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Iberian NEMO and TSOs proposal for the Spanish-  
Portuguese Complementary Regional Intraday  
Auctions in accordance with the Article 63 of  
Commission Regulation (EU) 2015/1222 of 24 July  
2015 establishing a guideline on capacity allocation  
and congestion management

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**March 2018**

## **Article 1**

### **Introduction and legal context**

This document establishes a common proposal developed by the Transmission System Operators (hereafter referred to as “TSOs”) and the Nominated Market Operator (hereafter referred to as “NEMO”) of Spain and Portugal on the Spanish-Portuguese Complementary Regional Intraday Auctions.

This proposal is developed in accordance with Article 63 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (the “CACM Regulation”).

CACM Regulation entered into force on 14 August 2015 and defined, among other relevant issues, the European intraday market operating model based on two main points:

1. A continuous intraday market allowing energy to be traded between participants located in different countries/bidding zones allocating capacity implicitly.
2. Developing a capacity pricing methodology reflecting the existence of interconnection congestion based on order prices.

The first point has led several European market operators and system operators to undertake the XBID project, which provides the basic contractual, systems and procedures infrastructure to implement that European continuous intraday market. In addition to central development of the XBID project, the different regions wishing to join the European continuous intraday market must undertake Local Implementation Projects (LIPs) to develop and test the specific processes required to join the XBID mechanism.

Consistent with the second point, the European Network of Transmission System Operators (ENTSO-E) prepared during 2017 a proposal for an intraday trading mechanism for pricing cross-zonal capacity. Bearing in mind the comments gathered from various stakeholders at different workshops (Stakeholder Workshops -ENTSO-E) and in the April and May 2017 public consultation, All TSOs submitted for approval on 14 August 2017 the document “All TSOs’ proposal for the single methodology for pricing intraday cross-zonal capacity” to their respective NRAs. The proposed methodology consists of implementing a pan-European implicit auction (22:00 CET on day D-1 for 24 hours on day D) in order for capacity to be priced at the difference in prices on both sides of the congested interconnection (market spread), which auction would moreover serve to open the pan-European continuous intraday market. The proposal is also for regions desiring to implement auctions before this first pan-European implicit auction.

In addition, CACM Regulation Article 63 provides for the possibility that regions where that is deemed appropriate may complement continuous intraday market operations running regional auction sessions.

Bearing the above in mind, and pursuant to CACM Regulation Article 63, the nominated market operator, OMIE, and the Iberian system operators, REE and REN, proposed in February 2017 a hybrid MIBEL intraday market operation model based on continuation of the currently existing Iberian auction sessions, incorporating the Spain–Portugal (ES-PT) interconnection, complementing and in synchrony with the XBID continuous market.

Although the model has initially been conceived as an Iberian project, it is intended to be

integrated with future European cross-zonal capacity pricing auction sessions.

CNMC and ERSE carried out a public consultation from 28 July to 11 September 2017 as to the operators' proposal and the regional auction model to be applied to MIBEL.

On 24 November, the regulatory authorities published the request for amendment of the proposal made in February 2017 "Request for Amendments of the Spanish and Portuguese regulatory authorities on Common Spanish and Portuguese TSOs' and NEMOs' proposal for complementary intraday regional auctions in accordance with Article 63 of Commission Regulation (EU) 2015/1222, of 24 July 2015, establishing a guideline on capacity allocation and congestion management, 17 November 2017".

The proposed model for operation of the XBID aims to provide several advantages for MIBEL, the following being most noteworthy:

- It allows to maintain the desired number of MIBEL auctions, allowing Iberian participants to carry on benefitting from the current trading mechanism complemented with the new XBID continuous market.
- It makes it easier for Iberian participants to gradually participate in the XBID continuous market, benefitting from the experience, procedures and applications currently available to them to take part in the MIBEL implicit auctions.
- It provides a better pricing process because, when there is still ES-PT free cross-zonal capacity, as is usually the case, a single Iberian price is obtained.
- It allows compliance with the CACM requirement to price capacity where there is interconnection congestion.
- As the auction matching process begins enough time before the end of the hour, the results may be sent to system operators before the start of the hour prior to the first period open for trading, giving both operators enough time for their processes. It allows integration with intraday auctions to be held in Europe and advances the achievement of this goal.

This document introduces the amended intraday market model proposed for MIBEL (XBID continuous intraday market complemented with regional sessions).

## **Article 2**

### **Description of the hybrid intraday market model**

The proposed hybrid model is based on integration of the European XBID intraday market complemented with Iberian auction sessions. Its functioning will be as follows:

1. The continuous intraday market will enable MIBEL participants to trade energy with local or external counterparties based on cross-zonal capacity availability, as established by the XBID system. Participants will submit orders in that market through bidding units or portfolio units as provided for in the Market Operation Rules.

Generation portfolio units may only contain one or several generation bid units, and purchase portfolio units may only contain one or several purchase bid units.

Participants may trade both internally within MIBEL and with orders on the other side of the French border, using the functionalities provided by XBID.

All remaining hours in the current-day, except the following hour, are open for continuous trading and so are trading periods for the following day, once they are open for trading the previous afternoon.

During certain periods throughout the day (initially 6, although this number may vary in the future), Iberian auction trading sessions will be held to complement the XBID intraday market. The auctions will use the ES-PT free cross-zonal capacity applying the market coupling mechanism between both bidding zones, ensuring that the same price is obtained in both bidding zones when there is still free cross-zonal capacity (null capacity price), or that two different prices are obtained in the event of congestion (capacity price equal to the difference in prices between the two zones). All the remaining hours in the current-day except the two following hours) will be open for trading in each session and also the trading periods for the following day, once they are open for trading the previous afternoon

2. Auction sessions will involve trading based on Iberian market bidding units.
3. In order to allow for ES-PT cross-zonal capacity trading at the auction trading sessions, while the auction matching process is under way, the allocation of Iberian orders on the XBID platform will be blocked for the periods included in the auction trading session. This blocking period will last no more than 10 minutes before the end of the hour (between h:50 and h+1:00). This process stops continuous market trading in the Spain and Portugal bidding zones for those 10 minutes, trading being resumed when the auction matching process is over, without prejudice of the transitory period referred to in the article 6.
4. Every hour, at the end of the trading process, participants who have participated in the continuous intraday market by means of portfolio units shall send OMIE the disaggregated portfolio unit positions as bidding units. Sale positions resulting from portfolio unit trades may only be disaggregated into sale trades for the bidding units associated with that portfolio unit. Purchase positions resulting from portfolio unit trades may only be disaggregated into purchase trades for the bidding units associated with that portfolio unit. If the participant should not disaggregate, OMIE will do so by default, as established in the Market Operation Rules.
5. Every hour after the continuous intraday market closes, OMIE will as soon as possible send for information purposes the provisional result of the continuous intraday market to the system operators taking the available disaggregations into account as established in the Market Operation Rules. This information shall be the basis for system operator nominations.

OMIE will proceed to send information within a timeframe compatible with the previous processes managed by OMIE regarding publication of provisional results, disaggregation and final official result for the continuous market and with publication of the Final Hourly Schedule after the relevant Round of the Continuous Intraday Market (PHFC) by system operators and with cross-border balancing service management on the BALIT platform (and thereafter on TERRE).

6. Every hour, OMIE will as soon as possible send the intraday market result and any disaggregation to both system operators. In the case of participants for whom, in order to properly allocate taxes, OMIE needs to have bidding unit-based trades, the participant shall operate in the continuous market through those bidding units (e.g., direct consumers with

a right to electricity tax relief).

