

## ACER decision on the Products That Can be Taken into Account in the Single Day-Ahead Coupling: Annex II

### **Evaluation of Responses to the Public Consultation on the Products That Can be Taken into Account in the Single Day-Ahead Coupling**

#### **1 Introduction**

Pursuant to Article 40 of the CACM Regulation, all Nominated Electricity Market Operators ('NEMOs') must develop a proposal for products that can be taken into account by NEMOs in intraday coupling processes.

Pursuant to Recital 25, Article 5(6) and Article 6(11) of the Regulation (EU) 2019/942, ACER needs to consult interested parties and at least ENTSO for Electricity and the regulatory authorities to ensure that the Decision is in line with the purpose of the CACM Regulation and contributes to market integration, non-discrimination, effective competition and the proper functioning of the market.

In order to take an informed decision, ACER launched a public consultation on 6 October 2020 inviting all interested parties to express their views on potential amendments of the proposal for amendment submitted by all NEMOs. The closing date for sending the responses was 27 October 2020.

#### **2 Responses**

By the end of the consultation period, ACER received comments from 19 respondents.

This evaluation paper summarises all the respondents' comments and how these comments were considered by ACER. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from ACER clarifying how their comments were taken into account in the present Decision.

Respondents' views	ACER views
<b>Question 1: Do you agree with the choice of day-ahead products proposed by all NEMOs?</b>	
All respondents provided an answer to this question.	
Norsk Hydro and Elia support the consulted version of the day-ahead products proposal.	
<p>Several respondents would like to move certain products from optional to mandatory arguing that they are crucial for the functioning of SDAC: Energie AG, CEZ, Eurelectric, Enel, EFET, EAI, EDP: linked bids                      CEZ, Eurelectric, EDF, Enel, EFET, EAI, EDP: exclusive bids                      Naturgy, EDF, Enel, EAI: MIC orders                      EDF, Enel, EAI: PUN orders</p>	<p>ACER clarifies in the present Decision that the meaning of ‘mandatory products’ is that it represents a list of products that must be (as a minimum legal requirement) accommodated by the price coupling algorithm. Therefore, the choice of mandatory products is fixed, because it is determined by the provisions set out in the CACM Regulation. Thus, the group of mandatory products cannot be extended by any other products. On the other hand, any product that complies with the objectives of the CACM Regulation can be added to the list of optional products.</p>
<p>Naturgy would like to eliminate the load gradient orders.                      Edison SpA and AIGET highlight that PUN orders are not a market product, but rather a characteristic of the Italian market.                      EFET suggests that local/national market design features hinder the SDAC and that MIC and PUN orders could be replaced by more sophisticated block orders, if it helped to relieve the pressure on the algorithm performance.                      EDP indicates that the MIC orders in Spain no longer cover their needs (Scalable MIC are perceived as an improvement) and would appreciate the introduction of complex block orders.                      Elia and EPEX SPOT would appreciate a move to more ‘European’ approach and decreased complexity, where the historical and national approaches would be phased out.</p>	<p>The set of optional products should reflect the market participants needs and establishes the choice of products the NEMOs can offer to market participants if the price coupling algorithm’s performance allows for it. The elimination or replacement of products from the list of optional products represents the NEMOs’ choice and ACER did not alter the listed products anyhow. All the governance and rules that enable the NEMOs to make choices and to develop/operate the functionalities of the price coupling algorithm are established in the Algorithm methodology.</p>
UPM supports the principle that the optional products can only be introduced to SDAC under the condition that the SDAC algorithm is	In the Algorithm methodology, ACER introduced a list of priorities that need to be supported by the price coupling algorithm. All these priorities stem

