

PUBLIC CONSULTATION ON ADAPTING THE BIDDING LIMITS ON THE DAY-AHEAD AND INTRADAY MARKETS IN AGREEMENT WITH THE PROVISIONS IN ARTICLE 10 OF REGULATION (EU) 2019/943 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 5 JUNE 2019 ON THE INTERNAL MARKET FOR ELECTRICITY

Introduction and purpose of the consultation¹:

On October 24, 2019, the document entitled, "REQUEST TO OMIE FOR PUBLIC INFORMATION ON ADAPTING THE BIDDING LIMITS ON THE DAY-AHEAD AND INTRADAY MARKETS IN AGREEMENT WITH THE PROVISIONS IN ARTICLE 10 OF REGULATION (EU) 2019/943 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 5 JUNE 2019 ON THE INTERNAL MARKET FOR ELECTRICITY," appeared on OMIE, having been sent by CNMC, ERSE as Iberian NRAs.

Article 10 of Regulation (EU) 2019/943 of 5 June 2019 on the internal market for electricity states the following:

"Article 10

Technical bidding limits

- 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 day-ahead 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.*
- 3. Transmission system operators shall not take any measures for the purpose of changing wholesale prices.*
- 4. Regulatory authorities or, where a Member State has designated another competent authority for that purpose, such designated competent authorities, shall identify policies and measures applied within their territory that could contribute to indirectly restricting wholesale price formation, including limiting bids relating to the activation of balancing energy, capacity mechanisms, measures by the transmission system operators, measures intended to challenge market outcomes, or to prevent the abuse of dominant positions or inefficiently defined bidding zones.*
- 5. Where a regulatory authority or designated competent authority has identified a policy or measure which could serve to restrict wholesale price formation it shall take all appropriate actions to eliminate or, if not possible, to mitigate the impact of that policy or measure on bidding behaviour. Member States shall provide a report to the Commission by 5 January 2020 detailing the measures and actions they have taken or intend to take. "*

¹ The reference language for this public consultation shall be Spanish, so in case of discrepancies between different versions in different languages, Spanish version will prevail.

In this sense, ERSE and CNMC have communicated the criteria for implementing the mechanism for updating the maximum and minimum technical bidding limits to OMIE, and this consultation is based on those limits. As stated below, the criteria set forth for both regulators are included:

- *"An initial value for maximum technical bidding limits, such that the maximum recorded market price on the day-ahead and intraday electricity market on the Iberian Electricity Market (MIBEL), as may be the case, does not exceed 60% of that value. The initial value will be the same in Spanish and Portuguese zones.*
- *An automatic monthly increase in those maximum technical bidding limits that will result from application should a market-clearing price (day-ahead or intraday, as may be the case) in Spanish (or Portuguese) zones greater than 60% of the current bidding limit is recorded. The monthly increase should be such that it allows consumers to gradually adapt to the new price range, and as such, it shouldn't be greater than 100€/MWh. In any case, the new maximum technical limit for the intraday market cannot be less than that for the day-ahead market. None of them can be higher than the VoLL determined according to Article 11 of Regulation (EU) 2019/943.*
- *An initial value for minimum technical bidding limits, such that it does not entail an effective limit to price formation.*
- *An automatic monthly reduction on these minimum technical bidding limits when that minimum technical limit is reached.*
- *The value of the minimum technical limit for the intraday market will not be greater than the minimum technical limit for the day-ahead market.*
- *The technical limits for the day-ahead market and for the intraday market may be different depending on the history for prices recorded on those two markets.*
- *The period for which implementing the adjustment of technical limits will be in effect shall be established."*

The purpose of this document is to submit the proposed mechanism to be implemented by OMIE to a consultation procedure, following the previous criteria.

Once the consultation is done, OMIE will make the results public as quickly as possible and send the result to the regulators so that both regulators may evaluate and establish the adjustment mechanism's criteria. Subsequently, OMIE will create a modification proposal for the market rules for the day-ahead and intraday markets for electrical energy production according to the requests made by both regulators.

Additionally, OMIE must show that, in its capacity as a market operator, it has at all times been adapting and updating the different technical processes needed for the purposes of responding in due time and proper form to the requirements established by Spanish and community regulations in this field. In this sense, OMIE reaffirms its commitment to offering the organizational framework necessary for developing new activities that these regulatory changes are introducing.

Stakeholders will have until the next 8/12/2019 (one month), inclusive, to send their comments to the address consultamercado@omie.es, indicating whether or not their response should be kept confidential. Unless confidentiality is expressly mentioned, all documentation will be considered to be non-confidential documentation.

