CONSULTATION RESPONSE

NEMOs consultation on the harmonized maximum and minimum clearing prices for SDAC and for SIDC

Brussels, 24 March 2025 – We appreciate the NEMOs consultation and the public workshop.

General comments

We remind the NEMOs of the importance of free formation of prices in the wholesale electricity market. One of the basic elements to ensure this is to avoid that regulatory or technical caps limit market participants' bidding behaviour directly or indirectly, which can have negative effects on the market similar to that of administrative interventions.

SDAC and SIDC criteria

We support keeping the existing threshold in Article 4. When prices hit 70 percent of the price limit in two market time units in one bidding zone, the harmonised price limit is at a higher risk of unduly constraining prices. The existing 70-percent threshold allows the market framework not to restrict prices (unless for technical reasons) and any sign that the price limit may soon be hit should be an indication that the limit needs to be increased.

We miss an analysis on the additional triggering metric for the update of the max/min clearing price based on market liquidity. That 100 MW threshold might be a valid change proposal from our perspective. Choosing 100MW as a minimum value is arbitrary and should be reviewed. This value should probably be much lower but be chosen with some analysis. Without such evaluation, the thresholds seem rather an arbitrary choice rather than a technical metric to update the limits. We would appreciate a publication on the NEMOs Committee website with the reasoning.

We are open to discuss the downward adjustments after one year of no change in the methodology because of the effect on the collaterals provided by market participants. Stability of the mechanisms should also be one of the goals. Technical details should be further discussed with market participants in following consultations/workshops with an impact assessment coming from the NEMOs and TSOs of the different proposals.

The time lag between hitting a price limit threshold and the entry into force of the new price limit should be shortened to one week, but not less than three days). This will allow to adjust the market framework quicker to react to possible prolonged periods of very high or very low prices, while guaranteeing enough time for procedural adjustment on market participants' and NEMOs' respective sides. NEMOs correctly state that the price formation could become more volatile in a 15min environment. Such volatility should not be depressed with an unnecessary long implementation time of higher limits. Instead, the time lag should be shortened to not hinder the free price formation.

We propose that for the upward adjustment for SIDC (IDAs and XBID) a sufficient '"gap" with the SDAC price limit will be maintained. Indeed, according to the current rules, once the SDAC price limit will have reached 4,000 EUR/MWh, the SIDC price limit in any future scenario will remain at 9,999 EUR/MWh. If and when SDAC market prices reach such high levels and beyond, market participants will still need the ability to trade in intraday at potentially much higher prices than day-ahead as buy and sell options are slimming down close to real time delivery.

We propose that the minimum 'gap' between SDAC and SIDC technical clearing price limits is set either in the form of a fixed value equal to the existing gap (i.e. 5,999 EUR/MWh) or calculated using a multiplication factor.

NEMOs and TSOs should also assess the impact of the increase in SIDC limits will have on imbalance pricing, since MARI/PICASSO price limits change when SIDC prices exceed 9,999 EUR/MWh. We believe this risk should be better reflected in the analysis.

Contact

Lorenzo Biglia
Manager for European Electricity Markets
E-Mail: l.biglia@energytraderseurope.org