
Proposal for DA Fallback Procedures in SWE region for day-ahead market coupling

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RTE, REE and REN are taking into account the following:

Whereas

1. This document is a common proposal developed by RTE, REE and REN as the Transmission System Operators of France, Spain and Portugal, the three countries of the SWE Region (hereafter referred to as SWE TSOs), which intends to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead market coupling process is unable to produce results. This proposal is required by Article 44 of Regulation (EU) 2015/1222 on Capacity Allocation and Congestion Management (the “CACM Regulation”).
2. The SWE Fallback Procedures Proposal takes into account the general principles, goals and other methodologies reflected in CACM Regulation. The goal of CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday markets.
3. The SWE Fallback Procedures shall be applied in case the single day-ahead market coupling process is unable to produce results in accordance with Articles 44 and 50 of CACM Regulation.
4. According to Article 9(9) of CACM Regulation, the proposed timescale for the implementation of the proposed SWE Fallback Procedures shall be included and can be found in Article 6 of the SWE Fallback Procedures Proposal.
5. According to Article 9(9) of the CACM Regulation, the expected impact of the proposed SWE Fallback Procedures on the objectives of the CACM Regulation has to be described. The impact is presented below (point 6 of the Whereas).
6. The proposed SWE Fallback Procedures contribute to and do not in any way hinder the achievement of the objectives of Article 3 of CACM Regulation.

- Article 3(a) of CACM Regulation aims at promoting effective competition in the generation, trading and supply of electricity.

Fallback Procedures for SWE Region consist in the execution of Shadow Auctions in the France-Spain interconnection and a market coupling process in the bidding zones of Spain and Portugal decoupled from the rest of Europe. The Shadow Auctions are executed by the Allocation Platform, which is a unique platform for all market participants acting on France-Spain interconnection, already used for the allocation of capacity in long term timeframes. Moreover, the registration for the Shadow Auctions is free of charge.

This contributes to create the same level playing field for all market participants willing to access to day ahead markets.

- Article 3(b) of CACM Regulation aims at ensuring optimal use of the transmission infrastructure.
Fallback Procedures for SWE Region ensures that in case of failure of the day ahead coupling processes, the cross-border capacity can still be allocated to the market participants at this timeframe. The cross-border capacity can still be explicitly allocated for the France-Spain interconnection and implicitly allocated for the Portugal-Spain interconnection.

- Article 3(e) of CACM Regulation aims at ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants.

Fallback Procedures for SWE Region rely on transparent market rules that are approved by the relevant national regulatory authorities after a consultation period.

- Article 3(h) of CACM Regulation aims at respecting the need for a fair market and orderly price formation.

The Fallback Procedures for SWE Region are performed through the execution of Shadow Auctions in the France-Spain interconnection and a market coupling process in the bidding zones of Spain and Portugal decoupled from the rest of Europe which rely on mechanisms described in public market rules. Both algorithms calculate moreover a marginal price for the offered capacity according to the bids of the market participants and are thus market based.

- Article 3(j) of CACM Regulation aims at providing non-discriminatory access to cross-zonal capacity.

The SWE Fallback Procedures ensure a transparent and non-discriminatory approach towards facilitating cross zonal capacity allocation in the event that the single day-ahead coupling process is unable to produce results.

7. This proposal takes into account existing solutions in order to ensure the cost efficiency of the implementation of the SWE Fallback Procedures.

Article 1 - Subject matter and scope

1. The SWE Fallback Procedures, as determined in this SWE Fallback Procedures Proposal shall be considered as the common proposal of SWE TSOs to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead market coupling process is unable to completely or partially produce results, in accordance with Article 44 of CACM Regulation.
The scope of the SWE Fallback Procedures does not extend to the assignment of roles and responsibilities to specific parties. Neither does the scope attempt to provide a governance framework for specific roles or responsibilities. These aspects will be defined by the SWE TSOs in accordance with Article 8(2i) of CACM Regulation.
2. According to Article 50 of CACM Regulation, the SWE Fallback Procedures shall be initiated whenever NEMOs performing MCO functions are unable to deliver part or all of the results of the price coupling algorithm in a timely manner.

