

Date 31 October 2008

Subject View on the implementation of XB intra-day in the North and CWE market

### **Background**

The intra-day market is an important part of the electricity market enabling participants to adjust their portfolios in order to respond to changes to their day-ahead programs, including coverage of trips of larger power plants or consuming units. Further more, the establishment of intra-day markets will support efficient response of power production with increasing intermittent wind power production.

As most of market arbitrage is performed until day-ahead, volumes in intra-day markets are anticipated to remain low. Regulation EC1228/03 requests its compulsory implementation as of January 1st 2008. However, in the northern and CWE markets we can observe that this still is not the case on the Dutch and Norwegian borders. On the French borders a system with pro rata allocation exist that doesn't comply with the current regulation. The only market that complies with the Congestion Management guidelines is the ELBAS market covering Sweden, Finland, Denmark and Germany.

Currently many proposals on the preferred market model are discussed. Already in 2006 market parties, regulators and TSOs have expressed their preference for a continuous trading model. Given the short time frames in intra day this should be based on a first come, first serve mechanism and implicit allocation of XB capacity which is then an obligatory use (take it and use it principle). However, we have not noticed much progress and still many variants are discussed between TSOs and regulators. In order to focus these discussions our members would like to put forward the main requirements for a cross border intra-day mechanism.

### **Main requirements for a cross border intra-day mechanism**

- The intra-day platform should be designed to allow OTC trades (with obligatory use of the capacity) on a non-discriminatory basis as an additional possibility.
- There should be one common transaction matrix and one consolidated orderbook for the region to allow that the whole market can be seen from any trading platform. This concentrates liquidity and therefore stimulates competition.
- The Cross-border Regulation 1228/2003 makes clear through its article 6.3 that TSOs should put available the maximum of capacity to market participants, taking into account security standards. The Congestion Management Guidelines ((2006/770/EC) state (in article 2.6) that TSO may reserve cross-border capacity for intraday purposes, subject regulatory approval. In our opinion, such regulatory approval should only be given in case it can be proven that such reservation might lead to a higher social welfare, whereby a clear and transparent analysis should be made to justify this result.

- The Congestion management guidelines do not allow any cross-border capacity reservations to other purposes like balancing or regulations. Intraday trades reduces the need for regulation by the TSO's. Cross border capacity if any eventually reserved for regulation should therefore always be offered for the cross-border intraday market as well, since the two markets supplement each other.
- Intra-day capacity should be given free of charge as it is related to “non-congested” cross-border capacity in the day-ahead allocation. In the case that additional capacity becomes available during the day, this should be automatically allocated based on the existing continuously updated bids.

Regarding the implementation of cross border intra-day there are two important issues:

- priority: Intra-day should be implemented independently of the implementation of day ahead market coupling. It should also not wait for an ultimate capacity calculation regime.
- allocation: The intra-day allocation should continuously mirror updated, full day ahead capacity calculations (ATC, flow based).

#### **Nordenergi**

*Nordenergi is collaboration between the Nordic electricity industry associations.*

#### **NWE MPP**

*The North West European Market Parties Platform is a cooperation of BDEW, UFE, Organisation des Entreprises d'Electricité Du Lux-embourg, FEBEG and EnergieNed representing the electricity wholesale market parties in Germany, France, Luxembourg, Belgium and the Netherlands.*