7. Both system operators will receive from market parties' energy nominations as established in the Operating Procedures (in Spain) and in the Manual de Procedimentos da Gestão Global do Sistema (in Portugal) within a timeframe compatible with PHFC publication by system operators to enable cross-border balancing services on the BALIT platform (and thereafter on TERRE).

### **Article 3**

#### **Description of the market operation**

All current-day hourly periods are open for trading in the continuous market and so are trading periods for the following day, once they are open for trading. The continuous market will operate as follows:

1. Throughout the day, participants may participate in the XBID continuous market. Participants may submit bids based on bidding or portfolio units for all other remaining hours of the current day (except the following hour) and all hours of the following day (once they are open for trading). At the end of each hour (h), trading closes for the first hour being traded on XBID (for trading period h+2). Participants have access at all times through the trading system to information regarding their trading unit positions for all the other periods (contracts) being traded.
2. Meanwhile, at each of the specified times during the day, an Iberian intraday auction trading session is opened. Participants may submit their orders by bidding unit in that session similarly to how the Iberian intraday market currently operates.
3. At the scheduled time for an auction to be held (e.g. at 50 minutes past the hour), the period for receiving bids is closed for the auction under way. Thereafter, the allocated Spain-Portugal cross-zonal capacity is taken from the XBID system, and trading is stopped, for the periods included in the auction trading session, in the Spain and Portugal bidding zones in the XBID system.
4. From minute 50 to 55, for example, the auction trading session is matched using the ES- PT free cross-zonal capacity. Once the results have been obtained, they are provided to the Iberian system operators (REE and REN). Both operators also receive the ES-PT cross-zonal capacity used once the auction has been held.
5. When the next hourly period starts, the ES-PT allocated cross-zonal capacity is provided to the XBID system, and XBID system trading is resumed in the Spain and Portugal bidding zones.
6. Before each round (hour where next open contracts are negotiated), System Operators may update outages and limitations that the Market Operator will use in such round for validating bidding unit orders submitted by Market Participants as established in the Market Operation Rules.
7. This procedure is repeated across the different hours, and participants are able to trade on both markets (continuous and sessions) as they shall see fittest. The following figure (1)

shows the potential distribution of trading sessions where there are 6 auction sessions.

