Explanatory note for the all-NEMOs amendments proposal on the terms and conditions applied for the "Harmonized maximum and minimum clearing prices for single intraday coupling" in accordance with Article 54 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

21 February 2025

Disclaimer

This explanatory document is submitted by all NEMOs to the European Union Agency for the Cooperation of Energy Regulators for information and clarification purposes only accompanying the "All NEMOs" proposal for amendment of the terms and conditions applied for the "Harmonized maximum and minimum cleared process for single intraday coupling", in accordance with Article 54 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.

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1. Introduction

This explanatory document gives a high-level overview of the background and context for the amendments proposed by All NEMOs for the terms and conditions applied to the "*Harmonized maximum and minimum clearing prices for single intraday coupling*" (hereinafter "the HMMCP Methodology for SIDC") as currently in force according to the ACER Decision 02/2023. Besides any phrasing improvements, terms definitions and usage in the document, this proposal concentrates on the amendments required to avoid the update of harmonized maximum minimum clearing prices for SIDC following prices-spikes mainly related to low liquidity in the market with little correlations to market fundamentals. The introduction of such a liquidity measure is also linked to the possibility of defining a rolling average of traded volumes, defined per market time unit and bidding zone, which will be a liquidity reference for the market and whose consolidation will be necessary in order to apply the methodology. In case a huge market design change happens, which would prevent the averaging of the traded volumes, the application of the methodology will then be automatically suspended. Such measure will help in excluding exceptional cases of price fluctuations/spikes which are more related to the novelty of substantial changes in the market design/organization.

2. Background

Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on the capacity allocation and congestion management (the 'CACM Regulation') laid down a range of requirements for the cross-zonal capacity allocation and congestion management on the day-ahead and intra-day markets in electricity. Chapter 5 of the CACM Regulation specifies requirements for the SIDC, including the provisions for setting the harmonized maximum and minimum clearing prices in accordance with Article 54 of the CACM Regulation.

Pursuant to Article 9(13) of the CACM Regulation, the NEMOs responsible for developing the proposal for the HMMCP for SIDC, may propose amendments to the Methodology and submit them to consultation in accordance with the procedure set out in Article 12 of the CACM Regulation.

3. Change in the triggering event

The reference to reaching a clearing price which exceeds a value of seventy (70) percent "in at least two MTUs" has been eliminated. The relevant point is the fact that this threshold must be reached in a number of different days regardless of the number of MTUs that are affected. The reason for that is the coexistence of several time granularities, which could affect the liquidity level of the market relevant to the orders submitted at the MTU level (which could render the identification and triggering of the price update event irrelevant). Furthermore, in the past the interpretation of how these MTUs were distributed along the 30 rolling days period created some confusion.

Furthermore, in order to trigger a change in the HMMCPs, the threshold should be reached in more than two different days (i.e. at least three) because in a 15 min environment as for the 15min environment the price formation could become more volatile.

4. Inclusion of a triggering condition based on market liquidity

In order to adjust the harmonized maximum and minimum clearing price limits for SIDC based on price which are representative of market fundamentals and not based on price spikes due to the low liquidity of the market, NEMOs propose to add a triggering metric for the update of the max/min clearing price based on market liquidity. In particular traded volumes per MTU-BZ shall be at least equal to 5% of the average traded volumes in the bidding zone per market time unit in the last 30 days in the relative IDA.

For the IDA auctions, in some bidding zones the liquidity is currently very low. The volume of matched orders is very small – less than 5MW – and matching occurs only in some of the MTUs. Some bidding zones have no volume matched in any MTU for many days. Also, an order with only a small volume may cause a price spike reaching the thresholds if it is delivered, for instance, as price independent or the price set in the order was set by mistake by the market participant.

For the above reasons, we are now proposing to consider the triggering event only if the average traded volume in the MTU-BZ is at least equal to 100 MW, being the average reference value, traded in all the BZ in IDAs in December 2024.

The average traded volumes should be calculated against a homogenous database over the last 30 days. Where changes in market design occur that prevent the possibility of homogeneous averaging, application of the methodology will be suspended until the average value is consolidated. Such metric would then allow to have a freezing period of the methodology whenever a change in the market which prevents the averaging happens. Such modification can be for instance the introduction of the 15 min MTU, which would change the granularity with which the market prices are calculated, but is not intended for any new product or any RfCs going live in the market, which indeed would not affect the averaging of the traded volumes.

5. Inclusion of a proposal to revert a change in HMMCP after one year if the relevant price threshold is not reached

Following the implementation of a change in a maximum or minimum clearing price, if the relevant price threshold (i.e. 70% of the new maximum or minimum clearing price) is not reached in any bidding zone one year later, it would make sense to go back to the previous situation because price formation would not have been hampered by the previous maximum or minimum clearing price.

6. Amendments to the HMMCP Methodology for SIDC

This section provides an executive summary of the amendments provided for the HMMCP Methodology for SIDC.

6.1 Article 4 and Article 5

Included rephrasing/clarification improvements of existing content and terms. Removed reference to MTUs. Increased the number of days in which the threshold must be reached. Added content relevant to the triggering condition based on liquidity. Included a proposal to revert a change in HMMCP after one year if the relevant price threshold is not reached.

Appendix 1

Updated the list of NEMOs to which the SIDC Products methodology applies.

7. Useful links

Commission Regulation (EU) 2015/1222 (CACM)

https://eur-lex.europa.eu/eli/reg/2015/1222/2021-03-15

Regulation (EU) 2019/943

https://eur-lex.europa.eu/eli/reg/2019/943/oj

ACER Decision 05-2020 (Products that can be taken into account by NEMOs in intraday coupling process)

ACER Decision 05-2020 (Annex-I)

8. Abbreviations

AM – Algorithm Methodology

CACM – Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on Capacity Allocation and Congestion Management (Capacity Allocation and Congestion Management)

CZC – Cross Zonal Capacity

CO – Complex Order

DA – Day-ahead

DAM – Day Ahead Market

EC – European Commission

ID – Intraday

IDM – Intraday Market

MCSC – Market Coupling Steering Committee

MIC – Minimum Income Condition

MTU – Market Time Unit

NEMO – Nominated Electricity Market Operator

OBK – Orderbook

PRMIC – Paradoxically Rejected Minimum Income Condition

R&D – Research and Development

SCO – Scalable Complex Order

SDAC – Single Day-Ahead Coupling

SDAC MSD – SDAC Market System Design working group

SIDC– Single Day-Ahead Coupling

SIDC MSD – SIDC Market System Design working group

TSO – Transmission System Operator