Revision of the Harmonised Maximum and Minimum Clearing Price Methodologies

Public workshop – 3 October 2022

Thomas Kawam

Opening

14:00 – 14:05

Christophe Gence-Creux, Head of Electricity Department, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/723ME5YFd7eTdCMo8d5VqS

An exceptional market situation…

- In addition to the two price peaks of 2022, the outlook of the 2022-2023 winter could lead to frequent price spikes.

… triggering the need for reviewing the rule defining the price limits

- The current design could lead to a unnecessarily high number of increases of the price limits, which could be detrimental to the market confidence

- The NEMOs have therefore submitted their proposition of amendments to the methodologies governing those price limits

- ACER will ensure that the final design is legally compliant while being robust to extreme market conditions, and aims at taking a decision before the end of the year

For posing questions, use Slido

- Please be kindly reminded that your **mic is muted** throughout the webinar.

- **To ask questions:**
  - ✓ Use **Slido** during the presentation (**Do not** use the chat to pose questions)
  - ✓ "Like" other questions
  - ✓ Reply to/comment on other´s questions
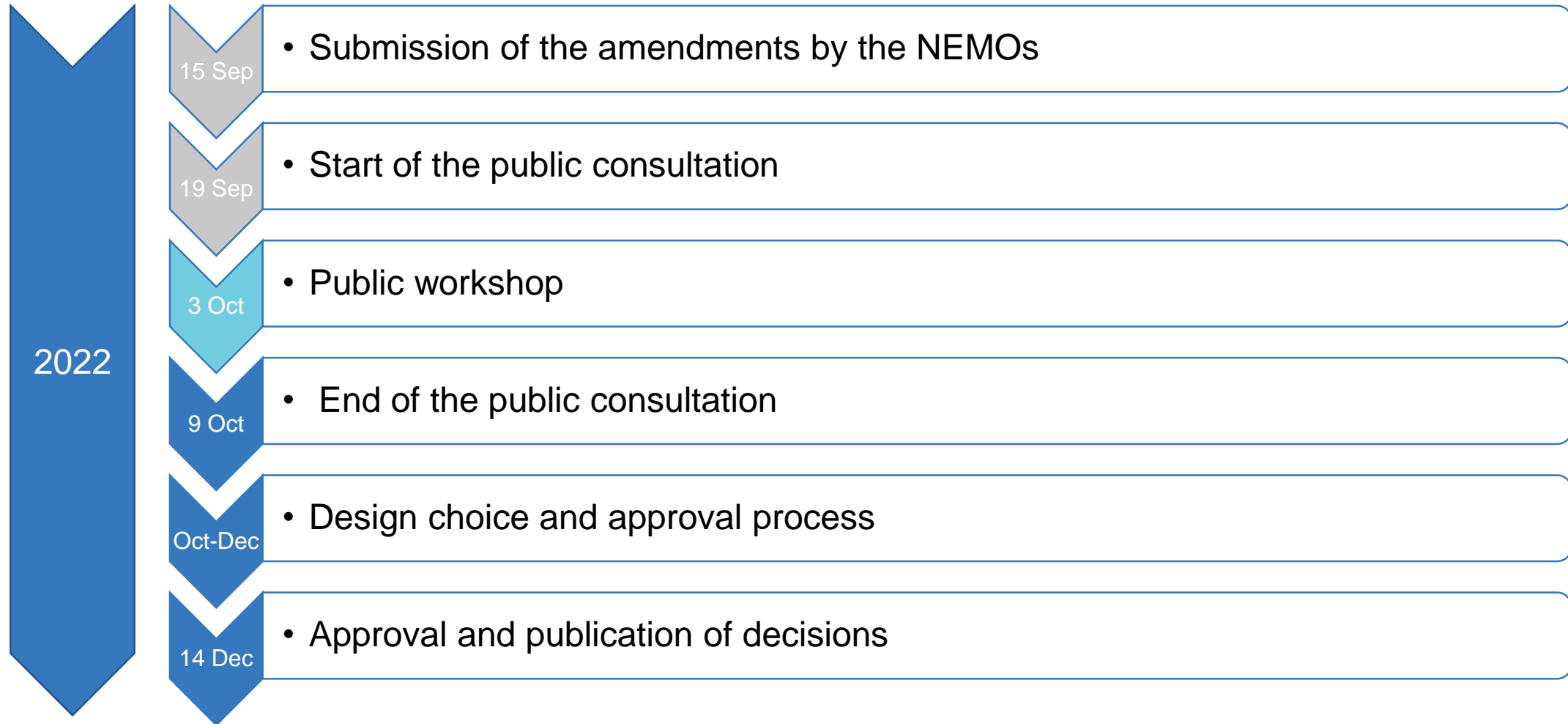 - ✓ Raise your hand to ask for an oral question
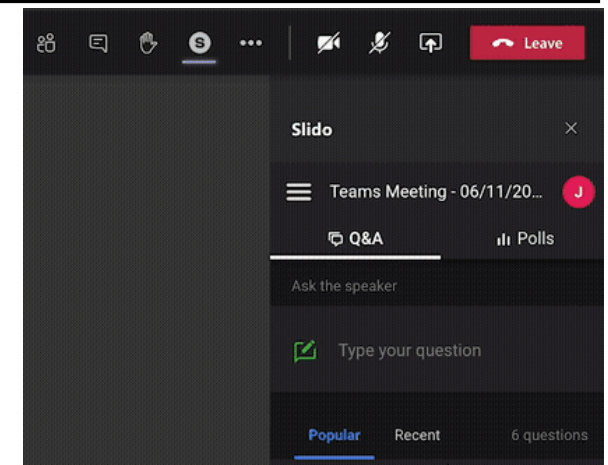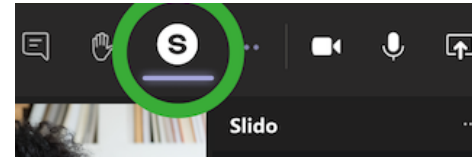
- **Slido :**
  - ✓ In MS Teams
  - ✓ Through www.slido.com with **#ACER2022**
  - ✓ Or scan the QR code with your mobile pone

