

Status update on ongoing  
activities



18/12/2019

**MESC MEETING**

- CACM Annual Report 2018
- Algorithm methodology consultation
- Co-optimization methodology
- Reflections on the general process
- Comments on ACER MMR

# CACM Annual Report 2018

- First ever CACM Annual Report published by all NEMOs on 10<sup>th</sup> December 2019. (<http://www.nemo-committee.eu/assets/files/cacm-annual-report-2018.pdf>)
- Pursuant to ACER Decision 08/2018 on Algorithm Methodology of 26th July 2018, in accordance with Article 37 of CACM, NEMOs have to report regularly on the following aspects regarding SDAC and SIDC: Operations, Performance Monitoring, Scalability and R&D.
- Main findings from year 2018:
  - SDAC: reliable operations, good performance level, challenges ahead are being addressed.
  - SIDC: launched in June 2018, few data available, efforts focused on developing the market, operations running well with limited incidents, good performance.

# Algo Methodology (I)

- Throughout the last months, NEMOs have cooperated with ACER and hope the final version to be balanced in order to facilitate the evolution of SDAC and SIDC without hampering well functioning of markets.
- ACER consulted two main changes:
  - **15 min MTU implementation timeline:** while NEMOs committed to deliver 15 min MTU by 2022, ACER proposes the anticipation to 01/01/2021, to comply with CEP.
  - **15 min MTU prioritisation:** in case of performance issue, ACER proposes to prioritize the go live of 15 min MTU with respect to so called “complex products” (blocks, MICs, PUN).
- NEMOs have concerns on the unclarities and potential drawbacks of such measures and would appreciate a pragmatic guidance for the way forward from EC.

# Algo Methodology (II)

## **15 min MTU is expected to raise performance concerns**

- 15 min functionality is already implemented in Euphemia 10.3, but with poor performance. NEMOs have engaged one year ago in an **R&D plan**, targeting delivery of **15 min MTU** support with adequate performance **by 2022**.
- An earlier implementation in SDAC raises concerns, especially in case of stepwise implementation (cross-matching of products & ATCs with different granularity in different BZs) due to **local derogations granted to TSOs with regard to implementation of ISP @ 15 min**.
- This shall coincide also with **go live of Core and Nordic flow based**, expected to be demanding.
- Necessary information is not yet available to properly assess future impact of these changes, neither for local derogations to 15 min ISP implementation nor for flow based network topology.

**Feasibility of 15 min MTU implementation in SDAC by 2021 is uncertain.**

# Algo Methodology (III)

## **Product prioritisation is not “the” solution, but at most “part” of it**

- *Legal issue:* As per Art. 40 of CACM: “All NEMOs shall ensure that the price coupling algorithm is able to accommodate orders resulting from these products covering one market time unit and multiple market time units”. Therefore, this must be considered an essential functionality too, and thus complex products may be limited (with proper rationale) but not removed.
- *Procedural issue:* It is not clear what “prioritising 15 min with respect to complex products” should mean: modify the change control process for the go live (impose a freezing/limitation in use of some products in case “fundamental” RfCs are not supported for go live) or apply corrective measures (only once for 6 months, once gone live) or the R&D actions envisioned for amending existing products or creating new ones with the aim to deliver better performance in the long term.
- *Market issue:* products are trading/scheduling tools for MPs, which cannot be “frozen and unfrozen” at demand and at short notice. MPs already clarified that replacing complex products by 15 mins in IDAs could be acceptable only if complex products are retained in SDAC, where they are irreplaceable.