Article 2 - Definitions and interpretation

1. For the purposes of this Fallback Procedures Proposal, terms used shall have the meaning of the definitions included in Article 2 of CACM Regulation, Commission Regulations (EU) 543/2013 and (EU) 1227/2011. In addition, the following definitions shall apply:
 - a) ‘Shadow Auction’ means the explicit auction run by the Allocation Platform by which daily Cross Zonal Capacity is offered as Fallback Procedure for the single day-ahead coupling process and allocated to market participants who submit bid(s) according to the Shadow Allocation Rules (SAR);
 - b) ‘Allocation Platform’ means the entity appointed and commissioned by the TSOs to act on their behalf and on its own name for the attribution of Cross Zonal Capacity through the Shadow Auctions
 - c) ‘Shadow Allocation Rules (SAR)’ means the rules for the Shadow Auctions applied by the Allocation Platform, and published on the Allocation Platform¹,
 - d) ‘SWE NEMOs’ means the NEMOs officially designated in France, Spain and Portugal in accordance with Article 4 of CACM Regulation.
 - e) ‘Market coupling process in the bidding zones of Spain and Portugal’ means the Portugal-Spain electricity market coupling in place since July 2007 resulting from the cooperation between the Portuguese and Spanish Governments with the aim of promoting the integration of both countries’ electrical systems as provided in (i) the signature of Protocol for the Cooperation between the Spanish and Portuguese Governments for establishing the Iberian Electricity Market in November 2001, (ii) the signature of the Agreement in Santiago de Compostela between the Portuguese Republic and the Kingdom of Spain in October 2004, (iii) 22nd Luso-Spanish Summit of Badajoz which took place in November 2006; and (iv) the signature of the Agreement in Braga in January 2008 which revises the Santiago Agreement.
 - f) ‘SIOM algorithm’ means the algorithm put in place at the implementation of the market coupling process in the bidding zones of Spain and Portugal in July 2007. This algorithm was replaced by the

¹ <http://www.jao.eu/support/resourcecenter/overview>

EUPHEMIA algorithm at the entry in operation of Multi Regional Coupling (MRC) in February 2014.

2. In this Fallback Procedures Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of these fallback procedures; and
 - c) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

Article 3 – Fallback Procedure for SWE Region

1. As soon as the SWE NEMOs inform the SWE TSOs of the risk that single day-ahead coupling process may be unable to produce results for the SWE Region, or, if such information is not available from SWE NEMOs, as soon as this risk is known by those TSOs, the latter will initiate the SWE Fallback Procedures.
2. In any kind of situation where the inability of single day-ahead market coupling to produce results affects any of the Bidding Zones borders in the SWE CCR, the Fallback Procedures for SWE Region consist in the execution of Shadow Auctions in the France-Spain interconnection following the process described in Article 3.3 and a market coupling process in the bidding zones of Spain and Portugal decoupled from the rest of Europe following the process described in Article 3.4.
3. The Shadow Auctions process shall comply with the following requirements:
 - a) Shadow Auctions are executed on the Allocation Platform for the France-Spain border when there is a risk that single day-ahead coupling process may be unable to produce results pursuant to information given in Article 3.1 except if one of the situations specified in Article 4 is to apply
 - b) In order to ensure that results of the Shadow Auctions are provided to the market participants on time, the execution of Shadow Auctions on the Allocation Platform is launched as a task in background of the single day-ahead coupling process as soon as the information given in Article 3.1 is known by the TSOs.
 - c) The results of the Shadow Auctions are sent to the market participants as soon as the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:58 CET.
 - d) When the conditions described in Article 3.1 and Articles 3.3(a) are met, Shadow Auctions can be held seven days a week, including weekend and public holidays, provided that the offered capacity for Shadow Auctions is at least one MW unit.
 - e) The auction specification of a Shadow Auction for the delivery of the following day will be published by the Allocation Platform in advance according to the Shadow Allocation Rules (SAR)
 - f) The execution of Shadow Auctions is based on Shadow Allocation Rules (SAR) 2018 version 1.4.
 - g) The nomination of PTRs allocated in the Shadow Auction process shall be performed in accordance with the national regulation in each bidding zone.

