

# Conference of the Board of Regulators of the Iberian Electricity Market (MIBEL)

**EFET**

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

## MIBEL in the Internal Energy Market

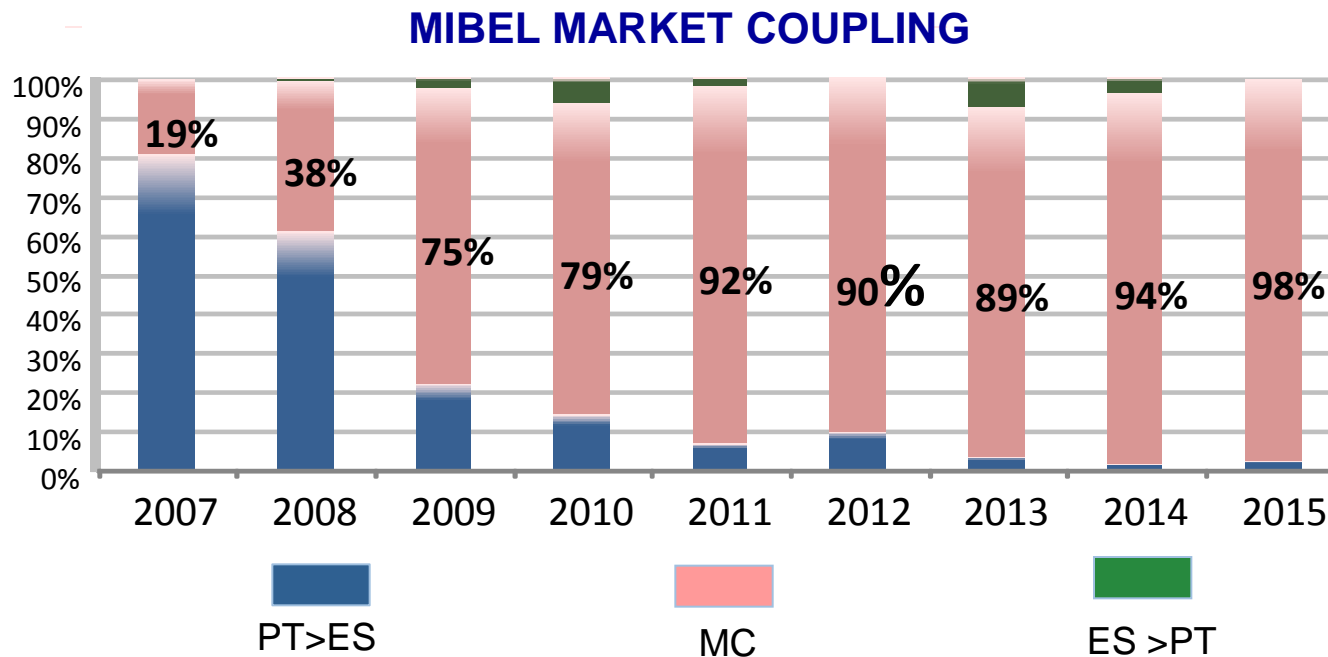
Antonio Canoyra

Task Force Iberia



MIBEL has been a successful project that proves the benefits of market integration and cross-border trade:

- Day-ahead market coupling has increased from less than 20% in 2007 to 98% in 2015.
- MIBEL became part of PCR in May 2014
- A new model for XB balancing energy transactions was put in place in February 2015



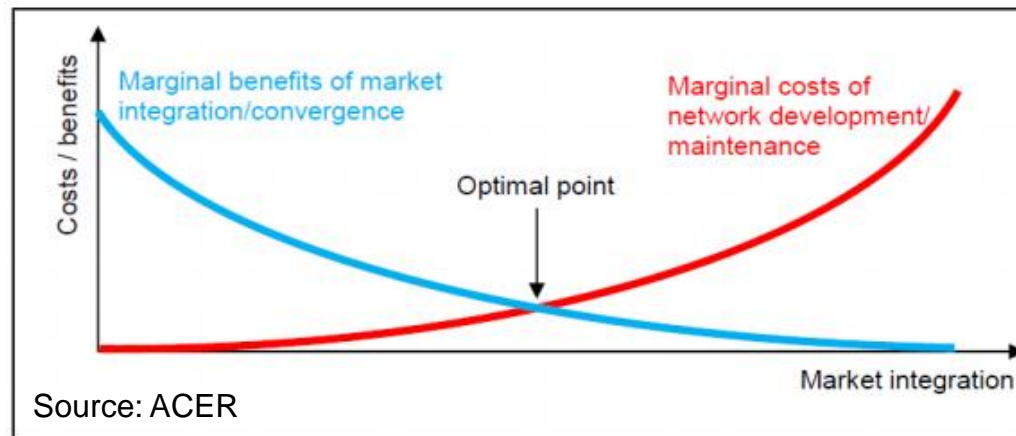
Source: CNMC

Now is the moment to deal with new challenges:

