

**Statkraft on:**  
**Public consultation pursuant to Art. 12 of Commission Regulation**  
**(EU) 1222/2015 on products**  
**that can be taken into account in the SIDC**

**We appreciate the opportunity to give our feedback as part of the public consultation on SIDC products.**

In our view, the heart of SIDC products consulted here is the Continuous Intraday Trading matching algorithm, which is a great achievement to increase liquidity and strengthen short term energy management across European market areas.

Statkraft understands that with the decision 01/2019 from 24 January 2019 the implementation of three Intraday Auctions (IDA) to address the topic of intraday cross zonal capacity pricing has been decided and is therefore obligatory.

Next to commenting on Intraday Auctions design and implementation, we would like to comment to the cross-product matching in SIDC Intraday products currently being discussed.

## **I. Intraday Auctions (IDA)**

**Document:**

[Microsoft Word - ACER Decision 01-2019 on intraday cross-zonal capacity pricing methodology - corrigendum Sonia \(europa.eu\)](#)

**Legal background:**

Article 55 of the CACM Regulation:

- All TSOs shall develop a proposal for a single methodology for pricing intraday cross-zonal capacity.
- No charges, such as imbalance fees or additional fees, shall be applied to intraday cross-zonal capacity except for the pricing.

Recital 5 of the CACM Regulation:

- The intraday coupling should use a continuous process throughout the day.

In the ACER's decision (document above) on three ID auctions the decision against one IDA proposed by NEMO is detailed further:

(51) The Agency added two more IDAs. One to be held in the day D-1 with a deadline for bid submission at 15:00 market time and one on the delivery day D with a deadline for bid submission at 10:00 market time.

(52) The Agency acknowledges the different points of view and interests of the NEMOs, TSOs and market participants and the difficulty to integrate the IDAs in a fully functional and operational continuous SIDC, as

well as the uncertainties concerning the availability of cross-zonal capacities both at the intraday gate opening time and at the different points of capacity re-calculation after the day-ahead timeframe. However, with regard to the objective to promote an effective competition pursuant to Article 3(a) of the CACM Regulation and to optimise the allocation of cross-zonal capacity pursuant to Article 3(d) of the CACM Regulation, the Agency deems it important to establish a longer-term vision and policy on the development of the SIDC, the interaction between intraday auctions and continuous SIDC, as well as the underlying timeframes for intraday capacity re-calculation. In that respect, the Agency provides for the pricing of the intraday capacity at least at three different moments: (i) at the intraday cross-zonal gate-opening time (i.e. 15:00 D-1) using the cross-zonal capacity remaining from the day-ahead timeframe to take advantage of shared order books and more efficient cross-zonal capacity allocation through an auction; moreover, such intraday capacity would remain unpriced, (ii) at 22:00 D-1, when the first intraday capacity re-calculation is – at least as a first step - expected to be finished and (iii) at 10:00 of the delivery day when the second intraday capacity re-calculation is – at least as a first step - expected to be finished. Such a solution provides a clear policy and targets for both the intraday auctions as well as for the intraday capacity re-calculation. While the latter is generally out of scope of this methodology, the clarity on the number of auctions and their timing provides a clear harmonisation signal for intraday capacity re-calculations within the different capacity calculation regions; the absence of such signal could lead to completely non-harmonised PUBLIC Decision No 01/2019 Page 11 of 14 timings of the intraday capacity re-calculations and possibly also of the intraday auctions. Nevertheless, such an ambitious long-term target necessitates to provide some flexibility to the concerned parties in the (most likely progressive) implementation of each of those IDAs. Consequently, a dedicated implementation timeline for each of those IDAs and, if deemed necessary, the conditions for their implementation (e.g. in relation to the offered cross-zonal capacity) will have to be developed in the framework of the amended algorithm methodology.

Within the approved methodology the three timings are explicitly mentioned.

Article 5 Timing of IDAs:

- One IDA shall be held on the day D-1 for all MTUs of the delivery day D, i.e. from the first auction MTU starting at 00:00 until the end of the delivery day D, with a deadline for bid submission at 15:00 market time D-1.
- One IDA shall be held on the day D-1 for all MTUs of the delivery day D, i.e. from the first auction MTU starting at 00:00 until the end of the delivery day D, with a deadline for bid submission at 22:00 market time D-1.
- One IDA shall be held on the delivery day D for all remaining MTUs of the delivery day D, i.e. from the first auction MTU starting at 12:00 until the end of the delivery day D, with a deadline for bid submission at 10:00 market time D.

