

**Energie-Nederland response to the  
ACER consultation on maximum  
and minimum clearing prices for  
single day-ahead and intraday  
coupling**

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### **General information**

Energie-Nederland is the association of commercial parties active in the Dutch energy market, covering electricity, gas and heat. Contact information for this consultation response:

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Energie-Nederland welcomes the opportunity given by ACER to respond to the consultation document PC\_2017\_E\_02 on Maximum and minimum clearing prices for single day-ahead and intraday coupling.

### **General**

The preliminary opinion stated contains several improvements compared to the original proposal:

1. The Harmonized Maximum Clearing Price Limit is increased in case in any MS the price exceeds 60% of the maximum in one market time unit. The original all NEMOs proposal stated three times within 30 days.
2. Introduce an automatic adjustment rule such that the PmaxID is always equal or higher than the PmaxDA
3. Options to increase the PmaxDA (A: 3000, B:5000, C:9999). The original proposal is A.
4. Faster implementation, no later than 1/1/2019. The original proposal had extra conditions before it could be implemented

We further would like to mention that to induce the right incentives to the market, imbalance prices should be unrestricted and in case of an extreme situation (a scarcity driven brown-out) set at an estimate of the Value of Lost Load (VoLL). In that perspective we see the currently presented values for PmaxID and PmaxDA merely as a step in the right direction, but suggest that these are periodically revisited. In particular the limit for ID, being closest to real time, should be closely monitored.

### **Answers to the consultation questions:**

*Q1: Do you have any concern with respect to the new proposed automatic adjustment rule for PmaxDA and for PmaxID? If so, please explain thoroughly why.*

No. This is an improvement compared to the original all NEMO's proposal. When a technical price limit in the day-ahead market is set at x, the corresponding technical price limit for the intraday should be equal or higher than x. Otherwise capacity that becomes available after the day-ahead closing, which could be crucial to avoid unwanted disconnections, is not able to capture the same high prices that capacity in the day-ahead is able to.

*Q2: Which of the three proposed options for the PmaxDA would have your preference? Please explain thoroughly why.*

Energie-Nederland favours option C: a PmaxDA that is equal to +9999 EUR/MWh.

As pointed out in CACM, the PmaxDA needs to take into account an estimate of the value of lost load (VoLL). This is complicated to implement due to the limited knowledge we have about this, so far theoretical, concept. However, it is safe to

say that this value is higher than 9999, as was also concluded by the study that OFGEM has conducted<sup>1</sup>.

Another indication that the VoLL is considerably higher can be derived from the compensation scheme in the Netherlands. In case of a power interruption due to grid failure longer than four hours, the DSO needs to pay 35 euros per household. Given that the average annual consumption is 3500 kWh this translates into an amount of energy not served equal to 1.6 kWh during these four hours, resulting into  $35 / 0.0016 = 21.875$  EUR/MWh.

An important reason to implement these increased technical price limits is to facilitate RES integration and create a demand curve that is price elastic. In other words, customers need to indicate what the value of an uninterrupted power flow is. To achieve this, awareness should be raised that the value of power at certain moments will be much higher as that we are currently used to. We believe this level sends the right signal to the market indicating what the value is of any investment in peak capacity (generation, storage, DSR).

Equally important, consumers (and their BRPs) better realize what the costs could during scarcity events might become. This should trigger innovations to get a demand side that is more elastic (e.g. within contracts between consumer and BRPs) to make all actors ready for more volatile prices.

In summary, Energie-Nederland thinks that that from the three options provided +9999 is the right amount because it is significantly higher than the current technical price limit (3000) albeit still lower than the VoLL.

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

No. The sooner the new technical price limits can be implemented, the better this is.

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<sup>1</sup> The Value of Lost Load (VoLL) for Electricity in Great Britain, Final report by London Economics for OFGEM and DECC, July 2013, available at: <https://www.ofgem.gov.uk/ofgem-publications/82293/london-economics-value-lostload-electricity-gb.pdf>.