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To: Stakeholders and respondents

Report of Public Consultation on amendments to SDAC and SIDC HMMCP Methodology

The SDAC and SIDC HMMCP Methodologies concern the requirements specified in Chapter 5 of Commission Regulation (EU) 2015/1222 of 24 July 2015, establishing a guideline on the capacity allocation and congestion management (the 'CACM Regulation'), and focus on the provisions for setting the harmonized maximum and minimum clearing prices in accordance with Article 41 and 54 respectively of the CACM Regulation. Pursuant to Article 9(13) of the CACM Regulation, the NEMOs responsible for developing a proposal for terms and conditions or methodologies may request amendments of these terms and conditions or methodologies. Such proposals for amendments to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 12 of the CACM Regulation.

According to Article 8(4) of the Commission Regulation (EU) 2019/943 of 5 June 2019 on the internal market for electricity (recast), as of January 1, 2025, the imbalance settlement period will be 15 minutes in all scheduling areas, unless regulatory authorities have granted a derogation or an exception. Also, Article 8(2) of the Regulation 2019/943 requires NEMOs to offer market participants the opportunity to trade energy at intervals at least as short as the imbalance settlement period in both the day-ahead and intraday markets.

Pursuant to Article 12 of the CACM Regulation NEMOs conducted, in the period 5 February 2024 to 4 March 2024, a public consultation with market participants (available at the NEMO Committee website) for introducing some amendments to the definition of triggering event for harmonized min-max prices updates. The following MPs and Organizations provided feedback to NEMOs during this Public Consultation: Energy Traders Europe, EDF, Eurelectric and RWE. NEMOs have also collected additional feedback from MPs and stakeholders via a dedicated workshop that was held on the SDAC and SIDC HMMCP Methodologies proposed amendments on March 12, 2025.

All NEMOs would like to thank the respondents of the public consultation for their valuable feedback on the proposed amendments for the terms and conditions SDAC and SIDC HMMCP Methodologies.

This report provides a summary of the opinions received and the relevant reactions and suggestions by NEMOs. The individual responses are published on NEMO-Committee website.

The summary of the opinions received and the responses by NEMOs are organized as follows.

A. General remarks

The following reflects general remarks of MPs regarding the emergency and standard measures related to pricing in energy markets.

I. Emergency situation

Two respondents consider that one should distinguish between emergency temporary measures for preserving market of uninterrupted and detrimental price cap increase and normal market conditions, relying on the HMMPC methodology. In such an approach, the HMMPC would apply routinely, standing on the principle of free formation of prices. In parallel, a legal framework with appropriate emergency measures would be set up.

The latest EU 1854/2022 addressed emergency intervention measures of temporary nature. However, the technical max and min limits of the wholesale electricity prices for SDAC and SIDC remained unaffected (still regulated by the relevant ACER Decisions 01/2023 and 02/2023 respectively) allowing for the routine reflection of wholesale prices to the market fundamentals. NEMOs are now proposing an amendment to the HMMCP methodologies taking into consideration the liquidity of SIDC and SDAC auctions.

II. Gap between SDAC and SIDC limits

One respondent proposes that the minimum 'gap' between SDAC and SIDC technical clearing price limits is set either in the form of a fixed value equal to the existing gap (i.e. 5,999 EUR/MWh) or calculated using a multiplication factor, in order to preserve the possibility for market participants to trade in intraday at potentially much higher prices than day-ahead as buy and sell options are slimming down close to real time delivery.

In the existing methodology there is an existing link for price limits updates of SDAC and SIDC. However, a constant gap between the distinct price limits applicable for SDAC and SIDC has not been considered up to now, such mechanism could be not consistent with the automatic adjustment of the limits as explained in ACER Decision 02/23.

III. Time lag

Two respondents state that the time lag between reaching a price limit threshold and the implementation of the new price limit should be reduced from 28 days to one week. This change would enable the market framework to respond more swiftly to prolonged periods of very high or very low prices, while still allowing sufficient time for procedural adjustments by market participants and NEMOs.

NEMOs acknowledge the merit of the MPs proposal, nevertheless the 28 days have been set in order to make the relevant changes to the local NEMO systems as well as allow for the implementation of tests related to the modification. The 28-days deadline has been also set in order to give clarity to the market on when to expect the relevant change to be in place. The security of operations is indeed the first pillar in the execution of the market, and any reduction of timings should be balanced by the necessity of having the relevant checks in place. For the above-mentioned reasons, NEMOs have considered it appropriate to keep the time lag equal to 28 days.

B. Remarks on specific Articles provisions

The following remarks concern existing or amended provisions for specific Articles of the SIDC HMMCP methodology.

