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## Response by All NEMOs to the ACER consultation on "Maximum and minimum clearing prices for single day-ahead and intraday coupling"

(reference: PC_2017_E_02; published 24th of August 2017)

This response is prepared on behalf of all the designated NEMOs, as defined in CACM Regulation, and has been approved by their Interim NEMO Committee. It is a response to the consultation by ACER on the All NEMOs SIDC and SDAC HMMP Methodologies which was launched as a consequence of All NRAs in August escalating the aforementioned Methodologies to ACER for its decision. The escalation was due to the fact that All NRAs did not reach an agreement on the aforemententioned Methodologies as they had been presented and timely submitted to NRAs by All NEMOs on 14th of February 2017.

NEMO COMMITTEE

# All NEMOs responses to the ACER Proposals and questions included in the consultation document

### *Q1: Do you have any concern with respect to the new proposed automatic adjustment rule for $P_{maxDA}$ and for $P_{maxID}$? If so, please explain thoroughly why.*

We have concerns about the robustness and relevance for the overall EU market of the proposed amendment to the rule triggering an adjustment to the maximum clearing price limit of the SDAC, which would be merely based on one observation, in one market time unit and in one bidding zone.

In their proposal of 4th February 2017, preceded by a 1 month Public Consultation in NOV-DEC of 2016, the All NEMOs proposed what in their view represents a more robust and for pan-EU purposes more adequate adjustment rule for SDAC maximum clearing prices as follows:

*5.1. The Harmonised Maximum Clearing Price shall be amended according to the following amendment rule, and such change shall be implemented in production in the Single Day Ahead Coupling 5 weeks after the rule has been triggered.*

*5.2. The Harmonised Maximum Clearing Price Limit shall be increased by an increment of 1000 €/MWh in the event the hourly Clearing Price in an individual or multiple Bidding Zones has exceeded a value of 60 percent of the Maximum Clearing Price Limit on at least 3 separate delivery dates in the preceding 30 days.*

While it is positive that ACER does not object to the stability provided by the implementation timeline noted in 5.1 above, it is among others a concern for All NEMOs that the better assurance of pan-EU relevance which their proposed "3 times rule" represents is suggested by ACER to be removed. In the view of All NEMOs, a "1 times rule" would introduce a significant risk that the amendment of maximum clearing price could end up being based indeed on an isolated event, in time and space, which could be due to "gaming/manipulation" or a "black swan" like situation with little or no relevance for wider EU application, and which would not in our view justify an adjustment of the max clearing price across all Bidding Zones in the Single DA Coupling.

Furthermore, given that usually price spikes come in patterns on many subsequent hours and/or days, anytime a change in short fundamentals is challenging the demand/supply equilibrium, the rule triggering a change only based on one occurrence introduces stability and process risks. The reason is that such a "1 times rule" rule puts in question if every single occurrence after the first one in practical terms can be efficiently processed, and in particular if it justifies an increase of the maximum clearing price limit, even when such second, third, etc. market time observations would occur within the 5 week implementation period. .

Among others it was to reduce the risk that the issues explained above would materialize that All NEMOs proposed a "3 time rule" and the arguments for that are still valid.

If ACER's decision is still to request application of a "1 time rule", NEMOs' strong opinion is that some additional conditions should be added by ACER. We suggest that the conditions, on the one hand should be regarding the volume of the bidding zones/member states affected, for instance that it would have to represent a minimum set share of overall Single DA Coupling volume of energy (or on yearly basis representing a set minimum share of total EU annual consumption), and on the other hand regarding the extension of the increase, for instance that each maximum limit increase will be applied as a minimum during 3 months (after the 5 weeks of implementation time), and if during the 5 weeks the threshold is reached again, the initial change will be in force during 3 months after the 5 weeks of this new ocurrence, before the second adjustment would be put in place.

Regardless of if the concept of the "3 time rule" proposed by All NEMOs can still be approved as part of the final methodology based on our arguments and possible inputs from stakeholders, NEMOs are keen and ready to discuss with ACER about agreeing on a given set of procedures and measures for the "amendment triggering rule" solution that among others is fit for EU-wide purpose, stable, robust and transparent to market parties and other relevant stakeholders.

Finally All NEMOs are supportive of ACER's proposed amendment of rules related to assuring that the SIDC maximum clearing price would be adjusted to be at least equal to that in SDAC in the event the SDAC limit otherwise via the triggering rule would end up being higher than for SIDC.

***Q2: Which of the three proposed options for the $P_{maxDA}$ would have your preference? Please explain thoroughly why.***

We propose to maintain the currently by All NEMOS proposed SDAC limit (+3000 EUR) as it reflects the historic and current price fluctuations within the relevant markets, and as such do not impose any direct limitations to the free price formation in the spot markets, nor to any other segment of the free or regulated wholesale or retail markets or ancillary services.

Furthermore, the triggering rule provides a mechanism to adjust those technical limits if there at some point in time would be fundamental and recurring instances when prices reach the limit or close to it, which would maintain of not imposing any direct limitation to the free price formation.

Also maintaining the currently proposed limit is the most cost efficient and safest setup for the buyers who are at risk in case of very high prices, when taking into account among others the cost of the guarantees, and there is no reason to increase this cost in a permanent way if it is not fundamentally justified.

***Q3: Do you have any concern with respect to the new proposed implementation date? If so, please explain thoroughly why.***

NEMO COMMITTEE

We have no concerns with the by ACER proposed clarification of implementation date based on the way we understand the by ACER proposed rules in relation to how and when it affects all individual NEMOs in operation in SDAC.

Yours sincerely,

[redacted]

[redacted]

For and on behalf of, all designated NEMOs as represented below: