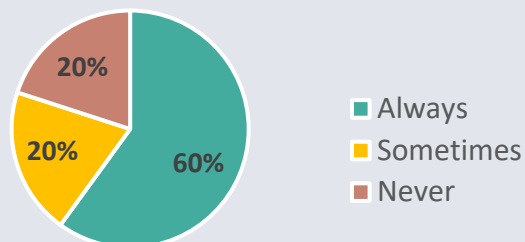
- 2 NEMOs
- 2 Associations



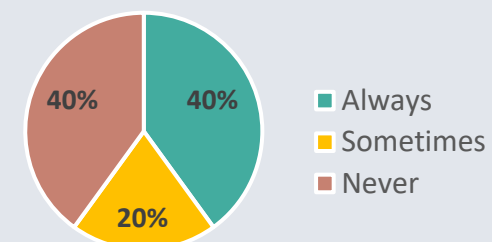
In general, the **majority of Market Participants do not or seldom participate to Shadow Auctions** in case of decoupling.

The overall **participation in Shadow Auctions differs when the size of the Market Participant is assessed** (e.g., smaller market participants generally do not participate to Shadow Auctions).

11 Large market participants



5 Small and Medium market participants



Shadow Auctions Survey (March 2021)

Q2. What is for you the key objective / added value of shadow auctions?

- Secure **access to cross zonal capacities** and **reduce price risks**
- **Robust day-ahead price needed** within the day-ahead timeframe (**“correct price signal”**)
- **Illiquidity of (small) non-coupled bidding zones**
- (Active) **preventing of extreme price spikes** (i.e. avoid risk of market participants bankruptcy)

TIWAG states that “Shadow Auctions are a tool to hedge extreme price deviations in local markets, in case that cross-border deliveries are not available for the day-ahead spot auctions”.

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Q3: What are the criteria you apply as market participant to decide whether or not to participate to shadow auctions?

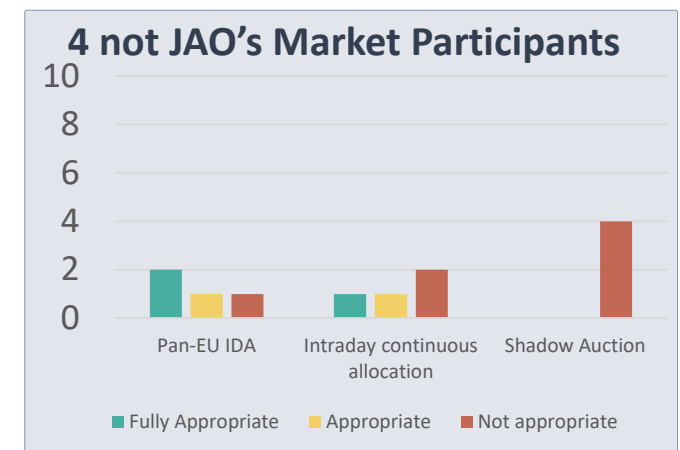
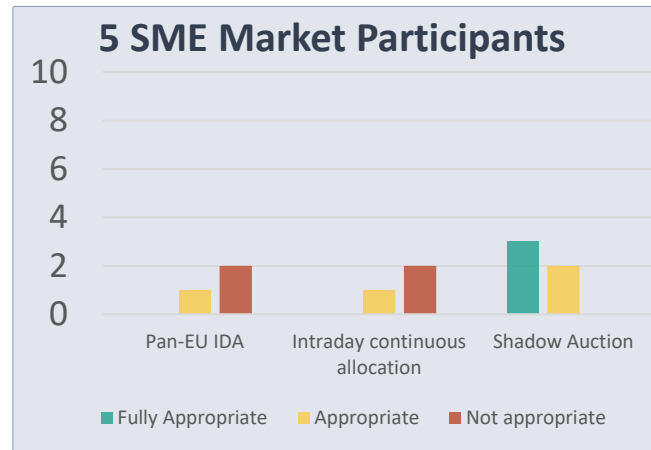
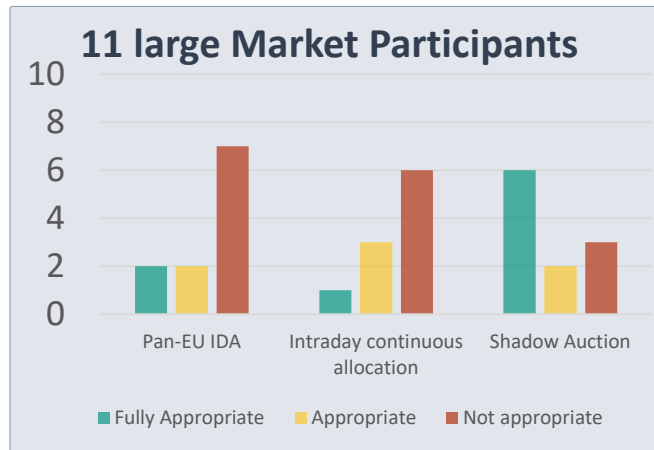
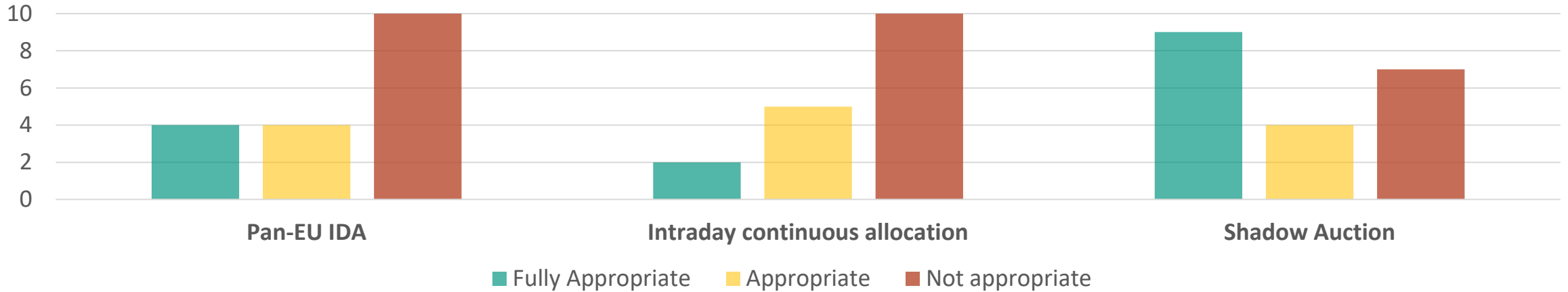
- **Participation**
 - “Zero” risk profile in managed portfolio
 - Closing positions / BRP requirements
- **Non-Participation**
 - Not a daily operation
 - Processes with high complexity

