

GME consultation document n. 02/2020 on the integration of the Italian electricity market with the Single Intra-Day Coupling (SIDC)**EFET response – 30 April 2020**

The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to provide our comments to the consultation document n. 02/2020 on the integration of the Italian electricity market with the Single Intra-Day Coupling (SIDC).

European-wide intraday coupling is a key component for completing the European Internal Energy Market. With the rising share of intermittent generation in the European generation mix, connecting intraday markets through cross-border trading is an increasingly important tool for market parties to balance their positions closer to real time and across borders.

First and foremost, we would like to recall that the CACM Regulation's main priority for intraday is to ensure efficient, non-discriminatory access to cross-zonal capacity through implicit continuous trading. Hence, the completion of the XBID project and the participation of all Italian borders to it should be considered the priority for the region. The continuous intraday market – as defined as the target model in CACM – is best suited to deliver a real-time price signal and allow market participants to continuously optimise the dispatch of their production and consumption units. This simplifies market entry for new competitors and it minimises the volume and cost of TSO balancing activity. A liquid continuous intraday market will become increasingly vital, as intermittency becomes more important in European electricity systems.

Timing of the reform

We understand that SIDC (via the XBID platform) implementation for the Local Implementation Project (LIP) 14 might be further delayed and we reiterate our concerns with not having a proper timeline².

We believe that Italy should bring up to speed its intraday market reform as it is already among the last European countries to join the cross-border intraday project. Therefore, we strongly recommend the Italian market to join the SIDC by Q4 2020 at the latest as Italy and Greece are the only two EU countries not coupled as of April 2020. We encourage GME and other relevant decision makers, especially Terna and ARERA, to take the lead, involve stakeholders in a coordinated fashion and have the detailed provisions by the first half of 2020 for the transitory period, including the details on the IT infrastructure built for XBID (LTS and Nomination Platform). The GME should clarify the milestone needed to reach the target design. It is essential to make the technical specifications of the platforms (both LTS and Nomination Platform) available to market participants as soon as possible and at least 6 months before the go-live date of Q4 2020 to settle all necessary internal procedures.

² [EFET open letter on SIDC in Italy and other improvement suggestions for the functioning of GME](#)

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

Market design features of SIDC

We understand that, in continuity with the current design of the Italian market, also following the integration with the single intraday coupling, the market time unit would be the hour and the products available on the Italian market would be exclusively simple hourly products.

We suggest aiming for the introduction of:

- smaller granularity products (15 and 30-minute products). As stated in our response to ACER's consultation on the NEMOs amended methodology proposal for the price coupling algorithm and the continuous trading matching algorithm, one very important element in order to ensure that the continuous intraday market maintains its current level of liquidity when introducing smaller granularity products is that these products can be matched between themselves. Until all ISPs in Europe are aligned – not before 2025 – cross-border transmission capacity in intraday can only be provided according to the shortest ISP on the two sides of a given border³.
- block of hours products, as in NordPool and EpeX.

Another important feature that could be useful to implement in the new intraday market design is the possibility to conclude physical and financial bilateral contracts between two counterparties in parallel or within the platform. At first, this bilateral contract registration system could be limited to exchanges within the same bidding zone, in order to avoid the complexities due to the allocation of the cross-zonal capacity. EFET highlights that the possibility to enter into bilateral physical contracts is already provided in many other European intraday markets.

The coordination between the intraday market and the ancillary services market needs further details, especially on the *intervalli di fattibilità* and nominations that should be detailed by Terna. Nevertheless, there are some issues about the coordination between the intraday market and the ancillary services market (MSD) that should be highlighted since they could have a significant impact on the functioning of MI-XBID:

- Terna should consider at the beginning of each sub-session of MSD ex-ante a declaration of the program of enabled units (*pre-nomina*) that takes into account trades already concluded in the MI-XBID and feasibility intervals should be limited to the hours not covered by the subsequent sub-sessions of MSD ex-ante. This could limit the risk of MI-XBID scheduled imbalance and consequently enhance liquidity on MI-XBID.
- GME should inform in real time market participants through the platform and in coordination with Terna on the evolution of the margins available for trading in MI-XBID on participants' units and portfolios and on the available cross-zonal capacities. This information flows could also concern adequacy checks on nomination before the H-57 deadline. This continuous information exchange through the GME would facilitate the participation of market participants in MI-XBID with possible positive effects on liquidity.
- Due to the lack for coordination with the ancillary services market (MSD ex-ante), and the existence of marginal price auctions (both overlapping MI_XBID) the proposed

³ [EFET response to the ACER consultation on the NEMOs amended methodology proposal for intraday products](#)

design risks to create insufficient liquidity on the continuous trading intraday market. One option would be to have one or more market makers and/or liquidity providers on the MI-XBID markets on a voluntary basis. Nevertheless, in order to foster the liquidity on MI-XBID it is paramount that Terna minimises the feasibility intervals imposed on enabled units.