4. Once the Shadow Auctions results are published, a market coupling process in the bidding zones of Spain and Portugal will be held following requirements:
 - a) Once the bidding zones of Spain and Portugal are decoupled from the rest of Europe, a market coupling process for these bidding zones will be initiated by the Iberian Market Operator.
 - b) Firstly, order books will be reopened so that stakeholders can adjust their bids.
 - c) Then, the price coupling algorithm proposed by All NEMOs in accordance with Article 37 of the CACM Regulation (EUPHEMIA algorithm) will be executed for the bidding zones of Spain and Portugal in an isolated mode.
 - d) In the event that the price coupling algorithm referred to in Article 4.4(c) is unable to produce results for the bidding zones of Spain and Portugal, the cross-zonal capacity between Portugal and Spain will be implicitly allocated using the SIOM algorithm.
 - e) The SIOM algorithm will use the same bids received for executing the day-ahead market coupling in an isolated mode for the the bidding zones of Spain and Portugal, as described in the Article 4.4(b) and the same ATCs communicated by the Portuguese and Spanish TSO for the purpose.
 - f) The execution of Fallback Procedure for Portugal-Spain interconnection is based on Iberian Market Rules in their version dated on **XX XXX** 2018.

Article 4 – Shadow Auctions process unable to be initiated

1. If the data exchanges cannot be performed through the standard processes by the applicable deadlines defined by the Allocation Platform during the execution of Shadow Auctions, relevant fallback procedures for these data exchange shall be used in accordance with Shadow Allocation Rules (SAR). The latter consist in exchanging data by e-mail with the Allocation Platform.
2. If the Fallback procedures cannot, in the reasonable opinion of the Allocation Platform, and based on objective grounds (for example due to a lack of time or to technical difficulties), be implemented as necessary to enable an auction to be conducted, the Shadow Auction will be deferred.
3. If none of the above measures is considered by the Allocation Platform as being possible, based on objective grounds and in compliance with Shadow Allocation Rules (SAR), the Shadow Auction will be cancelled and all bids already submitted will automatically be deemed null and void.
4. When the Shadow Auctions are cancelled, the daily offered capacity for the France-Spain interconnection is allocated in the subsequent relevant intraday allocation processes.

Article 5 – Market coupling process in the bidding zones of Spain and Portugal unable to be initiated

1. When the market coupling process in the bidding zones of Spain and Portugal is unable to produce results, the daily offered capacity for the Portugal-Spain interconnection is allocated in the subsequent relevant intraday allocation processes.

Article 6 - Implementation date

1. The procedures described in Articles 3 to 5 shall be applicable with immediate effect as from the approval of all SWE NRAs.

Article 7 – Amendment of this proposal

1. Any change of the Shadow Allocation Rules (SAR) related to France-Spain interconnection shall lead to an amendment of the present Fallback Procedure.
2. Any change on provisions of the Iberian Market Rules related to the SWE Fallback Procedures shall lead to an amendment of the present SWE Fallback Procedures.
3. These amendments should be requested through the process described in Article 9(13) of the CACM Regulation, but, for the sake of clarity, in case a request for amendment only concerns one border of the SWE region, only the concerned NRAs will have to explicitly approve this amendment, the remaining NRA being only informed of the amendment.

Article 8 - Language

1. The reference language for this Fallback Procedures Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Fallback Procedures Proposal into their national language(s), in the event of inconsistencies between the English version published by SWE TSOs in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this Fallback Procedures Proposal to their relevant national regulatory authorities.