Respondents' views	ACER views
<p>able to accommodate them together with all current and future requirements, while securing at least an adequate level of performance.</p>	<p>from the existing regulation. Therefore, this principle represents the current legal framework in European electricity markets.</p>
<p>HSE, Nord Pool EMCO and EPEX SPOT point out that it is not clear under what conditions the optional products will be available (especially in connection to Article 5(1) of the consulted version of the day-ahead products proposal).</p> <p>Moreover, it is not clear from that article what is the adequate level of performance.</p>	<p>ACER agrees with the comment and redrafted Article 5(1) because it contained a simplification of the SDAC product's governance that could be misinterpreted. The rules of how the SDAC products are governed (i.e. introduced or discontinued) with regard to the price coupling algorithm should indeed be addressed in the Algorithm methodology. Therefore, ACER amended Article 5(1) such that it only contains a link to the Algorithm methodology, thus making it clear and unambiguous that the governance framework for introducing or discontinuing the products is only in the scope of the Algorithm methodology.</p>
<p>SEMOpX sees no value in separating products into mandatory and optional.</p>	<p>ACER divided the products into mandatory and optional to underline the minimum legal requirement of the CACM Regulation (mandatory products) that the price coupling algorithm must accommodate. Optional products can be accommodated if they reflect market participants' needs and if the performance of the price coupling algorithm remains adequate (i.e. allows for normal operation of the SDAC).</p>
<p><b>Any other comments:</b></p>	
<p>CEZ, EDF, Nord Pool EMCO, Enel, EFET and AIGET would like to stress the importance of complex products and would be willing to postpone the implementation of the quarterly and half-hourly products if their implementation caused any limitations (e.g. the introduction of corrective measures) to the choice of the complex products. Such limitation would harm the price formation within SDAC, decrease the power valuation flexibility needed e.g. for start-up/shut-down and motivate market participants to use local markets, which would allow the use of such products. Naturgy assumes that the removal of MIC orders would increase the market price and transaction costs.</p>	<p>ACER generally supports that the algorithm should accommodate complex products because they reflect the needs of market participants as referred to in Article 40(3)(a) of the CACM Regulation. Nevertheless, ACER would like to clarify that the quarter- and half-hourly products are an existing requirement established in Article 8(2) of the Electricity Regulation (2019/943). Therefore, ACER concludes that the obligation to accommodate quarter- and half-hourly products cannot be considered as optional and is directly binding. The complex (optional) products on the other hand are not directly required by any applicable legal framework, hence, their use may be facilitated only to the degree that is possible.</p>

Respondents' views	ACER views
<p>Eurelectric and Enel expressed the opinion that any limitation to products should comply with the national regulations (e.g. MIC, PUN) and allow market participants to optimise their assets.</p> <p>To the contrary, EPEX SPOT seeks clarification whether the corrective measures can ‘override’ the national requirements.</p>	<p>The present ACER Decision represents the implementation of the CACM Regulation. Generally, the terms and conditions or methodologies are approved in accordance with the relevant EU Regulations, in the present case the CACM Regulation and the Electricity Regulation, which are directly applicable. An approval decision of ACER establishing the terms and conditions or methodologies is directly applicable too. As directly applicable EU law provisions, those provisions have primacy over conflicting national legal requirements.</p>
<p>Nord Pool EMCO pointed out that there is no proof that the degradation of the SDAC algorithm’s performance can be put on a specific group of products.</p>	<p>The regulatory authorities and ACER requested the NEMOs to perform such exercise. Replacing MIC and PUN orders with less complex products led to an improvement of the SDAC algorithm’s performance. Nevertheless, the improvement of the performance must be assessed against its benefits. If the NEMOs prove that a limitation of a product would not bring proportionate benefits (Article 12(7) of the Algorithm methodology, ACER Decision 04/2020), such limitation would bring no improvement, therefore is inefficient and not needed.</p>
<p>Enel is of the opinion that scalable MIC orders cannot replace MIC orders because they only offer a fixed term instead of a variable one. This would cause inefficiencies and thermal units would be less competitive.</p>	<p>The present terms and conditions on SDAC products represent a list of products that can be accommodated by the price coupling algorithm. Once the list contains both types of products, the choice what to offer to the market participants is on NEMOs.</p>
<p>Edison welcomes the inclusion of the Simple Block orders among the mandatory products since they are fundamental for market participants to reflect physical constraints in their offers. This represents a very important evolution for the Italian day-ahead market, which now foresees only simple products.</p> <p>EFET and AIGET welcome that the block orders will have to be included in the SDAC.</p>	<p>ACER clarifies in the present Decision that the meaning of ‘mandatory products’ is that it represents a list of products that must be (as a minimum legal requirement set out by the CACM Regulation) accommodated by the price coupling algorithm, which does not mean that every NEMO has to offer these products to the market participants. ACER précised the determination of mandatory and optional products in the present Decision, to avoid ambiguity.</p>

### 3 List of respondents

Organisation	Type
Energie AG Oberösterreich Trading GmbH	Energy company
CEZ, a.s.	Energy company
Eurelectric	Association
UPM-Kymmene Oyj	Energy company
NATURGY ENERGY GROUP	Energy company
HSE - Holding Slovenske elektrarne d. o. o.	Energy company
SEMOpX	Energy company
Norsk Hydro	Association
EDF	Energy company
Nord Pool European Market Coupling Operator	Energy company
ENEL	Energy company
Edison SpA	Energy company
EFET - European Federation of Energy Traders	Association
Electricity Association of Ireland (EAI)	Association
AIGET	Association
EDP España, S.A.	Energy company
Elia	Energy company
EPEX SPOT	Energy company