

Mr. Klaus-Dieter BORCHARDT
Director
European Commission
Rue de Mot, 24
BE-1040 BRUSSELS

Brussels, 5 March 2018

Subject: eurelectric concerns prior to the go live of XBID

Dear Madam, Dear Sir

eurelectric has always supported the target model of continuous intraday market with implicit capacity allocation in order to steer market integration and the energy transition. From the beginning of the XBID project, eurelectric has supported NEMOs and TSOs to make sure that the future platform would properly translate CACM objectives.

On 31 January 2018, we attended the XBID pre go-live event in Brussels and took note of the decision to postpone the go-live until 12 June in order to properly address the concerns that need to be fixed before the go-live. The Commission also urged all parties to work together in order to achieve this final goal. eurelectric is fully committed to support NEMOs and TSOs in this. In that perspective, we would like to raise a couple of key concerns that are crucial in order to deliver a solution in June 2018 that will effectively deliver an implicit common continuous market on a first set of borders in Europe.

Our first concern relates to the **interaction between the Local Trading Solutions (LTS) and the XBID platform**. The absence of a solution guaranteeing the automatic transfer of orders placed in the LTS to XBID at the opening of XBID would represent a threat to the achievement of the CACM objective described in preamble 4 of CACM¹. Indeed, this could lead to market participants not transferring their bids and offers in the global trading system and leaving them in the LTS, especially where the liquidity in the LTS is high. The consequence would therefore be that two or more intraday couplings would be operated in parallel, hence, fragmenting the intraday market, and violating the concept of "Shared Order Book" as defined in CACM².

For all the products accommodated by XBID, eurelectric is opposed to having two or more parallel platforms matching the same products. In this respect, eurelectric welcomes the announcement made at the XBID event on the fact that XBID will offer products with granularity lower than 60 minutes where they exist today. XBID should be the sole platform for matching products in Intraday.

¹ The available cross-border capacity should be one of the key inputs into the further calculation process, in which all Union bids and offers, collected by power exchanges, are matched, taking into account available cross-border capacity in an economically optimal manner.

² Article 2 CACM defines 'shared order book' as a "a module in the continuous intraday coupling system collecting all matchable orders from the NEMOs participating in single intraday coupling and performing continuous matching of those orders"

Where and if a need for a new product is identified, all parties should work together in developing that product within XBID.

In addition to managing liquidity and fragmentation risks, market participants also need to be protected from unnecessary operational risks. Having to remove orders from the LTS, enter them in XBID and then finally put the unmatched orders back in the LTS at the Gate Closure Time of XBID would significantly add complexity to the operational process for the market participants and hence, increase overall costs.

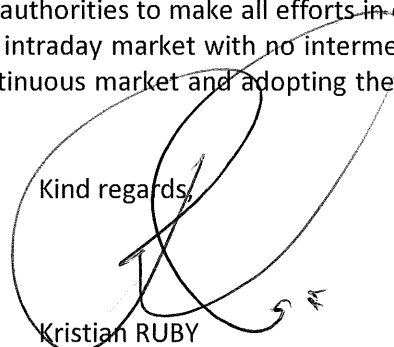
In a context where no back-up is foreseen, an automatic coupling would also most probably, in case of a contingency on XBID, ease the operations. Indeed, an automatic coupling between XBID SOB and the LTS would allow the LTS to recuperate the bids at the right beginning of the problem in XBID.

Consequently, **eurelectric urges NEMOs**, in collaboration with their clients and with the XBID project, **to work together in order to implement operational solutions allowing an automatic coupling of XBID platform and all LTS, prior to the XBID go-live**. This is for us a prerequisite for the accomplishment of CACM prescriptions on the intraday market.

Our second concern involves the **visibility of the market depth limitation to 31 orders** (possibly to 50) as announced at the XBID event. This visibility limit seriously impacts the ability of market participants to assess market liquidity and price-formation dynamics. The effect of this limit to 31 orders is further aggravated by the way block-orders are counted towards the 31 order limit (e.g. each hour of a 4 hour block is counted as 1 order). For a European cross-border market, these limitations raise the unpredictability of market outcomes and could make the overall XBID platform unattractive compared to available local solutions.

During the event, it was explained that the reason for such a limitation were concerns on the performance of the platform. This was furthermore linked to the increase of tick-granularity to 0.01Eur/MWh. However, as the limitation is only regarding the visibility of the Shared Order Book, and not the actual clearing which can go beyond 31 orders, eurelectric fails to see how the mere showing of orders would result in such a severe degradation on the platform performance. If the performance issue is also related to the increase in tick-granularity, eurelectric requests that the project team seriously reconsiders the reasoning behind the increase in tick-granularity, especially at the cost of market transparency.

Last but not least, eurelectric encourages the Iberian authorities to make all efforts in order to move as soon as possible to a solution targeting a regional intraday market with no intermediate regional auctions hindering liquidity of the pan-European continuous market and adopting the same bidding and scheduling rules as the rest of coupled regions.

Kind regards,

Kristian RUBY
Secretary General

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xbid project, ACER, ENTSO-E