In Statkraft's view, the current operational Continuous SIDC is the best enabler for matching short-term supply and demand. Especially integrating fluctuating renewable energy sources into the energy mix, short term deviations can best be settled in a fully functional Continuous market setup, which is very mature and well accepted amongst traders and utilities with both manual and algorithmic trading focus.

It enables renewable production to be balanced 24/7 with high liquidity and a high degree of automation. Thus, this enables further growth in renewables.

Already today, Intraday auctions exist in market areas such as GER or FR. While the quarter hourly intraday auction in GER is actively used and well established across market participants, the FR half hourly intraday auction shows little to now liquidity.

We doubt that intraday auctions are the right mechanism across all market areas, as this example indicates.

We fear that IDA's competing with Continuous SIDC lead to a situation where the Continuous SIDC position is weakened, because market parties move into IDA auctions. Focussing on three auctions might seem less effort compared to operating Continuous Intraday trading, however the focus for market parties with a renewable production portfolio will still be on continuous trading, whereas IDAs are likely not to be very liquid. This does not improve the commercial situation for smaller parties that originally wanted to spare the operational effort of continuous trading, as they still have to participate in continuous trading then.

To illustrate why Statkraft believes liquidity will not be big in IDAs, we conclude the following:

- In many trading organisations such as ours, (day-ahead) auction bidding and 24/7 intraday trading is separated into different departments, whereas the auction bidding department usually only works in business office hours. Operating IDAs outside business office hours (22:00 D-1) increases the operational complexity when departments operate auctions outside their daily business. To mitigate operational risks, those IDA will likely not be operated at all or at least not operated in case of extraordinary workload. This means that in extraordinary market situations (e.g. storm events) when continuous trading requires highest attention the liquidity in the IDA might be surprisingly low. A volatile liquidity that changes from day to day creates uncertainty for the market participants and further reduces the number of active participants. This is kind of a vicious circle.
- The third IDA auction at 10:00 D is right in parallel to bidding AFRR and MFRR as well as preparing bids for the 12:00 daily day-ahead auction. Timing could not be worse.

A good market design is important. Taking SIDC volumes out of continuous trading for three times 20 minutes before auction gate closure and three times 20 minutes after gate closure (for auction processing) is a long time and shall be kept at a minimum. This is too much.

During IDA auction runs, SIDC trading products need to be opened technically so no orderbook switches between local (EPEX only) and SIDC products (all NEMOs) are necessary. Then bids and offers can still be matched in the meantime locally, as the implicit cross border capacity is extracted from Continuous SIDC to operate IDAs.

**Open question:** We also seek clarity on the granularity of the IDAs. Will there be cross-zonal capacity matching on hourly products, with a clearing price per hour, or will it happen on the individual imbalance settlement period (ISP) of the market area?

Addressing the individual timing of IDAs:

1. 15:00 for delivery day D-1:

We support this ID auction, as this is currently locally organized in countries such as FR 17:00 D-1 and GER on 15:00 D-1. One auction with remaining DA cross border capacities would enrich this and open up for multi NEMO offerings.

2. 22:00 for delivery day D-1:

As described above, timing for the auction is problematic as it needs to be operated by 24/7 shift personnel outside business office hours. We foresee most effect in terms of cross-zones volumes as we observe released capacity to SIDC at that time.

3. 10:00 for delivery day D:

Timing of this auction is problematic and the idea shall be discontinued.

a. This auction is in parallel to reserve capacity auctions with MARI and PICASSO. Additionally, preparing bids for the 12:00 day-ahead auction has highest priority at this time.

b. During trading of delivery day D, the day-ahead to intraday forecast deviation has reached a high degree of certainty and shall hence be traded with the highest degree of focus. When extracting cross-zonal capacities around that time, any trading of known forecast errors in continuous trading will stop and be shifted to after the auction ran, hence increase the risk to not sufficiently fill open positions.

