



European Federation  
of Energy Traders  
SO YOU CAN RELY ON THE MARKET

Amstelveenseweg 998  
1081 JS Amsterdam  
+31 20 520 7970  
secretariat@efet.org  
www.efet.org

## **EFET response to the proposal for the functioning of the MIBEL intraday market**

■  
**13 March 2017**

The European Federation of Energy Traders (EFET)<sup>1</sup> welcomes the opportunity to comment on the proposal by OMIE, REE and REN on the functioning of the MIBEL intraday market in the context of the European XBID project for intraday continuous trading.

We very much support Iberian efforts and progress so far to take part in the first go-live phase of the European XBID project and we understand that introducing changes to the market design and their technical implementation takes time. However, the reform of the Iberian intraday market is needed to reap the benefits of the integration of intraday markets at a European level through XBID. These reforms will also be necessary in view of the upcoming integration of balancing markets once the Electricity Balancing Guideline will be adopted.

As a first note, we reiterate our position against the perpetuation of multiple intraday market auctions in addition to the Target Model solution, based on a continuous trading mechanism. While we acknowledge that the CACM Guideline opens the door to both regional auctions and a single methodology for pricing intraday cross-zonal capacity, this solution risks undermining the efficiency of XBID, which is a corner stone of efficient and close to real time capacity allocation in intraday, enshrined in the CACM Guideline.

<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).

Our reluctance to see multiple regional auctions coexisting with the continuous intraday market is mainly due to the major impacts this would have on continuous trading:

- First, multiple regional auctions risk splitting liquidity and hampering the development of an efficient continuous intraday trading;
- Second, under certain market design solutions, regional auctions may limit the availability of continuous trading only to blocks that were already auctioned, thereby reducing opportunity for an efficient adjustment of positions on a continuous basis;
- Third, depending again on the market design solution, XBID continuous trading may be suspended during the auctions.

We stress that complexity in the design of cross-border intraday markets should be avoided in order to attract market participants and foster liquidity.

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

In order to set the price of the cross-border capacity, we can accept one opening auction that would not distort the functioning of the market to a significant extent.

### **EFET comments on the two options proposed**

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. The current proposal leaves us with the difficult choice between **a model where continuous trading is interrupted by regional auctions** (Model B) or with **a model which does not allow market participants to trade all hours of a given day at any time in XBID** (Model A). In both cases OMIE, REE and REN present us with a solution that contradicts the Target Model and longstanding EFET positions.

In **Model A**, reducing the number of regional auctions will be necessary to ensure that market participants can trade in XBID a sufficient number of hours in advance (at least six hours, ideally rather twelve). From experience in continuous intraday markets, liquidity tends to concentrate in the four to six hours ahead of the real time. However, in its current form Model A does not present a solution in line with the Target Model and therefore is not acceptable in mid to long term.

**Model B**, however, 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 market will be repeatedly interrupted. Therefore, this model presents a better compromise as mid term solution.

However, in our view, the ideal solution will be that the MIBEL intraday market becomes, **as soon as possible**, compatible with the European target model: with a single opening auction, giving the opportunity to market participants to negotiate in XBID all available hours of given day D without restrictions and well in advance of real time.

Finally we would like to emphasise the importance of having a common understanding of the proposed reform at the level of the South-West Europe Capacity Calculation Region. A parallel coordinated approach among the three systems, Spain, Portugal and France on the methodology that applies for capacity calculation and allocation is essential in the spirit of the timely integration of Spain in the XBID project.