

All NEMO Committee consultation pursuant to Art. 12 of Commission Regulation (EU) 1222/2015 on products that can be taken into account in the SDAC

A Eurelectric response paper

February 2023

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal: **D/2023/12.105/6**

Consultation Overview: *The products that can be taken into account by NEMOs in Single Day-ahead coupling (provided under Art. 40 of CACM) were last approved by means of decision No 37/2020 of the European Union Agency for the Cooperation of Energy Regulators (ACER) on 22 December 2020. According to Art. 40.3, “by two years after the entry into force of CACM and in every second subsequent year”, all NEMOs shall consult, in accordance with Article 12, the products that can be taken into account in the SDAC.*

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. This is a joint consultation from all NEMOs

Why We Are Consulting: *CACM Terms, Conditions or Methodologies needs to be submitted for public consultation for at least one month (pursuant to art 12 of CACM) in order to take into account stakeholders' views on the proposal.*

Start: 04/01/2023

End: 10/02/2023

Results expected: 31/03/2023

Eurelectric response

Eurelectric 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).

Consultation process

Firstly, we take note of NEMOs proposal not to amend the content of the current list of SDAC products that was last approved by ACER decision on 22 December 2020. NEMOs also stated that possible amendments needed before the implementation of the 15 min MTU will be included in the next methodology consultation expected at latest in 2 years time.

On that latest point, Eurelectric 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 and given the 15 min MTU implementation timeline (Q1 2025), we strongly recommend conducting the consultation in Q4 2023 or at the latest Q1 2024, and not to wait for the 2 years.

The governance to assess the impact and to oversee the implementation of the 15 min MTU change should be reviewed, integrating the concerns of all actors (i.e. not solely be focused on NEMOs computational challenges). We hence call for a deep investigation of the choices in terms of product design and their consequences to be performed in 2023, including stakeholders consultations (even if not required by Regulation), with regular meetings on status and visibility on decisions taken.

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 distinguishes 2 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 (linked, exclusive and flexible MTU orders, see art. 5.2.a) among optional products and not among the mandatory ones.

Eurelectric opposed the optional qualification of complex block orders and regrets ACER decision. Indeed we recall that (i) in a self-dispatch model - widely spread in Europe - the optimization under the portfolio-based approach implies the use of complex block orders (linked, exclusive and flexible MTU orders) to provide a good representation of the assets, in particular the flexible ones, 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. Therefore, we would like to remind that linked and exclusive block orders are absolutely necessary for Market Participants in all bidding zones. We will be pleased to learn in the near future that their availability is not questioned by NEMOs with the move to 15 min MTU in SDAC.

Optional products are used to trade based on a duration greater than 15 minutes because they 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 use them in day-ahead auctions can thus be a threat for their valuation, likely to reduce their competitiveness and to generate inefficient dispatch decisions.

In addition, Eurelectric is very concerned of possible step backs on functionalities and services of the algorithms, especially regarding those used in a limited number of Member States. In particular, concerning MIC products, we would agree to replace MIC orders by scalable MIC if complex block orders (such as linked, exclusive and flexible MTU orders) are accommodated by the SDAC algorithm and ready for use by all Market Participants in all Bidding Zones. National rules, where applicable, must clearly implement this as a one-off change.

Eurelectric 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. Eurelectric therefore asks for the mandatory accommodation of complex block orders by the Day-Ahead algorithm. Eurelectric would wish ACER to recognize in its future decision the importance that complex block orders reflect market needs and are commonly used by market participants, and hence must be preserved among the different optional products for the sake of efficiency and standardization across Europe.
- decisions on products require adequate transparency. An assessment of the computational time of the algorithm when integrating all the complex block orders together with the 15 minutes ISP is necessary, in order to help choosing whether some products should be made optional or not. We understand that a trade-off has to be found between, on one side a growing complexity to be handled by the algorithms and on the other side, overall simplification allowing to decrease computational time but altering the efficiency of the market to a large extent.

Eurelectric 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).

15 min MTU go-live

Related to the list of products available in the SDAC, we consider that several safeguards are needed as preconditions to be met for the SDAC 15 min MTU go-live (and that these are not met for the moment):

- Insurance that the SDAC algorithm will be able to accommodate complex block orders (linked, exclusive, flexible MTU orders) as of today, including the extension of current related parameters and constraints;
- Insurance that the SDAC algorithm will be able to accommodate multiple MTU products (either through the CPM function embedded in the algo, or via block orders possibly facilitated by a user interface) and to deal with the implied increased complexity in terms of number of block orders;
- Impact assessment on the PRBs to be sure those would not dramatically increase;
- Guarantee that the go-live would not be based on non-uniform pricing;
- Guarantee that the duration of the algorithm runs would not be increased by more than +15/20 minutes in addition to the current duration (17 minutes) and that the deadlines and operational processes after the SDAC will be all adapted accordingly.

In the absence of these safeguards, we believe that the SDAC 15 min MTU go-live is very risky, since it could be detrimental to the proper functioning of the DA market.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexp1/index.cfm?do=entity.entity_details&entity_id=4271427696-87)