Final remark in on ex-post evaluations and feedback from auctions. Statkraft proposes to have regular evaluations of these auctions and stop single auctions in case they are not actively used. The decision should be made on transparent criteria such as traded volumes, price matching and general participation

### Open questions:

- Could individual auctions runs be discontinued locally, e.g. be stopped in case liquidity in market area is low such as currently observed in local ID auction in FR offered by EPEX?
- What happens if an IDA fails? Will it be repeated later? Does it block the intraday XB capacities for several hours? This might be very dangerous, because it is difficult to program in a trading algorithm.

### Statkrafts summarized position on IDAs:

- We **doubt** that intraday auctions are the right mechanism across all market areas, as current ID auctions indicate today.
- IDAs are likely **not** to be **very liquid**, therefore smaller market parties have no real option to move away from the operational complexity of operating continuous trading. And even if they would, they would violate their 24/7 balancing obligations.

There is **no added commercial benefit and no improvement of the overall system security and welfare**

- Operating IDAs **outside business hours** and during times where other operational processes happen do not increase the likelihood for high liquidity and good participation in these auctions.
- While designing IDAs ACER shall acknowledge that continuous trading has still highest priority for the market. Therefore
  - Implicit cross border capacity should be taken out of Continuous SIDC as short as possible. **3 times 40 minutes is too long.**
  - SIDC trading products need to be left open so that there is not technical hurdle to operate Continuous SIDC in the meantime.
  - We are unclear in which granularity these auctions shall take place. Only operating in hourly granularity gives no additional benefit.
- IDA Timings
  - D-1 15:00 **is supported** if it enables multi NEMO offerings for currently operated D-1 intraday auctions such as DE and FR.
  - D-1 22:00 is understood from a capacity release point of view, but timing outside business hours is **not ideal**.
  - D 10:00 implementation idea **shall be discontinued**. The auction timing before 12:00 day-ahead and next to AFRR and MFRR is not ideal.

## II. Cross Product Matching (CPM)

**Document:** [SIDC\\_requirements\\_clean.pdf \(europa.eu\)](#)

### Legal background

Section 1.1 v) states “The continuous trading matching algorithm must allow, as part of SIDC, to cross-match the different order types of the ID products within one and between multiple bidding zones, respecting the capacity and order restrictions.”

We understand CPM as a module in SIDC to (i) create arbitrage free pricing between products with different delivery timespan, e.g. matching prices across hourly and quarter hourly products, but (ii) also applying this logic across delivery areas within SIDC.

We agree with ACER that cross-product matching in continuous SIDC is an important element to reach the full benefits of the continuous SIDC. In general, we support the idea of CPM to increase the welfare and liquidity in SIDC products across market areas.

Addressing both subsegments above:

- (i) Already today in the German Continuous ID market, market parties couple their bids and offers between products of different maturity with each other by doing arbitrage. This already increases the liquidity in both hourly and quarter hourly products, but is highly dependent on the initial interest of individual market parties.

We acknowledge, that by implementing CPM this arbitrage will be taken from individual market players and given into the hands of the matching algorithm. We support this, as this builds a level playing field for all market parties trading in the continuous intraday market and increases liquidity also in products with less focus such half hourly trading products on the German Continuous ID market.

- (ii) Matching bids and offers between different marker areas such as half hourly French products implicitly with German quarter hourly products looks like it releases the full potential of SIDC continuous market and is thus fully supported by us.

While the underlying principle of this is strongly supported, we would like to raise concerns towards the current implementation ideas we come across. According to latest information by NEMO EPEX Spot, the design of CPM raised the following difficulties and proposals

- Averaging prices in four quarter hourly products with 0.01 €/MWh price ticks exceed the maximum 2 digits currently allowed in SIDC. Similarly, with two half hourly products.
- One implementation proposal is allowing 0.04 €/MWh price ticks in quarter hourly products, 0.02 €/MWh in half hourly and 0.1 in hourly products

Statkraft has never been in favor of 0.01 €/MWh price ticks in SIDC, as this does not lead to more volumes traded but a lot more traffic from automated trading applications “penny jumping” in the cents range. We have been outspoken about an ideal price tick of 0.1 €/MWh. To achieve CPM, we would be fine in having 0.2 €/MWh price ticks harmonized across all delivery products.

#### **Statkrafts position on CPM:**

- Different price ticks between products is **not suitable** and makes trading, both for API applications and traders, over complicated.
- We prefer to **harmonize** price ticks across all products.

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