DECISION OF THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS No 05/2017
of 14 November 2017

ON THE NOMINATED ELECTRICITY MARKET OPERATORS’ PROPOSAL FOR HARMONISED MAXIMUM AND MINIMUM CLEARING PRICES FOR SINGLE INTRADAY COUPLING

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to the Treaty on the Functioning of the European Union,

HAVING REGARD to 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, and, in particular, Article 8(1) thereof,

HAVING REGARD to Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management, and, in particular, Article 9(11) thereof,

HAVING REGARD to the outcome of the consultation with the concerned regulatory authorities, transmission system operators and nominated electricity market operators,

HAVING REGARD to the favourable opinion of the Board of Regulators of 18 October 2017, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

1. INTRODUCTION

(1) Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (the ‘CACM Regulation’) laid down a range of requirements for cross-zonal capacity allocation and congestion management in the day-ahead and intraday markets in electricity. These requirements also include specific provisions for the single intraday coupling (‘SIDC’) in accordance with Chapter 6 of the CACM Regulation and, particularly, for setting the harmonised maximum and minimum clearing prices in accordance with Article 54 of the CACM Regulation.

Pursuant to Articles 9(1), 9(6)(i) and 54(1) of the CACM Regulation, the nominated electricity market operators (‘NEMOs’) are required jointly to develop, in cooperation with the relevant transmission system operators (‘TSOs’), a proposal for harmonised maximum and minimum clearing prices (‘HMMCP’) to be applied in all bidding zones which participate in SIDC and submit it to all regulatory authorities for approval. Then, according to Article 9(10) of the CACM Regulation, the regulatory authorities receiving the proposal for the HMMCP for SIDC should reach an agreement and take a decision on that proposal, in principle, within six months after the receipt of the proposal by the last regulatory authority. According to Article 9(11) of the CACM Regulation, if the regulatory authorities fail to reach an agreement within the six-month period, or upon their joint request, the Agency is called upon to adopt a decision concerning the NEMOs’ proposal.

The present Decision of the Agency follows from the regulatory authorities’ request that the Agency adopts a decision on the proposal for the HMMCP for SIDC (which the NEMOs submitted to the regulatory authorities for approval), because the regulatory authorities were not able to reach an agreement to certain elements of the proposal. Annex I to this Decision sets out the HMMCP for SIDC, as decided by the Agency, pursuant to Article 54(1) of the CACM Regulation.

2. PROCEDURE

2.1 Proceedings before regulatory authorities

On 3 November 2016, the NEMO committee, representing all NEMOs being responsible under Article 54(1) of the CACM Regulation, published the ‘All NEMOs draft proposal on harmonised maximum and minimum clearing prices (HMMCP)’ for public consultation. The consultation lasted from 3 November until 2 December 2016. Moreover, during the public consultation period, all NEMOs organised, on 14 November 2016, a stakeholder workshop to discuss various all-NEMOs’ proposals, including the HMMCP for SIDC, giving the opportunity to interested stakeholders and various organisations impacted by the HMMCP for SIDC to raise questions and ask clarifications from the NEMOs.

On 17 February 2017, all NEMOs submitted to the regulatory authorities ‘All NEMO’s proposal for harmonised maximum and minimum clearing prices for Intraday Coupling in accordance with Articles 54(1) of Commission Regulation (EU) 2015/1222 of July 2015 establishing a guideline on capacity allocation and congestion management’ dated 14 February 2017 (the ‘Proposal’).

http://www.europex.org/all-nemos/all-nemos/
2.2 **Proceedings before the Agency**

(6) In a letter dated 2 August 2017 and received by the Agency on the same day, the Chair of the Energy Regulators’ Forum, on behalf of all regulatory authorities, informed the Agency that all regulatory authorities agreed to request the Agency to adopt a decision on the Proposal, pursuant to Article 9(12) of the CACM Regulation, and indicated that the regulatory authorities considered it necessary to ensure consistency of the processes of the two highly related proposals, i.e. the HMMCP for the SDAC and the HMMCP for SIDC. The letter was accompanied by a document titled ‘Request for amendment by all regulatory authorities agreed at the energy regulators’ forum on the All NEMOs’ proposal for harmonised maximum and minimum clearing prices for single intraday coupling’ (‘Position paper’), which presented in more detail the regulatory authorities’ position.

