



# Intraday Capacity Pricing

MESC meeting

Ljubljana

11th May 2016

## Task description (53.3):

- by **24M** after the entry into force **all TSOs** shall develop a proposal for a **single methodology** for **pricing intraday cross-zonal capacity**

## Specific ID CP Requirements (53.1 & 53.4):

- shall **reflect market congestion** and shall be **based on actual orders**
- No charges, such as imbalance fees or additional fees, shall be applied

## Other ID requirements:

- the **CT algorithm** shall (a) aim to **maximise economic surplus**; (e) be **repeatable and scalable**.
- discrimination shall be avoided when simultaneously allocating capacity implicitly and explicitly

## Other general requirements:

- ID capacity to be allocated **implicitly**
- Non discriminatory access to capacity
- Promotion of fair and orderly market and price formation
- Promoting effective competition in generation, trading, and supply of electricity
- Ensuring optimal use of the transmission infrastructure

## Additional relevant provisions:

- Complementary regional auctions (where deemed necessary)
- Explicit access to ID capacity (where allowed as an interim option)

- **Implementation: Simple, practical, cost-efficient, time to market**
- **Efficient capacity pricing:**
  - Fair and transparent price formation, no distortions
  - Liquidity
  - Giving capacity to whom values the most
  - Optimises use of available ID capacity
- **Robust and future-proof Pan-EU solution**
  - Scalable
  - Efficient governance
  - High performance and reliability
  - Durability / forward looking / consistent with XBID evolution
  - Consistency with all NCs and timeframes

- **Fulfilment of market parties' needs**
  - Capacity not priced if not scarce
  - Possibility to adjust positions close to real time
  - Pricing known at the time of matching
  - Ease of use
  - Transparency and Predictability
- **Level playing field**
  - Accessibility for ALL market participants (incl. small ones)
  - Prevention of gaming/market power
  - Fairness
- **CACM compliance**
  - Implicit Continuous
  - Pricing based on orders
  - Prices reflecting market congestion
  - Maximisation of economic surplus