We acknowledge that GME, in line with ARERA's decision 350/2019, intends to guarantee Italian market participants who access GME's LTS the possibility to choose whether to offer on the MI-XBID via portfolio or, as on the MGP and on the MI, by single unit.

Market participants may therefore choose the trading method they intend to use, between unit bidding and portfolio bidding, while submitting a bid/offer on the GME's LTS according to the needs of the moment. As a consequence, portfolio trading on the MI-XBID would be possible (yet not mandatory) only for units subject to zonal price, while trading on UCs would only take place per unit.

Considered that market participants may be entitled of more than one consumption unit (UC) per bidding zone, we ask to evaluate the possibility to choose a portfolio trading (if allowed by regulation and separate accounting issues) and the possibility to combine UC+UP portfolio (in MI and MGP).

We encourage the possibility to apply portfolio bidding also in MGP, in line with MI.

On negative prices on the MI-XBID and on the MI (CRIDA), we support the implementation of the provisions of the ACER decision no 05/2017 that set the minimum and maximum price limits equal to - 9,999 €/MWh and +9,999 €/MWh that shall apply to the clearing prices and to the offer limits and that, consequently, matching with negative prices may occur.

This would imply the extension of a negative bidding limit also to the MGP, equal to the minimum clearing price of -500 €/MWh from the current 0 €/MWh.

We suggest extending negative prices to the ancillary services market and imbalance price, in order to design a coherent framework in all market dimensions and to introduce new rules in order to avoid market distortions created by subsidized RES generations.

The current market rules managed by GME foresee that a bid without price indication is conventionally set to 0 €/MWh: GSE normally bids the energy it manages (RES energy derived from supporting schemes) at floor price. In a market where the floor price is negative, the GSE bidding could lead to high quantity of energy offered at the negative floor price, creating potential strong market distortion: we recommend in parallel with the implementation of negative prices to review the regulation of GSE offer in order to maintain a zero floor price.

Technical requirements of the platform

The platform technology should be enhanced by GME to cope with data volumes, speed and easiness of access in collaboration with Terna and all the market participants. These are few of our proposals:

- Overcoming the concept of closed system accessible only via TOKEN (e.g. current IPEX);
- Organising one or more webinars for the definition of the technological platform infrastructure.

Additional proposals include the creation of a platform with the following characteristics:

- system authentication and authorisation compatible with distributed and cloud architectures, such as those governed by WS Security or STS Systems;
- possibility of operating towards it through SOAP / Rest APIs, not through proprietary Libraries, in order to be free from the technology used;
- IPEX integration (amended by the current limitations imposed by the token);
- both single application, i.e. that allows both appointment and Intraday auction operations, in order to optimize integration and balance sheet activities;
- independent of third-party tools (e.g. for calculating trading margins, managing tradable products, updating real-time margins automatically)

Implementation of auctions

GME's proposal foresees, in parallel to SIDC, the introduction of regional intraday auctions. We understand that the design of the Italian regional auctions will mainly follow ACER's Decision 01/2019 on the establishment of pan-European intraday auctions. This would translate into the introduction of three implicit intraday auctions, to be held at 3:00pm on day D-1, at 10:00pm on day D-1 and at 10.00am on day D, with suspension times of 45 minutes.

The implicit regional auctions design should be already compliant with the CACM Regulation that requires a maximum of 10-minutes interruption for regional auctions and not 45-minutes.

We suggest that the LIP 14 should focus on implicit auctions on all cross-borders although it had the original task of preparing a proposal describing the technical-operational procedures to be carried out on the northern borders of Italy and between Italy and Greece, as well as on the internal borders between Italian bidding zones. We strongly advise that all market participants (i.e. asset and non-asset owners) must be allowed to access both the auctions and the continuous trading without discrimination.

From the consultation paper, we understand that the implicit regional auctions will not be set up at all borders, e.g. not on the French and Austrian borders. Therefore, the GME should clarify:

- (i) whether a bilateral explicit auction replacement would be foreseen for those borders and how available capacity for allocation will be calculated or
- (ii) if the entirety of the cross-border capacity (i.e. France, Austria) will be allocated through XBID's continuous trading. Whatever option is adopted, it is of utmost important that trading at the French and Austrian borders is not interrupted while the implicit regional auctions take place on the other borders.

Other remarks

With regards to guarantees, EFET welcomes the integration of MI-XBID within the sphere of the netting of guarantees of the energy spot markets (MPE). Nevertheless, the provision of the footnote 57 is unclear. GME envisages a mechanism for reserving the financial guarantee to be used to cover MI-XBID operations for a specific flow date before the related trading. If GME intends a daily reservation mechanism, this provision seems to be excessively burdensome and of little use. Market participants should be free to dimension their guarantees considering

their operations in all the markets included in the netting mechanism. If they anticipate a variation of their exposition, they should be able to vary the amount of the total guarantees without imposing them an estimation of their daily exposition on a single market segment.