

## **EFET response to the public consultation for complementary intraday regional auctions for the Spanish-Portuguese bidding zone border**

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The European Federation of Energy Traders (EFET)<sup>1</sup> welcomes the opportunity to comment on the position of the Spanish and Portuguese regulatory authorities CNMC and ERSE on the proposal by OMIE, REE and REN on the design of the complementary intraday regional auctions for the Spanish-Portuguese bidding zone border.

We welcome CNMC and ERSE's decision to launch a new public consultation that considers the outcome of the initial proposal made by the TSOs and NEMOs. Hereby we would like to comment on the following three points.

First, **we reiterate the need of a viable solution which is that the MIBEL intraday market becomes, at once, fully compatible with the European target model:** with one single opening auction, giving the opportunity to market participants to negotiate in XBID continuous market all available hours of given day D without restrictions and well in advance of real time.

EFET considers both Model A and Model B to be very far from our preferred solution outlined above, as well as from the spirit of the CACM Guideline. Model B presents a better compromise, as it would allow market participants to trade sufficiently in advance of real time in XBID by opening all 24 hours of the day for negotiation, even though the continuous market would be repeatedly interrupted. Hence, we support the implementation of Model B as soon as possible, preferably for the launch of XBID in Q1 2018 and not 12/18 months later. In its current form Model A clearly contradicts

<sup>1</sup> The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org).

the Target Model and is therefore not acceptable in mid to long term, as it does not allow market participants to trade all hours of a given day at any time in XBID.

Furthermore, we support the proposal by CNMC and ERSE to reduce the number of regional auctions to avoid the interruption of continuous trading in Model B. However, this solution would only work in a model based on portfolio bidding. In practice, continuous trading is not compatible with unit-by-unit bidding. Also, for the sake of transparency and equal level of information for all market players, we would recommend CNMC and ERSE to explicitly state the number of regional auctions they are targeting and a deadline by which the final model should be attained.

Second, we generally welcome the intention of harmonising gate opening and closure times for cross-border intraday trading in Europe. However, we oppose the TSOs proposal to move the Gate Opening Time (GOT) in XBID to 22:00 of D-1 in the SWE region – and in most of the other CCRs.

We believe that the GOT should be set earlier in the afternoon of D-1. In practice, a GOT set at 22:00 would:

- Represent a step-back from the current practice in the region;
- Mean that many market participants (especially smaller ones without a 24/7 trading desk) will only be able to trade in XBID during the following morning.

In short, we believe that the GOT ought not only to be harmonised across Europe, but that it should be set at a much earlier time in the afternoon. We consider it the duty of National Regulatory Agencies to take part in the decision-making process relating to the harmonised GOT and oppose the proposals of the TSOs, which could jeopardize the liquidity and well-functioning of the XBID market.

This being said, and considering the current GOT proposal of the TSOs for the SWE region, we call for the timing of the opening auction to be advanced in order to avoid penalising certain categories of market participants, and attract more liquidity in the auction. Therefore, **EFET supports the decision made by CNMC and ERSE to keep the time for the opening auction at 19:00 of D-1 for the time being.** If and when the GOT for the region is established at an earlier time in the afternoon, the timing of this opening auction should of course be adapted.

Third, **EFET advocates a simple negotiation on the continuous market of portfolio positions (including OTC contracts) with direct nomination to the TSO, in line with CWE experience.**

The main objective of the CACM Guideline is to ensure non-discriminatory access to cross-zonal capacity while maximising social welfare. Compared to best practices in

the rest of Europe, the obligation currently in place on the Iberian market to bid generation units has a discriminatory effect on market participants and contradicts a basic principle of the liberalised electricity sector: providing a level playing field to all market participants, whether or not they own physical assets.

We believe that the elimination of mandatory units bidding is an essential component of market participants' freedom regarding their bidding strategy. The identification of individual plants for dispatch purposes needn't happen via the market: it is done with success in most other European markets by separate nominations and re-nominations to the TSO(s) while maintaining the same levels of transparency in the market and ensuring the existence of a sufficiently reliable spot reference price. The freedom of market participants to choose the best tool to manage their intraday positions is fundamental to allow everyone's participation to both regional auctions and the XBID platform on an equal basis.