

AII-NEMO Committee call for feedback on fallback concept for SDAC

A Eurelectric consultation response 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.

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All-NEMO Committee fallback concept for SDAC decouplings

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April 2026

KEY MESSAGES

- Eurelectric welcomes the opportunity to comment on the proposed fallback concept for SDAC decoupling.
- While no SDAC full decoupling has ever occurred, its economic and system consequences would be massive, and a good fallback needs to be in place to weather potential impacts.
- The June 2024 partial decoupling incident in SDAC highlighted the need for robust fallback mechanisms. We regret the lack of transparency and stakeholder involvement in the process that this incident set in motion and call for a better justification of the proposed solutions.
- Every effort should be made to avert a possible decoupling. Eurelectric recalls its support to postponing the nomination deadline when this risk appears, providing more time to NEMOs to resolve incidents.

A good fallback needs to (i) produce a single price per bidding zone, (ii) which price should be economically relevant and representative of system conditions. This entails the ability for market participants (MPs) to clear sufficient volumes for day-ahead nominations.

- While the proposed intraday continuous fallback with reference price offers benefits, such as a separate, coupled market infrastructure, its implications are multiple, consequential and uncertain.
- Assessments under way need to demonstrate that the fallback would effectively work in a decoupling situation, satisfying the conditions mentioned above.
- Day-ahead prices serve as the underlying for numerous forward market contracts, including LTTRs, requiring a system-relevant day-ahead price for settlement.
- Further information is needed on the impacts of this fallback on price formation and the level playing field, and on market participants' ability to clear sufficient volumes during the fallback time window to produce a relevant reference price.

Introduction and Identification

1.Name of the company

Eurelectric

2.Email address in case you are open to receive possible follow-up questions (optional)

mschneider@eurelectric.org

3.In which electricity markets are you active in?

- ☐ Austria
- ☐ Belgium
- ☐ Bulgaria
- ☐ Czechia
- ☐ Germany
- ☐ Denmark
- ☐ Estonia
- ☐ Finland
- ☐ France
- ☐ Greece
- ☐ Hungary
- ☐ Italy
- ☐ Lithuania
- ☐ Latvia
- ☐ Luxembourg
- ☐ The Netherlands
- ☐ Norway
- ☐ Poland
- ☐ Portugal
- ☐ Romania
- ☐ Sweden
- ☐ Slovakia
- ☐ Slovenia
- ☐ Spain
- ☐ Republic of Ireland and/or Northern Ireland
- ☒ Other: all EU

4.In which role(s) do you act within those countries?

- ☐ Trader
- ☐ Significant grid user
- ☐ Retail company
- ☐ Balancing service provider
- ☐ Balancing responsible party
- ☒ Other: association of electricity market participants

High-level Acceptance of the Proposed Fallback Concept

5.Do you support the proposed new fallback concept?

- ☐ Yes, fully
- ☐ Yes, partially
- ☒ No, rather not
- ☐ No, not at all

- Not applicable

6. Which aspects do you consider critical, which aspects do you support, which aspects do you find blocking points?

As a general note, Eurelectric regrets the lack of transparency around the current process to revise fallback mechanisms, which has left market participants wondering about the status and reasons for the choices made by NEMOs and TSOs. Eurelectric would welcome clearer concept descriptions as well as a presentation of the trade-offs of the different options under consideration and a full problem statement justifying the collective and individual choices of market coupling stakeholders.

Eurelectric reiterates that the priority should first be given to preventing a decoupling from occurring. We have therefore called for improved system robustness and redundancy. In this respect, Eurelectric supports the WS1 measures presented in the MCCG to prevent partial decoupling through improvements to Local Trading Systems. In particular, Eurelectric is in favour of the daily NEMO process (before GCT) involving the submission of local test order books to the pre-production environment. These tests help verify system readiness, both generally and under near-real conditions. Eurelectric also notes that the MCCG slides refer to market participants being encouraged to submit orders early to support effective testing. Eurelectric requests confirmation from NEMOs and TSOs that, in such cases, early order books submitted by market participants will not be used for SDAC clearing if updated versions are provided later. Eurelectric also supports harmonizing LTS architecture and resilience expectations across all NEMOs.

However, this may not be sufficient to prevent incidents that typically lead to decoupling. That is why Eurelectric has called as well for a sufficient delay to the SDAC nomination deadline in these exceptional circumstances, to grant NEMOs more time for incident resolution. The SDAC nomination deadline needs to be postponed sufficiently to maximise NEMOs' ability to resolve incidents.

