

## Revision of maximum and minimum electricity price methodologies

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to the ACER consultation of the on the revision of maximum and minimum electricity price methodologies (HMMCP).

We recall our main recommendations for the review of review of the DA/ID technical price limits' automatic adjustment mechanism<sup>1</sup> that should ensure:

- A rules-based system
- Predictability for the market
- Demand reduction signals should be preserved
- ID technical price limit adjustment independent from DA
- A minimum 'gap' between the DA and ID upper technical price limits

### Single Day-Ahead Coupling (SDAC)

1. Do you agree with the rationale of the NEMOs' amendment proposal?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

2. Do you agree with the proposed initial price limits of the NEMO's amendment proposal?

Strongly agree

Agree

Neutral

**Disagree**

Strongly disagree

No opinion

3. Do you consider that the initial maximal price limit should be?

**More than +3000€/MWh higher than the proposed level**

Less than +3000€/MWh higher than the proposed level

At the proposed level

Less than +1000€/MWh lower than the proposed level

More than +1000€/MWh lower than the proposed level

No opinion

4. Do you consider that the initial minimal price limit should be?

More than +1000€/MWh higher than the proposed level

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<sup>1</sup> [EFET harmonised price limits](#) presentation at the MESC, 14 September 2022

# CONSULTATION RESPONSE

Less than +1000€/MWh higher than the proposed level

**At the proposed level**

Less than +1000€/MWh lower than the proposed level

More than +1000€/MWh lower than the proposed level

No opinion

5. Do you agree with the proposed price spike definition of the NEMOs' amendment proposal?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

6. Do you agree with the proposed value for the price threshold of 70% of the NEMOs' amendment proposal?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

7. Do you agree with the other elements of the price spike definition (exclusion of fall-back measures days, exclusion of virtual, uncoupled bidding zones and bidding zones with no traded volumes) of the NEMOs' amendment proposal?

Strongly agree

**Agree**

Neutral

Disagree

Strongly disagree

No opinion

8. Do you agree with the proposed triggering event of the NEMOs' amendment proposal?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

9. Do you consider that the triggering event should be?

Much stricter than the proposed level (meaning that more price spike events should be needed to trigger the automatic mechanism)

Stricter than the proposed level

**At the proposed level**

Looser than the proposed level (meaning that fewer price spike events should be needed to trigger the automatic mechanism)

Much looser than the proposed level

10. What is your opinion on the triggering of a maximum price limit increase due to the price spikes on the day-ahead market in the Baltic bidding zones on 17 August 2022?

**Strongly agree**

Agree

Neutral

Disagree

Strongly disagree

No opinion

11. What is your opinion on the triggering of a maximum price limit increase due to the price spikes on the day-ahead market in the French bidding zone on 4 April 2022?