Or use direct link https://app.sli.do/event/723ME5YFd7eTdCMo8d5VqS
  - ✓ At the end of the main sections we will address some questions, as time allows.

- The slide pack will be shared with you after the webinar via email and on the ACER website (including a recording of this webinar).

Indicative time	Agenda	Speakers
13:50-14:00	*Dial-in time*	
14:00-14:05	Opening	Christophe Gence-Creux, ACER

14:05-14:15	Legal and historical context	Thomas Kawam, ACER
14:15-14:40	NEMOs' proposed amendments and their possible evolutions	
14:40-14:55	*Q&A Session*	

14:55-15:00	Closing Note	Mathieu Fransen, ACER

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2022

15 Sep
- Submission of the amendments by the NEMOs

19 Sep
- Start of the public consultation

3 Oct
- Public workshop

9 Oct
- End of the public consultation

Oct-Dec
- Design choice and approval process

14 Dec
- Approval and publication of decisions

Legal and historical context
14:05 – 14:15

Thomas Kawam – Seconded National Expert,
Electricity Department, ACER

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Pursuant to Articles 10(1) and 10(2) of the Electricity Regulation*:

1. **There shall be neither a maximum nor a minimum limit to the wholesale electricity price.** *This provision shall apply, inter alia, to bidding and clearing in all timeframes and shall include balancing energy and imbalance prices, without prejudice to the technical price limits which may be applied in the balancing timeframe and in the day-ahead and intraday timeframes in accordance with paragraph 2.*

2. *NEMOs may apply harmonised limits on maximum and minimum clearing prices for day-ahead and intraday timeframes. Those limits shall be sufficiently high so* **as not to unnecessarily restrict trade**, *shall be* **harmonised for the internal market** *and* **shall take into account the maximum value of lost load**. *NEMOs shall implement a transparent mechanism to* **adjust automatically the technical bidding limits in due time** *in the event that the set limits are expected to be reached.* **The adjusted higher limits shall remain applicable until further increases under that mechanism are required**.

History of the past price spikes in the day-ahead market

4 April 2022 - France

On 4 April 2022, the FR BZ reached prices of 2720€/MWh and 2990€/MWh for hour 7 and 8 respectively. It was estimated by CRE, that those prices would have been halved with a shift in the supply/demand balance between 500 and 1000MW.


Source : EPEX SPOT

This event was caused by a combination of multiple elements in a liquid zone (of which a reduced generation, exceptionnaly high consumption, low cross-border transmission capacity).

17 August 2022 – Baltic region

On 17 August 2022, the three Baltic BZs reached a price of 4000€/MWh for the hour 18. A total of 2.14 MW of electricity demand were curtailed (after activation of a 50MW peak generation).

