

CNMC consultation on Terms and Conditions related to electricity balancing



EFET response – 21 September 2020

The European Federation of Energy Traders (EFET^{*}) thanks the CNMC for the opportunity to provide comments to its consultation on electricity balancing and the implementation of EU Regulation 2017/2195 (EBGL).

As mentioned in our paper on the importance of free formation of prices¹, EFET believes that the electricity system in Europe is at a turning point. Collectively, we have reached an unprecedented level of liberalisation and integration of the whole electricity sector across Europe. At the same time patterns of generation and supply are changing. Generation sources are increasingly renewable and decentralised.

EFET has participated in most REE, CNMC and OMIE consultations on the implementation of the EBGL and on CACM Regulation and we take this opportunity to remind the Spanish NRA of our strong concerns about bidding limits in the wholesale energy market.

Bidding limits.

Currently negative bids are allowed in the balancing market, and the new CNMC proposal introduces the possibility to bid negative in the technical constraint market in days in which there have been negative outcomes on the day-ahead (DA) and/or intraday (ID) auctions, but it does not allow to bid negative in the technical constrain market when the negative outcomes are only in the continuous intraday market, or when there have not been negative outcomes on the day-ahead or intraday-auctions.

Regarding the possibility to bid negative in the Day-ahead, intraday continuous and intraday auctions market, we are still waiting for the publication of the final Decision of CNMC. The continuous intraday market is currently experiencing negative prices because of other bidding zones. As all markets are interrelated, we expect the publication of this other Decision soon.

Both proposals, this currently under consultation and the one regarding day-ahead and intraday price limits, should follow the principles of no price restriction prescribed in the clean energy package so that Iberian market participants can compete on a level playing field with European counterparties and to obtain harmonisation with the European target model.

¹ See also

https://efet.org/Files/Documents/Electricity%20Market/General%20market%20design%20and%20governance/EFET_Freeformation-of-prices-power-market.pdf

^{*} 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

Again, the proposal under consultation is not compliant with the principles of no price restrictions, even if it is a first step in the right direction. Negative price bids on technical restrictions management process are only allowed in hours with negative prices in intraday-auctions or day-ahead market outcomes. We consider that there should be no administrative restriction to place negative bids, or price limits of any kind as required by EU legislation and the EU Target Operating Model.

Floors and caps should have been removed by the 1st of January 2020 as stated in art.10 of EU Regulation 2019/943:

1. There shall be neither a maximum nor a minimum limit to the wholesale electricity price. This provision shall apply, inter alia, to bidding and clearing in all timeframes and shall include balancing energy and imbalance prices, without prejudice to the technical price limits which may be applied in the balancing timeframe and in the day-ahead and intraday timeframes in accordance with paragraph 2.

2. NEMOs may apply harmonised limits on maximum and minimum clearing prices for dayahead and intraday timeframes. Those limits shall be sufficiently high so as not to unnecessarily restrict trade, shall be harmonised for the internal market and shall take into account the maximum value of lost load. NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. The adjusted higher limits shall remain applicable until further increases under that mechanism are required.

Therefore, we urge the Iberian NRAs to remove the current limitations from all wholesale electricity prices. This include caps and not only floors.

Regulatory zone.

We support the proposal to lower the regulatory zone to 200MW². The Clean Energy Package 2019 Directives and Regulations promote all types and sizes of market participants as they should be able to participate in all balancing markets either individually or through aggregation, according to the technical needs of the system and the market participants technical capabilities.

Nonetheless, as an interim measure, we consider that this level is appropriate to facilitate further participation in the balancing markets, guaranteeing an appropriate level of response. In particular, as we understand that removing this threshold will require a change in primary legislation. Nonetheless, we would argue for a further reduction or full removal of the regulatory zone threshold. This should be considered in particular, when the EBGL platforms are fully implemented in Spain and the majority of Europe.

Imbalance settlement harmonisation (ISH)

We support the single position proposal (demand and generation) on imbalance calculation (ISHP) by January 2022 but not later than the proposed date. Once the global imbalance of

² See also [EFET response to CNMC consultation on electricity balancing \(EBGL\)](#)

the equilibrium perimeter is known, we do not understand what advantage the measurement of each imbalance could bring³.

Finally, we ask for greater harmonisation among the Iberian NRAs (CNMC and ERSE) in order to achieve an efficient, liquid and competitive balancing market.

³ See also [EFET response to REE consultation on balancing terms and conditions](#)