

ACER consultation on the draft methodology for CORE TSOs' fallback procedures



EFET response – 24 August 2018

The European Federation of Energy Traders (EFET) welcomes the opportunity given to us by ACER to provide comments on the CORE TSOs' draft methodology concerning fallback procedures. Fallback procedures are an important element of market design whose functioning affects market participants in case of failure of the single day-ahead coupling. We stress the importance of the letter and spirit of article 44 CACM in this regard: the TSOs of the CORE region should ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results. To this end we advocate robust and harmonised fallback procedures via a user-friendly single platform.

- 1. Do you find it critical that all bidding zone borders in a capacity calculation region apply the same shadow allocation rules and the same allocation platform in case of fallback procedures?*

According to article 44 CACM, TSOs should develop fallback procedures in a coordinated manner. The current proposal of the TSOs does not appear to us as a genuine effort to coordinate, let alone harmonise or make their existing fallback procedures converge in a way that would benefit market participants and society at large. **The harmonisation of fallback procedures in the CORE region should be considered as a non-regret option.**

A single harmonised fallback procedure for the whole CORE would have an immediate positive impact for the market, as it will facilitate market participation in the shadow auctions at all CORE bidding zone borders. This would ensure that welfare losses are minimised in case the single day-ahead market coupling does not deliver results.

The TSOs of the CORE region wish to link the timing of the harmonisation of fallback procedures to the implementation of the methodology on capacity calculation. Though we strongly support a swift finalisation and implementation of the CORE capacity calculation methodology – along the lines suggested by the CORE NRAs – **we do not see a reason for the TSOs to wait until the finalisation of the CORE Capacity Calculation Methodology (CCM) to implement a harmonised fallback procedure**, as the two elements (CCM and fallback) are by nature uncorrelated and will apply different capacity allocation methods. We call on ACER to enact the implementation of a single harmonised fallback procedure for all CORE bidding zone borders immediately.

2. *Do you find it critical that the fallback procedures and the corresponding shadow allocation rules are as similar as possible to the Harmonised Allocation Rules and performed by a single allocation platform?*

We fully agree with the two proposals of ACER:

- **Alignment of the fallback procedures on the EU HAR:** Market participants need to have a clear understanding/ visibility of their exposure in case of activation of the fallback procedure. This procedure should be kept as simple as possible knowing that the time to react when it is activated will be very limited. If the rules are too complex there is a risk that it refrains market participation, i.e. market participants would limit their participation to a selected number of borders which they deem a priority, which would be detrimental to social welfare. A single set of rules is highly desirable to help market participants manage their activities and risks. Aligning the fallback procedure on the EU HAR would ensure that market participants are already familiar with the fallback procedure.
- **Use of the single allocation platform for all shadow auctions in the CORE region:** the single allocation platform is largely used already for long-term rights and day-ahead/intraday explicit auctions. Gradually, it will become the only platform where such auctions are performed. Market participants are familiar with its functioning and functionalities. Once again, shadow auctions in case the single day-ahead coupling does not produce results are organised in a very short timeframe. During this rushed time, familiarity with the auction tool will be a precious advantage to ensure efficient, transparent and non-discriminatory participation of all to the shadow auctions.

3. *Do you have any other comments or concerns with regard to the Core CCR TSOs' Fallback Procedures including the annexed Shadow Allocation Rules?*

Fallback procedures are already complex individually. Their multiplicity for the different bidding zone borders in Europe adds to this complexity. We recommend that more test days are organised for market participants in order to be better prepared.

Once the shadow auction rules will be harmonised, it should help harmonise the auction tool. As we know the target is to have one single allocation platform (a unique interface), the user-friendliness of this single interface should be a priority. We believe that JAO is open for improvements in that sense.

Finally, we believe that harmonised CORE fallback procedures aligned on the EU HAR and shadow auctions organised via the single allocation platform for the whole CORE region could and should serve as benchmark for an ambitious implementation of article 44 CACM in all capacity calculation regions.