Q4: What are the criteria you apply to decide whether or not to nominate the acquired shadow auctions rights?

- **Nomination**
 - “always”
- **Non-Nomination**
 - “Wrong” price anticipation (different price spread)
 - “insufficient time”
 - (participation to ID)

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Q5: Which of the following process do you deem appropriate to be used as fallback to the Day Ahead market coupling:



The NEMOs EPEX & EMCO fully support IDAs whereas the Trading Association EFET fully supports Shadow Auctions

Shadow Auctions Survey (March 2021)

Q6: Please explain why you deem it appropriate or not (SA, Intraday continuous allocation, intraday auctions, other).

Type of fallback	Pro	Cons
Shadow Auctions	<ul style="list-style-type: none"> - Second best to SDAC normal process - Robust overall process (e.g. ex-ante provision of bids) 	<ul style="list-style-type: none"> - Complex one-off process (e.g. timings) - High operational costs for a one-off process
Intraday continuous allocation	<ul style="list-style-type: none"> - Robust XBID platform - Real time pricing (<i>of energy</i>) 	<ul style="list-style-type: none"> - No Market Clearing Price / Day-ahead Market Clearing Price - Excludes DA-only traders/some SMEs - BRP responsibilities - High risks / low(er) liquidity
Intraday Auctions (IDAs)	<ul style="list-style-type: none"> - SDAC continuation (e.g. Algorithm) - Auctions better than continuous allocation (e.g. level playing field) 	<ul style="list-style-type: none"> - BRP e.g. rules for some day-ahead markets (<i>today's status of legal agreements</i>) - Day-ahead MCP as reference price (e.g. LT) - IDA = SDAC (e.g. likely not to be able to solve "root cause" within the set timings)

1 – MCP – Market Clearing Price

2 – BRP – Balancing Responsible Parties

Shadow Auctions Survey (March 2021)

General Feedback of survey participants and TSOs



Survey participants' feedback

- Further operational improvements of Shadow Auctions are possible/needed (e.g. +10min for auctioning, harmonization of TSO scheduling processes, extend nomination deadlines)
- Frequent trainings of Shadow Auctions are helpful



TSOs' feedback

- TSOs and NEMOs have made significant progress in providing detailed reports on decouplings (including Shadow Auction participation and nominations) less than 6 weeks after the relevant incident
- TSOs (including the service provider JAO) will invest additional resources in Shadow Auction trainings (e.g. 2 training sessions per year)
 - JAO will launch a new and improved website to e.g. enhance communication in case of a decoupling in Q2 2021
- TSOs actively discuss with NEMOs to further streamline SDAC process timings in order to avoid decouplings (However, no additional time for Shadow Auctions!)