ACER consultation on all NEMOs' proposal for products in day-ahead coupling

A Eurelectric response paper

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Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Market Integration & Network Codes

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Eurelectric voiced no opposition when the all NEMO committee proposed in June 2020 to augment the list of products to be handled by the Single Day-Ahead Coupling algorithm, as this change was presented without prejudice in terms of functionalities of the algorithm in comparison with the current standing.

Indeed, Eurelectric considers that the set of products already handled by the Euphemia algorithm is necessary to allow for an efficient price formation in the day-ahead time frame while complying with all specific rules at the national level.

First of all, Eurelectric opposes to qualify the "linked bids" and "exclusive bids" as optional. Indeed, those products are key to allow market participants to correctly optimize their assets (production, demand response, storage,) in the market. As highlighted in Eurelectric's response to ACER consultation on the Single Intraday Coupling algorithm in November 2019, complex products such as exclusive bids "allow a more direct valuation of some flexibilities such as demand response with complex/industrial processes […] or power plants with start-up/shut-down costs." Consequently, "removing the possibility to offer complex products in day-ahead auctions can thus be a threat to the valuation of such assets, likely to reduce their competitiveness and to generate inefficient dispatch decisions."

In addition, Eurelectric believes that as long as current national rules applying to the day-ahead auctions remain, any step back in terms of complex products can harm significantly price formation across Europe and the efficiency of investment and dispatch decisions. For instance, In line with this principle, Eurelectric believes that future developments of the SDAC, even when they aim to introduce 15-minute products in the SDAC as enforced by the Electricity Regulation 2019/943, should not lead to abandoning the products that existed (and were referenced as part of the CACM methodologies) when the Electricity Regulation was adopted. Should there be a willingness to abandon MIC and PUN, a thorough review of national obligations in Italy, the Single Electricity Market of Ireland and Northern Ireland and Iberia should be performed, ensuring level playing field with any other market participants and ensuring that this removal does not prevent market parties in those bidding zones to (i) comply with national regulation and (ii) properly optimize their assets in the market.

Eurelectric opposes, therefore, the changes proposed by ACER to Article 4 of the methodology, which qualifies exclusive bids and linked bids, MIC products and PUN products as optional.

Eurelectric also highlights its disappointment about ACER's tentative to use their power of validation of an amendment proposed by the all NEMO committee (which proposes an augmented list of SDAC products) as an opportunity to propose a major step back with another amendment that was not requested by the all NEMO committee, nor by ENTSOE, nor by any major stakeholder association.

Extract from Eurelectric's response to ACER consultation on the algorithm for the SIDC in November 2019:

QUESTION 2 - Do you agree that the implementation of the 15/30 minute products and other essential functionalities of the <u>day-ahead</u> algorithm should have a higher priority than the complex products in case of any algorithm performance issues? *Please, provide detailed argumentation, especially if your view is different from the one in intraday (Question 1).*

Eurelectric would like to recall that complex products as defined in the SDAC product definition, with a duration much longer than 30 minutes, allow a more direct valuation of some flexibilities such as demand response with complex/industrial processes or based on time of use/critical peak pricing retail tariffs, or power plants with start-up/shut-down costs. Removing the possibility to offer *complex products in day-ahead auctions can thus be a threat for the valuation of such assets, likely to reduce their competitiveness and to generate inefficient dispatch decisions.*

In Eurelectric's view, if both 15/30 min products and complex products (with the same range of options as today) cannot be accommodated within the Single Day-Ahead Coupling, complex products should be prioritized. As far as cross-zonal capacities can be allocated with a finer granularity closer to delivery (be it with the continuous SIDC or with the intraday pan-European auctions), it is key for the efficiency of demand response based on spot markets that block products with a long duration can be handled at least in day-ahead. Making their management more difficult could thus be very costly to them, and in particular in situations of potential scarcity.

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