

Energy Traders Europe response to GME consultation on TIDE implementation

Brussels, 14 June 2024

Part I – PUN replacement

Q1 With the transition to market time intervals of 15 min, do you deem it useful to also introduce products in respect of market intervals of 30 min and 60 min (multiple time intervals) in the MGP and MI-A (auction markets)?

Yes, Energy Traders Europe welcomes and fully supports the co-existence of hourly (60'), half-hourly (30') and quarter-hourly (15') products in MGP and MI-A, with the prorisation of 15 minutes MTU implementation in SIDC rather than in SDAC.

The NEMOs agreed and approved on 29 November 2023 in the Market Coupling Steering Committee (MCSC) that the final portfolio of products to be offered will be 15'/30'/60' products as of the 15 market time unit (MTU) go live in 2025.

We strongly encourage GME to have the same product offering as it would bring the following benefits:

- Unlock the full flexibility of assets operating on an hourly granularity (e.g. hydro power plants) mainly due to technical constraints and safety reasons
- Avoid that hourly orders are subject to the same limits of block orders, preserving the flexibility of the assets
- Enable renewable intermittent power generation to produce at operating point and absorb short-term load fluctuations
- Allow partial volume clearing of the existing hourly product, hence increasing the flexibility of assets and reducing opportunity cost for market participants as the risk of rejection (PRB) will not occur

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- Avoid an increase in complexity (and computation time) which would take place in case the limits on the number of smart blocks remain with SDAC on a QH granularity (e.g. 24 scenarios per exclusive family)

The co-existence of hourly (60'), half-hourly (30') and quarter-hourly (15') products is in line with the spirit of the the introduction of the 15min MTU products in SDAC/SIDC, namely to optimise bids and unlock the full flexibility of the assets.

Q2 With the transition to market time intervals of 15 min, do you deem it useful to also maintain the market interval of 60 min (multiple market time intervals) in the MI-XBID and not to introduce the 30-minute product, given its limited use and consequent low liquidity?

No, Energy Traders Europe welcomes and fully supports the co-existence of hourly (60'), half-hourly (30') and quarter-hourly (15') products in MI-XBID. We believe that market participants should be given the maximum availability of products.

Q3 Do you share the proposal of maintaining, at least initially, the 60-min granularity only for commercial transactions on the PCE, so as to mitigate the operational impacts of passing to a 15-min granularity concurrently with the start of the TIDE?

No, we believe that it would be preferable to align the granularity of the negotiations on day-ahead market and PCE commercial transaction PCE since the beginning.

In our view, keeping the hourly granularity for transactions on the PCE while having 15-minutes granularity for negotiations would introduce operational complexity and confusion for market participants. 15-minutes granularity on the PCE would also facilitate the delivery of non-standard profiles (e.g. solar) that change with the same granularity as the ISP/MTU.

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Q4 Do you agree on the choice of having simple blocks only, including profile blocks, in the MGP and MI-A?

No, we request GME to increase the availability of smart block orders and foresee new products enabling flexibility to be properly represented.

We encourage GME to have both linked bids and exclusive bids. They allow market participants to reflect the constraints of their physical assets or contracts, and thereby the optimisation of portfolios. It allows for an efficient and competitive bidding process leading to an efficient dispatch which in turn is beneficial consumers, more specifically:

- Linked bids would allow market participants to spread expenditures such as start-up and run-down costs over multiple bids.
- Exclusive bids would grant additional options to market coupling algorithm for a better optimization compared to forcing ex-ante bids on market participants for certain MTU

The combination of SBO (Simple Block Orders) with different MTU should also be possible: e.g. to link hourly SBO with a quarter-hourly or half-hourly SBO.

Q5 Do you agree on the proposal not to introduce user-defined blocks in the MI-XBID, given the poor liquidity of this product?

No comment

Q6 Do you share GME's proposal to revise the guarantee booking feature for trades in the MI-XBID?

No, we believe that this change would make trading less flexible without a clear operational benefit for GME from keeping the same booking time with 15-minute products on MI-XBID.