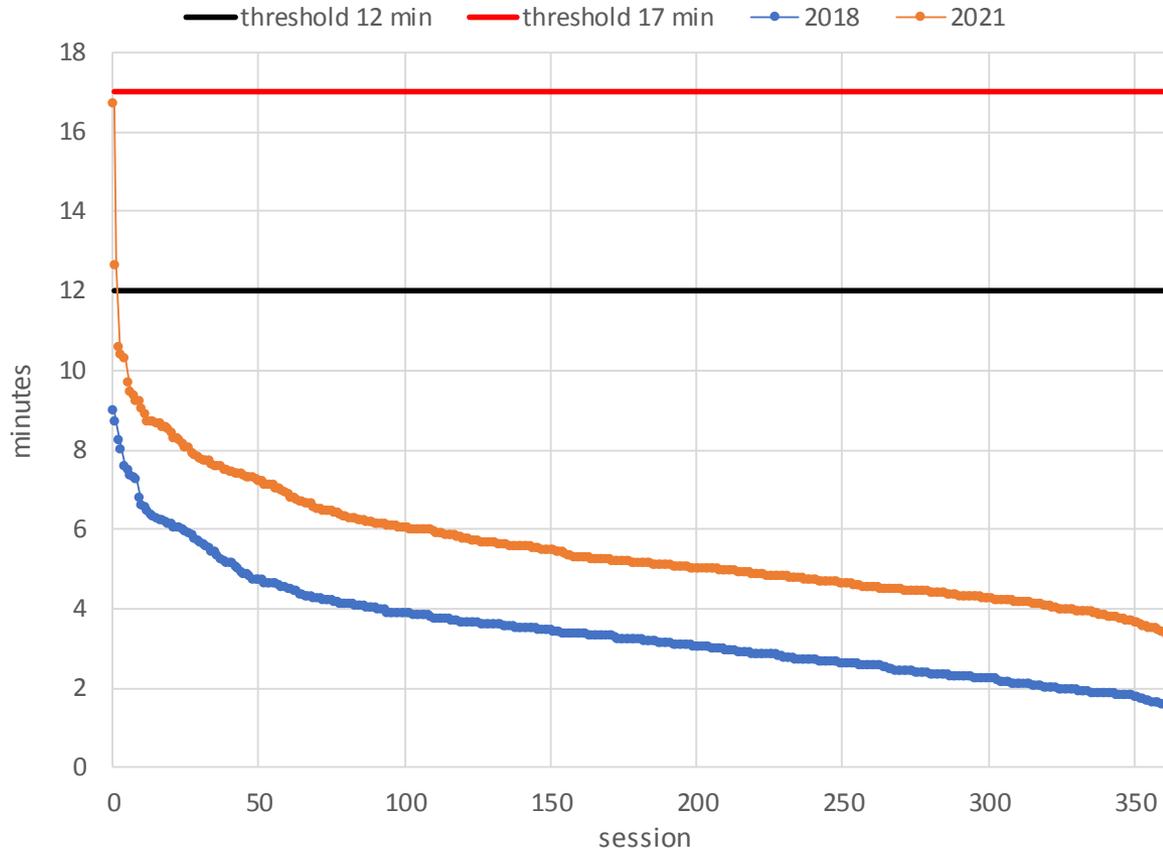
# Algo Methodology (IV)

## Product prioritisation is not “the” solution, but at most “part” of it

- *Performance issue:* data show that Euphemia 10.3 would ensure an average TTFS around 5.5 mins in 2021 taking into account expected growth of product usage (so excluding Nordic and Core flow based, plus 15 mins):
  - Good news: on average we have more than 11 mins “capacity” to support new RfCs
  - Bad news: **IF** there is an performance issue increasing TTFS around 17 mins, any reduction of complex products would not be enough to compensate.

# Algo Methodology (V)

Scalability assessment - duration curves



Changes in daily TTFS (time to first solution), considering anticipated growth of usage of existing requirements.

Does not include Nordic FB, Core FB, 15 min MTU, due to lack of relevant input information.

