

EDF response to the all NEMOs consultation on SDAC Products

10/02/2023

EDF welcomes this all NEMOs consultation, pursuant to their obligation under Article 40 of the CACM, on the products that can be taken into account in the Single Day-Ahead Coupling (SDAC).

EDF takes note of all NEMOs statement that *“after review there are no proposed amendments to the products and NEMOs are therefore proposing not to amend the content of the current list of SDAC products. Possible amendments needed before the implementation of the 15 min. MTU will be included in the next methodology consultation expected at latest in two years time. NEMOs will cooperate with Market Participants in 2023, to define the product setup in SDAC after the implementation of the 15 min. MTU.”*

First, EDF would like to stress that market parties need time to anticipate any evolution. Therefore, visibility should be provided as soon as possible on any change in the list of products to be traded on the SDAC, or concerning the limitations constraining their use (e.g. maximal number of block products of a given type, risk of paradoxical rejection...). In this respect, the regular consultation taking place every two years will have to be held end of 2023/beginning of 2024 at the latest. EDF, like many market participants, considers the target date for the 15 min MTU implementation in SDAC quite ambitious. Indeed a too speedy implementation without the insurance that SDAC (and SIDC) algorithms are able to handle products already admissible today is worrying. The 15 min MTU implementation requires further discussions with market participants on the list of products that will be available because the issue implies heavy IT evolutions. EDF would recommend some flexibility (postponing the implementation later in 2025 or maintaining 30 and 60 min products in case of launch in time) so that all market participants are ready for the change.

Regarding the list of products, ACER decision No 37/2020 of 22nd December 2020 determines the latest list of products to be used in the SDAC. ACER's decision determines two categories of products : one corresponding to the minimum legal requirements (i.e. the mandatory products) and the second one representing other possible products that the algorithm should accommodate if possible (optional products). This decision more precisely classifies complex block orders among optional products and not among the mandatory ones.

EDF regrets this appreciation and recalls that (i) in a self-dispatch model - widely spread in Europe - the optimization under the portfolio-based approach implies the use of complex products (in particular linked, exclusive and loop block products) to provide a good representation of the assets, and (ii) the priority is to keep an efficient pricing and trading in both DA and ID auctions of the products/assets in the self-dispatch model and the European target models available.

EDF considers complex products of a duration greater than 30 minutes allow a more direct valuation of some flexibilities such as demand response with complex/industrial processes or based on time of use/critical peak pricing retail tariffs, or power plants with start-up/shut-down costs. Removing the possibility to offer complex products (including simple block, lies and exclusive bids) in day-ahead auctions can thus be a threat for their valuation, likely to reduce their competitiveness and to generate inefficient dispatch decisions.

EDF considers that if both 15/30 min products and complex products (with the same range of options as today) cannot be accommodated within the SDAC, complex products should be prioritized (time constraints are looser in day-ahead than in intraday, so there should be more possibilities to handle both complex products AND 15/30 min products in this timeframe). As far as cross-zonal capacities can be allocated with a finer granularity closer to delivery (be it with the continuous SIDC or with the intraday pan-European auctions), it is key for the efficiency of demand response based on spot markets that exclusive block products with a long duration can be handled at least in day-ahead. Such flexibility represents for example several GW of demand in France. Making their management more difficult could thus be very costly to them, and in particular in situations near scarcity.

EDF considers that some amendments of the provisions are needed based on the following principles and reasons :

- an important appreciation element of the products and services to be proposed is basically and primarily whether they **accommodate market needs**. EDF therefore asks for the mandatory accommodation of (simple and complex) products by the Day-Ahead and Intra-Day algorithms whenever traded in a sufficient number of Member States (at least 3) so that assets are correctly offered/priced on the markets. EDF regrets that though ACER in its decision recognizes the importance that products reflect market needs, it has created a category of optional products.
- **products definition should be developed with regard to the final target**, namely encompassing both 15-30 minutes products and all complex products already considered for the Single Day-Ahead Coupling (SDAC). With respect to the intraday auctions, EDF considers that the introduction of small granularity products (15 and 30-minute products) is a necessity, as capacity is already allocated with such a granularity with the continuous SIDC solution. EDF also considers that handling complex products, in particular block orders over multiple hours, is key for the efficiency of capacity allocation and pricing.
- **decisions on products require adequate transparency**. An assessment of the computational time of the algorithm when integrating all the complexity of the products together with the 15 minutes ISP is necessary, in order to help choosing whether some products should be made optional or not. Indeed, another solution to be considered could be to allow more time for the algorithm to run. EDF welcomes NEMOs' efforts, notably through the recently set up Market Coupling Consultative Group (MCCG), to provide an insight on the analyses of the algorithms' performance carried out by the NEMOs (that were not made public or available to market participants before). However, transparency and clarity towards market participants could still be further improved especially on those evolutions leading to increase the run times or to prioritize developments (i.e. works on non uniform pricing and global impact assessments on calculation times).
- debates and decisions on this issue should be based on a **balanced trade-off between**, on the one hand, a **growing complexity** to be handled by the algorithms (e.g. complex products, 15 minutes ISP) **and**, on the other hand, **overall simplification**, allowing to decrease computational time but altering the efficiency of the market to a large extent.

More generally considering the evolutions to come, EDF does not support too speedy implementations without the insurance that SDAC and SIDC algorithms are able to handle products already admissible today, in particular linked, exclusive and loop block products.