**Strongly agree**

Agree

Neutral

Disagree

Strongly disagree

No opinion

12. Do you agree with the maximum price increase of +1000€ as proposed in the NEMOs' amendment?

**Strongly agree**

Agree

Neutral

Disagree

Strongly disagree

No opinion

13. Do you consider that the proposed maximum price increase should be?

More than +500€/MWh higher than the proposed level

Less than +500€/MWh higher than the proposed level

**At the proposed level**

Less than +500€/MWh lower than the proposed level

More than +500€/MWh lower than the proposed level

No opinion

14. Do you agree with the proposed minimum price increase of the NEMOs' amendment proposal?

**Strongly agree**

Agree

Neutral

Disagree

Strongly disagree

No opinion

15. Do you consider that the proposed minimum price increase should be?

# CONSULTATION RESPONSE

More than +50€/MWh higher than the proposed level

Less than +50€/MWh higher than the proposed level

**At the proposed level**

Less than -100€/MWh lower than the proposed level

More than -100€/MWh lower than the proposed level

No opinion

16. Do you agree with the proposed interim period of the NEMOs' amendment proposal?

Strongly agree

Agree

Neutral

**Disagree**

Strongly disagree

No opinion

17. Do you consider that the interim period should be?

More than 4 weeks longer than the proposed duration

Between 2 and 4 weeks longer than the proposed duration

Less than 2 weeks longer than the proposed duration

At the proposed duration

Less than 2 weeks shorter than the proposed duration

**More than 2 weeks shorter than the proposed duration**

No opinion

18. Do you agree with the proposed treatment of the interim period of the NEMOs proposal?

Strongly agree

Agree

Neutral

**Disagree**

Strongly disagree

No opinion

19. Do you consider the initiation of further price limit changes during the interim period an option?

Yes

**No**

20. Do you agree with the proposed set-back of the limit in case no price spikes occur for a period of 12 months of the NEMOs' amendment proposal?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

# CONSULTATION RESPONSE

21. Do you consider that there is a need to differentiate through the design of automatic mechanism, price spike events leading to curtailment of demand bids and price spike events that do not lead to curtailment of demand bids?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

22. Do you consider that there is a need to limit the number of price limit changes over a year?

Yes

**No**

23. Do you generally agree with the need to allow for max/min price limits to return to their initial level in case no price spikes occur for a certain duration?

Strongly agree

Agree

**Neutral**

Disagree

Strongly disagree

No opinion

24. What is the maximum number of price limit changes over a year that you consider would still be beneficial for the market?

**More than 6**

6

5

4

3

2

1

Less than 1

No opinion

25. Do you consider that the NEMOs proposal is correctly reflecting the requirements for the technical bidding limits set in the Article 10 of Regulation (EU) 2019/943?

Strongly agree

Agree

Neutral

**Disagree**

Strongly disagree

No opinion

26. Please justify your answer

While we appreciate the fact that NEMOs and ACER have rapidly proposed a new rule-based system for the automatic adjustment mechanism, the more stringent it gets, the more prices in day-ahead and intraday are likely to be limited for political or economic rather than technical reasons<sup>2</sup>.

We believe that the definition of price spikes and the trigger for price limit adjustments do not strictly follow article 7(2)c of the Electricity Regulation ("Day-ahead and intraday markets shall provide prices that reflect market fundamentals, including the real time value of energy") and article 10 (setting the rules of the technical price limits). While we understand the political context in which the proposal of the NEMOs is being made, the more stringent the conditions for an increase of the price limits, the more political or economic (rather than technical) these price limits become, and the higher the likelihood of occasions in which the electricity price will be constrained and fail to represent the real time value of energy.

27. Do you think that other design elements of the automatic mechanism should be considered? Please specify

Q1: We are concerned about the lack of information provided by NEMOs, as well as ACER, in the course of the public consultation. Instead of having an in-depth debate on the technical parameters of the methodology, ACER is now consulting on a proposal that lacks proper justification by the NEMOs. Consequently, some elements are difficult, if not impossible, to assess for market participants. This includes the definition of the price spikes and the trigger of price limit adjustments, as well as need the need or not to differentiate between price spike events leading to curtailment of demand bids and price spike events that do not lead to curtailment of demand bids.

Q2 and Q3: The technical price limit increase in DA to +4,000 EUR/MWh following the breach of the initial threshold on 4 April 2022 has been approved according to the (still) legally binding methodology. While we are agree to keep the DA technical price limits of -500/+3,000 EUR/MWh as the "reference" limits (less confusing wording than "initial" limits), it should not question the current upper price limit of +4,000 EUR/MWh in DA. Hence, a sentence should be added at the beginning of article 4.3 of the methodology to avoid confusion: "**As of the entry into force of this methodology, the upper price limit shall be -500/+4,000 EUR/MWh.** After 12 months without reaching a value of 70 percent of a given limit, the maximum or minimum clearing price will be set back to the lowest maximum clearing price or highest minimum clearing price respectively, consistent with the given limit. The maximum and minimum clearing price cannot be defined in the interval between -500 EUR/MWh and 3.000 EUR/MWh."