2022-08-17, Area: BALTIC, Hour: 18
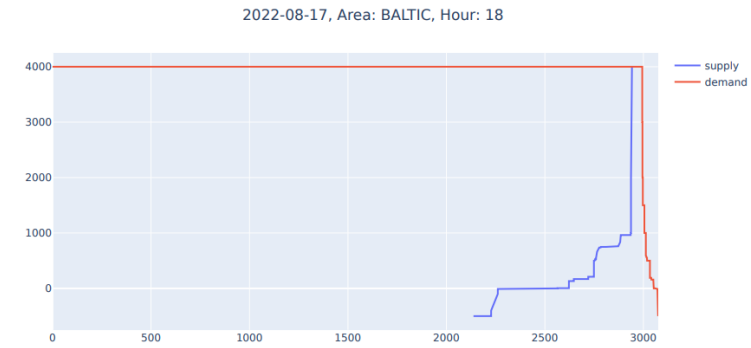
Source : Nord Pool

This event was caused by a combination of few elements and linked to the low volumes traded in the region (low demand/supply flexibility in the bidding, reduced cross-border transmission capacity).

Ahead of the expected scarcity of the 2022-2023 winter, ACER urged the NEMOs to review the HMMCP methodologies.

NEMOs' proposed amendments and their possible evolutions
14:15 – 14:40

**Thomas Kawam – Seconded National Expert,
Electricity Department, ACER**

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https://app.sli.do/event/723ME5YFd7eTdCMo8d5VqS

Following their assessment performed according to the Article 4(3) of the Harmonised Maximum and Minimum Clearing Price Methodologies (HMMCP) for Day-Ahead (DA) and Intraday (ID), the NEMOs have submitted amendments to those two methodologies, which are based on Article 41 and 54 of the Capacity Allocation and Congestion Management Guideline (Commission Regulation (EU) 2015/1222).

The amendments consist in:

1. Changes to the initial price limit of the day-ahead market

2. Changes to the automatic increase mechanism for the price limit of the day-ahead market

3. Introduction of a automatic decrease mechanism for the maximum price limit of the day-ahead market

4. Extension of the applicable provisions to the intraday auctions

Current design:

Maximum price limit : 4000€/MWh

Minimum price limit : -500€/MWh

NEMOs' proposed design:

Maximum initial price limit : 3000€/MWh

Minimum initial price limit : -500€/MWh

Legal background:

Art. 10(2) of the Electricity Regulation:

NEMOs may apply harmonised limits on maximum and minimum clearing prices for day-ahead and intraday timeframes. […] The adjusted higher limits shall remain applicable until further increases under that mechanism are required.

Possible evolutions:

- Keep the current limits

- Increase one or the two limits

- Reduce one or the two initial limits

Current design:

Any clearing price exceeding 60% of the maximum price limit in at least one market time unit (MTU) in a day in an individual bidding zone or multiple bidding zones.

This trigger is only valid for coupled bidding zones.

NEMOs' proposed design:

Clearing prices exceeding 70% of the maximum price limit in at least MTUs representing at least 5 hours in at least 3 different days within 10 rolling days from the first price spike.

This trigger excludes virtual zones, uncoupled bidding zones or in which capacity related fallbacks have been applied by Transmission System Operators.

Legal background:

Art. 10(2) of the Electricity Regulation:

[…] Those limits shall be sufficiently high so as not to unnecessarily restrict trade, shall be harmonised for the internal market and shall take into account the maximum value of lost load. NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. […]

Possible evolutions:

- Making the price spike definition « easier » to reach

- Making the price spike definition « more difficult » to reach

- Add further conditions on the price spikes (e.g. on traded volumes of the bidding zone in question)

Current design:

Maximum price increase steps : +1000€/MWh

Minimum price decrease steps : N/A

NEMOs' proposed design:

Maximum price increase steps : +1000€/MWh

Minimum price decrease steps : -100€/MWh

Legal background:

Art. 10(2) of the Electricity Regulation:

[…] Those limits shall be sufficiently high so as not to unnecessarily restrict trade, shall be harmonised for the internal market and shall take into account the maximum value of lost load. NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. […]

Possible evolutions:

- Have higher increase/decrease steps

- Have lower increase/decrease steps

Current design:

Transition period: the updated price limit is implemented 5 weeks after the last price spike

Treatment of transition period: further price limits updates are measured taking the value of the future price limit in the definition of the triggering events

NEMOs' proposed design:

Transition period: the updated price limit is implemented 4 weeks after the last price spike

Treatment of transition period: no further price limit update is initiated

Legal background:

Art. 10(2) of the Electricity Regulation:

[…] NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. […]

Possible evolutions:

- Have a shorter transition period

- Have a longer transition period

- Allow for changes of the price limit during the transition period

- Provide for a longer period for which price limits updates are not feasible

Examples and option comparison

Example 1 – the price spike in the FR bidding zone (BZ) on the 4 April 2022: two hours of the same session reaching prices of 2720€/MWh and 2990€/MWh in one bidding zone

Example 2 – the price spike in the Baltics BZs on the 17 August 2022: one hour reaching prices of 4000€/MWh in three bidding zones

Example 3 - Example 2 followed by a similar event the two next days (leading to a total of 3 hours with a clearing price at the maximum price limit)

Example 4 - prices at the maximum price limit in 4 hours each day for 3 days in a row in one bidding zone

Example 5 - Example 4 occuring once every 5 weeks for 20 weeks (+- 4.5 months).

Application of the automatic increase for the different examples	Current design	NEMOs proposal
Example 1	Yes, once	No
Example 2	Yes, once	No
Example 3	Yes, thrice	No
Example 4	Yes, thrice	Yes, once
Example 5	Yes, more than 10 times	Yes, 4 times

Current design:

No decrease mechanism is foreseen.

NEMOs' proposed design:

After 12 months without reaching 70% of a given limit, the limit will be set back to the lowest maximum/highest minimum limit consistent with the given limit;

The updated limits cannot be lower or higher than the initial maximum and minimum price limits.

Legal background:

Art. 10(2) of the Electricity Regulation:

Those limits […] shall take into account the maximum value of lost load. […] The adjusted higher limits shall remain applicable until further increases under that mechanism are required.

Possible evolutions:

- Adapt the proposed design of to have looser or stricter set back conditions

- Keep the current design without possibilities of set-back

Current design:

- Intraday continuous does not have any automatic mechanism to change limits
- Its price limits are set at +-9999€/MWh
- In case the DA limits are reaching the ID limits, the latter are adapted and follow the DA price limits.-
- They are not subject to any mechanism setting them back to their initial level

Legal background:

Art. 10(2) of the Electricity Regulation:

[…] NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. […]

NEMOs' proposed design:

No changes to the current mechanism are proposed

Possible evolutions:

- Have an automatic mechanism to increase/decrease the maximum/minimum price limits of the ID continuous

- Clearly set boundaries linking the DA, ID continuous and ID auction price limits

Current design:

Intraday auctions are not part of the methodologies.

NEMOs' proposed design:

Intraday auctions shall have the same price limits and behaviour than the intraday continuous.

Legal background:

Art. 10(2) of the Electricity Regulation:

[…] NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. […]

Possible evolutions:

- Have different price limits for ID continuous and ID auctions

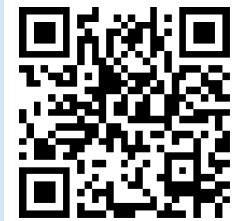- Have an automatic increase mechanism for the ID auctions