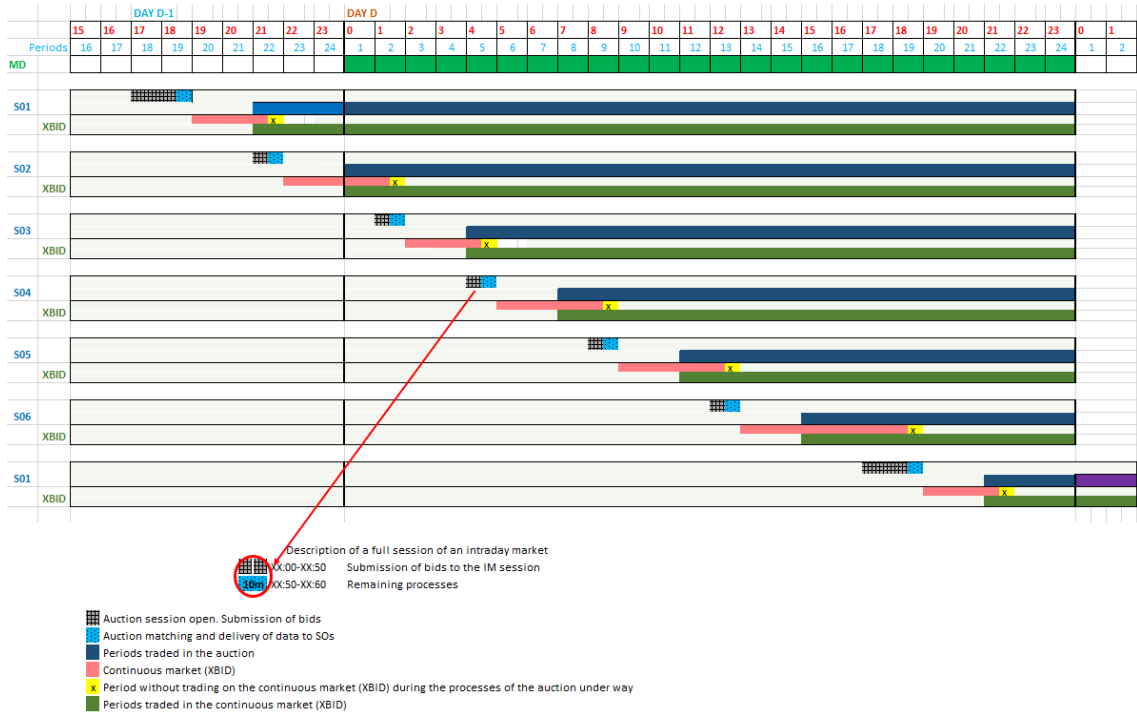


Fig. 1 Example of auction trading sessions (6)

The next figure shows the detailed operation of auction sessions running parallel to the continuous market:

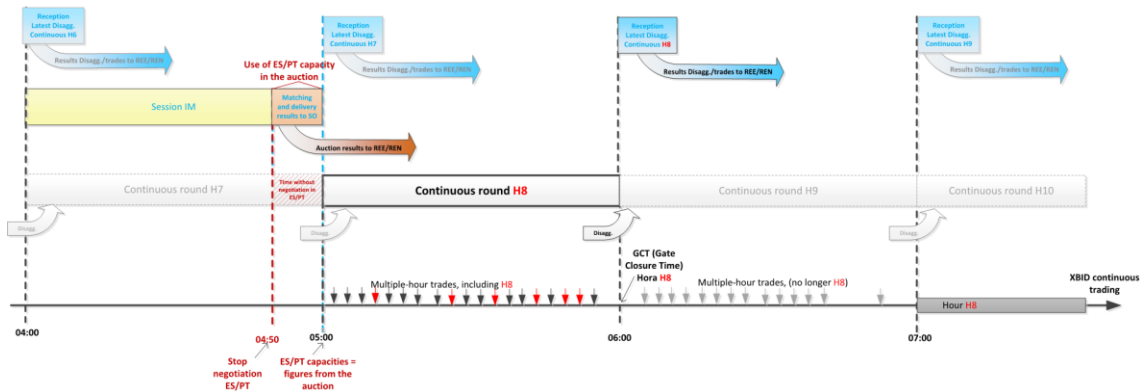


Fig. 2 Detail of hourly trading

## Article 4 Implementation timeframe

The NEMO and TSOs of the Iberian Region shall implement this Iberian Regional Complementary Auction methodology in the moment when the continuous trading for the Spanish and Portuguese bidding zones goes live, taking in consideration the transitory period described in Article 5.

The European continuous intraday market is scheduled to go live in the second quarter of 2018. The regional project encompassing MIBEL has declared its intention to join the project at the first stage of incorporation of the different regions.

With this goal in mind, the proposed operational model needs to be available by that date and in sufficient advance to enable MIBEL (market participants and operators) to take part in the different project integration trials.

In addition, participants are already acquainted with and have different automatic applications allowing interaction with the trading sessions on the Iberian intraday market. With a view to minimizing the changes ahead of the launch of the continuous intraday market and pave the way for market participants' gradual involvement in that market, it is deemed expedient for the operation of the auction trading sessions to remain unchanged.

Nevertheless, operators are at the same time intent on these auctions evolving so that they can in the future be integrated with the European intraday market for cross-zonal capacity pricing, as it is finally developed. Accordingly, as soon as the proposed hybrid intraday market goes live, contacts will be held with all the other European market and system operators so that the sessions can steadily adapt to the terms and conditions of future European trading sessions and be thereby smoothly integrated with them at some time in the future.