Q4: We are open to discussing downward adjustments of the minimum clearing price limit in day-ahead. Before implementing this, we request an analysis by the NEMOs on negative prices and their fundamentals to fully justify such a reform.

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<sup>2</sup> [EFET response to the NEMOs consultation on harmonised maximum and minimum clearing prices for SDAC and for SIDC, July 2022](#)

Q5, Q6 and Q8: We believe that the definition of price spikes and the trigger for price limit adjustments do not strictly follow article 7(2)c of the Electricity Regulation ("Day-ahead and intraday markets shall provide prices that reflect market fundamentals, including the real time value of energy") and article 10 (setting the rules of the technical price limits). While we understand the political context in which the proposal of the NEMOs is being made, the more stringent the conditions for an increase of the price limits, the more political or economic (rather than technical) these price limits become, and the higher the likelihood of occasions in which the electricity price will be constrained and fail to represent the real time value of energy.

Q7: We generally agree with the exclusion criteria. However, attention should be put to ensuring that bidding zones decoupled because they have hit the technical price limit (and not the other way around) remain in the scope of the application of the measure.

Q10: While we understand the political reasons behind the decision for the NEMOs not to apply the automatic adjustment following the event of 17 August 2022, this was done in breach of a binding EU legislation, including article 10 of Regulation (EU) 2019/943 and the ACER Decisions on the harmonised methodology. We request a decision of all EU NRAs confirming this NEMO action.

Q11: The technical price limit increase in DA to +4,000 EUR/MWh following the breach of the initial threshold on 4 April 2022 has been approved according to the (still) legally binding methodology. We see no reason to come back on it. See our qualification of Q2 and Q3 above to ensure that this current technical price limit is properly taken into account in the new methodology.

Q16, Q17 and Q18: We request that the interim period be shortened to 2 weeks. From a market perspective, the stricter conditions for the definition of spikes and trigger for a price limit adjustment may already constrain prices strongly. If these strict conditions are met, the technical price limit should be adjusted fast. From a technical perspective, considering that an automatic adjustment will be triggered at the minimum 10 days after the first threshold breach, NEMOs can be on alert (and spread warnings to the market) rather early before the full trigger of the adjustment is confirmed.

Q22 and Q24: We do not see the rationale to set a limit per year to the number of automatic adjustments. There is no technical justification behind this that would comply with article 10 of Regulation (EU) 2019/943.

## Single Intraday Coupling (SIDC)

1. Do you agree with the proposed initial price limits of the NEMOs' amendment proposal for the Single Intraday Coupling (SIDC)?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

# CONSULTATION RESPONSE

2. Do you consider that the initial maximal price limit should be?

- More than +3000€/MWh higher than the proposed level
- Less than +3000€/MWh higher than the proposed level
- At the proposed level
- Less than +3000€/MWh lower than the proposed level
- More than +3000€/MWh lower than the proposed level
- No opinion

3. Do you consider that the initial minimal price limit should be?

- More than +3000€/MWh higher than the proposed level
- Less than +3000€/MWh higher than the proposed level
- At the proposed level
- Less than +3000€/MWh lower than the proposed level
- More than +3000€/MWh lower than the proposed level
- No opinion

4. Do you consider that the limits of the SIDC should be?

- Equal between SIDC auctions and SIDC continuous
- Higher (in absolute value) for the SIDC continuous than for the SIDC auctions
- Higher (in absolute value) for the SIDC auctions than for the SIDC continuous
- Equal than the SDAC limits for the SIDC auctions and different for the SIDC continuous
- Always higher (in absolute value) or equal to the Single Day-Ahead Coupling (SDAC) limits
- Equal between the three SIDC auctions
- No opinion

5. Do you agree that the price limits of the SIDC continuous and SIDC auctions should be the same?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