Consultation on the mechanism for adapting technical bidding limits

Considering:

- That the current bidding limits and the data on maximum and minimum historical market-clearing prices in MIBEL's zone have been:

| | Current bidding limits €/MWh | | Maximum and minimum historical clearing prices reached on MIBEL €/MWh | |
|-----------------------------------|------------------------------|-------|---|-------|
| | Min | Max | Min | Max |
| Day-Ahead Market | 0 | 180.3 | 0 | 180.3 |
| Intraday Auction Market | 0 | 180.3 | 0 | 180.3 |
| Intraday Continuous Market | 0 | 180.3 | -0.3 | 180.3 |

- That the minimum and maximum harmonized market-clearing prices across Europe on the day-ahead market are currently -500€/MWh and +3000€/MWh, respectively.²
- That the minimum and maximum harmonized market-clearing prices across Europe on the intraday continuous market are currently -9,999€/MWh and +9,999€/MWh, respectively.³

And considering the requests made by the MIBEL regulators,

An inquiry is being made into the following mechanism for adapting technical bidding limits on the day-ahead and intraday markets⁴:

- The initial value for minimum and maximum technical bidding limits shall be the one shown in the following table. The initial value for the maximum technical limit of 300€/MWh corresponds to the value of the historical maximum divided by 60%. As for the initial value of the minimum technical limit, it is proposed to be 0€/MWh since prices of 0€/MWh have not been recorded for the MIBEL day-ahead market in the last 5 years and the price of -0.3€/MWh recorded on the intraday continuous market corresponds to an insignificant associated volume (31 MWh).

| | Proposed bidding limits €/MWh | |
|-------------------------|-------------------------------|-----|
| Day-Ahead Market | 0 | 300 |
| Intraday Markets | 0 | 300 |

² Annex 1. Harmonised maximum and minimum clearing prices for single day-ahead coupling in accordance with Article 41(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation).

³ Annex 1. Harmonised maximum and minimum clearing prices for single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation).

⁴ When the intraday markets are mentioned, it is a reference to intraday auctions as well as the intraday continuous market

- The value for minimum and maximum technical bidding limits must be such that it does not entail an effective limit to price formation.
- The maximum technical bidding limit on MIBEL will be increased by +100€/MWh in the event that a market-clearing price greater than 60% of the current bidding offer is recorded (This criteria for updating is similar to the one established in the update methodologies for market-clearing prices for the day-ahead market approved by ACER in its Resolution 4/2017 of 14 November⁵).
- The minimum technical bidding limits will be lowered by -15€/MWh when a market-clearing price equal to the current minimum technical bidding limit is reached.
- The maximum (and minimum) technical bidding limits for the day-ahead market and for the intraday market in the Spanish price zone will be the same as for the Portuguese price zone.
- The maximum (minimum) technical bidding limits for the intraday market will be different but always less restrictive than the maximum (minimum) limits for the day-ahead market. (Example: if the lower limit of the day-ahead market was -100€/MWh, the lower limit of the intraday markets must be equal to or less than -100€/MWh - for example, -120€/MWh). So in the case of applying the increase (decrease) to the maximum (minimum) technical bidding limit for the day-ahead market, and as a result, surpassing (going under) the maximum (minimum) technical limit for the intraday market, it will be equal to the maximum (minimum) from the intraday to the day-ahead market.
- The maximum (minimum) technical bidding limits will be the same for the intraday regional auction based market and the intraday continuous market.
- In the case of an event being recorded in month m, which makes it necessary to update the maximum (or minimum) technical bidding limits for the day-ahead market or the intraday markets, this will be done on the first business day of month m+2.
- The maximum technical limits that may be established must be reviewed once the VoLL, referred to in Article 11 of Regulation (EU) 2019/243, is determined.

⁵ Annex 1. Harmonised maximum and minimum clearing prices for single day-ahead coupling in accordance with Article 41(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation).

Stakeholders will be consulted about the prior proposal, as well as about the following specific questions:

1. *Do you agree with the mechanism described for increasing and decreasing the maximum and minimum bidding limit for day-ahead and intraday markets? If not, please propose an alternative mechanism and explain your response.*

More specifically:

- a. *Do you agree with the proposed threshold of 60% for the maximum technical bidding limit? If not, please propose another value and explain your response.*
 - b. *Do you agree with the proposed value (+100€/MWh) as the increase applied to the maximum technical bidding limit in effect? If not, please propose another value and explain your response.*
 - c. *Do you agree with the proposed value (-15€/MWh) as the decrease applied to the minimum technical bidding limit in effect? If not, please propose another value and explain your response.*
 - d. *In the event of a trade on the intraday continuous market at a price above 60% of the value of the maximum technical bidding limit on the intraday market, or a price equal to the minimum technical bidding price on the intraday market. Do you consider it appropriate to apply a minimum energy threshold associated with that transaction in order to apply the updating mechanism for maximum (minimum) technical bidding limits? Justify your response and, if you agree, what value for that energy threshold you consider to be appropriate.*
 - e. *The proposed mechanism for updating the limits will take into consideration the maximum (minimum) price reached during a particular month m , in order to calculate the new maximum (minimum) limit that will result from the application in month $m+2$. This way, if several elevated prices were to be given consecutively in month m , it would only be necessary to apply the mechanism once, which is thought could make the operation simpler. Besides, the fact of considering its application with one month's delay could allow the process to be less rushed and would give the mechanism greater predictability. Regarding this proposal, do you consider it appropriate for updating the maximum (or minimum) technical bidding limits for the day-ahead or intraday market to be carried out by taking the maximum price reached in month m as a reference, and for it to be applied on the first business day of month $m+2$?*
2. *Do you agree with establishing a value of 300€/MWh as the starting value for the maximum technical bidding limit for the day-ahead market and for intraday markets? If not, please propose alternative initial values and explain your response.*
 3. *Do you agree with establishing a value of 0€/MWh as the starting value for the minimum technical bidding limit for the day-ahead market and for intraday markets? If not, please propose alternative initial values and explain your response.*