

REE public consultation on the date of implementation of the 15-minute imbalance settlement period (ISP) in the Spanish electricity market.



EFET response – 28 February 2020

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide our comments to REE public consultation on the 15 minutes ISP harmonisation in Spain from the current 60 minutes.

Below you will find our comments to the detailed questions:

Escenario preferido para el cambio del periodo de liquidación de desvíos (ISP) de 15 minutos. Añada las observaciones y matizaciones que considere oportunas acerca de la anterior respuesta.

As per article 53 of the EU Regulation 2017/2195, the ISP shall be harmonised to 15 minutes by 18 December 2020. This requirement was reinforced in article 8 of the EU Regulation 2019/943, with the mandate to harmonise ISPs to 15 minutes by 1 January 2021. We support this objective across the EU as it will promote more efficient and liquid energy markets – including intraday – by allowing market participants to adjust their portfolio until close to real time throughout Europe, including across borders².

Ideally, we believe that Spain and other EU Member States should have harmonised their ISP by the legislative deadline of 2021.

The market will reap maximum benefit from a 15-minute ISP when the granularity of the traded products in the Iberian day-ahead and intraday market will move to the same timeframe. From an internal perspective, a move to a 15-minute ISP would allow Spanish market participants to trade on the local intraday market until 15 minutes before delivery. Moreover, it will provide Spanish market participants with the opportunity to optimise their generating and trading positions for 15 minutes windows whilst developing experience.

A 15-minute ISP implementation would also be aligned with the resolution of bids on the European balancing platforms MARI (due Q3-2022), because they will be based on a 15-minute time resolution.

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

² EFET comments on the last available draft of the Electricity Balancing Guideline before its adoption, dated 9 March 2017 and available at:

https://efet.org/Files/Documents/Downloads/EFET%20comments%20EB%20GL_09032017.pdf.

We nonetheless understand that the Spanish context is influenced by the situation in France, where the regulator CRE has approved a derogation to keep the local ISP of 30 minutes until 1 January 2025. This would create difficulty for the trading of 15-minute products across the Spanish-French border in case the ISP is moved to 15 minutes in Spain.

Nevertheless, we do not believe that the difference in ISPs between France and Spain is in itself a significant reason not to deliver 15 ISP as required by the legislation although it prevents the realisation of the full benefits envisaged by the implementation of the 15-minute ISP.

Once 15-minute products are introduced in day-ahead and intraday coupling, a move from 60-minute to 15-minute ISP in Spain would improve cross-border trading opportunities even in the case of a prolonged 30-minute ISP in France, provided that the day-ahead and intraday coupling algorithms are able to match products of different time granularity. Cross-product matching is necessary to avoid a split in liquidity between different DA and ID products depending on the various ISPs applied in Europe until 2025. We have asked NEMOs to study the feasibility of this feature to be implemented with the introduction of 15-minute products, in DA and ID – our engagement with NEMOs on this matter is ongoing.

In conclusion from a trading perspective:

- We support the move to a 15-minute ISP as soon as we see an introduction of 15-minute products in day-ahead and intraday markets and ensuring that a reasonable time is given to market participants to implement all the changes needed.
- Considering this, among the scenarios proposed by REE, we see 2021 a non-feasible scenario and the intermediate implementation by Q4 2023 more realistic.
- We invite Iberian National Regulatory Authorities to urge CRE to bring forward the 15-minute ISP implementation date in France to Q4 2023. This will allow SWE market participants to more effectively adjust their portfolio closer to real time.
- We also invite REE to join us in urging NEMOs to find a practical solution and ensure that cross-product matching is available as soon as 15-minute cross-border intraday and day-ahead products are introduced in market coupling to avoid inefficiencies at the French-Spanish border during the transition period.

Indique los motivos por los que su empresa/entidad considera que el escenario que ha indicado es el más adecuado para el cambio a un ISP de 15 minutos.

Until all ISPs in Europe are aligned – not before 2025 – cross-border transmission capacity in day-ahead and intraday can only be provided according to the longest ISP on the two sides of a given border. This means that MRC and SIDC will have to deal with a variety of product granularity and transmission capacity granularity. If the market time unit for day-ahead and intraday markets is reduced before all coupled markets align their ISPs, it is vital that a system of cross-products matching is established in order to keep these markets whole and not negatively affect cross-border trading³.

³ See more detailed explanations and recommendations on this topic in the EFET response to the ACER consultation on the NEMOs amended methodology proposal for the price coupling algorithm and the continuous trading matching algorithm, dated 15 November 2019 and available at: https://efet.org/Files/Documents/Downloads/EFET_ACER%20consult%20algorithm_15112019.pdf

In addition to the points described on our previous answer, it is worth noting that relatively late implementation of the 15 ISP at the Spanish level will leave Spanish market participants at a relative disadvantage vs. those who have ISP at 30 min or 15 min. Spanish market participants will not be able to adjust their prices and positions every 15 minutes leaving them exposed at changes in the market within the existing 60 minutes ISPs. At the same time, it reduces the opportunity of Spain only market participants of developing know-how to be as competitive as possible with ISP periods below 60 min ISP more effectively.

Indique los riesgos en los que consideran que se puede incurrir en el caso de que se decida el cambio del ISP a 15 minutos en un escenario distinto al que ha indicado.

The main hurdle on the market side is the relative competitive disadvantage to Spanish market participants vs. those in markets with ISPs below 60 minutes. This does not only refer to the reduced ability to change prices and react to short-term market signals, but also reducing the time market participants have to develop know-how and efficiently finetuning their systems and analytical models.

On the other hand, planning 15 minutes ISP in Q4 2023 would allow Iberian market participants to take advantage from any re-schedule of CRE to anticipate the implementation of 15 minutes ISP in France.

We suggest REE continues to coordinate with OMIE in order to facilitate prompt implementation of the intraday market (MIBEL) changes to the 15 minutes timeframe.

Indique, si lo desea, los siguientes pasos e hitos que sería necesario acometer en los Grupos de Trabajo del Operador del Sistema hasta la puesta en marcha del ISP 15', así como el cronograma propuesto.

Due to the current timelines it is key that the decision to aim for Q4 2023 is taken as soon as possible (i.e. before summer 2020) and that this is accompanied by a clear, transparent and credible roadmap to guarantee effective stakeholder engagement and facilitate companies developing their own roadmaps for internal implementation.

Consideraciones adicionales: indique, de forma opcional, cualquier otra observación sobre aspectos no incluidos en las anteriores preguntas.

We do not believe that the 1 January 2025 should be considered as a real option.