6. Do you consider that a specific automatic mechanism to change the price limits should also be applied to the SIDC continuous?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

7. Do you agree to apply a similar automatic mechanism than the SDAC to the SIDC continuous?



# CONSULTATION RESPONSE

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

8. Do you consider that a specific automatic mechanism to change the price limits should also be applied to the SIDC auctions?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

9. Do you agree to apply a similar automatic mechanism than the SDAC to the SIDC auctions?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

10. Do you consider that the NEMOs proposal is correctly reflecting the requirements for the technical bidding limits set in the Article 10 of Regulation (EU) 2019/943?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion

11. Please justify your answer

While we appreciate the fact that NEMOs and ACER have rapidly proposed a new rule-based system for the automatic adjustment mechanism, the more stringent it gets, the more prices in day-ahead and intraday are likely to be limited for political or economic rather than technical reasons<sup>3</sup>.

We believe that the definition of price spikes and the trigger for price limit adjustments do not strictly follow article 7(2)c of the Electricity Regulation ("Day-ahead and intraday

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<sup>3</sup> [EFET response to the NEMOs consultation on harmonised maximum and minimum clearing prices for SDAC and for SIDC, July 2022](#)

markets shall provide prices that reflect market fundamentals, including the real time value of energy") and article 10 (setting the rules of the technical price limits). While we understand the political context in which the proposal of the NEMOs is being made, the more stringent the conditions for an increase of the price limits, the more political or economic (rather than technical) these price limits become, and the higher the likelihood of occasions in which the electricity price will be constrained and fail to represent the real time value of energy.

12. Do you think that other design elements of the automatic mechanism should be considered? Please specify

Q3: We are open to discussing downward adjustments of the minimum clearing price limit in intraday. Before implementing this, we request an analysis by the NEMOs on negative prices and their fundamentals to fully justify such a reform.

Q4, Q5 and Q8: Continuous intraday trading on XBID and intraday auctions (IDAs) form one market, the European SIDC. For this reason, the technical price limits applicable to XBID and IDAs should be aligned.

Q6 and Q7: On the upward adjustment for intraday (IDAs and XBID), we propose the following:

- On the magnitude of the incremental adjustments, we suggest maintaining the existing value, which is also similar to the SDAC adjustment value, i.e. by chunks of 1,000 EUR/MWh for each adjustment.
- On the trigger of the automatic adjustment, we propose a reform of the mechanism so that the SIDC price limit does not only increase when the SDAC price limit gets close to it; rather, the SIDC price limit should (1) have its autonomy, and (2) maintain a sufficient 'gap' with the SDAC price limit. This translates into the following:
  - o The intraday price limit adjustment should not only be linked to SDAC clearing price adjustment<sup>4</sup>. It should also be adjusted by increments of 1,000 EUR/MWh every time the 60% threshold of the existing intraday price limit is hit – and this, even in the case when the SDAC price limit remains unchanged. To implement this, a definition of how to compute the price trigger for continuous intraday trading will need to be established, as it does not clear in the same way as the day-ahead or intraday auctions (e.g. some kind of proxy should be calculated considering all trades/products for a specific delivery period).
  - o There should be a minimum 'gap' between the SDAC and SIDC upper price limits. Indeed, according to the current rules, once the SDAC price limit will have reached 9,000 EUR/MWh, the gap between that and the SIDC price limit in any future scenario will remain at 999 EUR/MWh. If and when SDAC market prices reach such high levels and beyond, market participants will still need the ability to trade in intraday at potentially much higher prices than day-ahead as buy and sell options are slimming down close to real time delivery. We propose that the minimum 'gap' between

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<sup>4</sup> [EFET response to the ACER consultation on price caps in day-ahead and intraday, September 2017](#)

# CONSULTATION RESPONSE

SDAC and SIDC technical clearing price limits is set either in the form of a fixed value equal to the existing gap (i.e. 5,999 EUR/MWh) or calculated using a multiplication factor.