I. Article 4.1(a) and 4.2(a)

Two respondents do not understand the rationale behind the removal of the reference to "at least two MTUs." More specifically, it remains unclear how "the coexistence of several time granularities could affect the liquidity level of the market relevant to the orders submitted at the MTU level."

The same respondents believe that 2 days already play the expected inertia role, as they imply two different clearings with two different order books and thus allow to ensure that the price spike is not an isolated event. The respondents believe that criteria based on a minimum number of MTUs and a minimum number of days are interchangeable.

The rational behind counting the triggers of price spikes in different MTUs and counting the number of days where such spikes are observed is relevant to the event frequency observation and inertia. The current rules of the HMMCP methodologies in force impose to have "at least 2 MTUs in two **different** days". However, this rule was introduced for hourly-MTUs and NEMOs believe that leaving the text unchanged in essence will change the rule. Indeed, for the same hourly prices which have been registered up to the 15' MTU go-live, we may incur the need to update bidding limits in the event of quarter-hour spikes compensated at the hourly level. In order to keep the same rule and account for the 15min MTU introduction, we

should then update the reference to **2** MTUs with **8 MTUs**. How to allocate the 8 MTUs in two different days could create some confusion and from NEMOs point of view this would reduce the transparency of the methodology, for this reason NEMOs proposed to delete the reference to MTU in the methodology. The increase in the number of days has then been added to account for the possible increased price volatility due to 15min products and 15min MTU price definition and partially compensate the possibility of having just one 15min-MTU affected by the triggering event in each of the two days.

However, the proposal was made when not all BZs in IDAs had 15-minute granularity, based on a precautionary principle, whereas today most of them have 15' MTUs. From observation of intraday auctions, there is no evidence of increased price volatility, and therefore the NEMOs believe that the current rule can be maintained. For this reason, in the last amended version of the methodology the two MTUs-two days rule has been kept.

Please consider that the situation could be different in SDAC, where in the majority of BZs for SDAC all available time granularities will be available, i.e. 60min, 30min and 15min products are available. To this end, decreased liquidity of the 15min MTU curve orders may significantly contribute to technical price spikes.

Nevertheless, lacking any evidence on this, NEMOs agreed to remove the amendment also from the SDAC HMMCP Methodology, and will re-evaluate the possible need for modification following the 15-minute MTU go-live in SDAC, based on evidence and not just on precautionary principle.

II. Article 4.1(d) and 4.2(d), liquidity metrics

One respondent considers that a condition based on market liquidity could provide an additional safeguard in the context of Intraday Auctions (IDAs), which present lower liquidity than other markets where price spikes occurring at moments of extremely low liquidity could be non-representative of the broader market situation. While, according to the same respondent, the liquidity indicator does not provide any added value compared to the technical triggering conditions (i.e. market decoupling) and should therefore not be introduced in SDAC.

Another respondent misses an analysis on the additional triggering metric for the update of the max/min clearing price based on market liquidity. That 100 MW threshold might be a valid change proposal from our perspective. Choosing 100MW as a minimum value is arbitrary and should be reviewed.

According to another respondent, the values for the different quantitative criteria (number of days, percentage or value for liquidity) seem arbitrary. More rationale and justification on how these parameters were calibrated would be useful.

Finally another respondent supports the changes introduced in Article 4 regarding the SDAC and SIDC criteria but underlines the absence of an analysis on the additional triggering metric for updating the maximum and minimum clearing prices based on market liquidity.

NEMOs are welcoming the questions of the respondents concerning the calibration of the thresholds, and in the following will give more explanations on how such thresholds have been set in the first amendment proposal.

The proposal to consider the triggering event only if the average traded volume in the MTU-BZ is at least equal to 100 MW, apart from being around the average reference value, traded in all the BZ in IDAs in December 2024 – which was the most updated volume data related to IDAs when the consultation was launched - was also consistent with the average monthly traded volumes in IDAs since the go-live in June 2024 till December 2024. So, to that extent the 100MW value was considered as a market-based figure.

Considering other existing sensitivity thresholds, the value of 100 MW is also a reference value for the Transparency Regulation. In particular, it is the threshold for which a plant outage has to be declared in order not to be considered inside information according to REMIT Regulation. Such value is then the minimum threshold to be considered for security reasons of the grid functioning.

