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Position Paper

on all NEMOs' proposal for the Methodology for price coupling algorithm and continuous trading matching algorithm

Berlin, November, 15th 2019

The German Association of Energy and Water Industries (BDEW) represents ca. 1,900 members of the electricity, gas and water industry.

In the energy sector, BDEW represents companies active in generation, trading, transmission, distribution and retail.

BDEW welcomes the opportunity to comment on the NEMOS' proposal for the Methodology for price coupling algorithm and continuous trading matching algorithm and thanks ACER for organizing this consultation.

1. General Comments and key messages

BDEW opposes the introduction of Intraday-Auctions as a whole. It should instead be focused on the further development of the continuous intraday market (SIDC). The implementation of additional intraday auctions running parallel to the continuous market will syphon away its liquidity, distort its price signals and therefore weaken the SIDC as a whole.

The proposed interruption of the SIDC three times a day for the intraday auctions is not bearable. Especially the interruption at 10:00 in the morning for one hour will have a detrimental effect on trading liquidity of the hour 13, which is extraordinary critical as portfolios are adjusted according to the weather forecast for generation from renewable energy resources.

BDEW chooses to only answer questions 1-4.

2. Questions

Question 1 – Do you agree that the implementation of the 15/30 minute products and other essential functionalities of the intraday algorithm should have a higher priority than the complex products in case of any algorithm performance issues?

In principle, BDEW strongly rejects the introduction of separate intraday auctions and urge ACER to carefully consider the negative consequences of their implementation on the liquidity of the continuous intraday market.

If intraday auctions – contrary to our position - should still be implemented, the interruption of continuous trading has to be kept at a minimum. Therefore, we agree with ACER that any interruption of the continuous ID trading of up to one hour is far too long. In fact, BDEW would assume that recalculating cross-border capacities should not last longer than a few seconds.

Where algorithm performance issues appear, simple products of 15/30 minutes should have priority over complex products. However, algorithm performance issues should be reported on and an impact assessment should be made mandatory and publicly consulted on. Finally, prioritising 15/30 minute products should only be a temporary solution as the root cause of the

performance issue must be analysed and fixed in order to allow the full product range to become available eventually. BDEW would appreciate a road-map on when these issues will be addressed.

Question 2 - Do you agree that the implementation of the 15/30 minute products and other essential functionalities of the day-ahead algorithm should have a higher priority than the complex products in case of any algorithm performance issues?

BDEW would like to recall that complex products as defined in the SDAC product definition, with a duration much longer than 30 minutes, allow a more direct valuation of some flexibilities such as demand response with complex/industrial processes or based on time of use/critical peak pricing retail tariffs, or power plants with start-up/shut-down costs. Removing the possibility to offer complex products in day-ahead auctions can thus be a threat for the valuation of such assets, likely to reduce their competitiveness and to generate inefficient dispatch decisions.

In BDEW's view, if both 15/30 min products and complex products (with the same range of options as today) cannot be accommodated within the Single Day-Ahead Coupling, complex products should be prioritized. As far as cross-zonal capacities can be allocated with a finer granularity closer to delivery (be it with the continuous SIDC or with the intraday pan-European auctions), it is key for the efficiency of demand response based on spot markets that block products with a long duration can be handled at least in day-ahead. Making their management more difficult could thus be very costly to them, and in particular in situations of potential scarcity.

Question 3 – Would you support any of the options above (ie Options 1, 2 and 3) to reduce the suspension time of the continuous SIDC?

Yes, BDEW supports any possible option that reduces the suspension time to the absolute minimum. This is in particular relevant for the 10:00 D auction as the suspension time will fall directly into the most liquid trading period for H13, which is a peak hour. Especially in the summer, feed in from renewable generation (in particular solar generation) can be substantial (often above 20GW) and the forecast for solar generation, which can involve substantial changes to the expected generation, will be most accurate at this time and thus result in the most important trading window." Suspending the continuous SIDC in this period will have a massive impact on the liquidity available for trading as the tradeable volume will be artificially reduced when cross-border trading is not available for the H13 product.

Question 4 – Would you support the elimination of complex products in order to decrease the suspension time of the continuous SIDC after the deadline for bid submissions (Option 4)?

Yes. BDEW would support to remove any complexity in order to keep the suspension time as little as possible.

However, It is up to the TSOs and NEMOs to deploy the necessary effort to manage the complexity taking into account the legal requirements. The backup solution can allocate the capacity efficiently in case the auction-based SIDC fails to comply with the requirements.

Processwise, instead of setting a firm deadline for the go-live of the algorithm regardless of its efficiency, BDEW would recommend to set a hard deadline (e.g. 2021) for the technical developments of the algorithm of ID auctions to manage both complex products AND 15/30 minutes products, and a relative deadline (e.g. 6 months after the achievement of the appropriate level of performance) for the operational go-live.

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