(7) According to the letter, the regulatory authorities considered the Proposal as not fully compliant with the CACM Regulation, as it does not take into account the value of lost load (‘VoLL’). While they agreed that the requirement on VoLL could have been adequately substituted by an automatic adjustment mechanism for the HMMCP; however such a mechanism was not included in the Proposal. Moreover, the regulatory authorities requested reassurance that the harmonised maximum clearing price for SIDC will not be set below the harmonised maximum clearing price for the SDAC.

(8) In the Position paper, the regulatory authorities described, on top of the issues mentioned above, the necessity to justify the choice of the proposed clearing prices and to provide more detail on the automatic adjustment mechanism, e.g. identification of the entity which will monitor clearing prices for the purposes of the Proposal, description of the process of maximum clearing price increase after the triggering level has been reached and publishing the new price limits. Moreover, the regulatory authorities requested deletion or justification of the provisions in the timescale implementation chapter, which make the Proposal’s implementation dependent on the implementation of the provisions in Articles 20, 27 and 57 of the CACM Regulation.

(9) The letter of 2 August 2017 did not indicate that the regulatory authorities requested the NEMOs to amend the Proposal. In fact, there was no such request.

(10) On 24 August 2017, the Agency launched a public consultation on the Proposal, inviting all market participants to submit their comments by 15 September 2017. The Agency asked two SIDC-related questions: (i) on the implementation timeline and (ii) on the functioning of the automatic adjustment mechanism for the harmonised maximum clearing price for SIDC. The summary and the evaluation of the responses received are presented in Annex II to this Decision.

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*The regulatory authorities’ platform to consult and cooperate for reaching a unanimous agreement on NEMO’s and TSOs’ proposals.*
3. THE AGENCY'S COMPETENCE TO DECIDE ON THE PROPOSAL

3.1 Joint request and no agreement by the concerned regulatory authorities

(11) Pursuant to Article 9(11) of the CACM Regulation, where the regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies within six months following the receipt of the proposal for such terms and conditions or methodologies by the last regulatory authority concerned, or upon the regulatory authorities' joint request, the Agency shall adopt a decision concerning the submitted Proposal within six months and in line with Article 8(1) of Regulation (EC) No 713/2009. Pursuant to Article 9(12) of the CACM Regulation, where the regulatory authorities have requested the relevant applicants (i.e. NEMOs or TSOs) to amend the proposal and have not been able to reach an agreement on the amended terms and conditions or methodologies within two months after their resubmission, or upon the regulatory authorities' joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.

(12) According to the letter of the Chair of the Energy Regulators' Forum of 2 August 2017, all regulatory authorities agreed to request the Agency to adopt a decision on the Proposal pursuant to Article 9(12) of the CACM Regulation as they considered it necessary to ensure consistency of the processes of the two highly related proposals, i.e. for the HMMCP for the SDAC and for the HMMCP for SIDC.

(13) As regards the regulatory authorities' reference to an Agency's decision pursuant to Article 9(12) of the CACM Regulation, it is to note that this provision refers to an Agency's decision in a situation where the regulatory authorities requested the NEMOs to amend their proposal and the NEMOs submitted an amended proposal. In the present case, there is, however, no such situation as the regulatory authorities did not request any amendments from the NEMOs, nor did the NEMOs submit the Proposal in amended form. By contrast, the Agency's decision-making competence in the event of the regulatory authorities' disagreement or joint request under Article 9(11) of the CACM Regulation does not refer to a proposal which, following a request by the regulatory authorities, has been amended by the NEMOs. Accordingly, the Agency considers that, given the substance of the regulatory authorities' request and the fact that no amendment of the Proposal has been requested by the regulatory authorities and has not been proposed by the NEMOs, its decision on the Proposal should be based on Article 9(11) of the CACM Regulation.

(14) Therefore, under the provisions of Article 9(11) of the CACM Regulation, the Agency has become responsible to adopt a decision concerning the submitted Proposal by the referral of 2 August 2017.
4. SUMMARY OF THE PROPOSAL

(15) The Proposal includes the following elements:

a) general provisions, including on the scope of application and on harmonised definitions, in chapters 1 and 2 (i.e. Title 1 of Annex 1 to this Decision);

b) provisions on maximum and minimum prices, including criteria for their amendment, in chapter 3 (i.e. Title 2 of Annex 1 to this Decision); and

c) final provisions, including on the timeline for implementation and the applicable language, in chapters 4 and 5 (i.e. Title 3 of Annex 1 to this Decision).

