



# DK1-DE BORDER - WORKSHOP

## Summary of input from stakeholders

*Workshop was held on 7th September 2017 at Energinet's premisses, Erritsø, Denmark*



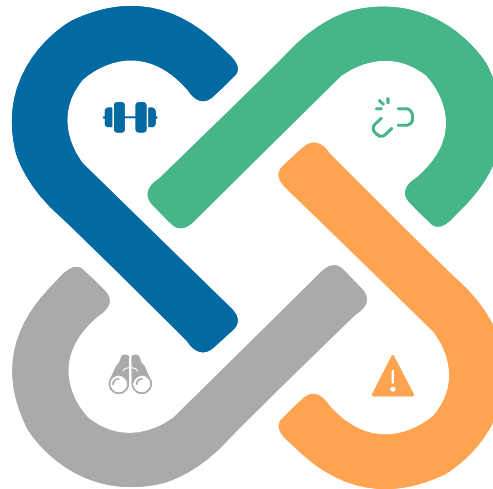
# ENERGINET ON THE INTRADAY MARKET

## STRENGTHS

- High and increase in liquidity – open for all market participants
- Flexible solution to increase in volumes from minimum capacities
- Compatible with EU regulation – TSOs already on the intraday market in DE
- Existing solution/market
- Transparent in combination with UMM
- Move work from control center to the market

## Suggestions for further analysis

- Impact assessment on all markets
- European regulation (rules on grid constraints)
- Effect on the Nordic Regulating Power Market
- How do Germany TSOs use the intraday market?
- How to include transparency in the market
- Relation to planned to intraday capacity pricing methodology (intraday auctions).
- Law change needed – can Energinet trade at the intraday market



## WEAKNESSES

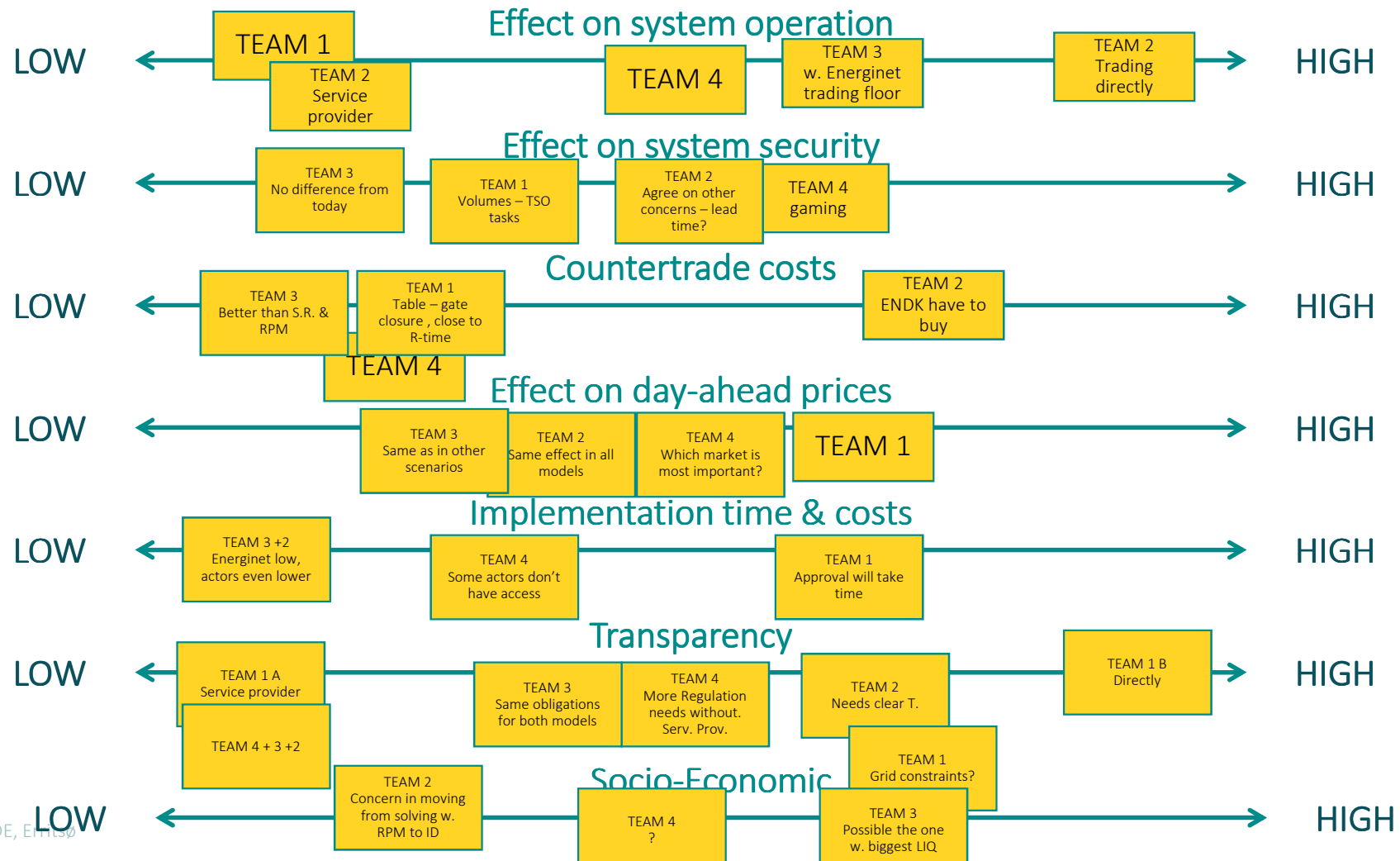
- Effect on day-ahead prices – open to speculation and manipulation
- TSOs should not be market participants – transparency.
- Could result in higher imbalances, as market participant can leave the imbalance, as it is not asset based supply.
- Lengthy implementation period for TSOs
- If no cross-border capacity, the intraday liquidity in DK1 might not be sufficient.