**2021 forecast avg: 5,5 min**  
**2018 actual avg: 3,4 min**

# Algo Methodology (VI)

## Proposed way forward: a “system” solution

- Part of the solution shall come from future releases of Euphemia (R&D planned for 2022)-> NEMOs
- Part of the solution could come from a simplification of non CACM requirements related to flow based (intuitive patch, LTA treatment) -> TSOs
- Part of the solution could come from a pragmatic approach-> EC/ACER/NRAs
  - 15 minutes MTU go live in SDAC to 2022 (with complex products).
  - Complex products in SDAC would facilitate a smooth implementation of 15 minutes MTU in IDAs as MPs would be able to get feasible schedules in DA thanks to complex products and fine tune their positions in IDAs via 15 min products.
  - 15 minutes MTU go live in IDAs could be feasible in 2021? Very challenging, depending on the chance for a solution to cross-matching.

# Co-optimisation I

- Process so far:
  - TSOs opened a public consultation on the co-optimisation methodology on 15 May 2019.
  - NEMOs responded to the public consultation in July 2019 highlighting a number of issues with the proposal (<http://www.nemo-committee.eu/assets/files/nemo-committee-response-to-czc-consultation.pdf>)
  - After the public consultation, NEMOs engaged in the discussion with TSOs, NRAs and ACER. At this stage, NEMOs would like to highlight these points:
- NEMOs see a potential issue related to the legal basis:
  - The reservation of cross-border capacity for balancing exchanges would go against the principles of the Electricity Regulation 2019/943.
  - Article 40 of EBGL doesn't request the co-optimisation to interfere with the SDAC. The EBGL doesn't apply to NEMOs, nor foresees any cost-recovery scheme for them (and CACM Provides cost recovery for NEMOs/TSOs activities in relation only to the implementation of DA/ID market coupling).
  - There is no legal basis (in CACM and EBGL) for NEMOs' participation in the co-optimisation process.
  - The Algorithm methodology only foresees the implementation of TSOs' requirements regarding the SDAC and the SIDC. Any other requirements related to other mechanisms (such as balancing) are out of scope.

## Co-optimisation II

- According to the EBGL, two or more TSOs may set up a proposal for the application of one of the following processes for exchanging balancing capacity or sharing of reserves:
  - a) co-optimised allocation process*
  - b) market-based allocation process*
  - c) allocation process based on economic efficiency analysis*
- NEMOs consider that the impact of a) on the SDAC will be very negative, therefore we invite TSOs and NRAs to consider options b) and c).
- We should avoid adding more complex requirements to the price coupling algorithm given the already challenging roadmap.
- There is no market appetite from any of the stakeholders, including NEMOs and TSOs, to implement co-optimisation.

# General process

## ISSUES

- Subsequent regulations set/amend inconsistent of challenging goals and timelines, with no NEMO preliminary consultation. Moving target.
- Request formal inclusion of requirements in the methodologies and timely implementation in algorithm, leaving responsibility for operational/technical feasibility to the change control process (approving / rejecting RfCs before go live).