Q&A 14:40 – 14:55

Moderator: Mathieu Fransen, Team Leader, Electricity Department, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:
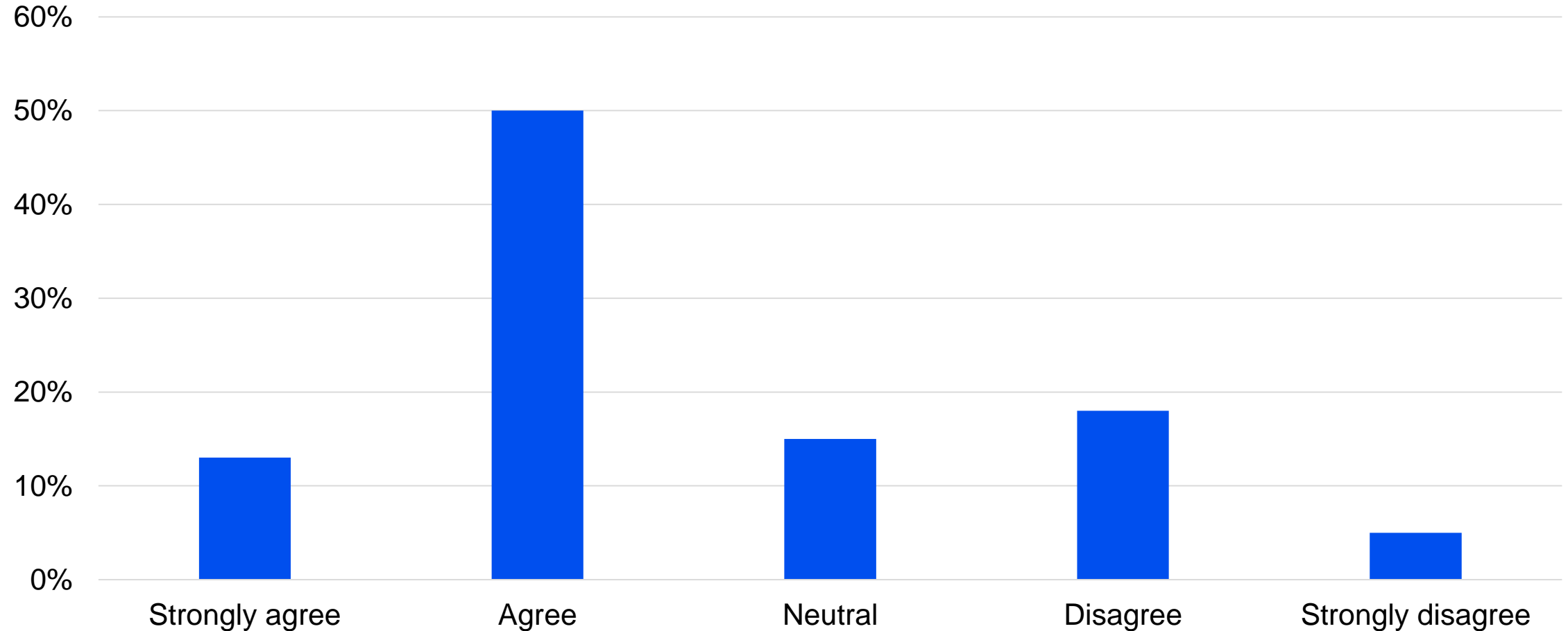
https://app.sli.do/event/723ME5YFd7eTdCMo8d5VqS

For the consultation: we would very much welcome your views on the proposed amendments and their possible evolutions.

All the responses will be published after the end of the public consultation, and the ACER reply to the responses will follow.
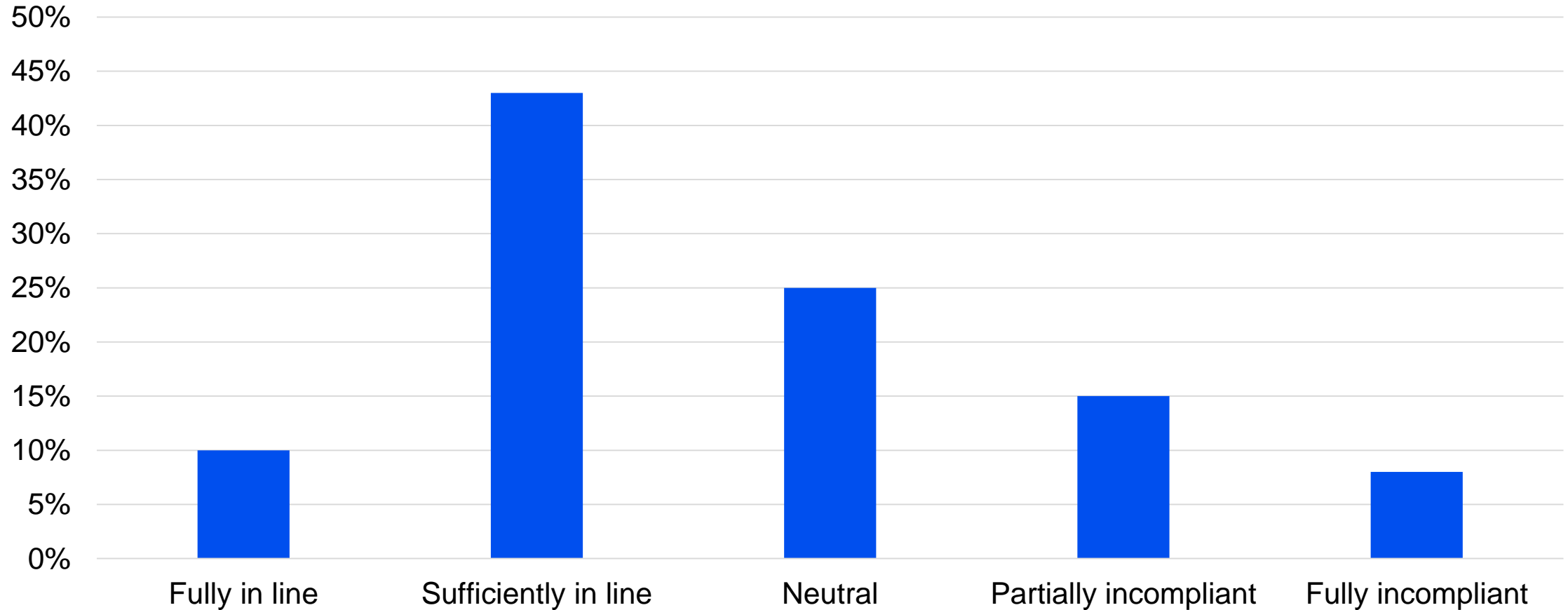
Considering the format of the public consultation, ACER is ready to organize meetings with the stakeholders to further discuss their position.

