

**CEZ response to NEMO Committee [Public consultation](#) pursuant to Art. 12 of Commission Regulation (EU) 1222/2015 (hereinafter CACM) on amendments to the Algorithm Methodology for the price coupling algorithm and the intraday auction algorithm due to Co-optimisation and due to the implementation of the intraday auction**

*Prague, 25 September 2023*

Below we would like to express our opinion on amendments to the Algorithm Methodology for the price coupling algorithm and the intraday auction algorithm due to Co-optimisation and due to the implementation of the intraday auction, as presented by All NEMOs in related public consultation, closing on September 25, 2023. We would also like to fully support Eurelectric opinion on the matter.

Co-optimisation

As expressed several times in the past, we do not believe co-optimisation concept should be implemented in the foreseeable future. Even though co-optimisation with multilateral linking can in theory be seen as a long-term target, the development complexity of this project, huge and numerous challenges, maintained our doubts on the feasibility of co-optimization implementation and significant deterioration in algorithm performance and efficiency loss due to the increased bidding complexity. We stress the importance of further thorough R&D, as well as transparency and clarity in demonstrating feasibility. We strongly recommend deferring further steps, in particular the bidding guide, until at least 2 TSOs express interest to establish a co-optimization process and EUPHEMIA's evolutions are fully stabilised (ie 15min MTU implementation). We disagree with setting a deadline until interest, feasibility and added value are confirmed. The indicative deadline of 1 January 2029, along with the anticipated timeline for implementation of a fully-fledged methodology in the SDAC algorithm, is very ambitious and implies burdensome requirements. Moreover, it pre-emptively assumes the outcome of the ongoing prioritisation process at MESC level and contradicts the message from chapter 5 regarding the absence of legal deadline.

The Single Day-Ahead Coupling (SDAC) algorithm is already at its limit in terms of capability. We understand that a Euphemia Prototype for co-optimisation taking into account the flow-based compatibility deterministic requirement can perform with 60 minutes MTU data and one additional Balancing Capacity product besides the Day-Ahead (DA). This roadmap study did not provide answers to our doubts on the feasibility of the target model for co-optimization, this initial simulation must be completed with 15 minutes MTU data and multiple balancing market capacity products to be able to assess the Euphemia's real capability to incorporate co-optimisation. Also, multilateral linking as the only possible real co-optimisation implementation was not identified as feasible by the study, its feasibility remains uncertain.

We are strongly against any limitation such as the reduction in the variety of the energy products and bidding flexibility offered for the SDAC to accommodate the algorithmic complexity of co-optimisation; we also reject any negative impact on further evolutions of new products and services for the SDAC. We also disagree with any prolongation of time needed for calculation and results publication.

The better efficiency and added-value of a co-optimisation implementation, in comparison with the market-based alternative, remains uncertain. Indeed, its efficiency relies heavily on the quality of the balancing capacity bids. With co-optimisation, the bidding strategy will be much more complex for every Market Participant, historic as well as newcoming. Indeed, there are a lot of interdependencies between reserve capacity products and wholesale energy products: MW and MWh are not interchangeable. Many current national BC procurement (the same applies to future market-based implementations) are based on a sequential bidding process, where the SDAC happens after the

procurement of balancing capacity. This allows market participants to prepare their energy bids with a deterministic view of their BC obligations. Moreover, with co-optimisation, portfolio bidding would become almost impossible, as interdependencies between different assets would be almost impossible to reflect in addition to the BC – energy interdependencies.

### Intraday auctions

We still believe continuous trading should be the primary tool for the intraday market. If IDAs are introduced, we strongly recommend a cautious approach starting with one ID auction after ID recalculation (D-1), with limited interruptions to continuous trading and regular assessments to ensure operational efficiency and minimal impact on continuous trading liquidity. We urge holding off on additional auctions until one IDA demonstrates operational efficiency without draining liquidity in continuous intraday trading.

We also believe there is a need to regularly review/assess of the implementation of ID auctions. Such a review should analyse the effects of IDAs in terms of efficiency, cross-zonal capacity allocated, and impact on the liquidity of the continuous SIDC. The assessment should result in the publication of an annual report based on relevant indicators to demonstrate improvements in congestion management and capacity allocation; as well as to challenge the number of auctions.