

**PUBLIC CONSULTATION FOR COMPLEMENTARY
INTRADAY REGIONAL AUCTIONS FOR THE
SPANISH-PORTUGUESE BIDDING ZONE BORDER**

28.07.2017

I. Introduction and legal context

This document sets out a public consultation, on a complementary intraday regional auctions for the Spanish and Portuguese bidding zones' border, elaborated by CNMC and ERSE as competent regulatory authorities concerned by the common proposal submitted jointly by the relevant NEMO and TSOs (OMIE, REE and REN) in February 2017, in accordance with Article 63 of the Commission Regulation (EU) 2015/1222 of 24th July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222).

The common proposal from the Iberian TSOs and NEMO launched on February 14th (within 18 months after entry into force of Regulation 2015/1222) was subject of consultation (footnote with the NEMO and TSOs proposal in English, Portuguese and Spanish and the comments from stakeholders¹) from 13th February 2017 to 14th March 2017 as stated by Article 63(1) of Regulation 2015/1222. (on 24th April 2017 the Iberian NEMO and TSOs published the results of the consultation).

The Iberian Regulatory Authorities, after analyzing this proposal, and considering the comments from the stakeholders and other regulatory authorities to the previous proposal, agree to launch a new public consultation pursuant to Article 63(4)(e).

The legal provisions relevant to the submission and approval of the complementary intraday regional auctions proposal and this consultation can be found in Article 63 of the Regulation 2015/1222. They are set out here for reference:

Article 63 of Regulation EU 2015/1222:

1. *By 18 months after the entry into force of this Regulation, the relevant NEMOs and TSOs on bidding zone borders may jointly submit a common proposal for the design and implementation of complementary regional intraday auctions. The proposal shall be subject to consultation in accordance with Article 12.*
2. *Complementary regional intraday auctions may be implemented within or between bidding zones in addition to the single intraday coupling solution referred to in Article 51. In order to hold regional intraday auctions, continuous trading within and between the relevant bidding zones may be stopped for a limited period of time before the intraday cross-zonal gate closure time, which shall not exceed the minimum time required to hold the auction and in any case 10 minutes.*
3. *For complementary regional intraday auctions, the methodology for pricing intraday cross-zonal capacity may differ from the methodology established in accordance with Article 55(3) but it shall nevertheless meet the principles provided for in Article 55(1)*
4. *The competent regulatory authorities may approve the proposal for complementary regional intraday auctions if the following conditions are met:*
 - (a) *regional auctions shall not have an adverse impact on the liquidity of the single intraday coupling;*
 - (b) *all cross-zonal capacity shall be allocated through the capacity management module;*
 - (c) *the regional auction shall not introduce any undue discrimination between market participants from adjacent regions;*

¹http://www.omie.es/files/documento_respuesta_consulta_publico_1.pdf

- (d) the timetables for regional auctions shall be consistent with single intraday coupling to enable market participants to trade as close as possible to real-time;*
- (e) regulatory authorities shall have consulted the market participants in the Member States concerned.*
5. *At least every two years after the decision on complementary regional auctions, the regulatory authorities of the Member States concerned shall review the compatibility of any regional solutions with single intraday coupling to ensure that the conditions above continue to be fulfilled. 25.7.2015 L 197/63 Official Journal of the European Union EN*

II. The NEMO and TSO common proposal

The common NEMO and TSOs proposal, for the introduction of intraday complementary auctions, consists of a hybrid operating model based on the integration of the European XBID continuous intraday market complemented with Iberian implicit auction sessions. Two alternative models are considered regarding the organization between the Iberian implicit auctions and the European continuous intraday market:

Model A: Trading on the continuous market is considered for the trading periods prior to the horizon of the next implicit auction to be held, that is, those periods in which no further trading will be made at any implicit auction.

In order to minimise the changes to systems and procedures, and simplify the implementation of the continuous intraday market model, the auctions will have, at least initially, almost exactly the same operating procedure as MIBEL's current auctions.

Model B: Trading on the continuous market is considered throughout all the periods in the current day (except for the next one) and, after Intraday Cross-Zonal Gate Opening Time, also for the trading periods on the following day. Pursuant to article 63 of Regulation 2015/1222, and in order to consider for trading the cross-zonal capacity at the ES-PT interconnection at the implicit auction trading sessions, while the implicit auction's matching process lasts, the continuous intraday market will be stopped in the Iberian bidding zones. This period should last 10 minutes at the most, prior to the end of the hour (between hh:50 and hh+1:00) according to Article 63(2) of Regulation 2015/1222. Continuous trading is restarted once the auction's matching process has ended.

