

SDAC TSOs response to NEMOs consultation on 2nd auction

Initially the second Auction was set in order to allow market participants to correct bids in case of errors leading to extreme prices (positive or negative). Thresholds prices (positive and negative) were defined in order to trigger this 2nd auction process. TSOs and NEMOs have experienced the 2nd Auction triggered eight times in 2022 and 2023.

Experience has demonstrated that the trigger of second auction was always due to severe market scenarios (high demand or high-RES infeed) but it has never been triggered due to an error ('Fat Finger') from a Market Party. On the other hand, NEMOs and TSOs have in 2022 and 2023 faced errors from Market Parties (such as in France on 06-07 September 2022 and Belgium on 24 April 2023) but not leading to the market price formation triggering second Auctions (low or high prices thresholds not hit). Last example of Bidding error in SDAC was in November 2023 in Finland, leading to extreme negative prices. However, no second Auction process is foreseen in Finland.

In conclusion second Auction has never been used for solving an Order Book submission error, deviating from its original purpose.

For several cases when minimum prices were hit due to high-RES infeed, NEMOs and TSOs have even observed that situation was worsened with the results of the second SDAC computation after 2nd Auctions compared to the preliminary results of the first auction (see Explanatory Note for details). In the last second auction event on 28th May 2023, minimum prices were spread over several Bidding Zones, instead of one after first SDAC computation.

Only two examples of 2nd auction have ever improved the situation between first SDAC computations and second auction. This was in 3. April 2022 when maximum prices were hit in France due to cold weather, and on 18th April 2023 with high-RES infeed in Netherlands (negative prices).

A removal of second Auction is also in line with the need market coupling has when we will have 15 min MTU process that takes longer computation time compared to the current situation. It will therefore be more time challenging to run a second SDAC computation before the 14h20 (CET) which is the deadline for triggering a Full Decoupling. Consequently, any minor technical issue faced after second auction could lead to a Full Decoupling situation. This will significantly worsen the SDAC outcome results compared to a first successful SDAC computation.

In conclusion, based on the above experiences faced, the frequent triggering of second auction for reasons not correlated to Order Book submissions errors, and based on the unexpected Market Parties' behavior observed when extreme negative prices were met, TSOs support the removal of the second auction. TSOs see very limited advantages of second auction process compared to the drawbacks and to the operational risk leading to a Full Decoupling scenario. When we switch to 15 min MTU a removal

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of second auction will even be more important for fostering a safe SDAC operational process. TSOs think that the most efficient process to mitigate errors in Order Books is to develop and implement sanity checks before Order Book Gate Closure Time, in order to correct errors upfront.

It could be that removal of second auction leads to additional curtailment cases compared to the situation where second auction is not removed. An increase of curtailment cases could lead to an increase of situations where market parties cannot close their positions in subsequent markets, which as a consequence could lead to operational issues/ risks for SDAC TSOs. Therefore, SDAC TSOs see it as important that the impacts of removal of 2nd auction process on curtailment cases are adequately assessed and checked for possible mitigation measure as part of the process for the removal of second auction. This work can be done within the SDAC cooperation (e.g. via MSD) group and updates on the measure be regularly reported (e.g. via MCCG).

On behalf of all SDAC Market Coupling TSOs,
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