Eurelectric recalls the aspects it considers necessary for a good fallback: (i) it should enable the creation of a single price per bidding zone that can be used for the settlement of financial contracts, (ii) this price should be economically relevant and representative of the system state. This means that it should allow for the clearing of sufficient volumes to submit complete and accurate commercial and generation schedules within applicable nomination deadlines. Eurelectric also underlines that fallback mechanisms for day-ahead and intraday coupling should be as harmonized as possible at the European level, and, at a minimum, among TSOs within the same capacity calculation region (CCR).

Eurelectric notes that the removal of shadow auctions is considered necessary to shorten TSO execution steps in case of decoupling, allowing them to yield more time when market coupling operations are at risk. At this stage, the relation between shifting the nomination deadline and removing of shadow auctions has not been made clear. Instead, most arguments relate to the perceived inefficiency of shadow auctions, that are presented without substantiated elements. The impact of moving from shadow auctions to SIDC continuous on market participants' processes (in terms of bid execution, post-coupling tasks), as well as efficient price formation, should not be underestimated. In this regard, a clear diagnostic, listing related processes, timings and durations as well as underlining immovable constraints would be appropriate and would allow to identify more clearly all viable alternatives.

We understand the appeal of using SIDC CT, which is familiar to many market participants and operates under a coupling infrastructure that is distinct from SDAC coupling systems. It should be noted however that not all MPs trading on day-ahead use intraday markets. In

addition, Eurelectric notes and regrets that TSOs seem to consider this process would only allow to free 30mn. To fully assess the importance of these 30mn, Eurelectric calls for building a better and shared view on how NEMOs (and possibly TSOs) would make the best of this time and how this would have impacted the situation in previous decoupling events.

Eurelectric also underlines that, for this option to function, it needs to fulfil the criteria mentioned above and to effectively deliver when a decoupling occurs. This requires the clarification of a number of points.

NEMOs' expectations as regards the translation of day-ahead bids to intraday continuous (time and products available) should be made clear. Under an optimistic scenario, large volumes from the day-ahead volumes would be transferred to SIDC CT. It needs to be ensured that this does not lead to a crash of XBID, which has lately been the subject of critical performance challenges. In this regard, we call on NEMOs and TSOs to share the results of the tests that are performed to stress-test XBID's performance when faced with day-ahead trading volumes. It also must be ensured that the translation of bids does not create REMIT compliance risks in relation to market participants' potential inability to join the SIDC CT at this opening time.

As regards the effectiveness of the intraday fallback in fulfilling the tasks usually executed in SDAC, it hinges on the ability of SIDC continuous to produce market results that come as close as possible to the welfare optimisation achieved in SDAC. This depends both on price formation dynamics and on the production of a relevant reference price.

First, **the impact of moving from a cleared market setting to continuous matching on price formation** (price forecast importance under a pay-as-bid design, speed to optimal allocation without SDAC reference etc.) **and the level playing field** (unequal access to ID market, race to click dynamics etc. though this may depend on the solution put in place) **require a full assessment**. A clear example is that the pay-as-bid mechanism of SIDC CT would prevent market participants from physically fulfilling forward market positions without risk. This is one of the key benefits of having a pay-as-clear auction like the SDAC serving as a reference for many forward market products. One of the key shortfalls of the fallback process experienced in June 2024 – having multiple day-ahead prices in one bidding zone – would be exacerbated, as the pay-as-bid mechanism of SIDC CT would in practice result in as many prices as there are trades.

Second, **volumes cleared during the fallback process need to be economically relevant and representative of the system state**. This requires a trading window before the nomination deadline that is sufficiently long to allow market participants to clear volumes comparable to their day-ahead commitments. If this condition is not fulfilled, market participants will face problems in nominating complete schedules. This requires that XBID performance is not altered and that all 'left-over' cross-zonal capacities from day-ahead are made available in time.

This trading period should also overlap with the time window considered for the construction of the SDAC reference price. A relevant reference price depends on several parameters, notably liquidity dynamics as well as market participants' forecast capabilities. Under the current proposal, the weighted average price would be calculated over a short trading period (15:15 – 15:45), which might be too short for MPs to translate all their bids into intraday. During this time window, MPs also lack a reference price against which to trade. The risk of insufficient participation during the first minutes of intraday continuous thus requires full consideration.