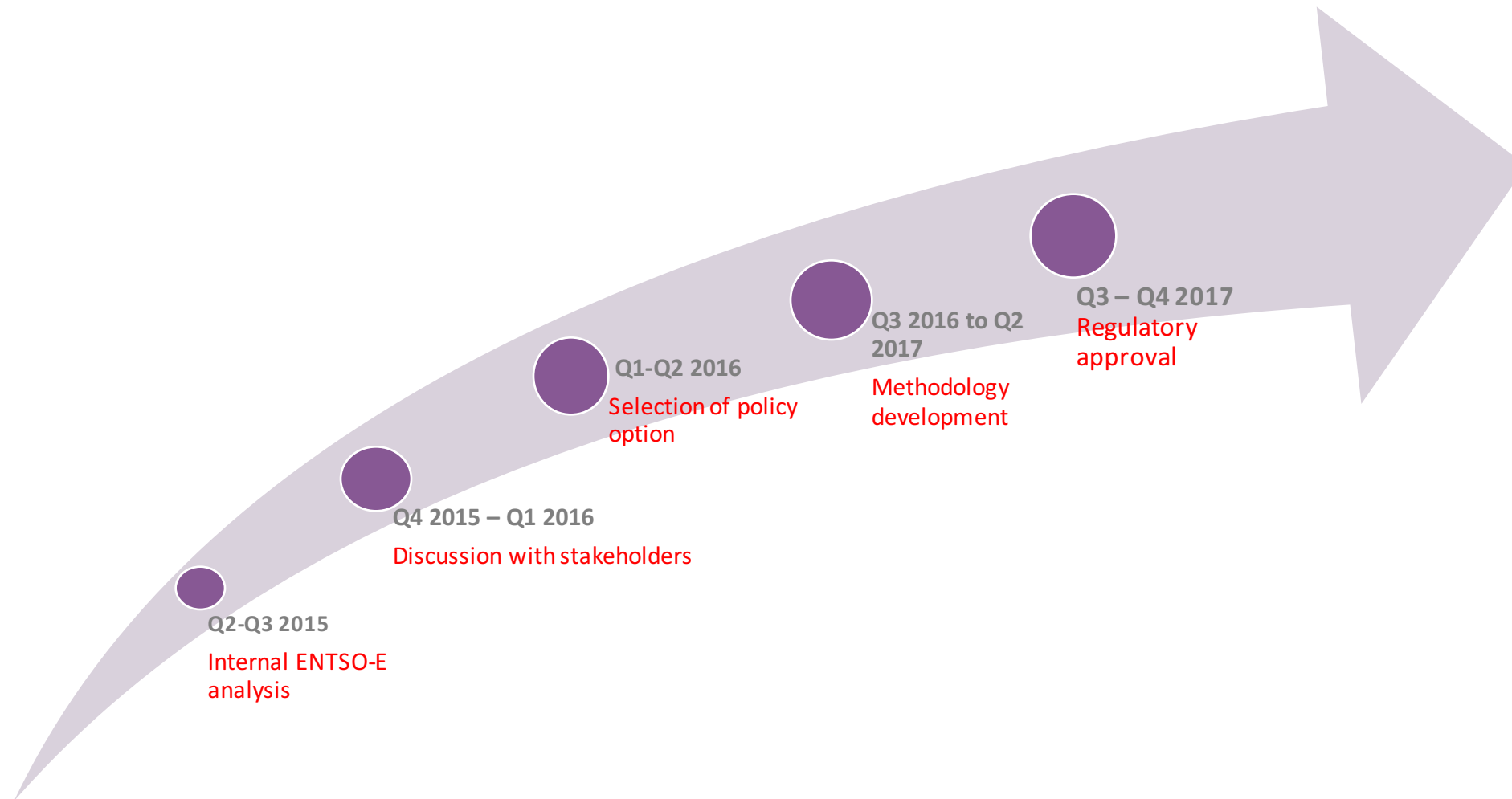
# Conclusions presented at 22/02 workshop

- Key **priorities**: time, complexity and costs of implementation; robustness of pan-European solution; CACM compliance; Efficiency of the pricing mechanism; Market parties' needs; Level playing field.
- Neither Continuous Trading (CT) alone, nor Implicit Auctions (IA) are a suitable solution for intraday capacity pricing: the only possibility is to design **hybrid models with a combination of IA and CT**
- Several design options exist for hybrid models, mainly depending on the **interrelation between the auctions and the CT session(s)**, as well as on the existence or not of a pricing mechanism within the CT sessions.
- Based on these variable **8 models** have been identified and evaluated against the agreed criteria.
- **2 main models** stand out as most satisfactory, esp. for robustness and relative ease of implementation. 2 other models have advantages but also drawbacks.

# Summary of stakeholder views from 22/02 workshop

- Complexity should be avoided
- Priority is to implement XBID
- ID capacity pricing should not lead to social welfare reduction.
- Auctions should be limited in numbers, preferably at either beginning or end of intraday session.
- Capacity should be recalculated often enough during intraday.
- Capacity pricing should be a 'means to an end' and not a goal in itself.
- Models with more than two auctions may negatively affect the functioning of continuous trading.
- Auctions provide efficient price signals for scarce XB capacity, whereas continuous pricing methodologies suffer from efficiency perspective. Pricing may be needed both when new capacity becomes available due to ID capacity calculation and for important changes in the market (e.g. significant outages). Moreover, the number of ID recalculations may need to gradually increase.
- With regard to hybrid models, one of the major issues to be considered is the potential effect of IAs on CT (and on future XBID project) as there is a risk of not having enough capacity for XB CT. This may be a problem for less liquid markets.

# Next steps: high level process for ID CP Methodology





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