## **Article 5**

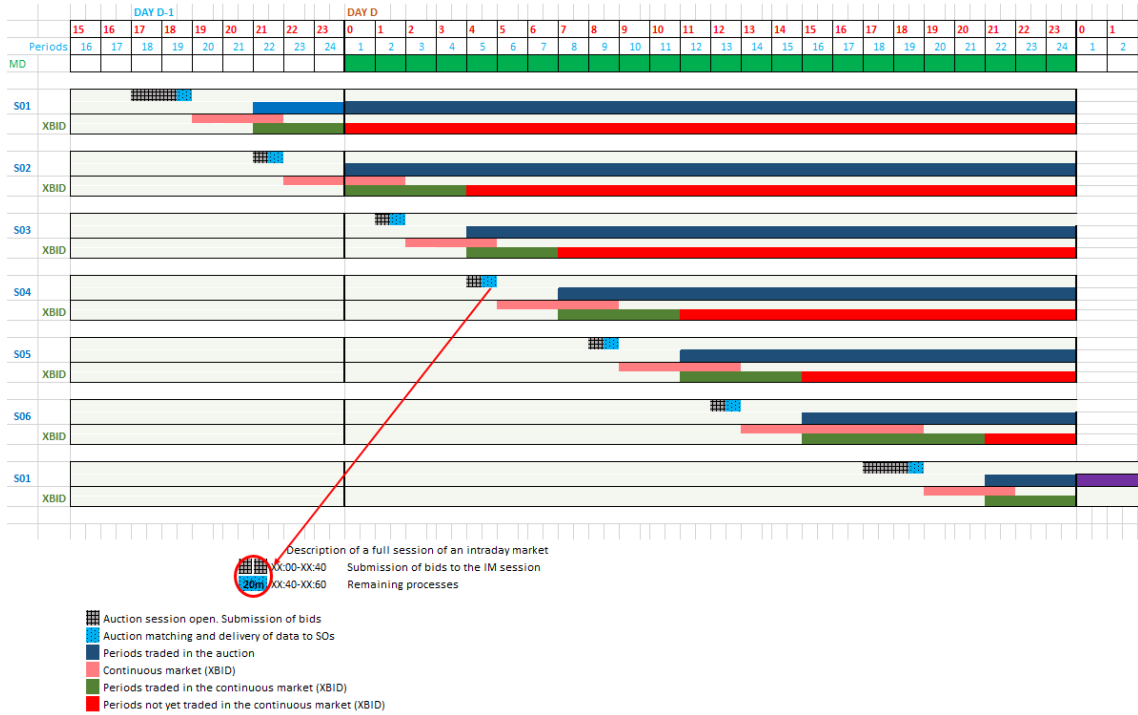
### **Transitory period of continuous trading**

1. Considering the timeline for the design and launch of the model to be implemented in MIBEL and to enable MIBEL to join the European intraday market from go-live, the three Iberian operators consider that the only viable option at a first stage is to go live according to segmented continuous trading during a transitory period. This transitory period will start at the continuous trading go-live, and should long until November 2018 ('transitory model'). This transitory period will start at the continuous trading go-live, and Iberian NEMO and TSOs shall strive and make their best efforts to move to the model foreseen in the articles 2 and 3 ('target model') as soon as possible and never later than 30<sup>th</sup> of November 2018 ('transitory model'). Once Iberian NEMO and TSOs communicate the date of the end of the transitory period to Iberian regulatory authorities, the target model will be in force and specifications related to this model will be applied by them.
2. In order to minimize changes in the implementation of this transitory model, and enable all hourly periods to be traded at least once in the continuous market, it is deemed best to keep all of the current MIBEL session hours, leaving two hours between auction matching and the first period traded in the timeframe.
3. This transitory model simplifies the implementation of the continuous intraday market model and minimizes the changes to systems and procedures.
4. During this transitory period, only hourly periods prior to the next market auction trading timeframe are traded in the continuous market, and subsequent periods are opened for trading once each auction has been matched. Trading periods prior to the next implicit auction to be held are open for trading on the continuous market, i.e. periods which will no longer be traded at any auction.