- A Single Iberian Bidding Zone?
- Implementation of ID continuous trading
- Balancing market - The TERRE project



- EFET requests the assessment of the integration of Spain and Portugal into a **Single Iberian Bidding Zone**. *NRAs should assess:*
  - *The efficient use of XB interconnectors (“preventive” vs “curative” measures)*
  - *Liquidity & hedging in power markets*
  - *Market power issues*
  - *Right investment incentives.*



***... but mainly and above all, minimum harmonisation of energy regulation...***

- **EFET supports the implementation of IDCT as soon as possible.** *We consider that the efforts of TSOs and PXs must be focused on IDCT but not on a transitory solution (like 12 daily auctions).*
  - **The IDCT model must be developed according to the CACM Guideline.** *EFET supports a portfolio based explicit continuous XB ID model, with one **opening auction** and **direct nomination** to TSOs. **Hourly closing auctions (if in place) should not be mandatory.***
  - **The Local Implementation Plans (LIPs) related to MIBEL advance very slowly.** *EFET is concerned about the inclusion of LIPs 9 and 11 in Phase 1 of the XBID project.*
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## THE PRODUCT

EFET TF Iberia supports the design of easy and simple standard products, which are based on the current Imbalance Settlement Period (ISP) in MIBEL and which will be useful for offers and TSOs' needs.

1. Delivery Period (DP) should be flexible and adapted to MIBEL ISP. Starting with 60 minutes but with the possibility to be reduced in the near future.
2. Standard and not complex (single bids, not including ramping balancing product).
3. Firm allocation and voluntary bids.

## SCHEDULING

High Interaction between intraday market and the TERRE process.

1. Starting 1 h before Delivery Time (H-1), immediately after the continuous ID GCT
2. Bidding + Matching + Publishing processes must finish (at least) 15 minutes before Delivery Time.

## SETTLEMENT

The definition of matching process and settlement procedure would be similar to day-ahead market.

1. Marginal price instead of pay-as-bid
2. If there is no congestion on the interconnection, prices would be equal for both bidding zones, and with congestion, the last accepted offer in each bidding zone sets the price.

## ALGORITHMS

TERRE is a TSOs' service procurement process, which should not apply as a new market and should open shortly (a few seconds) after continuous ID GCT.

1. TSOs should publish their "Netting needs" first
2. «Algorithmic optimization» i.e. minimum cost of service provided, but not FCFS
3. TERRE should be designed to manage energy imbalances after intraday gate closure time
4. NRAs should promote regulatory harmonisation to improve XB competition.

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- A single **60 minutes and firm capacity product** can be easily implemented and could be adjusted according to the different duration of ISP at a later stage. *While EFET believes in the benefits of greater harmonisation, the convergence of ISPs in Europe should be cost-efficient, which the ENTSO-E CBA has difficulties to demonstrate.*
  - The process should **start immediately after continuous ID GCT**, (i.e. H-1) and finish as soon as possible and not later than 15 minutes before the period of delivery. *Procurement of Balancing Energy starts when market agents cannot adjust their positions in the IDCT.*
  - **The “elastic demand” design option proposed by TSOs is in clear contradiction with the principle of unbundling.** *TERRE should be a mechanism to manage TSOs’ needs at a minimum procurement cost, but not a market for matching bids in the CMO.*
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- **EFET considers market-based mechanisms and free price formation as the most efficient manner to trade energy and ancillary services.** *The operation of the market in this respect should be free of regulatory interventions.*
  - **All market participants need access to disaggregated information** about underlying supply and demand fundamentals. *Such information has to be published in downloadable formats and in a timely fashion.*
  - **There should not be any trading platform favoured or penalised by regulation.** *All the markets should be open to competition and intermediation.*
  - **Integration of RES should be done through harmonised incentives**, but not regulated prices, priority dispatch, balancing immunity... *Non-competitive mechanisms to allocate supports should be avoided.*
  - **Power system adequacy must be assessed at pan-European level**, taking into account the availability of **generation sources and demand side response.**
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# THANK YOU FOR YOUR ATTENTION



European Federation  
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Amstelveenseweg 998  
1081 JS Amsterdam  
+31 20 520 7970  
[secretariat@efet.org](mailto:secretariat@efet.org)  
[www.efet.org](http://www.efet.org)

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