

ACER



Agency for the Cooperation
of Energy Regulators

**Public consultation on the compliance of the all NEMOs' proposal for the
Price Coupling Algorithm and Continuous Trading Matching Algorithm
with the CACM Regulation**

Consultation document

PC_2018_E_02

26 April 2018

The objective of this consultation is to gather views and information from stakeholders regarding the compliance with CACM Regulation of the All Nominated Electricity Market Operators' proposal for day-ahead Price Coupling Algorithm and Continuous Trading Matching Algorithm, that has been developed in accordance with Article 37 of Commission Regulation (EU) 2015/1222 ('CACM Regulation'). The input from the consultation will inform the Agency's evaluation when preparing its decision on that proposal.

This consultation is addressed to all interested stakeholders, including regulatory authorities, nominated electricity market operators and transmission system operators in accordance with Article 8(1) of Regulation (EC) No 713/2009.

Replies to this consultation should be sent:

by **18 May 2018, 23:59 hrs (CET)**

to **consultation2018E02@acer.europa.eu**

In order to identify the respondent, the following information should be included on the top of the answer sheet: name, company, address, contact email, phone and country.

Any confidential information should be marked clearly as such, including the word 'CONFIDENTIAL' in the subject of the e-mail, as the Agency will not treat e-mails which contain only a general disclaimer (usually automatically added) as containing confidential information. If respondents want to claim confidentiality, they should provide an explanation of their confidentiality interests and a non-confidential version of their response for publication.

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the specific privacy statement attached to this consultation.

Related documents

- Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0001:0014:EN:PDF>
- Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross border exchanges in electricity and repealing Regulation (EC) No 1228/2003 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>
- Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2015.197.01.0024.01.ENG

- All NEMOs' algorithm proposal
<https://www.europex.org/all-nemos/nemos-submit-revised-proposals-on-methodologies-for-day-ahead-and-intraday-algorithms/>
- ACER Guidance Note on Consultations
https://www.acer.europa.eu/Official_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf

1 Background

In accordance with Article 37 of the CACM Regulation, all Nominated Electricity Market Operators ('NEMOs') are obliged to develop a proposal for the price coupling algorithm and for the continuous trading matching algorithm. The proposal needs to be submitted to all regulatory authorities for approval no later than 18 months after the entry into force of the CACM Regulation.

The first proposal for the algorithm was submitted by all NEMOs to all regulatory authorities by 14 February 2017 and, subsequently, all regulatory authorities requested amendments to it by August 2017. All NEMOs then submitted an amended proposal for algorithm ('Amended Proposal') by 1 December 2017. On 30 January 2018, the Agency received a letter from all regulatory authorities requesting the Agency to adopt a decision on the Amended Proposal pursuant to Article 9(12) of the CACM Regulation.

In this letter, all regulatory authorities explained that they could not agree on all provisions of the Amended Proposal and indicated several points of concern, out of which the three main are:

1. The application of corrective measures to maintain algorithm performance without clarity on concrete corrective measures and their effective use;
2. Undefined metrics and thresholds to assess and monitor the algorithm performance with regard to its optimality, repeatability and scalability, as well as the governance of the monitoring process; and
3. The compliance of the minimum requirements for the enduring algorithm solution with the CACM Regulation and the approach to achieve the enduring algorithm solution.

2 Consultation topics and questions

The consultation topics and questions follow the three main points of concern raised by all regulatory authorities.

Topic 1: Application of corrective measures to maintain algorithm performance

The Amended Proposal introduces the concept of corrective measures (formerly 'usage limits') to address the problems with algorithm performance. The corrective measures are the '*last resort measures to be taken based on all NEMOs decision with the aim to allow restoring adequate scalability*'. While the Amended Proposal ensures that any corrective measure '*shall guarantee non-discriminatory principles among Market Participants and NEMOs*', it does not provide a full

list of possible corrective measures. Instead, two possible corrective measures are mentioned as examples:

- (i) limitations on combinations of products (e.g. the number of products allowed in each bidding zone) or requirements (e.g. requirements imposed by TSOs on capacity allocation); and
- (ii) limitations on the usage of different algorithm functionalities (e.g. the number of orders of a specific product).

The Amended Proposal does not mention how these corrective measures will effectively be used. The Amended Proposal also mentions that these corrective measures could be applied regularly during the prototyping phase, whereas during the industrialisation phase the corrective measures could only be applied on a temporary basis not longer than 6 months. Finally, the Amended Proposal can only guarantee, even after the prototyping phase, a reasonable usage of products covering one Market Time Unit ('MTU') and at least one kind of product covering multiple MTUs.

Consultation questions:

1. What is your opinion on the approach proposed by NEMOs to achieve and maintain algorithm performance during and after the prototyping phase?
2. Which amendments (if any) to the Amended Proposal would be needed to make the application of corrective measures compliant with the CACM Regulation?

Topic 2: Metrics and thresholds to assess and monitor the algorithm performance with regard to its optimality, repeatability and scalability

Articles 9(3) and 9(4) of the Amended Proposal refer to a set of categories for indicators used in the monitoring of the performance of the algorithms. However, the Amended Proposal does not define concrete indicators. Instead, these indicators are to be defined within the Algorithm Monitoring Procedure, which will be developed by all NEMOs in coordination with all TSOs, yet without any regulatory scrutiny.

Consultation questions:

3. Do you agree that NEMOs, in coordination with TSOs, are best placed for establishing the set of metrics and indicators to monitor the performance of the algorithm? How to insure the independence of the monitoring process?
4. Should the Amended Proposal include a minimum set of metrics and thresholds, which can be complemented over time to support further improvement in the performance of the algorithm?

Topic 3: Approach towards the enduring algorithm solution

All NEMOs foresee the developments of the algorithm towards an enduring solution that would be able to meet the requirements of optimality, scalability and repeatability. The Amended Proposal defines the following requirements for the enduring algorithm solution¹: (i) to support all

¹ While these requirements are specifically addressed to price coupling algorithm, the requirements for continuous trading matching algorithm are similar, but less clear.

bidding zones in EU and Norway, (ii) to support ATC and flow based capacity allocation constraints, (iii) to support multiple NEMOs in a bidding zone, and (iv) to support reasonable usage of products covering one MTU and at least one kind of product covering multiple MTUs.

The Amended Proposal therefore requires that the enduring algorithm solution meets at least the above requirements, whereas additional functionalities would depend on the outcome of the research and development.

Consultation questions:

5. Do you consider the minimum requirements for the enduring algorithm solution as sufficient and compliant with the CACM Regulation?
6. Do you think that NEMOs are best placed and/or able to strike a balance between meeting the market participants' needs in terms of flexibility of the products and ensuring that the algorithm is robust and compliant with the CACM Regulation?