

**AEEGSI consultation document n.798/2016 on the MI-MSD
coordination**

■
EFET response – 27 February 2017

Introduction

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide its views on the design of the future intraday market and coordination with the MSD.

As a general note, we regret the fact that AEEGSI in the consultation document only lists the merits of the complementary auctions in intraday, without acknowledging the benefits of the continuous trading solution.

First, we recall that the European Target Model for intraday, as foreseen by the Capacity Allocation and Congestion Management Guideline (CACM GL), clearly defines implicit allocation, continuous trading, re-nominations until H-1 of delivery as the pillars of cross-border intraday trading. The key advantage of continuous trading until H-1 is the ability to react quickly to events in this phase of the market via rapid decision-making. This is crucial to manage generation intermittenancies and load volatility into wholesale electricity markets and allow market participants to effectively manage the risks associated. An efficient intraday market allows market participants to fine-tune their trading positions in the day of delivery - benefitting from a better set of information - and constitutes a significant opportunity to balance their own portfolio. However, we call for consistency of the measures adopted, which is necessary to ensure a holistic approach to the reform of the Italian electricity market design. In fact, primary condition in order to build an efficient intraday market is to reform the imbalance regime, as cost-reflective imbalance costs are a key driver to ensure that the system costs are reduced.

Second, the CACM GL allows for the (optional) implementation of regional auctions as a complementary tool to continuous trading, not as the primary mechanism for the exchange of electricity on the intra-day timeframe. While we acknowledge regional auctions could help deliver the single methodology for pricing intraday cross-zonal capacity foreseen by the CACM GL, we highlight that the recourse to multiple auctions will reduce the efficiency of the nascent XBID solution, which is a corner stone of coordinated CACM implementation at the European level. First, auctions risk splitting liquidity and hampering the development of an efficient continuous intraday trading in Italy. Second, such hybrid model would raise questions on how available cross-zonal capacity is allocated between the two mechanisms. We stress that complexity in the design of cross-border intraday markets should be avoided in order to attract market participants and foster liquidity.

Below, we have provided our feedback to the specific questions.

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. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

Q1. Si condivide l'opportunità di rivedere il numero di sessioni di MI coerentemente alle sessioni in asta implicita che saranno disponibili sulle interconnessioni?

As we have expressed in response² to the consultation on a possible model for the intraday coupling at the Italian borders, developed by PXs/NEMOs and the TSOs of the region, whether implicit regional auction(s) complementing continuous trading are deemed useful to increase the overall welfare, EFET favours a model with a single opening auction run for all the 24 hours of day D available for both the internal Italian market (all internal zones) and cross-border trading. The auction should be based on the capacity duly recalculated for the intraday timeframe, after the day-ahead spot auction.

Between the two models presented in the consultation paper, EFET clearly favours the Option B (with 3 MI sessions): nonetheless, this solution could be further improved in order to ensure the smooth and efficient development of intraday cross-border power markets at the Italian borders.

Q2. Si condivide la possibilità di ammettere offerte per portafoglio nell'ambito della contrattazione continua? Tale approccio andrebbe esteso anche alle sessioni in asta intraday e, eventualmente, al mercato day ahead?

EFET welcomes the idea of introducing portfolio bidding in the intraday continuous trading and we believe this should be extended to all energy market sessions (MGP and MI), once the reform of the imbalance price regime will be completed in favor of cost-reflective costs' signals. We advise that portfolios can be wider than the perimeter of present market areas and could correspond to the two macro-zones North and South.

Q3. Si condividono in generale gli orientamenti dell'Autorità per integrare le nuove fasi del mercato intraday con MSD?

and

Q4. Si condivide in particolare la proposta di aggiungere l'obbligo per le unità abilitate a rinunciare a contrattazioni in sessioni di mercato intraday successive a MSD ex-ante, con riferimento ai periodi rilevanti per cui è stato definito il programma vincolante? Si condivide inoltre l'opportunità di passare, a tendere, ad un regime di abilitazione volontaria a MSD per consentire il beneficio della scelta

In our view, going towards the voluntary qualification to MSD of all kind of units ('Abilitazione Volontaria') is probably not a realistic option. Indeed, the constraints in terms of cost opportunity put by the MSD ex-ante to the 'Unita' Abilitate' should be taken into consideration. We actually see the introduction of options to remunerate this cost opportunity as a good and viable solution, able to strike a compromise between the need for market players to take advantage of market

² [EFET response to the Italian borders consultation on the intraday coupling model](#), 13 January 2017

opportunities that may arise in the intraday market very close to delivery and the need for the TSO to procure resources committed to provide adequate reserve margins in real time.

Therefore, we recommend AEEGSI to examine in depth with Terna and market participants the modality of procuring the reserve margins in the MSD ex-ante through option contracts, paid with a fixed (€/MW) and a variable (€/MWh) component. However:

- The solution should ensure that the strike price of the option is set sufficiently high, not to interfere with the free formation of prices;
- AEEGSI and Terna should pay great attention to the impact on the liquidity of the reformed intraday market. To this end, we suggest that residual margins not optioned by Terna on the MSD, are free to be offered in the intraday continuous market.

Last, it would be useful to clarify the timings and functioning modality of the nomination platform.