

ENTSO-E survey on the shadow auction process as fallback to the Day Ahead Market Coupling



EFET response – 19 March 2021

When a decoupling message is communicated, do you participate in the shadow auctions process:

n/a

What is for you the key objective / added value of shadow auctions?

Shadow auctions are organized as a fallback to day-ahead market coupling, i.e. in case the market coupling process is not able to provide access to cross-zonal capacity in the day-ahead timeframe. In these conditions, shadow auctions are the last tool for market participants to be able to secure access to cross-zonal capacity. This tool is vital to ensure that cross-zonal trade is not restricted, and to comply with existing EU legislation (including the principle of non-discrimination between internal and cross-zonal trade, the obligation for TSOs to calculate and allocate available capacity in the day-ahead timeframe, and the regulated right to third-party access to available cross-zonal capacity).

We would welcome more explanation from the TSOs as to why their existence seems to be under reconsideration. Following the more frequent incidents of decoupling over the last couple of years, market participants and their representative organisations have pushed for regular trainings as well as technical improvements to facilitate easier participation in the shadow auctions and to extend, whenever possible, the related deadlines to accommodate for the necessary operativity. We would be keen to see increased efforts on this front and on the robustness of the process for the TSOs, NEMOs and the algorithm instead.

What are the criteria you apply as market participant to decide whether or not to participate to shadow auctions?

n/a

What are the criteria you apply as market participant to decide whether or not to nominate the acquired shadow auctions rights?

n/a

Which of the following process do you deem appropriate to be used as fallback to the DA market coupling:

	not appropriate at all	somehow not appropriate	appropriate	fully appropriate
Shadow auction				X
Intraday continuous allocation		X		
Pan-European Intraday Auctions (first Intraday auction is at 3pm D-1) in accordance with ACER decision on Intraday Capacity Pricing	X			

For each of the options above, please explain why you deem it appropriate or not:

Shadow auction: shadow auctions are currently the only means to allocate cross-zonal capacity as a fallback *in the day-ahead timeframe* when market coupling has failed. See our response to Q5 for more information.

Intraday continuous allocation: allocating cross-zonal capacity via XBID as a fallback solution to day-ahead market coupling failure would move the timeframe in which the fallback solution is performed, from day-ahead to intraday. Besides, despite the ACER Decision mandating cross-zonal gate opening time in intraday at 15:00 D-1, cross-zonal capacities are not available until 22:00 D-1 at many EU Member States' borders. Finally, it is doubtful whether using XBID as a fallback solution would comply with the spirit or letter of CACM, considering that they are identified as two separate processes in the Regulation. But as it stands, if the shadow auctions were to disappear – which we do not support, see above – using XBID as a fallback is the only available option on the table – contrary to using IDAs, which is at the moment speculative, see below.

Intraday auction: in general, we have repeatedly voiced our scepticism with regard to the pan-European intraday auctions (IDAs). At this point, the TSOs and NEMOs have disclosed no detail on a proposed design for the IDAs. Should EFET even support the principle of the IDAs, it is far too early and practically impossible for us to take a position on their capacity to replace the existing shadow auctions. In addition, as in the case of using XBID as fallback, allocating cross-zonal capacity via the first IDA as a fallback solution to day-ahead market coupling failure would move the timeframe in which the fallback solution is performed, from day-ahead to intraday. It is also doubtful whether using the first IDA as a fallback solution would comply with the spirit or letter of CACM, considering that they are identified as two separate processes in the Regulation.