ACER
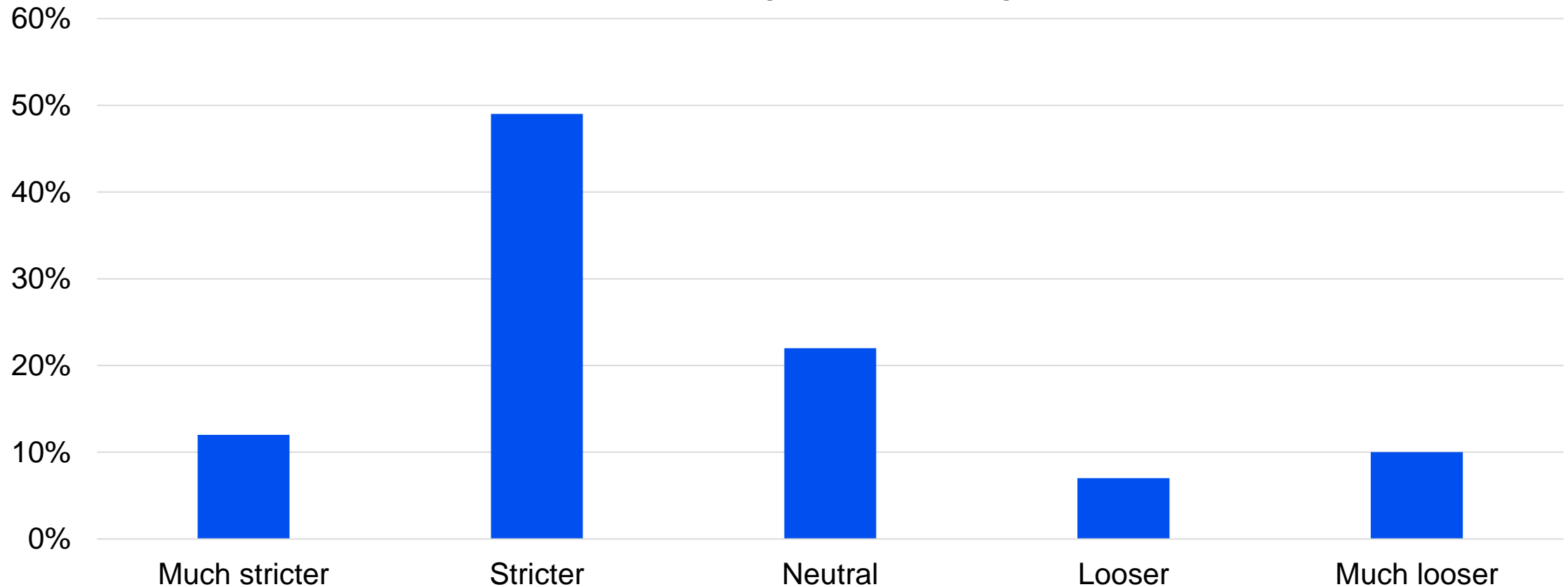European Union Agency for the Cooperation
of Energy Regulators

1. What is your opinion on the general tendency of the amendments proposed by the NEMOs?

2. Do you consider the amendments of the NEMOs to be in line with the Article 10 of the Electricity Regulation?

3. Do you consider that the automatic adjustment mechanism for the maximum and minimum prices should be stricter (limiting the number of price limit changes) or looser (allowing for more changes)?

1. What is your opinion on the general tendency of the amendments proposed by the NEMOs?

40 respondents

2. Do you consider the amendments of the NEMOs to be in line with the Article 10 of the Electricity Regulation?

40 respondents

3. Do you consider that the automatic adjustment mechanism for the maximum and minimum prices should be stricter (limiting the number of price limit changes) or looser (allowing for more changes)?

41 respondents

Thank you

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