

**Annex I**

of the

ACER Decision on the Methodology for pricing intraday cross-zonal capacity

**Methodology for pricing intraday cross-zonal capacity**

**24 January 2019**

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Whereas:

- (1) This document establishes the single methodology for pricing intraday cross-zonal capacity (the ‘methodology’) and takes into account the general principles and goals set out in Commission Regulation (EU) No 543/2013 establishing a guideline on submission and publication of data in electricity markets and in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (‘CACM Regulation’).
- (2) The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-zonal markets. To facilitate these aims, it is necessary to define a way to price intraday cross-zonal capacity.
- (3) Article 55 of the CACM Regulation constitutes the legal basis for this methodology and defines several specific requirements that the all TSOs’ proposal should take into account:
  - 1. Once applied, the single methodology for pricing intraday cross-zonal capacity developed in accordance with Article 55(3) shall reflect market congestion and shall be based on actual orders.*
  - 2. Prior to the approval of the single methodology for pricing intraday cross-zonal capacity set out in paragraph 3, TSOs may propose an intraday cross-zonal capacity allocation mechanism with reliable pricing consistent with the requirements of paragraph 1 for approval by the regulatory authorities of the relevant Member States. This mechanism shall ensure that the price of intraday cross-zonal capacity is available to the market participants at the time of matching the orders.*
  - 3. By 24 months after the entry into force of this Regulation, all TSOs shall develop a proposal for a single methodology for pricing intraday cross-zonal capacity. The proposal shall be subject to consultation in accordance with Article 12.*
  - 4. No charges, such as imbalance fees or additional fees, shall be applied to intraday cross-zonal capacity except for the pricing in accordance with paragraphs 1, 2 and 3.’*
- (4) An additional relevant reference to take into consideration for the methodology within the CACM Regulation is set out in Article 58(1): ‘Each coordinated capacity calculator shall ensure that cross-zonal capacity and allocation constraints are provided to the relevant NEMOs no later than 15 minutes before the intraday cross-zonal gate opening time.’
- (5) Article 9(9) of the CACM Regulation requires that the expected impact of the methodology on the objectives of Article 3 of the CACM Regulation be described. The impact is presented below in points (6) to (13).
- (6) The methodology serves the objective of promoting effective competition in the generation, trading and supply of electricity (Article 3(a) of the CACM Regulation) by taking into account the importance of creating a level playing field for market participants’ activity on cross-zonal intraday markets. Effective competition is to be reached via a common cross-zonal intraday market (single intraday coupling). Establishing common processes for the intraday market and a common pricing methodology contributes to achieving this aim.

