



CRE consultation on introduction of complementary regional auctions in intraday at the Northern Italian borders



EFET response – 13 May 2019

The European Federation of Energy Traders (EFET) thanks CRE for the opportunity to comment on the TSOs' proposal for complementary regional auctions in intraday at the Northern Italian borders. We take this opportunity to attract CRE's attention to the positions we have taken with regard to the long debate on the review of the complementary regional auctions in Italy¹.

First and foremost, we would like to recall that the CACM Regulation's main priority for intraday is to ensure efficient, non-discriminatory access to cross-zonal capacity through implicit continuous trading. Hence, the completion of the XBID project and the participation of all Italian borders to it should be considered the priority for the region. The continuous intraday market – as defined as the target model in CACM – is best suited to deliver a real-time price signal and allow market participants to continuously optimise the dispatch of their production and consumptions units. This simplifies market entry for new competitors and it minimises the volume and cost of TSO balancing activity. A liquid continuous intraday market will become increasingly vital, as intermittency becomes more important in European electricity systems. While we regret that the Northern Italian borders will not be part of the second wave of XBID go-live in 2019, we hope for go-live of XBID in the CCR as early as possible in 2020.

Second we are in general not convinced by the necessity to introduce complementary auctions. We fear the complementary regional auctions will deprive the continuous market of liquidity and jeopardise its efficient functioning. This being said, we

¹ See notably the EFET response to the GME consultation on the introduction of additional intraday electricity market session, dated 5 July 2016 and available at:

<https://efet.org/Files/Documents/Electricity%20Market/Spot%20and%20short-term%20markets/EFET-response-to-GME-dco-05-2016.pdf>

acknowledge that the CACM Regulation opens the possibility for TSOs to develop methodologies for complementary regional auctions. We nonetheless welcome the reassurance by the TSOs and CRE that regional auctions will not be introduced before the go-live of XBID at the Northern Italian borders. Complementary regional auctions, as their name rightly suggest, should remain a mere complement to XBID.

Third, on the methodology proposal itself, we welcome the approach chosen by the TSOs to align the design of the complementary regional auctions on that of the pan-European intraday capacity pricing auctions as per the ACER decision of 24 January 2019. While we have similar reserves with regard to the introduction of the pan-European auctions as with the introduction of complementary regional auctions, we appreciate that the TSOs designed the present methodology in a way that will allow the replacement of the Northern Italian complementary regional auctions by the pan-European auctions as soon as the latter is rolled-out.

Our main point of concern with the methodology proposal is the proposed interruption time of XBID to carry out the auctions. The proposal of the TSOs is an interruption of 45 minutes, possibly reduced over time as processes improve. We have significant concerns with this:

- Art. 63(2) CACM GL foresees a maximum interruption time of XBID of 10 minutes for complementary regional auctions. There is no provision in CACM that would allow a transitional period with more time. The proposed timing in the methodology is purely and simply in direct breach of the CACM GL, which is not acceptable.
- In its summary note, CRE mentions a trajectory towards reducing the interruption time to 10 minutes. However, nowhere in the TSOs' proposal is this goal of 10 minutes mentioned. Neither in the CRE note or the TSOs proposal is a timeline proposed. And worst, the TSOs in their proposal mention that one of the three processes of the auction – currently performed in 10 to 15 minutes – is “*already optimized and cannot be further decreased*”. That actually means that there is no prospect to see the interruption time reduced to 10 minutes, contrary to the hopeful statements of CRE.

From a careful reading of the draft methodology, the TSOs hence only propose a non-compliant XBID interruption, with no concrete prospect and no timeline to bring this interruption time to 10 minutes. Hence, we believe that the regulators should not approve the proposed XBID interruption timing.

On another note, we also see that the Market Time Unit (MTU) is not specified, though the TSOs' proposal seems to indicate a 60-minute MTU. As the granularity of cross-border intraday products is set to evolve over time towards 15-minute products, the regulators should make sure that the wording of the proposal does not preclude this evolution or slower the transition towards smaller granularity products at the Northern Italian borders.