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We understand that the DCO changes the way of booking collateral for trading on MI-XBID (DTF 07 rev 11 ME, not consulted) with 96 time slots for reservations. This is different from the current system where collateral can be changed anytime. In any case, we request GME to provide more clarification on the rationale of this proposed modification

Q7 Do you share GME's proposal that, in the ME, Market Participants will be able to submit bids whose unit of measurement is the MW, specified with 1 decimal, and to register nominations whose unit of measurement is the MW, specified with 3 decimals?

Yes, we welcome the change in the unit of measurement adopted for the presentation of offers on ME as it would solve discrepancies between MGP and MI-XBID.

Part II – TIDE implementation

Q8 Do you agree that, in the new ME Rules, GME limits the delegation on portfolios to a single Market Participant?

No comment

Q9 Do you consider the delegation instrument to be necessary for BSPs?

Yes, we believe that delegation is fundamental for BSPs and BRPs operations.

Q10 Do you agree on keeping in the new PCE Rules the existing mechanism under which dispatching users (future BRPs) can delegate both an account and a share of a unit to multiple PCE Participants?

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Yes, we agree maintaining the delegation mechanism in favor of multiple PCE participants as it would provide more flexibility for the operations of market participants without adding operational burdens on GME.

Q11 Do you agree on GME's proposal that, at least initially, portfolios will always consist of a single unit, so as to manage the transition to the TIDE market design under security conditions and to provide Market Participants with the implicit nomination instrument in order to minimise the operational risks associated with the scheduling stage?

No, we believe that allowing portfolio bidding would be beneficial for the Italian electricity market. The opportunity to submit bids/offers on a portfolio basis is a precondition for the development of an efficient energy market where market participants can optimise all their resources via a more flexible bidding strategy at the lowest cost for society.

Portfolio bidding allows electricity sellers to aggregate the electricity produced to properly reflect assets and their combined capabilities within a portfolio of assets (generation, storage) and contracts (including demand).

It also enables electricity producers to use the flexibility of their assets more effectively, while supporting TSO's tasks of efficient procurement of balancing services and further actions aimed to guarantee the security of supply.

Whatever the aggregation mechanism will be, we believe that the implicit nomination instrument should be maintained, in order to minimize the operational risks associated with scheduling.

Q12 Do you deem it useful that, after 1 January 2025, 1) GME will provide for an aggregation by default of some types of units (different from the UAS and subject to the technology constraints specified by the TIDE) into a single portfolio; and that 2),

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failing an explicit nomination for such units, an implicit nomination based on a conventional criterion will be adopted?

No, we disagree with GME proposal of default portfolios due to its misalignment with the TIDE regarding the creation of zonal portfolios (Article 10.2.2), where more freedom is given to market participants to aggregate in a portfolio different kind of units.

In particular, the default aggregation would remove the possibility for market participants to leave specific units outside of the default portfolios.

We believe that market participants should be allowed to structure these portfolios freely, within the limits outlined by the TIDE. This option should not preclude the implicit nomination for those portfolios composed of single unit.

Q13 Any additional comments

- **60' index:** we would welcome clarification on the publication of 60' index and the methodology of 60' index calculation. This could be an index as a strict average of quarterly prices.
- **Non-Arbitrage Fees ("Corrispettivo di Non-Arbitraggio"):** the GME consultation provides for the cancellation of the non-arbitrage fees. We believe it would be necessary to maintain them if, as a result of the ARERA DCO 194/2024, the adjustment mechanism ("Meccanismo di Perequazione") will be applied directly by GME (as highlighted in the DCO itself).
- **Portfolios:** GME envisages to establish the same portfolio configuration on MGP, MI-A and LTS, however we would propose to maintain the current structure on LTS (possibility of bidding with a single zonal portfolio as well as with individual portfolios associated with units). We understand that associating a portfolio with a single unit could ease the nomination phase but, in our view, it would complicate the bidding phase and the current mechanisms.

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