- (7) The methodology takes into account the optimal use of transmission infrastructure in accordance with Article 3(b) of the CACM Regulation and contribution to the efficient long-term operation and development of the electricity transmission system in accordance with Article 3(g) of the CACM Regulation, as intraday cross-zonal capacity pricing reveals scarcity at a particular moment in time. This will provide a price signal reflecting the value of the cross-zonal capacity to the market.
- (8) The methodology does not hamper operational security (Article 3(c) of the CACM Regulation), as it is by nature not directly connected to the TSOs' security measures. Moreover, the auction timings and design allow enough flexibility for the TSOs to operate the electricity network.
- (9) The methodology supports the requirement of Article 3(d) of the CACM Regulation to optimise the calculation and allocation of cross-zonal capacity by allocating the available capacities by using the marginal pricing principle. Such market-oriented auctioning secures that the capacity be allocated to those who bid the highest prices.
- (10) The methodology contains a set of principles and rules for intraday cross-zonal auctions, which are applicable for the whole EU, including rules for the timely publication of information. Such level of harmonisation, therefore, ensures fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants, as well as ensures and enhances the transparency and reliability of information as required by Article 3(e) and (f) of the CACM Regulation.
- (11) This methodology introduces an auction mechanism and thereby supports the pooling of liquidity at fixed points in time, which allows a transparent and orderly price formation on the basis of consistent and proven market principles in accordance with Article 3(h) of the CACM Regulation.
- (12) Intraday implicit auctioning guarantees non-discriminatory access to cross-zonal capacity for all market participants and a level-playing field for NEMOs throughout the European Union in accordance with Article 3(i) and (j) of the CACM Regulation.
- (13) In conclusion, the methodology contributes to and does not hamper the achievement of the objectives of Article 3 of the CACM Regulation.
- (14) This methodology is amending the existing intraday cross-zonal capacity allocation with reliable pricing under Article 55(2) of the CACM Regulation. This mechanism has been included on the basis of the TSOs' common set of requirements for efficient capacity allocation, according to Article 37(1)(a) of the CACM Regulation, and the algorithm for single intraday coupling developed by all NEMOs, according to Article 37(2) of the CACM Regulation. To enable the implementation of this methodology, it will be necessary that all TSOs amend the common set of requirements for efficient capacity allocation referred to in Article 37(1)(a) of the CACM Regulation and that all NEMOs amend the common set of requirements for efficient matching, based on the TSOs' input, in accordance with Article 37(1)(b) of the CACM Regulation. Following those amendments, it will also be necessary that all NEMOs, in accordance with Article 37 of the CACM Regulation, amend the methodology for the algorithm for single intraday coupling, which should include the timeline for the implementation of intraday auctions and, if relevant, the conditions for their implementation (e.g. in relation to the offered cross-zonal capacity), and submit the proposal to all regulatory authorities for approval.

If appropriate, all NEMOs may also propose amendments to the products that can be taken into account in the single intraday coupling.

## **TITLE 1**

### **General provisions**

#### **Article 1**

##### **Subject matter and scope**

1. This methodology establishes a pricing mechanism for cross-zonal capacity in the intraday timeframe and has been developed in accordance with Article 55 of the CACM Regulation.
2. Complementary regional auctions, possible implications on the congestion income distribution methodology and the capacity calculation methodology, pursuant to Articles 63, 73 and 20 of the CACM Regulation, respectively, are outside the scope of this methodology.

#### **Article 2**

##### **Definitions and interpretation**

1. For the purposes of this methodology, the terms used shall have the meaning given to them in Article 2 of the CACM Regulation, Article 2 of Regulation (EC) No 714/2009, Article 2 of Commission Regulation (EU) 543/2013 and Article 2 of Directive 2009/72/EC.
2. In addition, the following definitions shall apply:
  - a) 'first auction MTU' means the first delivery market time unit ('MTU'), which gets allocated within the respective intraday auction;
  - b) 'intraday auction' (IDA) means the implicit intraday auction trading session for simultaneously matching orders from different bidding zones and allocating the available intraday cross-zonal capacity at the bidding zone borders by applying a market coupling mechanism;
  - c) 'continuous SIDC' means the single intraday coupling applying the continuous trading matching algorithm; and
  - d) 'auction SIDC' means the single intraday coupling applying IDAs.
3. In this methodology, unless the context requires otherwise:
  - a) The singular indicates the plural and vice versa;
  - b) Headings are inserted for convenience only and do not affect the interpretation of this methodology; and
  - c) Any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of them when in force.

## **TITLE 2**

### **Pricing of the intraday cross-zonal capacity**

#### **Article 3**

##### **Fundamentals of intraday cross-zonal capacity pricing**

1. The pricing mechanism for cross-zonal capacity in the intraday timeframe shall be based on intraday auctions, which shall be part of the single intraday coupling (i.e. auction SIDC) and shall complement the continuous SIDC.
2. The pricing of intraday cross-zonal capacity shall be established by allocating the available cross-zonal capacity for the respective MTUs by IDAs using the marginal pricing principle.
3. The established price of intraday cross-zonal capacity shall reflect the market situation at the time of the allocation. The IDAs shall respect cross-zonal capacity and allocation constraints.
4. The intraday cross-zonal gate opening and closure times for each MTU are defined according to the terms and conditions for intraday cross-zonal gate opening and intraday cross-zonal gate closure times in accordance with Article 59(1) of the CACM Regulation.
5. The harmonised maximum and minimum clearing prices for SIDC pursuant to Article 54 of the CACM Regulation shall apply to IDAs.

