

CapGemini-Ponton study on next generation market coupling IT- Architecture

Eurelectric comments

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.

Dépôt légal: D/2026/12.105/01

Question 1: What do you like most about the study?

General comments

- Eurelectric overall welcomes this initiative. We would however welcome clarification on the **rationale for not developing a joint proposal with NEMOs**, and how discussions with NEMOs, DG ENER, ACER and NRAs will be organised in the future.
- We would request **clarity on next steps, notably how to move from high level cost estimates to more precise ones**.
- We would request **clarification of the exact scope of the study**: while block 1 and block 2 seems to imply that Euphemia and XBID will not be affected, block 4 and 5 seems to cover it in terms of fallback and transparency.
- Considering the shared stakeholder responsibility for market coupling and the coverage of both TSO and central market coupling systems in the report, the **absence of a shared diagnostic in the MCSC** and the primary focus on benefits for TSOs (e.g. block 5) **are raising concerns**.

Diagnostic

- We find **that the diagnostic is quite alarming** with what seem to be extremely outdated systems and very inefficient architecture and processes. Is this diagnostic largely shared, notably with NEMOs and within the MCSC? Is this quantified?
- It would be advisable to complement the report with **current performance metrics benchmarked against clear targets**, for example in comparison with stock exchanges.

Prognosis

- Same question as for the diagnostic: what was the list of solutions considered? Are the proposals consensual within the MCSC?
- The report appears to suggest exploring alternatives to renewing the XBID contract with DBAG. Clarification would therefore be useful on whether similar challenges exist with Eurphemia, and which alternative providers could realistically compete under a more simplified and efficient architecture. More generally, how plausible are the solutions proposed in the report (e.g. the modular architecture, the harmonized interfaces etc.)?
- The report plans to align architecture for DA and ID for efficiency purposes. Should this exercise be extended to investigate potential efficiency gains from deeper integration
 - between MARI and PICASSO platforms
 - between **market coupling and balancing markets** (all the more considering the upcoming 30' IDCZGCT milestone)
 - between the above and other TSO processes, e.g. tasks related to **RCC legal mandates and/or other processes within and between TSOs?**

Governance

- While the report explicitly excludes organizational and governance topics, the proposal to move towards a centralized architecture and to rely on “parity in ownership and decision-making rights” begs the question about TSOs’ position regarding a governance reform.
- Is the centralised architecture with two operational sites and one test site compatible with current governance arrangements, or would such a set-up fall under the remit of a SMCO?
- Which legal entity would host the burden of this project? For example, who will the central technical team in charge of phase 1 be allocated to?

Market design

- The report often quotes the **distinction between continuous trading and auctions as a source of complexity**. Is the proposed single technology stack supposed to meet this complexity, or would it eventually lead to dropping one or the other?
- Certain statements and related proposals outlined in block 5 to improve system integrity raise concerns regarding the TSOs’ prerogatives. **TSO needs that are not met by the current market coupling framework should be clarified.**
 - For example, the report states that *“[w]hile inputs and outputs bids, prices, schedules are accessible, the transformation process remains opaque. **This gap limits operator’s ability to validate outcomes, anticipate stress behaviour, and manage risks proactively.**”* It should be clarified what outcomes are being referred to and why TSOs would need to validate such outcomes.

Costs

- The report criticises the current structure based on different systems for ID and DA, stating that it is inefficient and that a single platform can lower costs and operate more efficiently. However, these efficiency gains are not quantified in the report, which only provides estimates for higher transition costs. **We would welcome estimations of the expected efficiency gains.** In addition, we suggest:
 - A comparison with current spending alternatives and a **cost-sensitivity analysis**, accounting for potential delays. We would welcome **estimates of time savings and reductions in human resource needs** related to development, deployment and management of market coupling systems.
 - How have existing infrastructure costs been estimated, and are they already reflected in current financial projections managed by the MCSC ?
- The total cost will be financed through an ad hoc 1 ct/MWh fee. Details regarding the calculation of the proposed fee, and alternative fee structures avoiding cross-subsidization between market participants would be appreciated. This applies particularly to smaller market participants or traders with limited final transacted volumes.
- Finally, we would welcome clarification on whether NEMO fees would be adjusted downwards in case functions are migrated to the central team and infrastructure.