To assess whether the reference price is relevant and representative of the system state, one should consider comparing it to the trading activity that would correspond to day-ahead trades or to current trading activities observed on liquid ID markets over a long period of time. These trades also need to benefit from cross-zonal capacities to produce an economically relevant price; otherwise, we see little added value in the intraday fallback compared to local auctions performed in case of full decoupling. The robustness of the chosen SDAC reference price is key, since it serves as the underlying for numerous forward market contracts, including LTTRs. A skewed reference price would negatively affect MPs' hedge effectiveness.

In short, **Eurelectric welcomes further work to limit decoupling likelihood and improve fallback processes by investigating options that allow the emergence of unique and more reliable SDAC price references under decoupling situations.** Eurelectric believes that the current proposal to withdraw shadow auctions requires detailed justification as well as better framing. Also, the rather limited amount of time expected to be freed with this measure should be justified, as well as a plan as to how this time would translate into decreased decoupling likelihood. Finally, Eurelectric also underlines that, at this stage, the SIDC CT option does not seem to offer better properties with regards to the formation of a reliable SDAC reference price than existing options.

Bid Transfer, Trading Capability, and Process Timings

7. From a technical perspective, how much time would you need to transfer your bids from the Day-Ahead timeframe (SDAC) to the Intraday timeframe (SIDC CT) in the fallback scenario?

Please provide the minimum and maximum time, in minutes.

The transfer process requires multiple processes to be done under time pressure, without the benefit of experience nor habit. Crucial steps like identifying open positions that need to be prioritized for closing, adjusting trading strategies to the changing circumstances and market context, and converting SDAC products into compatible intraday products, are made more challenging by the sheer volume of positions that must be managed and cleared within a very short timeframe. Effective participation under these conditions would therefore require a high level of automation. This is not yet consistently in place across all market participants, and its performance not guaranteed because of the infrequent use of such processes.

8. How would the transfer of bids be implemented in your organization?

- ☐ Immediately, in a single step (considering the technical minimum time needed as indicated in the previous question) after decoupling is announced
- ☐ Gradually (continuous / stepwise) transfer
- ☐ It depends on the specific market situation
- ☒ Not applicable

9. Additional remarks and/or comments on how the transfer of bids would be implemented in your organization:

10. How much time would you consider sufficient to trade in SIDC CT before the snapshot for the SDAC Reference Price is taken?

Please provide the minimum and the maximum time in minutes

Eurelectric considers the 30min proposal to be unlikely sufficient. The snapshot for an SDAC reference price should allow for a trading window allowing amounts of traded volumes that could be expected to be representative of the system state. Such a volume could be defined by comparison to the trading activity that would correspond to day-ahead trades or to current trading activities observed on liquid ID markets over a long period of time. The trading window should be defined in a way to allow such traded volumes to take place after capacity on the borders is provided to SIDC. This would depend on the extent to which TSOs accept to shift the SDAC nomination deadline for decoupling situations.

Second, the time needed for bid transfer would depend on the preparedness and operational maturity of market participants (forecasting capabilities, transformation of SDAC bids into intraday compatible bids).

11. How would your internal processes be affected if a postponement of the full decoupling deadline leads to a start of SIDC CT without cross-zonal capacities (that would only be available once the ID Capacity Calculation process has been completed)?

- ☐ No impact
- ☐ Minor impact
- ☐ Moderate impact
- ☐ Significant impact

12. Please elaborate on how your internal processes would be affected if a postponement of the full decoupling deadline leads to a start of SIDC CT without cross-zonal capacities (that would only be available once the ID Capacity Calculation process has been completed)?

Eurelectric recalls that the objective of a good fallback is to produce market prices that are economically relevant and representative of the system state. To enable such an outcome, cross-zonal capacities need to be made available in sufficient time.

The risks stemming from the unavailability of cross-zonal capacities are twofold: (i) trades are more likely to be affected by skewed order books, and (ii) depending on the time window used for the snapshot SDAC reference price, the snapshot would either miss a substantial part of trades corresponding to SDAC volumes, or be distorted by the absence of cross-zonal capacities.

Reliability of Portfolios, Nominations, and Schedules

13. Would the proposed fallback concept affect your ability to submit generation and load schedules to your national TSOs in a timely and accurate manner?

