EFET
European Federation of Energy Traders

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To:
Rafael Gómez-Elvira González
Chairman of the All NEMO Committee
Kjell A. Barmsnes
Chairman of ALL TSOs

Brussels, 4 July 2023

Subject: Implementation of 15-minute MTU in single day ahead coupling (SDAC) needs careful consideration

Dear Rafael, Kjell,

Market participants urge the Market Coupling Steering Committee (MCSC) to conduct a **full impact assessment with an EU-wide public consultation on the conditions and practical implications in terms of operational timing and processes and product availability in SDAC related to the 15-minute market time unit (MTU) implementation**.

We firmly believe that there is no need to decide in the Market Coupling Steering Committee (MCSC) on this topic in September 2023. Such a decision should be carefully considered and be taken once all NEMOs and all TSOs have gathered all information needed, completed a full impact assessment on subsequent processes and consulted market participants based on all this information.

Background

The Market Coupling Consultative Group (MCCG) on 19 June 2023 showed that NEMOs have to extend the calculation time of Euphemia in order to accommodate the new time resolution, between 10 and 40 additional minutes. We understand that the deadlines subsequent to the SDAC process (e.g.: nomination deadlines, aFRR capacity auctions, first ID auction…) will not be changed.

While market participants are aware of the legal deadlines of EU Regulations 2019/943 and 2017/2195 to implement 15-minute imbalance settlement period (ISP) and 15-minute MTU, the SDAC 15-minute MTU should not be launched at all costs solely to meet the deadlines.

We remind that one of the purposes of the Electricity Regulation is to better integrate all kinds of flexible resources and renewable generation by using efficient trading arrangements. To meet this objective within the current legal deadlines, the implementation of a 15-minute MTU in the continuous intraday market and a 15-minute ISP in the balancing timeframe are well under way.

Implementing the 15-minute MTU in SDAC without a clear and anticipated view in terms of timing and products, would lead to massive drawback compared to today's market.

Impact assessment and consultation

The impact assessment on the implementation of the 15-minute MTU in SDAC and ensuing consultation should be run before a decision on the new timings and processes of the SDAC is taken in October 2023. We believe our request is consistent with the consultation requirements prescribed by the CACM Regulation in Article 12, Article 9(13), 9(6)(g) and (h), given that the implementation of the 15-minute MTU can be considered an amendments to the algorithm and/or to the sets of requirements for algorithm development.

To ensure informed feedback from market participants in the consultation, the impact assessment should include:

- a cost-benefit analysis of the various design choices proposed for the implementation of the 15-minute MTU in SDAC;
- the cost to expand Euphemia calculation capacity;
- clear timing charts, impacts on SDAC timing, impacts on performance assessing the optimality gap, impact on paradoxically rejected bids (PRBs);
- timing impacts and product availability (e.g.: only 15-min MTU product or presence of multiple MTU products (30, 60 min);
- ensuring that operations of subsequent processes are not jeopardized by the 15-minute MTU go-live in 2025 (nominations, aFRR auction);
- a coherent timing in DA manageable for market participants – with no step back in terms of capability to submit bids and satisfy nomination deadlines, notably including the upcoming first pan-EU ID auction.

Timing

Should there be a need to shift the SDAC publication results for the sake of the 15-minute MTU implementation, clear information should be provided on the time remaining for other subsequent process, and a debate be open as to maintaining or not the existing deadlines for the latter.

Shifting the publication of the results without reconsidering the subsequent deadlines is problematic and represents a blocking point for market participants.

The book reopening/second auction process is also potentially adding 15 minutes to the SDAC process. We understand this process is being challenged. We call for a consultation of market participants.

Products

A range of products allowing market participants to offer various kinds of flexibility is needed to improve economic surplus in the context of a 15-minute granularity in SDAC. First and foremost, the possibility to bid in 60-minute granularity must be preserved without limitations.

This means increasing the possibility to use smart orders (linked block order, exclusive group, flexible block order, …) and potentially defining new products that are in line with the key characteristics of production and consumption portfolios in all bidding zones.

A full impact assessment of product design and availability and a public consultation must be undertaken before this autumn.

We look forward to your feedback and we remain at your disposal to schedule a short meeting online to progress on this matter.

Yours sincerely,

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