

**To:**

Stefano Alaimo  
Director for Markets, GME  
Co-Chair, XBID Project

**Cc:**

Klaus-Dieter Borchardt  
Director for the Internal Energy Market,  
European Commission, DG Energy

Alberto Pototschnig  
Director, ACER

Cosimo Campidoglio  
Director for Market Monitoring, Analysis and Statistics, GME  
Chair, NEMO Committee

Laurent Schmitt,  
Secretary General, ENTSO-E

2 March 2018

**Object: Request for a solution to ensure the linkage of LTS and the XBID shared order book before go-live**

Dear Mr Alaimo,

Since the inception of the XBID project, EFET has supported the NEMOs and the TSOs parties to the project to ensure that the XBID platform delivers on the CACM Guideline objective of maximising economic surplus in the intraday timeframe via a continuous matching algorithm for implicit capacity allocation.

On 23 January, EFET sent an open letter to the European Commission highlighting a number of technical and market design flaws that needed resolution before the go-

live of XBID<sup>1</sup>. At the XBID User Forum on 31 January, the XBID Project Parties announced the postponement of XBID go-live by three months to resolve technical problems identified during the User Acceptance Test (UAT) at the end of 2017. We took note of and support the request of the Commission who urged all parties to collaborate in order to resolve the issues identified during the UAT and use the time until the new planned go-live date in June to deal with many of the other problems identified in our open letter. We reiterate our commitment to support NEMOs and TSOs in achieving the final goal of a sturdy platform for continuous implicit trading in intraday that maximises economic surplus.

In this respect, we would like to share a key concern we have today that might jeopardise the effective implementation of a common continuous intraday market in Europe, as foreseen by CACM guideline: At the XBID User Forum, NEMOs confirmed that at this stage, there is no solution guaranteeing the automatic transfer of orders placed in the local trading solutions (LTS) to the XBID shared order book (SOB) at the opening of XBID, and back from the XBID SOB to the LTS at the closure of XBID.

EFET already raised concerns in this respect in its open letter to the European Commission. The debate at the XBID User Forum and our subsequent discussions with NEMOs made apparent that there is no common understanding among power exchanges on this question, to our greatest concern.

In addition to the operational burden that a manual procedure to move orders from the LTS to the XBID SOB at cross-zonal intraday gate opening (and back at cross-zonal intraday gate closure) would mean for market participants, we would like to voice our opposition to having two (or more) parallel platforms matching the same trading period, between the gate opening and the gate closing time of XBID. This would mean that for a same trading period, we could have two different products (or more) on two different markets (or more). This would be a sub-optimal solution that would dramatically affect the liquidity on this particular trading period. In our view, this would also violate the concept of shared order book as defined in the CACM Guideline<sup>2</sup>. We consider what is traded on the LTS and on XBID as one and the same product that differences in characteristics, such as tick size, do not set apart<sup>3</sup>.

At this stage, given the fact that the project confirmed the availability of products with a lower granularity than 60 minutes where they exist today, we do not understand the need to maintain any matching in a LTS between the gate opening and the gate closure of XBID. Performance concerns have been raised by some of the Project Parties, but until proper transparency is provided on the results of the UAT, EFET cannot accept this as a sound justification. Therefore, we maintain our request that between XBID gate opening and gate closure, the LTS platforms should serve only

<sup>1</sup> EFET letter to the European Commission regarding urgent technical and market design improvements needed before XBID go live, dated 23 January 2018, available at:

[http://www.efet.org/Files/Documents/Downloads/EFET%20letter%20to%20EC%20on%20ID\\_23012018.pdf](http://www.efet.org/Files/Documents/Downloads/EFET%20letter%20to%20EC%20on%20ID_23012018.pdf).

<sup>2</sup> Article 2 CACM defines a '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".

<sup>3</sup> This is notwithstanding the request mentioned in our open letter to the Commission to set the tick size at one decimal for orders in XBID.

as fall-back solutions in case XBID crashes and cannot be restored within an acceptable timeframe.

We would like to emphasise that today, in the areas where implicit coupling is already in place (e.g. in the BE – NL – FR area), the bids and offers submitted in the local trading system are automatically matched globally as from 21:05 when cross-border capacities become available. Hence, the distinction between “local product” and “global product” does not exist. This practice should be maintained. By default, an order placed on a local intraday market before XBID gate opening (for example at 15 :00) should:

- be automatically transferred from the LTS to the XBID SOB at XBID gate opening (if not already matched on the LTS before that),
- keep its original time stamp, meaning this order should have the priority (in case of same price level) over a new order entered in the XBID SOB, and
- be automatically transferred back from the XBID SOB to the LTS at XBID gate closure (if not already matched on XBID before that).

Market participants not wishing to see their order initially placed on the LTS become matchable in the same conditions on the XBID SOB will continue to have the ability to set a validity time limit to their order (e.g. a few minutes before XBID gate opening) as is currently possible today.

Therefore, EFET **urges NEMOs to come to a quick resolution of their disagreement within the project. Prior to the XBID go-live, we expect the Project Parties to implement operational solutions allowing an automatic coupling of the XBID platform and all LTS at intraday cross-zonal gate opening and closure, avoiding any parallel matching of the same trading periods.** This is for us a prerequisite for the fulfilment of CACM provisions on the intraday market.

Yours sincerely,



Jan van Aken, Secretary General