5. Given that the hourly periods traded in each trading session are not open on the XBID continuous intraday market, there is no need for trading to be stopped, but merely for trading to begin when the session is over.
6. The continuous market will operate as follows:
  - a) Throughout the day, participants may participate in the XBID continuous market. Participants may submit orders based on bidding or portfolio units for all other trading periods prior to the next market auction trading timeframe. At the end of each hour (h) trading closes for the first hour being traded on XBID (for trading period h+2). Participants have access at all times through the trading system to information regarding their unit positions for all the other periods being traded.
  - b) Meanwhile, at the specified times during the day, an Iberian intraday auction trading session is opened. Participants may submit their orders by bidding unit in that session similarly, to how the Iberian intraday market currently operates.
  - c) At the scheduled times for an auction to be held, the period for receiving bids is closed for the auction under way.
  - d) Next, the auction trading session is matched using the ES-PT free cross-zonal capacity for the trading timeframe periods. Once the results have been obtained, they are provided to the Iberian system operators (REE and REN). Both operators also receive the ES-PT allocated cross-zonal capacity once the auction has been held.
  - e) Before the next hour starts, the ES-PT allocated cross-zonal capacity is provided to the XBID system. Upon the next hour starting, trading is opened on the intraday continuous market for parties in both bidding zones for the remaining trading periods until the next auction timeframe begins.
  - f) Before each round, System Operators may update outages and limitations that the Market Operator will use for validating bidding unit orders submitted by Market Participants as established in the Market Operation Rules.
  - g) This procedure is repeated across the different hours, and participants are able to trade on both markets (continuous and sessions) as they shall see fittest.
  - h) The following figure shows the potential distribution of trading sessions where there are 6 auction sessions:

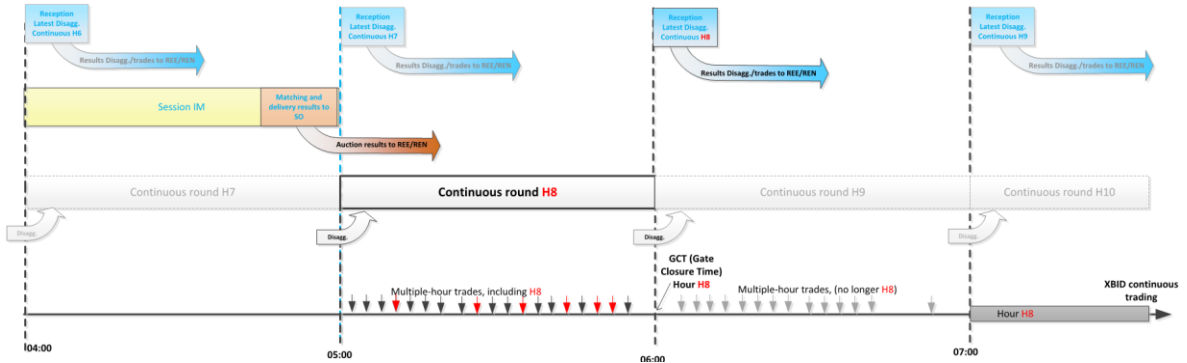


Fig 3. Example of auction trading sessions (6) in the transitory period



Next figure shows the detailed operation of auction sessions running parallel to the continuous market:

Fig 4. Detail of hourly trading in transitory period



## Article 6

### Transitory period to adapt auctions to the 10 minutes time limitation

1. After the transitory period described in article 5, in case the time required to run all the procedures to hold the auction exceeds the 10 minutes limitation, this time restriction can be relaxed during a limited interim period. If this were the case, the Iberian NEMO and TSOs will provide the Iberian NRAs with a roadmap describing the time schedule and steps to follow in order to comply with the 10 minutes limitation within a reasonable period of time.