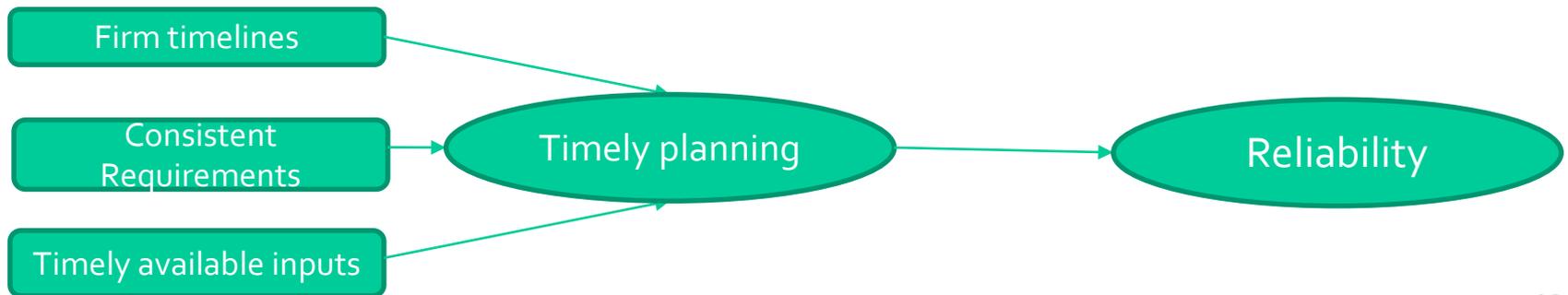
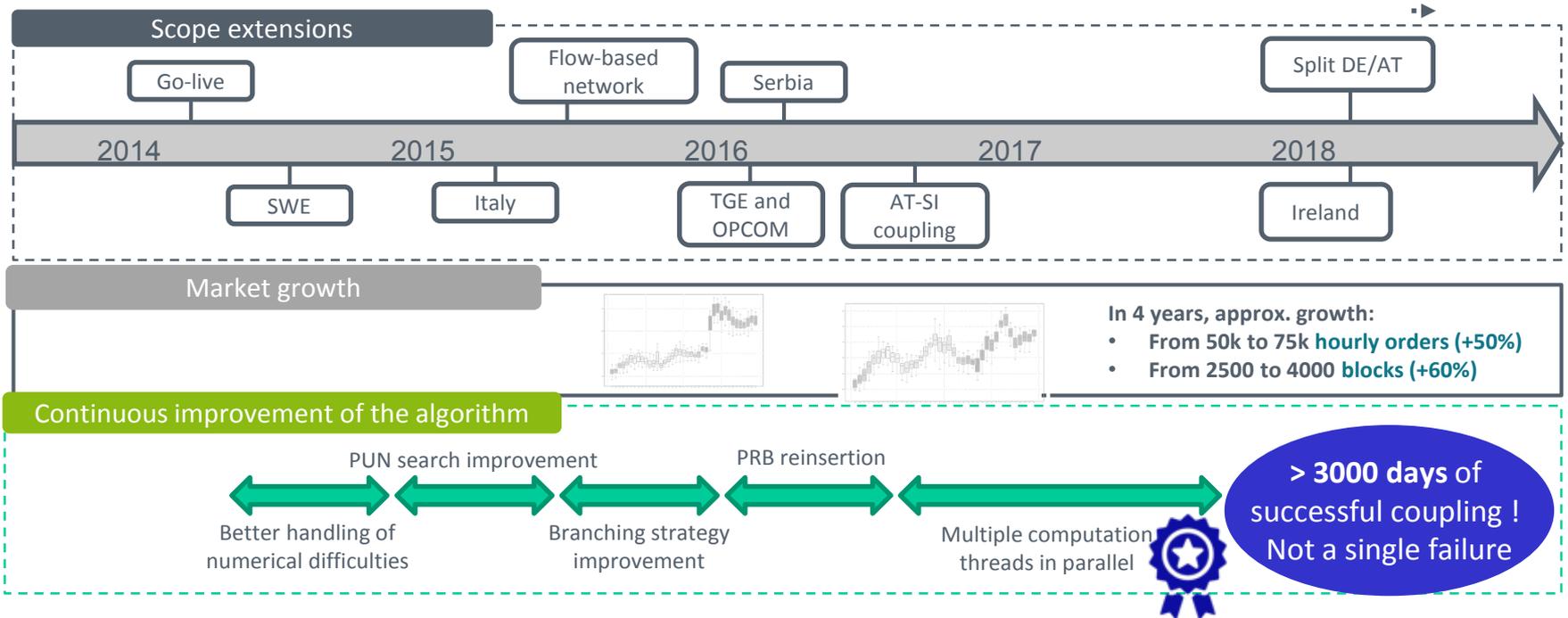
## CRITICAL CASES

- CEP: 15 min MTU, potential stepwise implementation with no performance support.
- EBGL: co-optimisation with no performance support by Euphemia. Lack of clear legal basis for NEMOs, no TSO/mkt appetite.

