CONSULTATION RESPONSE

Response to ERSE consultation on the 15 minutes imbalance settlement period

Brussels, 13 November 2024

Energy Traders Europe always supported the switch to a 15-minute imbalance settlement period (ISP) by the legal deadline (1st January 2025). A shorter ISP could help make prices more reflective of the actual market conditions, incentivising generation and demand to respond to the system status with more precision.

However, it is essential that market participants can trade products with the same granularity as the ISP – at the very least in the intraday market which is their last occasion to balance their positions. Therefore, the go-live dates of ISP15 and the 15 minutes market time unit in intraday (MTU15ID) should be placed as close as possible to allow market participants to trade without facing significant imbalance costs.

We acknowledge the technical and budgetary challenges to anticipate MTU15ID in Iberia due to the initial decision to couple the go-live dates of MTU15 for both intraday – set on 18th March 2025 - and day-ahead – delayed to a date to be established. Given the direct impact that they have also on the MTU15ID in Iberia we understand ERSE proposal to realign the ISP15 in Portugal with, at least, MTU15ID.

Taking all this into account, we acknowledge the transitory solution to align the implementation of ISP15 until the start of MTU15 transactions in the intraday market or in the day-ahead.

Finally, we regret that such an important topic is being debated only through a directed consultation (as opposed to a public consultation) with little time left before the deadlines, and we encourage ERSE and REN to adopt a more ambitious approach in their planning process to implement EU regulation and integrate Portugal in the European electricity markets, and to involve earlier market participants in the process.

Response to ERSE consultation on secondary regulation band price cap

Energy Traders Europe believes that it is of utmost importance to foster the necessary developments of the ancillary services markets in Portugal and to harmonize them as much as possible across Europe, following and implementing the European regulatory framework.

This consultation is critical, as the ERSE decision to uphold the price cap may create market distortions with potential cross-border consequences, undermining both Portuguese and Iberian energy markets.

Therefore, **we urge ERSE to remove the price limit of the secondary regulation band as soon as possible and no later than the go-live date of PICASSO**.
Below we outline our primary concerns with the current price control, the expected impacts of Portugal's participation in cross-border balancing platforms, and recommended actions.

1. Market distortions due to price cap

The current price cap in the aFRR capacity market could lead to significant distortions in both the Portuguese and broader Iberian energy markets. By capping prices, the Portuguese system risks undervaluing the opportunity costs associated with dispatchable resources, particularly as Portugal's balancing service providers (BSPs) are limited by REN's requirement for "asset-based control."
As Spain prepares to implement the SRS (Secondary Reserve System) project on November 19th, this difference will make Portugal's balancing market less competitive and less efficient relative to Spain's more flexible model.

2. Cross-Border Implications of the price cap

ERSE's price control mechanism could also impact cross-border balancing. Should Portugal enter the EU's PICASSO platform with a capped aFRR capacity price, it could lead to disproportionate usage of cross-border resources, especially if Portuguese capacity contracts fall short of system requirements.

This could jeopardize the stability of interconnected EU systems by placing excess reliance on foreign resources. Moreover, this arrangement would contradict the EU's objectives of optimising national and cross-border energy resources. Given these considerations, we urge ERSE to remove this price cap before joining PICASSO.

3. Operational risks and market transparency

The price cap applies on a quarterly, ex-post basis, creating uncertainty around cost recovery. This lack of clarity poses risks for market participants who may not be able to predict how their bids will recover their operational costs, adversely affecting market transparency and competitiveness in both Portuguese and Spanish markets.

4. Compliance with European Regulation and consultation with ACER

As mandated under the European Balancing Guideline (EB GL), ERSE has a legal obligation to ensure market compliance, competition, and transparency in the energy markets. It is imperative that ERSE commits to harmonizing with cross-border regulatory frameworks to avoid unintended distortions. Therefore, we are concerned by ERSE’s approval to prolong this imposed price cap without contesting its impact on market dynamics.

Given the cross-border impacts of Portugal’s price control mechanism, we suggest ERSE to consult with ACER to ensure that Portuguese regulatory decisions align with European standards. We believe that this issue goes beyond a purely national scope, as it affects the efficiency of the Iberian markets.

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