Question 2: what do you think is missing in the IT study

We provide some further comments regarding the different building blocks proposed in the study for a centralized market coupling IT infrastructure.

Blocks 1 and 2:

- Clarify the scope of the proposed **Common Information Model**, specifically whether it implies the absence of such a model today, or rather the renewal and enhancement of the existing one.
- Provide greater transparency regarding the **unified API proposal**, including the current state, targeted improvements, and expected benefits, notably for LTS in terms of improved synchronization with central services. Clarify accessibility and integration of a single data-publication API, including whether it would be available to market participants and how it would interact with the ENTSO-E Transparency Platform.
- Explain how the proposed architecture would effectively address the **risk of failure propagation** between the day-ahead market and IDA1, previously identified by the MCSC when IDA1 was considered as candidate for a fallback mechanism.

Blocks 3 and 4:

- We find the diagnosis very concerning. However, it gives the impression that the intention is to extend **ENTSO-E's communications model** without first assessing whether it can be improved or whether it is imperfect.
- Quantify **latency reduction** or show a use case.
- How is **failover** currently performed? Is there currently no transparent failover for users in XBID? Is this not in the DBAG contract? Time gains are missing.
- What is the current status of **Disaster Recovery and Business Continuity processes**, and to which extent are they subject to auditing ?

Block 5:

- It would be useful to provide **concrete examples of currently unmet needs** when stating: *"While inputs and outputs—bids, prices, schedules—are accessible, the transformation process remains opaque. This gap limits operators' ability to validate outcomes, anticipate stress behaviour, and manage risks proactively."*
- Trading dynamics do not necessarily yield physical conclusions that TSOs can process adequately. We do not fully understand the accountability issue described, as they are not responsible for trading until the resulting schedules are nominated. We do agree that they should receive nomination information directly from market participants as early as possible, while preserving trading freedom until market closure and under balanced data-exchange obligations are ensured. Otherwise, efficient price formation would be impacted.
- We do agree that **independent audits of algorithm behaviour during incidents** could be carried out, provided they are led by ACER/DG ENER, as TSOs are also an interested party. Replicability of algorithms and decisions could also be **extended to incidents on balancing platforms**. However, using this capability to **simulate future decision-making scenarios raises doubts**, as it may lead to incorrect conclusions or be used to dilute the TSOs/NEMOs' legal responsibility.
- It would be advisable to complement the report with **current performance metrics benchmarked against clear targets**, for example in comparison with stock

exchanges (while acknowledging the different contexts). We would welcome improvements in coordination of post-coupling and intraday processes between NEMOs and TSOs, thereby reducing the risk of decoupling, IDA cancellations, tight time windows and the application of corrective measures limiting/eliminating the use of products and other features.

- The report states: *“In addition, there has been growing criticism by stakeholders, including market participants, regulators and policy makers about the ‘black box’ nature of the algorithms, and entry barriers of new market participants.”* We would appreciate **concrete examples of entry barriers**, which would necessarily involve both NEMOs and TSOs.

Blocks 6 and 7:

- In theory, systems should already be managed as envisaged for the future, in line with MESC presentations. The proposal does not specify which **concrete improvements** have been identified.
- Would the **canary-release strategy** affect market participants?
- The **automatic rollback process** is, in principle, already envisaged (e.g. 15-minute MTU), and we understand that the test environment currently in use already acts as the proposed Digital Twin. What concrete improvements are being put forward, beyond greater process controllability derived merely from centralization and system integration? In the case of the Digital Twin, how will the real-time market situation be replicated?
- Does the **concept of a “single source of truth”** imply that there is currently no unified data model and no coherent, homogeneous and single repository for all coupling-related data? Would this be integrated with the ENTSO-E Transparency Platform?

Block 9:

- Would the proposed operating model **detect bids that are misaligned with expectations**? Would it facilitate NEMOs’ tasks under REMIT? How does this relate to the CACM 2.0 wording on the withdrawal of “erroneous or harmful” bids?

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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