- ☒ Yes
 - ☐ Limited in accuracy
 - ☐ Other limitation
- ☐ No
- ☐ Not applicable

14. Please elaborate why you selected 'Limited in accuracy' or 'Other limitation'

In the absence of SDAC schedules, market participants' ability to submit accurate schedules would depend on the ability of SIDC CT to achieve similar results as the day-ahead coupling. This includes satisfactory XBID system performance in light of increased volumes, the timely availability of cross-zonal capacity, and a trading window as well as a nomination deadline allowing sufficient time to execute corresponding trades.

This is important to avoid that MPs with balance responsibility end up unbalanced after day-ahead nominations, a situation which can be more or less critical depending on the national regulatory framework.

15. How does this fallback concept compare with the current fallback process in terms of submission of reliable generation and load schedules?

- ☐ Better
- ☐ Same
- ☐ Worse
- ☒ Not applicable

16. Please elaborate your answer to how this fallback concept compares with the current fallback process

The quality of the fallback depends on its ability to deliver relevant results in a stressed market situation. Compared to shadow auctions, SIDC CT has the advantage of being a market that most MPs are familiar with and that allows implicit allocation of cross-zonal capacity. However, one should note that not all MPs trading on the day-ahead market are on the intraday market. Also, SIDC's performance depends on XBID system performance in presence of day-ahead volumes, the timely availability of cross-zonal capacities, and sufficient time before the nomination deadline to nominate complete schedules.

17. Under the conditions of the proposed fallback concept; once the SDAC reference price is published; what is the minimum time you would need to provide reliable generation and load schedules to the respective TSO?

Please provide the minimum and the maximum time in minutes

It should be noted that market participants will provide schedules in accordance with the trades they effectively performed on the market. The reliability of those schedules will depend on the previously mentioned factors (liquidity, trading window duration, CZC availability etc.). This calls for a sufficiently long trading window before schedules are requested. Post-market processes would then be implemented with durations comparable to current procedures.

Dependency on the Day-Ahead Reference Price

18. Would you participate in the SIDC CT before the Day-Ahead reference price is available?

- ☐ Yes
- ☐ No
- ☐ Not applicable

19. If 'No', please explain

20. Do you rely on the Day-Ahead reference price to prepare your nominations?

- ☐ Yes, essential
- ☐ Yes, but not critical
- ☒ No
- ☐ Not applicable

21. Does the time at which the DA reference price is published influence your trading decisions?

- ☐ Yes, significantly
- ☐ Yes, but minor
- ☐ No
- ☒ Not applicable

22. If 'Yes, significantly', please elaborate

23. Under the proposed fallback scenario, do you expect liquidity in continuous intraday trading in your bidding zone to be sufficient to support a robust calculation of the Day-Ahead reference price?

- ☐ Yes
- ☐ Partially
- ☐ No
- ☒ Not applicable

24. If 'Partially' or 'No', which of the following do you see as the main reasons for likely insufficient liquidity?

- ☐ Overall traded volumes remain too low
- ☐ Trading is too back-loaded (concentrated late / close to gate closure)
- ☐ Delayed or uncertain cross-zonal capacity availability
- ☐ High bid-ask spreads or volatility deterring early trades

Regulatory and Market Rule Preconditions

25. Do you foresee any need for amendments to national legislation, market rules, or other binding frameworks to implement the proposed fallback concept?

- ☐ Yes
- ☐ No

26. If 'Yes', what amendments would be required?

27. In Poland, market participants will have to keep providing the internal nominations (internal commercial trade schedules, generation schedules, ISP bids [in Polish Terms and Conditions for Balancing: USE, PP, OZPG, OEB]) until 15:30. Do you see the need for any support from Polish NEMOs or PSE to perform that process in this new fallback?

- ☐ Yes
- ☐ No
- ☐ Not applicable

28. If 'Yes', what support would be required?

Additional Remarks

29. Please provide additional remarks, if any.

Eurelectric calls on the MCSC to investigate all the implications of the proposed SDAC fallback concept, comparing it to possible alternatives to identify the most suitable solution. We list below a non-exhaustive list of options that should be considered: in particular, one simple alternative could seek to improve shadow auctions instead of outright deleting them. In certain Member States, explicit auctions are conducted daily to allocate transmission capacity to third countries.

In this option, we could imagine several approaches to create a single price in bidding zones with multi-NEMO agreements:

- > **Local auctions with a reference price** calculated through the volume-weighted average of the NEMO hub prices within that bidding zone.
- > **Volume allocation based on a reference price (e.g., OTC day-ahead price).**

In this way, local processes could potentially be combined with the use of a credible reference price for the settlement of forward market contracts.

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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