ACER
Dr. Christophe GENCE-CREUX
Christophe.GENCE-CREUX@acer.europa.eu
Thomas Kawam
thomas.kawam@acer.europa.eu

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Subject : ACER's public consultation on the revision of the Harmonized Maximum Minimum Clearing Price (HMMCP) methodology for single day-ahead coupling (SDAC) and for single intraday coupling (SIDC)

Dear ACER colleagues,

I am contacting you on behalf of Eurelectric with regards to the ongoing ACER consultation for the revision of the HMMCP methodology to express our general remarks and concerns.
Although Eurelectric acknowledges the serious situation we are going through at the moment, we believe that the process around the revision of the Harmonized Maximum and Minimum Clearing Price (HMMCP) methodology is concerning for the following reasons:

- first, the current freeze at 4000 €/MWh is missing any legal justification. We understand that this decision was motivated by the exceptional context related to political reasons and the technical complexity of this measure. However, it should not set a precedent for potential further modification of market rules without proper legal background. **We would welcome a formal legal statement backing the decision of MCSC** not to implement the automatic increase (which had been decided and announced with a specific date) to 5000 €/MWh foreseen by the HMMCP methodology.
- We believe that the emergency situation must not lead to revise such an important methodology in a hurry. In our response to the consultation recently run by NEMOs, **Eurelectric called for an in-depth discussion on the value of technical parameters of this methodology**. We regret that such a discussion did not take place. Instead, a new set of parameters is proposed without any explanatory document or analysis that we would be aware of. In any case, even if this amendment proposal adds conditions for increasing the technical cap, it will not prevent such a cap increase from occurring if very high prices are regularly reached next winter.
- Therefore, we consider that **one should distinguish emergency measures** (the definition of which needs to be clarified) **from the regular revision of this methodology foreseen by the CACM guideline**. We believe that emergency measures such as the freeze of the mechanism, should be handled via another emergency process than this current review of the HMMCP methodology. An appropriate process requires to provide a legal background to the emergency decision taken by NEMOs, while granting sufficient time to perform the in-depth revision of the methodology.

Union of the Electricity Industry — eurelectric aisbl — Boulevard de l'Impératrice, 66, 1000 Brussels, Belgium
T +32 2 515 10 00 — VAT: BE 0462 679 112 — www.eurelectric.org

More precisely, on the consultation process, we have the following comments:

- We regret that ACER does not share its views and analysis regarding NEMOs proposals.
- We understand the need to have a "fast track" consultation, but we call to provide the background and justification behind respective proposals. In our response to NEMOs consultation, we called for a dedicated workshop to discuss the technicalities and the parameters, and we regret this did not take place.
- There is no justification provided on the levels, nor any analysis. For instance, we would appreciate **feedback on any insights if the new proposed parameters would have been applied to historical data.**
- We regret that the poll format of the consultation does not allow stakeholders to properly justify and share their answers.
- The workshop planned by ACER will last only for 1 hour and is too close to the end date of the consultation. This process does not allow us to have a sound debate on the technical parameters. In particular, we challenge the need to modify now the minimum price floor, in such a "fast track process", without proper justification.

In the absence of an in-depth debate supported by analysis and justification around the parameters, Eurelectric is not in a position to provide detailed feedback on the new values/parameters and therefore to answer the questionnaire. However, Eurelectric lists below the high-level points that should be considered in the review and acknowledge that the NEMO proposal goes in the good direction:

- Prices should be freely formed by the matching of the demand and supply curve. However, we must not ignore the impact of the value of the spot price levels on the formation of forward price and the subsequent financial requirements. **Eurelectric therefore welcomes the idea to increase the "inertia" of the price cap increase mechanism**.
- Eurelectric welcomes the fact that a technical **price cap increase should not be linked to a price spike triggered by capacity calculation problems** (such as fallback calculation of cross-border capacity) **or by market coupling issues** (full or partial decoupling).
- **We welcome the idea of implementing a decrease mechanism for the maximum clearing price**. The NEMO proposal considers a **12-month period** before decreasing the cap. Eurelectric considers that it **is too long**, and a shorter period must be envisaged.
- We are in favor of **a shorter interim period than the 5-week** period proposed in NEMOs proposal. The new rule shall in no way endanger IT systems and processes related to SDAC but not go beyond the necessary duration for implementation. On the Market Participants side, technically, the implementation of new price limits can be done in an agile manner. We believe it should not exceed 2 weeks. Moreover, a shorter interim period would make questions on the treatment of the transition period and new rules to be put in place less important.
- The starting level of the new methodology, once it enters into force should either be 3000 or 4000 €/MWh. We welcome feedback on whether, by applying the methodology including the NEMOs amendments, there would have been a price cap increase in the course of 2022. If not, we consider 3000€/MWh as the right starting value. If yes, the debate remains.
- **We consider that the intraday technical price cap shall be the same for intraday auctions (IDA) and for the XBID (continuous market), and that the intraday technical price cap shall be in any case higher than the day-ahead (DA) price cap.**

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Other elements to consider for a future revision that deserves further discussions with stakeholders:

- **On the proposal to decrease the minimum price limit**: we consider that this decision should not be taken in such a "fast track" process. We regret the lack of debate on this. As said in the July consultation, we welcome the debate, but consider it is premature to change the process now and therefore, we oppose a modification of the initial minimum price limit as well as a process to automatically decrease it
- **On the maximum price increase steps**: we consider that the "size"/values of the step-in case of increase should be discussed. For instance, a degressive increase or smaller steps could be evaluated, especially in case the interim period is shorter, while finding the right balance with operational processes that need to be adjusted.

We remain at your disposal for any further clarifications and looking forward to a fruitful exchange with you and relevant stakeholders.

Yours sincerely,

Ch. Renaud

Charlotte RENAUD
Head of Markets & Customers

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