

Proposals to improve SDAC fallback provisions

Eurelectric position paper

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.

Eurelectric proposals to improve SDAC fallback provisions

1. SDAC Fallback Manual

Eurelectric supports the publication of a fallback manual for SDAC, which should be considered a no-regret measure. In addition to the joint guidelines, we encourage NEMOs and TSOs to prepare educational material (e.g., videos) to raise awareness about decoupling procedures.

Conflicting messaging from different trading venues is a source of confusion for market participants and should be avoided. We therefore encourage NEMOs and TSOs to use the preparation of this fallback manual to ensure that market messages are harmonised and consistent across venues. Whenever information is specific to an individual NEMO, this should be stated explicitly in the fallback manual. We additionally suggest publishing all decoupling messages issued by NEMOs and TSOs centrally. For example, the JAO [message board](#) could serve as a central repository for standardised decoupling messages. It could also be used to provide standardised information about decoupling timelines and to display NEMOs' coupling state in real time.

As regards the content of the manual, we would welcome:

- **UMMs:** Single messages by NEMOs and TSOs on the updates of the incident, including a full and clear timeline of when and how these messages are communicated.
 - Description of NEMO-specific procedures where applicable.
- **Shadow auctions:** Clear process description on the triggering of shadow auctions, including a full geographical overview of which borders apply shadow auctions – and which do not.
- **Timelines:** Clear and standardized approach to required activities (e.g., capacity auction process will open for X minutes at HH:MM, results will be available Y minutes afterwards, orderbook will be open until HH:MM, interconnector nomination window will be open for Z period auction rerun will start at HH:MM, TSO nominations will be possible until HH:MM, etc.).
- **Post-trading:** Relevant settlement prices for transmission capacity and physical settlement.
- **Standard incident management:** Issues experienced by individual exchanges should be subject to standardised incident management procedures (e.g., will *all* orderbooks across the industry be reopened).

Furthermore, we would welcome clarification of the interpretation of article 7.2 of the revised Electricity Regulation, specifically how it impacts current fallback practices pending updates by NEMOs and TSOs and clarifying its application to specific cases (e.g., monopoly NEMOs, local clearing).

2. Early SDAC Order Book Gate Closure Time

Eurelectric has strong opposition about the MCSC proposal to implement an earlier gate closure time for SDAC. We believe that the measure has several drawbacks in comparison to other measures designed to increase the time for market coupling processes:

- **Permanent measure:** this measure would require a permanent change of the gate closure time, disrupting timelines for every day of the year, whereas the MCSC proposes to relax nomination deadlines only in case of decoupling risk.
- **Adaptation costs for all stakeholders:** as highlighted by the MCSC, an earlier gate closure time not only affects all market participants, but also NEMO and TSO processes.

- **Impact on MP optimisation processes:** the day-ahead process is very tightly scheduled, and market participants need all the time at their disposal to use information about other market timeframes and physical conditions to optimise their bidding strategies.
 - **Interaction with balancing markets:** across many EU countries, tenders and gate closure times for the three balancing capacity bids specify a timeframe (08:00, 09:00 and 10:00 AM) that leaves only a short time window for market participants to integrate information into their bids. Results from the balancing capacity tenders are generally only available 30 minutes after the gate closure time. This information must then be considered for the next tender. Market participants do not see any margin to further reduce this timespan. Indeed, an earlier gate closure time would require rescheduling all capacity auctions to allow for scheduling and adjusting positions. All internal processes on bid calculation, onboarding of third-party bids, forecasting and scheduling would need to be executed earlier. The rescheduling further ahead of delivery would reduce the accuracy and reflectiveness of asset generation. It contradicts the current strategy to enable more granular trading with 15' MTU products, which allows more accurate balancing and closing out of asset-backed trading positions.
 - **Interaction with forecast data:** key data for the preparation of various forecasts (prices, consumption, etc.), such as weather reports for the following day, are only available between 7:00 and 8:00 AM at the earliest. This information needs to feed into market participants' bids to ensure the trading strategy aligns with physical fundamentals. This would also impact on the publication of flow-based parameters which would need to be published earlier.
 - **Interaction with the market:** this measure would affect all market participants and the pan-European optimization, strongly reducing their trading window and hedging opportunities.
- **Impacts on neighbouring markets:** it is likely that this measure would cause knock-on effects on auction functioning in neighbouring countries. In the Swiss case, for example, auctions for cross-border capacities take place at 10 AM, whereas the Swiss day-ahead auction takes place at 11 AM. An earlier SDAC gate closure time could therefore require changes to the Swiss organisation of auctions. This would also impact the interaction with the GB market (interconnectors bidding and GB Power Exchanges).

