

Continuation of the All NEMO Committee replies to the public consultation: Revision of the EU's electricity market design

Subtopic: Power Purchase Agreements (PPAs):

Q6: Do you consider that stronger obligations on suppliers and/or large final customers, including the industrial ones, to hedge their portfolio using long term contracts can contribute to a better uptake of PPAs?

All NEMO Committee would like to add following clarification to the answer "NO":

There should be no stronger obligations on suppliers and/or large final customers, including industrial consumers, to hedge their portfolio using long-term contracts. Long-term hedging should be considered more broadly and according to individual hedging needs. PPAs are one specific tool among many options to manage risk and secure revenue streams for generators and investors.

Subtopic: Contracts for Difference (CfDs)

Q14. What are the relative merits of PPAs, CfDs and forward hedging to mitigate exposure to short-term volatility for consumers, to support investment in new capacity and to allow customers to access electricity from renewable energy at a price reflecting long run cost?

[continuation of the answer submitted via the online form]

The volumes, in turn, will increase market liquidity, contributing to even more efficient and reliable price signals for market participants and investors in renewable assets. Participation of generation under RES support schemes and/or PPAs in the SDAC markets will also allow for a more efficient allocation of cross-zonal capacities, as no such capacities would need to be set aside for cross-zonal trading of CfD/PPA hedged RES volumes outside of the organised markets.

Subtopic: Alternatives to Gas to Keep the Electricity System in Balance

Q2. Do you see alternatives to marginal pricing as regards the functioning of short-term markets in terms of ensuring efficient dispatch and as regards the determination of cross border flows? Do you have additional comments?

[continuation of the answer submitted via the online form]

NEMOs answer is supported by a huge body of literature which demonstrates the superiority of the marginal pricing system compared to other methods.

Additional information is available here:

- https://cadmus.eui.eu/bitstream/handle/1814/73597/PB_2022_05_FSR.pdf?sequence=1&isAllowed=y

- <https://www.tse-fr.eu/sites/default/files/TSE/documents/conf/2022/energy/you.pdf>
- <https://www.ofgem.gov.uk/sites/default/files/docs/2012/10/pay-as-bid-or-pay-as-clear-presentation.pdf>

Subtopic: Enhance the Integrity and Transparency of the Energy Market

Q3. With regards to better REMIT data quality, reporting, transparency and monitoring, what shortcomings do you see in the existing REMIT framework and what elements could be improved and how?

[continuation of the answer submitted via the online form]

On 31 January 2022, ACER published its Decision No. 1/2022 requiring the reporting of additional information in relation to Single Intraday Coupling (SIDC) data. This decision provided the legal basis to identify all trading possibilities for market participants in the SIDC markets, including orders located in different bidding zones, depending on the available cross-border capacity. This decision was necessary because the information linked to these interconnections did not fit the REMIT framework for several reasons (i.e., no respective data fields, no explicit reference in legal documentation, no availability of data by market participants or OMPs, no legal personality of SIDC, no contractual relations to market participants as primarily obliged entities, risk of double reporting etc.).

We believe that this arrangement as provided by Decision No 1/2022 is sustainable and should not be replaced via a simple extension of REMIT, for instance by extending the definition of OMPs. Especially transaction data reporting under Article 8 REMIT does not fit for the reasons listed above.

Concerning data reporting and the calculation of the transaction record-based REMIT fee component, records that correspond to the resubmission of data (which is relevant for data quality) of already submitted records by RRM or for which ACER has not implemented any validation rules or provided guidance in the Transaction Reporting User Manual (TRUM) should not be counted towards the fee calculation. Doing so would create additional costs for MPs and/or RRM for the same reported business event.