(16) The Proposal provides that all NEMOs should implement the HMMCP for SIDC immediately after the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation and also conditions the implementation on the finalisation of several other methodologies described in Section 5.5 below.

(17) Point 1.7 of the Proposal (i.e. Recitals (3) to (11) of Annex 1 to this Decision) describes the expected impact of the HMMCP for SIDC on the objectives set out in Article 3 of the CACM Regulation.

5. ASSESSMENT OF THE PROPOSAL

5.1 Legal framework

(18) Recital (29) of the CACM Regulation requires the introduction of the HMMCP for strengthening investment conditions for secure capacity and long-term security of supply both within and between Member States.

(19) Article 54 of the CACM Regulation sets out specific requirements for the proposal for the HMMCP for SDAC.

(20) According to Article 54(1), the proposal for the HMMCP for SDAC shall be developed by all NEMOs, in cooperation with all TSOs and shall set the HMMCP to be applied in all bidding zones, which participate in SIDC. Moreover, the proposal shall take into account an estimation of the VoLL and be subject to consultation in accordance with Article 12 of the CACM Regulation.

(21) As a general requirement, Article 9(9) of the CACM Regulation demands that every proposal for terms and conditions or methodologies includes a proposed timescale for their implementation and a description of their expected impact on the above-mentioned objectives of Article 3 of the CACM Regulation.
Moreover, the proposal for the HMMCP for SDAC must be in line with the objectives of Article 3 of the CACM Regulation.

5.2 The harmonised maximum and minimum clearing prices for SIDC

Point 3.1 of the Proposal provides that the harmonised maximum clearing price for SIDC shall be set at 9999 EUR/MWh, point 3.2 thereof that the harmonised minimum clearing price for SIDC shall be set to -9999 EUR/MWh.

Therefore, the Proposal complies with the requirement of the minimum and maximum clearing prices proposal in Article 54(1) of the CACM Regulation.

5.3 Taking into account an estimation of the value of lost load

The Proposal does not refer to the estimation of the value of lost load as required by the Article 54(1) of the CACM Regulation.

The Agency notes, however, that in contrast to the proposal for harmonised maximum clearing price for SDAC, the Proposal set the harmonised maximum clearing price for SIDC at 9999 EUR/MWh, which is much closer to the expectation of the VoLL as expressed by many market participants in the Agency’s public consultation. Nevertheless, the Agency finds it necessary to amend the Proposal by also including an automatic adjustment mechanism, which at least ensures that the harmonised maximum clearing price for SIDC should never be below the harmonised maximum clearing price for SDAC. The proposed value for harmonised maximum clearing price for SIDC together with the associated automatic adjustment mechanism, minimises, in the Agency’s view, the likelihood that harmonised maximum clearing price for SIDC would restrict the free price formation, which is the central objective of the Article 54(1) of the CACM Regulation.

The automatic adjustment mechanism for the harmonised maximum clearing price for SIDC, as introduced by the Agency, therefore further ensures the compliance of the harmonised maximum clearing price for SIDC with Article 54(1) of the CACM Regulation.

5.4 Public consultation

The draft Proposal was consulted Union-wide with stakeholders from 3 November to 2 December 2016.

The comments received from stakeholders, their assessment and the explanation of why comments have or have not been taken into account were published by the NEMO Committee representing all NEMOs, under the title ‘Justification document on the consideration of stakeholder views on the All NEMOs Consultation Proposals on CACM Article 9 methodologies’, together with the Proposal, on 14 February 2017.
(30) Therefore, the Proposal has been subject to a public consultation in accordance with Article 12 of the CACM Regulation and complies with Article 54(1) of the CACM Regulation.

5.5 Proposed timescale for implementation

(31) Chapter 4 of the Proposal provides that all NEMOs shall implement the HMMCP in all bidding zones participating in SIDC after the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation, after the common grid model methodology has been developed in accordance with Article 17 of the CACM Regulation, after the capacity calculation methodology has been developed in accordance with Article 20 of the CACM Regulation and after the relevant coordinated capacity calculator has been set up in accordance with Article 27 of the CACM Regulation on the borders of the relevant capacity calculation region.

