Online workshop for Public Consultation on HMMCP Methodologies amendments proposals by NEMOs

12th March 2025

Q&A document

Date/Place: 12th March 2025, 11:00 – 12:00 CET, MS Teams Webinar

Presenters: Chiara Vitelli and Christoforos Zoumas, NEMO Committee Technical Task Force Co-leaders

Attended participants: 63

Meeting presentation: link

Q1*: Thank you for the explanation of how the 100MW was chosen (the average of the traded volume in all IDAs in December 2024). Has the volume difference between IDA1 and IDA2/3 been considered? How will this threshold be updated over time, especially if trading volumes decline in IDA1 as well?*
A: As already said, this volume magnitude is the NEMOs proposal based on actual observation. Any other proposal elaborating more the concept, is welcomed and will be considered in the PC results assessment. Up to now, NEMOs have considered a simple uniform metric among the different IDAs. This 100 MW is the average traded volume over all the bidding zones, over all the MTU and all the three IDAs. This is just the first proposal that could be improved. NEMOs proposed the simplest formula with the simplest metrics for the public consultation, but more sophisticated metrics and a differentiation on the IDA level can be considered also depending on the public consultation responses. As you already know, the methodology has to be updated every two years. However, in case there is drastic change/decline of the liquidity, which is something which we do not expect, it could be also considered to update the methodology even earlier.
Q2: ***Did you conduct any specific analysis for the additional triggering metrics? They seem quite arbitrary, and it would be interesting to see the reflections and quantitative study behind those. Perhaps in additional slides.***

A: The 100 MW proposal <u>is based on actual data</u>. The proposal for the 5% is introduced to ensure at least five MW of exchanged volume in the bidding zone/MTU. Indeed one of the reasons why we didn't include the XBID for considering the event for triggering the methodology was that we should not consider individual price spikes not linked to the market fundamentals. To have an update with very low liquidity, zero point something MW, was quite similar to this.

Any value proposal could sound arbitrary, but as already explained, some of the analysis that NEMOs have already performed for the IDAs could as additional information. What is very crucial to be considered is that NEMOs are trying to introduce a liquidity measure to be considered ex-ante. If somebody had to consider actual liquidity conditions for auctions, and especially for blind auctions like DAM and IDAs, where in contrast to a continuous trading approach, there is no visibility in the OBK, would have to go through ex-post analysis of specific OBK data considering the spreads of the B/S curves. We cannot do this, and we do not like to do this because we do not want to consider ex-post analysis and any ex-post results.

Q3: ***In its decisions 01/2023 and 02/2023, ACER rejected the proposal to decrease the maximum clearing prices for legal reasons. Are there any new elements which lead to re-propose a reverse of the HMMCP?***

A: Actually, there is some reasoning as already mentioned for legal reasons. However, we still consider that some of the arguments posed by the NEMOs have some merit, especially what is being considered for possible influences of the HMMCP levels also to collaterals and side effects of these levels to market participants. Despite any typical or binding legal obligation to measure this we should also, at least, consider taking into account what is that the actual consequences of keeping the HMMCPs at levels which actually does not make any difference for the market but only introduce financial implications.

This was already a NEMO proposal back in 2022. It was supported during the open consultation towards market participants, also supported by some regulators, but indeed, as said, rejected by ACER as the main argument was indeed legal and contradiction with the Electricity Regulation, Article 10 namely, that basically set in stone this increase-only process and did not foresee any process for decrease. Still, we see it as NEMOs, as a high added value to be proposed again because every day this increasing technical cap of the price is having some consequences, be it on the collateral sizing, depending on the margining model of the NEMOs, obviously, or risk management in case of a fat finger and so on. It does have some merit to consider this proposal. There is no game changer, we do not necessarily expect different feedback, but we still think it is useful to bring it again.

Q4: ***The minimum number of 2 MTUs has been an important part of the inertia mechanism. I understand from the presentation that a minimum number of 8 MTUs would have been necessary with the 15' MTU go-live. Yet, does an MTU-based indicator not still make sense? Do you consider the number of days plays the same role?***

A: NEMOs propose this for simplification purposes. Instead of counting the number of MTUs which are increasing, it seems more sensible to consider just the day granularity and to compensate this loss of focus on MTU with increasing the number of days necessary for triggering any update. We also propose this increase on the number of days due to the expected higher volatility of prices. We cannot say if they have exactly the same role. However, it seems to be a more balanced approach. In many cases that kind of provisions are indeed a matter of accounting inertia and considering some events that have

some frequency, some consistency and not to be considered as totally random events. We do not see it as a compromise. It is an adaptation for considering the new environment introduced with the 15 - min MTU. Considering the new proposal, it does not make any difference it is one or 96 MTUs, affected by triggering it. It could be only one. At least it should be coming for at least three days.
Q5: ***As cross-matching of different granularities products is envisaged in SDAC, in which way the coexistence of several time granularities could affect the liquidity in SDAC?***
A: NEMOs cannot present an actual estimate of such effect to the liquidity of SDAC. There are different kind of products and order types offered by NEMOs, so the market participants will still have the chance to trade either in 15- minute, 30- minute or 60- minute, of course, depending on the bidding zone and the relevant offerings and decisions from NEMOs and the NRAs. However, with the introduction of the 15min products, the energy prices will be calculated on the 15- minute granularity (the Market Time Unit/MTU) and not on the 30min/60min granularity. To our understanding up to now, not having built up good liquidity on the 15min scale of the OBKs could also affect the market price formation - not directly the liquidity, but the market price formation. This is also a reason that we are including this averaging rule because the prices will be defined in 15min MTU, on a granularity that currently is not existing. The introduction of liquidity indicator for the Day-ahead case is indeed not related to any expectation of liquidity decrease in the Day-ahead Market, but it is mostly a forward-looking provision taking into consideration the inclusion of new bidding zones from the EnC countries, where currently we cannot draw concrete assumptions on their volumes and liquidity. So, we considered adding this metric both to the Day-ahead and Intraday methodologies.