

## Answer to ACER consultation

“Maximum and minimum clearing prices for  
single day-ahead and intraday coupling”

**French Committee of customers users of the electricity transmission system**

*Working group « Functioning of electricity markets during shortage situations »*

2017/09/15

*These recommendations result from works performed in France by the working group « Functioning of electricity markets during shortage situations », within the Committee of customers users of the electricity transmission system (Comité des Clients Utilisateurs du Réseau de Transport d'Electricité (CURTE)).*

*The WG members are market stakeholders in France: **consumers, demand response operators, electricity generators, electricity suppliers, energy efficiency operators, energy services providers, power exchange, traders, TSO.***

*Created by RTE in 2000, the « CURTE » Committee is a major place for exchanges and consultation on issues related to the access and use of the electricity transmission system, related to the electricity markets, related to interconnections and related to the transmission system perspectives. This Committee is open to all market participants and stakeholders.*

First of all, the members of the working group « *Functioning of electricity markets during shortage situations* » recall their strong commitment to a well-functioning electricity market and then their approval to all improvements aiming at this objective. They recall that short-term market price signals have to correctly reflect the forecasted supply and demand balance, depending on the maturity considered.

***1/. The well-functioning of short term market has to ensure that demand and supply balance in the most cost-efficient way. But it does not necessary send sufficient incentives to take relevant investment decisions.***

The intrinsic objective of short term markets (in particular day-ahead and intraday markets) is to send relevant incentives in order to enable optimal dispatch decisions of operators in energy markets. But uncertain and infrequent price spikes reflecting scarcity on these markets will never be an efficient way to provide sufficient and relevant incentives for investments in generation or demand side management.

***2/. An increasing of market price caps could in no way be an alternative to capacity mechanisms***

Even without any price cap, an energy market alone could not ensure, in the long run, the adequacy between supply and demand. In particular it could not guarantee that the security of supply criteria set by the French government is met (three hours of loss of load expectation).

In that context, price caps removal or increasing shall not be understood as a proxy for capacity mechanisms which are necessary to ensure supply and demand long term adequacy.

***3/. Technical price caps are necessary***

Technical price limits have been implemented from the beginning, for technical reasons (convergence of coupling algorithms...) or to reduce operational risks (for instance risk of human or systems errors). Anyway, such safeguard mechanisms have been implemented in most of trading markets in order to secure daily operations. Generally, it consists in a trading suspension mechanism. But given that delivery has to be continuous in electricity markets, such an automatic suspension mechanism is not a relevant mitigation measure in that case.

Hence, maintaining such technical price caps, irrespective of the level of these caps, acting as safeguard mechanisms, in electricity market is appropriate.

***4/. Any proposal of increasing price limits shall always be thoroughly evaluated in terms of potential impacts and benefits***

The WG members have not been able to reach an agreement on the ACER maximum price proposals. Nevertheless, they agree that any increase of price limits shall always be thoroughly evaluated in terms of potential impacts and benefits. Careful attention should be paid to assess the incentives given to the market, to evaluate the operational consequences and the impacts in terms of financial counterparts.

***5/. There is no particular urgency in addressing the question of maximum and minimum clearing prices for single day-ahead and intraday coupling***