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Mensaje :

EDF welcomes the all-NEMOs Committee consultation according to Art. 12 of the CACM Regulation 1222/2015 on amendments to the Algorithm Methodology due to co-optimisation.

EDF acknowledges the theoretical welfare gains of co-optimisation as a mean to be less sensitive to forecasts quality of either market participants or TSOs in the definition of energy and reserve values. EDF also considers that the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves defined through a market-based process has a beneficial intrinsic value.

However, EDF has two major concerns regarding the implementation of co-optimisation. Firstly, the Single Day-Ahead Coupling (SDAC) algorithm is already at its limit in terms of capability and EDF has serious concerns on the impact of co-optimisation on the performance of the algorithm and on the SDAC.

We understand that a Euphemia Prototype for co-optimisation taking into account the flow-based compatibility deterministic requirement can perform with 60' MTU data and one additional Balancing Capacity product besides the Day-Ahead (DA). This over simplified study did not provide answers to our doubts on the feasibility of the target model co-optimisation. Therefore, as underlined by the NEMOs, this initial simulation must be completed with 15' MTU data and multiple balancing market capacity products to be able to assess the Euphemia's real capability to incorporate co-optimisation. * *********Secondly, 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.

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. In order to replicate the current multi-stage decision process, market participants would need to use an infinite number of „if-then-clauses", which would have to be modelled in their biddings and would hence require sophisticated linked-blocks products.

Also, portfolio bidding would become almost impossible, as interdependencies between different assets would be almost impossible to reflect in addition to the BC – energy interdependencies. This increased complexity may lead to a reduction of offered volumes or to risks mark-ups to compensate for an imperfect bidding strategy regarding the technical constraints of the assets, therefore to efficiency losses.

By the way, we would like to stress again the absolute need for available links between both energy and balancing capacity markets in order to avoid inefficiencies due to the concomitance of both markets, to reflect the technical constraints of interdependencies mentioned above. If no multilateral linking was allowed, this would lead to high inefficiencies. The process would then be equivalent to a co-clearing which is definitely not the goal of co-optimisation.

As mentioned by the NEMOs, the added complexity introduced by the multilateral linking has not been estimated yet, so its feasibility remains unsure. Moreover, when the assets can provide one or more of the products but only one at a time, the bidding strategy will rely on an

opportunity cost, which will be derived from forecasts of the balancing capacity prices or the energy prices. Therefore, co-optimisation will be subject to inefficiencies due to inaccurate forecasts, as any BC market.

Lastly, an anticipated timeline for a roadmap towards implementation of a fully-fledged methodology in the SDAC algorithm is proposed in coordination with TSOs, including research and development and the deadline of 1 January 2029 is indicated. This timeline and deadline seem ambitious since there is a need for extensive R&D. From 1,5 to 2,5 years are expected to achieve the full implementation. Moreover, as reminded in the explanatory note, the SDAC R&D pipeline is fully booked until at least the end of 2025.

EDF supports postponing new simulations until after the evolutions of EUPHEMIA for a 15min MTU are fully stabilised. Consequently, to fulfil the deadline only one year would be dedicated to the implementation of the methodology. Besides, we perceive a lack of interest of TSOs and market participants towards this methodology. As there is no legally binding deadline to implement this methodology and numerous concerns need to be dispelled, EDF urges against defining a deadline for the implementation at this time. The co-optimisation implementation should therefore be put on hold until its feasibility and added-value is proven, taking into account all constraints, including the bidding behaviour of market participants.

To this end, we support the idea to develop a bidding guide but the expectations of TSOs and NEMOs still need to be clarified and the time and resources allocated to Market Participants sufficient.

If new articles covering co-optimisation were to be added to the Algorithm Methodology, some evolutions are suggested:

- 4.2: EDF supports having different MTUs for DAM and BCM, more specifically to have a BCM MTU at least twice longer than the DAM MTU.
- Annex I, Article 4A, 1.a): the clearing price for each BCM and MTU should be reported in "€/MW and hour" as "€/MWh" is misleading.
- Annex I, Article 4A, 8.c): "Research shall include […] linking of orders between the DAM and BCM with intertemporal links between all MTUs".