(32) Therefore, the Proposal complies with the requirement of the implementation timescale proposal in Article 9(9) of the CACM Regulation.

(33) As regards the substance of the proposed implementation timescale, the Agency agrees with the requirement, in point 4.1.2 of the Proposal, that the HMMCP should be implemented immediately after the market coupling operator (‘MCO’) function has been implemented in accordance with Article 7(3) of the CACM Regulation, as the timely implementation of the MCO functions is essential for the proper functioning of the SDAC, which will accommodate the HMMCP set by this Decision. However, the Agency does not see any justification for making the implementation of the HMMCP subject to the conditions in point 4.1.1 of the Proposal, i.e. the development of the common grid model in accordance with Article 17 of the CACM Regulation, the development of the capacity calculation methodology in accordance with Article 20 of the CACM Regulation and the setting up of the relevant coordinated capacity calculator in accordance with Article 27 of the CACM Regulation, because, in the Agency’s view, they are independent from and not relevant for the application of the HMMCP. Therefore, the Agency deems it appropriate to remove the conditions of point 4.1.1 of the Proposal, amended by the Agency in Annex I to this Decision

5.6 Expected impact on the objectives of the CACM Regulation.

(34) Point 1.7 of the Proposal (i.e. Recitals (3) to (11) of Annex I to this Decision) describes the expected impact of the HMMCP for SIDC on the objectives listed in Article 3 of the CACM Regulation.

(35) Therefore, the Proposal complies with the requirement of impact description in Article 9(9) of the CACM Regulation.
(36) As regards the substance of the described impact, the Agency generally agrees with the description in point 1.7 of the Proposal, but deems it appropriate to clarify certain aspects in more detail and to amend the text in order to improve readability.

5.7 Assessment of other points of the Proposal

(37) In points 1.1 to 1.5 of the Proposal, most of the ‘Background’ has been deleted, as it refers to all NEMOs’ responsibilities under the CACM Regulation. It has been replaced, in the ‘Whereas’-considerations of Annex I, with a text, which reflects the fact that the Proposal has been amended by the present Decision and which lays out the objectives, which the Proposal as amended by the present Decision shall pursue.

(38) The content of point 1.8, which explains the commitment of the NEMOs to review the Proposal every two years or when the NEMOs deem it appropriate after an increase of the harmonised maximum clearing price for SDAC, has been incorporated in Article 4(3) of Annex I and only, where necessary to enhance readability, clarified.

(39) In chapters 2 and 3, the wording of the definitions has been slightly amended better to mimic the CACM Regulation; the word ‘Limit’ has been omitted.

(40) Finally, the Agency introduced several additional editorial amendments. The most significant one relates to the transformation of the document into a legal format, which enables its enforceability. Further, the ordering of some chapters has been changed in order to improve readability and clarity.

5.8 Conclusion

(41) For all the above reasons, the Agency considers the Proposal in line with the requirements of the CACM Regulation, provided that the amendments described in this Decision are integrated in the Proposal, as presented in Annex I to this Decision.

(42) Therefore the Agency approves the Proposal subject to the necessary amendments of its chapters 1 to 4 and to the necessary editorial amendments. To provide clarity, Annex I to this Decision sets out the amended Proposal as approved, including the above mentioned amendments.
HAS ADOPTED THIS DECISION:

Article 1

The harmonised maximum and minimum clearing prices for all bidding zones which participate in single intraday coupling pursuant to Article 54 of Regulation (EU) 2015/1222, shall be applied as set out in Annex I to this Decision.

Article 2

This Decision is addressed to all NEMOs.

Done at Ljubljana on 14 November 2017.

For the Agency:

Alberto Pototschnig
Director

Annexes:

Annex I – Harmonised maximum and minimum clearing prices to be applied in all bidding zones, which participate in single intraday coupling pursuant to Article 54 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

Annex Ia – Harmonised maximum and minimum clearing prices to be applied in all bidding zones, which participate in single intraday coupling pursuant to Article 54 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management in track change compared to the Proposal (for information only)

Annex II - Evaluation of responses to the consultation of regulatory authorities, NEMOs, TSOs and other market participants on the Proposal