The aim in setting the above-mentioned threshold was to consider an event with at least a minimum IDA liquidity higher than 5 MW, in order to ensure the update of price limit not due to price spikes related to small volume/single market participant bids. The 5% threshold has then been considered to guarantee the 5 MW threshold on the IDAs exchanged volumes.
The reference to the previous (rolling) month average volumes was intended to consider an adequately developed market liquidity so that to avoid single price spikes, which were most likely to occur in low liquidity IDA sessions.
Regarding the SDAC, NEMOs would like to stress that triggering events of HMMCP are not relevant to decoupling events. The triggering condition on market liquidity in SDAC has been introduced for the following reasons: (a) for introducing an homogeneous criterion of liquidity for the same type of auctions like the IDAs, and (b) to account for future market changes such as the inclusion of EnC BZs, whose liquidity maybe limited and is not known in advance.

Nevertheless, during the consultation, based on feedback received from MPs as well as from TSOs and ACER, the NEMOs realized that the metric identified was overly elaborate, and could have created interpretive problems that could have undermined the transparency of the methodology. For this reason, in the version of the methodology

submitted to ACER for decision, the liquidity metric was simplified, requesting the traded volumes per BZ/MTU in the auction to be greater than 5MW. The same metric, for consistency reasons, is proposed both for SDAC and SIDC.

III. Article 4.1(d) and 4.2(d), Methodology suspension

One respondent considers that the proposal to suspend the methodology for calculating the average liquidity over 30 days in case of a market design change should be deleted. This proposal leads to uncertainty for market participants, since relevant market design changes are not appropriately defined and the calculation would be subject to different interpretations.

The respondent believes that the liquidity level on the given day of a price spike is more relevant than its comparability over a 30 day period. In case a given market design change causes a price spike or change in market liquidity, it should be fully reflected in the price cap.

In case a condition based on market liquidity averaged over 30 rolling days is introduced, the respondent believes that it should be strictly limited to intraday auctions. It is also strictly necessary that the liquidity metric is made publicly available on a continuous basis on the NEMO Committee's website. According to the respondent, the methodology must ensure legal clarity and at least also include an accurate description of such "changes in market design" that would prevent homogeneous averaging

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In the NEMOs original proposal the relevant "market design change" was defined as the one which would prevent the averaging over a homogenous database. This is the case for the change in the MTU or for the inclusion of new BZs. The definition based on the homogenous averaging has been given to have an ex-ante understanding and calculations without any need of ex-post evaluation for having a "freezing period" of the methodology. The 30-days average volume threshold was added to take into account the maturity of the market.

Nevertheless, NEMOs understood that this proposal, instead of being received as a safeguard by MPs, was perceived as a source of uncertainty. Therefore, in the new version of the methodology, which will be submitted to ACER for evaluation, the NEMOs simplified the definition of the liquidity metric and removed the reference to 30 days over which to define the average monthly volume value.

IV. Article 4.1(e) and 4.2(e)

One respondent could support the idea of implementing a decrease mechanism for the maximum clearing price since collateral requirements and/or trading limits can be impacted by maintaining high maximum clearing prices.

According to one respondent, the appropriate time length should be assessed so as to span over seasonal and conjunctural effects, while ensuring that market participants do not have to bear the weight of unnecessarily high price caps; while another respondent is open to discuss the downwards adjustment after one year of no change in the methodology.

One respondent would support such a mechanism under the condition that: (i) the decreasing step and (ii) the observation period before implementing such a decrease are defined in such a way that they do not hinder the free formation of prices.
The respondent asks what the rationale behind this proposal is since it seems that ACER thinks that there is a lack of legal basis. Furthermore, the respondent underlines that the fundamentals that justify a decrease of the minimum price are different from those justifying an increase of the maximum price.

NEMOs are aware of the ACER reasoning in relation with Article 10(2) of the Electricity Regulation, but think this anyway it is in contradiction with the same Electricity Regulation Article 10(2), according to which technical limits in the DA and ID timeframe "shall be sufficiently high so as not to unnecessarily restrict trade, shall be harmonized for the internal market and shall take into account the maximum value of lost load." In case the limits are adjusted only in one direction to account for individual cases of variations of market fundamentals, the correlation between them and the VOLL risk to be lost.

Furthermore, the possible influence of the HMMCP levels to collaterals and side-effects of these levels to the market participants has to be considered. Despite any typical or binding legal obligation, we should also, at least, consider taking into account the actual consequences of keeping the HMMCPs at levels which actually does not make any difference for the market (as observed by the actual price levels) but only introduce financial implications and unnecessary costs.

NEMOs proposed the amendment to trigger the discussion, and understood that to accommodate for such change, a future amendment to Regulation 943/2019 would be needed. Therefore, the NEMOs decided to postpone this discussion and removed the proposed change from the version of the methodology which will be submitted to ACER for decision.