## CONSEQUENCES

- Hard to manage R&D planning
- Poor commitment to unfeasible plans
- Late discovery of delays
- Purely formal compliance
- Unclear handling of responsibilities
- Market less attractive for participants that may decide to look for alternatives outside SDAC and SIDC

# General process



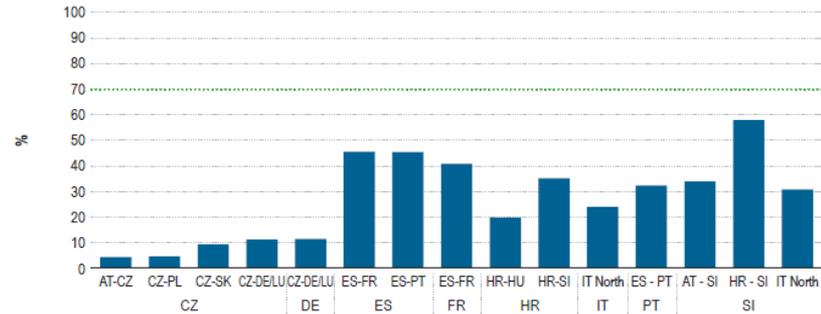
# Comments on ACER MMR

## 70% capacity target

Increasing the available capacities for cross-zonal exchanges will result in increased welfare and foster the internal electricity market.

While the Electricity Regulation 2019/943 aims at increasing the amount of cross-zonal capacity available for the market, the potential implementation of a co-optimisation methodology would actually detract cross-zonal capacity.

Figure i: Average relative margin available for cross zonal trade (MACZT) on selected AC bidding-zone borders in Europe – 2016–2018



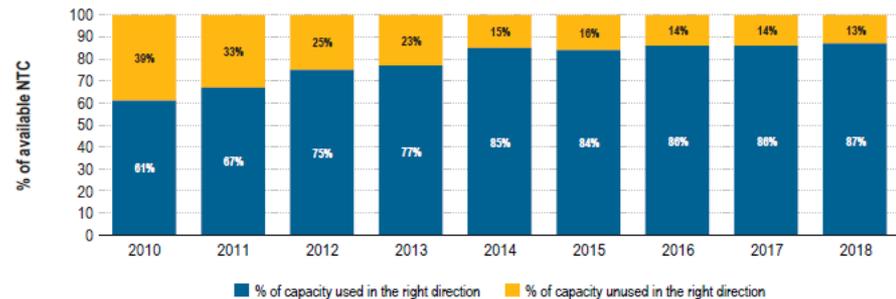
Source: ACER calculations based on ENTSO-ETSOs and Nordpool data.

## SDAC

Enables cross zonal capacity to be used in the **right economic direction**.

Further gains in **welfare** will be obtained from extended implicit DA capacity allocations.

Figure 24: Level of efficient use of interconnectors in the DA market timeframe in Europe – 2010 (Q4)–2018 (%)



Source: ACER calculations based on ENTSO-E, Vulcanus and Nord Pool data.

Note: This figure contains data on 37 borders for which data was consistently available for the analysed period.

## Comments on ACER MMR

**SDAC** helps to ensure a well functioning, non-discriminatory and transparent European internal electricity market.

In order to maintain the performance of SDAC and to properly serve the market needs, the necessary changes in the system must be carefully prepared and tested before implementation. Unnecessary stress needs to be avoided.

**SIDC** has contributed since its 1<sup>st</sup> go live to fostering ID liquidity in Europe even further and to increasing the level of efficiency in the use of interconnections in Europe.

With the 2<sup>nd</sup> wave go-live in the 19<sup>th</sup> November 2019, 7 further countries have joined SIDC which will certainly have a positive impact in all the above.

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