

IFIEC Europe answer to the NEMOs cooperation consultation on the removal of Second Auctions within the Single Day-Ahead Coupling

IFIEC Europe would like to thank the NEMOs cooperation for this consultation on the removal of Second Auctions within the Single Day-Ahead Coupling. While IFIEC Europe is not in favor of a continuous and frequent activation of second auctions as it leads to delays in the publication of market results and could lead one to wonder to what extent market parties are correctly all their available capacity, IFIEC Europe is of the opinion that while a solution has to be found, it could prove very unwise and imprudent to abolish second auctions as these were created to be able to capture (clear and unintentional) erroneous bids leading to potentially major impacts on the price formation.

Second auction is the end-users best insurance against human or algorithm errors in the bidding (cf. Finnish market on 24th November 2023 when price was several hours in level of -500 €/MWh). False price signal can be fatal for electricity production and system security or shut down manufactories which should offer products for their customers.

IFIEC Europe is thus in favor of finding a solution which ensures that no operational risks are being introduced through the frequent activations of second auctions while preserving their initial purpose.

As a concrete measure, in case new bidding is accepted in a second auction, market surveillance should make sure that none of the market parties changes its bidding towards worse market situation and higher (lower) prices.

Concerning the expected benefits, as second auctions are currently being activated for reasons beyond the scope of their conception to cover exceptional situations, it could be expected that some expected benefits are not being delivered. This does not mean that there are no benefits at all to be expected.

IFIEC Europe also takes note regarding the reference on moving towards 15 minutes MUTs in the day-ahead market. While IFIEC Europe is in principle not opposed to such evolution, at the moment too many questions remain regarding the operational capability (including computational capacity regarding a.o. block bids to mimic hourly products under a 15 minutes MTU framework) and as such IFIEC Europe is at this moment not in favor to evolve towards such shorter MTUs, which makes this argument void at present, allowing for more time to propose an alternative solution limiting the activation of the second auctions procedure to only those cases which were intended at its inception.