# HMMCP methodologies revision proposal

15 September 2022

# Overview

## 1. Background

## 2. HMMCP methodologies for SDAC

## 3. HMMCP methodologies for IDAs-SIDC

- **Regulatory requirement**
  - The current DA and ID HMMCPs were approved 14 November 2017 by ACER Decision 04/2017 and 05/2017 for SDAC and SIDC respectively.
  - According to Article 4(3) for both the HMMCP methodologies respectively, '*The NEMOs shall, at least every two years, reassess the HMMCP,...*'
  - **The implementation of Intraday Auctions (IDAs)** also requires to introduce a definition of HMMCP for IDAs
  - A **consultation** was launched from all NEMOs on 24/5 until 15/7/2022, results were published on 29/08/2022.

- **Context**
  - **On 10 May 2022 the SDAC maximum clearing price was increased by 1,000 EUR to +4,000 EUR/MWh** in all bidding zones participating in SDAC following the high prices of 2,712.99 and 2,987.78 EUR/MWh reached on 3rd April 2022 (delivery date 4 April) in France, in hours 8 and 9, respectively.
  - On 16 August a non-matching situation and the maximum price of 4,000 EUR/MWh occurred in hour 18 for delivery date 17 August in the three Baltic MSs/bidding zones EE, LV and LT.
  - **The ongoing market situation with high prices** calls for a thorough review of the methodologies. This includes considering the concern expressed by some parties regarding risks related to frequent increase of the max price

NEMOs have taken into account the feedbacks received from the respondents to the consultation. This presentation contains a proposal for amendment of the current methodology, where NEMOs wanted to highlight the following key aspects:

- **Capitalize on the positive aspects**
  - Keep generic rules, being no-discriminatory, readable and simple to implement
  - Keep European harmonization

- **Introduce a quicker implementation lead-time**
  - The 5 weeks period will be reduced

- **Decrease the sensitivity of the SDAC mechanism**
  - Focus must be made on structural and representative trigger events

- **Implement a mechanism covering SIDC Intra-Day Auctions**
  - Anticipate the implementation of SIDC IDAs scheduled for Q1 2024

**The current SDAC HMMCP rule is made up by these parameters**

1. Initial price limit for max price: 3.000 €/MWh (was amended to 4.000 €/MWh from 10 May), for min price – 500€
2. Price spike definition: price above 60% of the price in 1 H and 1 BZ
3. Triggering event: 1 price spike
4. Price increase: +1.000 €/MWh
5. Interim period: the price increase is implemented 5 weeks after the price spike
6. Treatment of interim period: during interim period price spikes are detected against amended price limit. despite this is not yet implemented.

*Rationale:* *Focus is put on structural and representative trigger events, therefor the triggering event is more complex, increasing the requirement for occurrence of the spike and reflecting a more long term perspective (rolling period). Following the opinion expressed by stakeholders in the consultation while still having in mind the VOLL principle, decrease back the max price shall be also allowed, indeed under specific conditions - i.e. if the market situation corresponds, in longer term perspective, to the situation preceding the increase, the decrease shall be performed – as the VOLL principle is secured.*

**The revised SDAC HMMCP rule is made up by these parameters**

1. Initial price limit: for max price 3.000€/MWh, for min price, -500 €/MWh

2. Price spike definition: a price above/below 70% of the max/min price limit in 1 MTU, no matter if in one or more BZs.  Days of application of fall-back measures (full or partial decoupling, Capacity related fall-backs) are excluded from computation. Virtual zones, uncoupled BZs and BZs with no traded volumes are also excluded from the computation.

3. Triggering event: a number of price spikes overall representing  at least 5 hours in at least 3 different days within 10 rolling days from the first spike.

4. Max Price increase/Min price decrease: +1.000 €/MWh, -100€/MWh

5. Interim period: the price increase is implemented 4 weeks after the last price spike

6. Treatment of interim period: during interim period no further price limit increase is initiated.

In line with the consultation outcome, it is proposed that after 12 months without reaching a given 70% limit X, HMMCP set back the limit X , with a predefined floor of 3.000 €/MWh.

1. For SIDC, it is proposed to maintain the current mechanism, because Market design is different, there is no clearing price, the price limit is already relevant and different mechanism would add additional complexity with no additional benefit.
   - SIDC  initial max price: 9.999€/MWh (as today)
   - SIDC initial min price: -9.999€/MWh (as today)

2. The harmonised maximum clearing price for SIDC in accordance with Article 3(1) shall be amended in the event that harmonised maximum clearing price for SDAC is increased above the harmonised maximum clearing price for SIDC. (The current article 4 in ACER Decision 5/2017.)

3. In this way a scaling mechanism indirectly applies also to the SIDC Continuous, and the monotony of price limit enlargement when approaching real time is secured.

1. With respect to the application of the HMMCP, the three IDAs are treated as one, meaning that one single max/min price limit applies to the three of them. This is needed to:
   - avoid arbitrage conditions among the three IDAs
   - secure operational reliability by avoiding separate implementations and updated of the price limits in different instances of the same MCO assets
   - Facilitate operational harmonization for market participants. (bid submission, trading limits etc)

2. It is proposed to apply to  IDAs the same price limits and the same mechanism as applied to SIDC contionuous, in order to avoid arbitrage conditions between IDAs (especially IDA3) and SIDC continous.