#### **Article 4**

##### **Design of IDAs**

1. The IDAs shall price the cross-zonal capacity for all relevant MTUs on the relevant bidding zone borders.
2. All TSOs competent on the bidding zone borders participating in a specific IDA shall provide to the relevant NEMOs the cross-zonal capacity and allocation constraints in accordance with Article 58 of the CACM Regulation as an input for the relevant IDA. The cross-zonal capacity and allocation constraints shall be provided to the respective NEMOs before the deadline for bid submission of the relevant IDA.
3. The IDAs shall be organised as implicit auctions where collected orders shall be matched and cross-zonal capacity shall be allocated simultaneously for different bidding zones. IDAs shall take into account all valid orders submitted for the respective auctions and determine a clearing price for the relevant bidding zones based on matched orders.
4. Cross-zonal capacity shall not be allocated to an IDA and continuous trading at the same time. For this purpose, the cross-zonal trade and cross-zonal capacity allocation within the continuous SIDC shall be temporarily suspended and during this suspension all the available cross-zonal capacity shall be allocated through the IDA. The suspension period shall be limited to the time needed to transfer cross-zonal capacity between the continuous SIDC and the auction SIDC (including, if necessary, to combine it with additional cross-zonal capacity from the capacity re-calculation), to run the IDA algorithm and to verify the results for allocated cross-zonal capacities. IDAs shall not have an impact on the continuous SIDC within bidding zones, for at least those bidding zones where more than one NEMO operates.

5. The duration of an IDA shall be determined by its start, which is the deadline for bid submission, and by its termination, which is the publication of auction results.
6. In case the TSOs are not able to provide the intraday cross-zonal capacity to an IDA, such capacity, when it becomes available, shall be allocated through the continuous SIDC.
7. In case an IDA is not able to allocate intraday cross-zonal capacity, such capacity shall be subsequently offered and allocated through the continuous SIDC.
8. The IDAs should allow at least 30 minutes of cross-zonal continuous trading for any given MTU after the publication of the auction results.
9. The IDAs shall be implemented on all the bidding zone borders eligible to participate in the SIDC. This obligation shall apply to bidding zone borders regardless of whether they are already participating in the continuous SIDC or not.

## **Article 5**

### **Timing of IDAs**

1. One IDA shall be held on the day D-1 for all MTUs of the delivery day D, i.e. from the first auction MTU starting at 00:00 until the end of the delivery day D, with a deadline for bid submission at 15:00 market time D-1.
2. One IDA shall be held on the day D-1 for all MTUs of the delivery day D, i.e. from the first auction MTU starting at 00:00 until the end of the delivery day D, with a deadline for bid submission at 22:00 market time D-1.
3. One IDA shall be held on the delivery day D for all remaining MTUs of the delivery day D, i.e. from the first auction MTU starting at 12:00 until the end of the delivery day D, with a deadline for bid submission at 10:00 market time D.

## **Article 6**

### **Implementation process and timeline**

The present methodology establishing the pricing mechanism for cross-zonal capacity in the intraday timeframe based on intraday auctions shall be implemented by amending and complementing the relevant requirements and methodologies related to the development of the SIDC. No later than three months after the adoption of this methodology, all TSOs shall update and complement the common set of requirements for efficient capacity allocation to enable the development of the algorithm for the IDAs in accordance with Article 37(1)(a) of the CACM Regulation and provide it to all NEMOs.

## **Article 7**

### **Publication**

All TSOs shall publish this methodology without undue delay after its publication by the Agency, in accordance with Article 9(14) of the CACM Regulation.

**TITLE 3**

**Final provisions**

**Article 8**

**Language**

The reference language for this methodology shall be English. For the avoidance of doubt, where TSOs need to translate this methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this methodology to their relevant national regulatory authorities.