III. Iberian Regulatory Authorities' position

After a careful analysis of the two models included in the operator's proposal, and of the answers to the previous consultation received from stakeholders, Regulatory Authorities consider the Model B as the selected target model. This model is preferable in order to maximize the number of hours that the different periods are tradeable in the continuous market.

Model B is also in line with Iberian Energy Regulators view that the organization of auctions should not impact the possibility for trading subsequent hours in the continuous trading environment, in order to avoid a fragmentation of continuous trading.

At the same time, the Iberian Regulatory Authorities understand the need of a transitory period with Model A as a way to be part of the first go-live of continuous trading module XBID in the first quarter of 2018. In that way, there will be enough time to introduce changes to the market design and technical implementations, as well as to let stakeholders to familiarize with continuous trading. **Consequently, Model B should be introduced after a reasonable transitional period that could be estimated between 12 months and 18 months after the go-live of the SWE LIP (LIPS 9&12).**

According to Article 63.2 of Regulation 2015/1222, in order to hold complementary regional intraday auctions continuous trading within and between the relevant bidding zones may be stopped for a limited period of time (no longer than 10 minutes) before the intraday cross-zonal gate closure time. In line with this provision continuous trading will be stopped in the Spanish and Portuguese bidding zones. At the same time, pursuant to Article 63(4)(b) of Regulation 2015/1222, there is a need to avoid undue discrimination between market participants from adjacent regions. To that end Model B is also more preferable than Model A, and furthermore, **there may be a need to assess if the number of auctions in day D (auction 3, 4, 5 and 6) should be reduced, to minimize interruption time of continuous trading in the Spanish and Portuguese bidding zones. For this assessment, some experience with the new intraday model will be needed.**

In 14 June 2017, All Regulatory Authorities agreed at the Energy Regulators' Forum on a Request for amendment on 'All TSO's proposal for Intraday cross-zonal gate opening (IDCZGOT) and gate closure times (IDCZGCT)'. In this agreement All Regulatory Authorities requested a common Gate Opening Time at regional level: *'All Regulatory Authorities request harmonization of IDCZGOT across CCRs as a first step. The IDCZGOTs should be specified within the amended proposal. The IDCZGOT in a CCR should be set at the earliest possible time. In particular, the IDCZGOT in a relevant CCR cannot be set later than the current IDCZGOT in this CCR.'*

There is going to be a common Intraday cross-zonal gate opening time in XBID and, therefore, in the SWE region. Current All TSO's proposal defines this hour as 22:00 of day D-1.

The Iberian Regulatory Authorities would deem a step back to delay the time for the first intraday complementary auction, considering that during ten years, the Iberian stakeholders have been able to efficiently adjust their positions in the first intraday market cleared at 19:00 CET of day D-1. **Therefore the Iberian Regulatory Authorities consider the importance of keeping the first two auctions in day D-1, with similar timetable as the current one, regardless the agreed IDCZGOT in the SWE region, where the second auction might be replaced by the foreseen pan European intraday auction provided by Intraday Capacity Pricing Methodology.**

Finally, the Iberian market has been designed from the beginning as a physical market, and not as a market based on trading portfolios where integrated stakeholders would offer to market only their net positions. This design has provided a high level of transparency to the performance of the market as well as a level playing field between vertically integrated agents and independent ones. Iberian Regulators consider that keeping this design in the intraday market keep the same benefits for the Iberian market. **To that end, there may be a need to assess the benefits of establishing a local link between each block bid submitted to the continuous trading, and the corresponding bidding unit (as defined for day ahead).**

IV. Public consultation

Based on the above rationale, the Iberian Regulatory Authorities request the stakeholders' opinion on the general proposal about the "New MIBEL Intraday Model".

The public consultation **will be open on 28th July 2017 and will remained open until 11th September 2017.**

Opinions should be send to xbid_intradayauctions@erse.pt and xbid_intradayauctions@cnmc.es.

V. Actions

Based on the above rationale and questions, the Iberian Regulatory Authorities will issue a Request for Amendment to the Iberian NEMO and TSOs for an amended proposal.