Considering the above, we believe that due to the disruption an early SDAC order book gate closure time would cause, this measure should not be further pursued. Indeed, this measure would put SDAC optimisation processes in jeopardy and cause burdensome reorganisations for all parties involved.

3. Relaxing nomination deadlines in case of critical incident

We strongly support the postponement of final nomination deadlines in cases where critical market incidents occur. While we acknowledge impacts on [TSO processes](#), this would be a less disruptive measure, since decoupling risk occurs only on very rare occasions. We encourage TSOs to outline how this measure would affect their processes and how such effects could be mitigated, and to assess if this measure could be introduced earlier than 2027 to minimize the decoupling risk and its negative impact on social welfare. We also see this as a no-regret measure.

4. Single clearing price in MNA per Bidding Zone

Eurelectric supports MCSC efforts to always ensure a single price in bidding zones with multi-NEMO arrangements. We welcome the proposal to implement a **local process using the SDAC price to clear MP volumes held on the decoupled NEMO**. We believe that a measure ensuring a single price should be implemented at the earliest possible, considering the increased decoupling risk in the context of the 15' MTU go-live.

The following elements of the proposal require further investigation:

- **SDAC price:** the exclusion of one NEMO from the SDAC may have the result that the price formed in the SDAC is not representative of the system state. This means that results from both this local process and the market coupling can be off target compared to the actual expected results. It is therefore important to consider the underlying liquidity of the SDAC reference price.
- **Operational aspect:** the concrete organisation of this procedure (information about decoupling, SDAC price publication, finalisation of decoupled order book) and the technical ability for a decoupled NEMO to conduct this local process need to be investigated.
- **Legal certainty:** for this solution to be implemented, regulatory authorities need to confirm that it complies with the revised Electricity Regulation. Also, the draft revised CACM 2.0 (Art. 49(5)) seems to prevent this solution for the future, since “[t]he back-up and fallback procedures referred to in paragraph 2 shall not result in the organisation of trading with day-ahead products or products with the same characteristics outside the single day-ahead coupling.”
- **Full decoupling:** in case of full decoupling, no SDAC price is available. It would need to be investigated how to ensure a single price in this case, i.e. through a common pre-defined reference price. Rules should be harmonised to the extent possible, respecting regional specificities.

5. Shadow order book “snapshot” is taken before the incident

Eurelectric encourages the MCSC to continue investigating this solution. The following points should be considered in particular:

- **Quality of shadow order books:** the possibility of clearing all submitted order books, means that, in theory, this auction can constitute a good approximation of the results expected in the absence of decoupling risks. Deviations from the expected results would emerge from incomplete shadow order books at the time of the snapshot, or from significant changes in market fundamentals between the time of the snapshot and the 12:00am SDAC GCT. NEMOs and TSOs should investigate, together with market participants, means to facilitate and ensure that market participants update their shadow order book on a regular basis, thereby ensuring that bids submitted are representative. At the same time, the closer the snapshot to the gate closure time, the higher the chance that the shadow order book cannot be used in case of technical problems of one NEMO.

6. Enhanced backup processes in local trading systems (LTS)

Eurelectric supports the enhancement of backup processes in LTSs. Redundancy in key IT systems is an effective way to prevent decoupling and should be implemented as quickly as possible.

7. Replace shadow auctions by Intraday implicit allocation

Eurelectric is highly sceptical about substituting the SDAC with IDA1 in case of decoupling and advocates instead that IDA1 is systematically suppressed when the SDAC is encountering issues in order to give it more time to converge. The proposal to rely on IDA raises multiple questions:

- **Operational:** can it be guaranteed that a NEMO unable to submit orders to SDAC can access SIDC? NEMOs' resources during SDAC decoupling should be first allocated to fix the issue before trying to run the IDA1. In addition, we still observe rather unstable SIDC auction processes, making it an unreliable fallback, especially if it was to handle a significantly higher liquidity and complexity. Indeed, data shared by the MCSC displayed a 98,47% success rate, which would amount to more than 5 decouplings every year.¹ Finally, assuming that the DA auction is "cancelled", there would be no ability to submit a balanced nomination to the TSOs who require it; so also impacting the DA matching processes.
- **ID market specificities:** intraday auctions have seen low liquidity to date, raising the question whether they would be able to cope with a large increase in available capacities. We encourage NEMOs to assess whether shifting day-ahead auction volumes to the intraday timeframe would overburden the matching algorithm and cause additional decoupling risks. Also, not all market participants being active in DA auctions are set-up to participate in ID auctions, meaning the measure would involve costly organisational changes. Finally, intraday auctions do not accommodate complex orders and provide less time for market clearing.

¹ Market Coupling Stakeholder Committee: MCCG session file, 02 June 2025, p.32, [Link](#).

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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