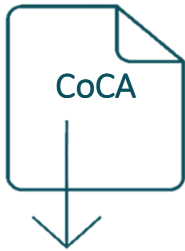
## Other concerns

- Liquidity – what will happen if there is not enough liquidity in DK and Nordics?
- How will Energinet act on the market, trading principles, responsive approach, timing? - Transparency
- Effect of robot trading?
- Speculation in day-ahead market
- There can be many variants of this model and each variant will have different strengths and weaknesses



# EVALUATION CRITERIA





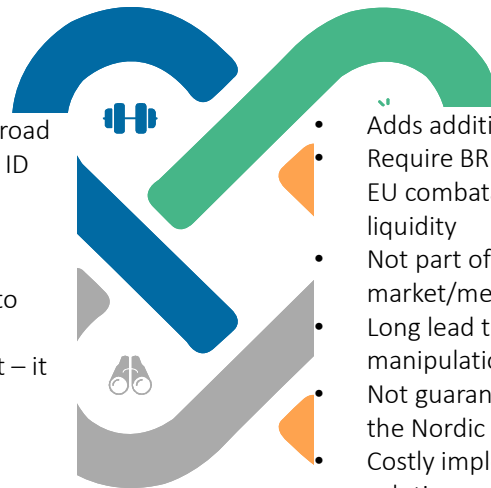
# COUNTER CAPACITY ALLOCATION (COCA)

## STRENGTHS

- Broad participation – not only Danish and German participants. Broad participation is expected as this provides incentive to trade in the ID market.
- The product is based on marginal prices
- Move work from the TSOs to the market
- Market is the most efficient way to handle this problem we have to solve
- Traders believe that the market will be able to handle any amount – it will just set a price
- Most linear trading cost compared to regulating models

## Suggestions for further analysis

- Impact assessment is needed on how this effects all markets
- Analysis on the bottleneck both in DK/DE
- Analysis of expected volumes
- Analysis on cost cap – do we have an idea on when we will reach the price cap?
- What happens when you place 1000 MW into the intraday market – is liquidity sufficient
- Does this relieve the bottlenecks in Germany? Intraday bids are not locational based.



## WEAKNESSES

- Adds additional steps to the process – you still need to trade at the intraday market.
- Require BRP station in DK1+DE – not open for all Nordic market participants, and is that EU combatable? Complicated due to extra step and BRP status – can weaken the liquidity
- Not part of the EU development in intraday + balancing + countertrade market/methodologies. There are already many auctions planned in EU.
- Long lead time to operational hour leaves room for risk taking and manipulation/speculation
- Not guaranteed for delivery – participants can leave imbalances for TSOs (higher risk for the Nordic market because of lower imbalance costs)
- Costly implementation for TSOs – but also for market participants for a temporary solution
- JAO is complicated and rules/registration process in JAO might keep participants away
- Increased costs due to risk premium in the PTO – when bidding cost of trading are not known yet

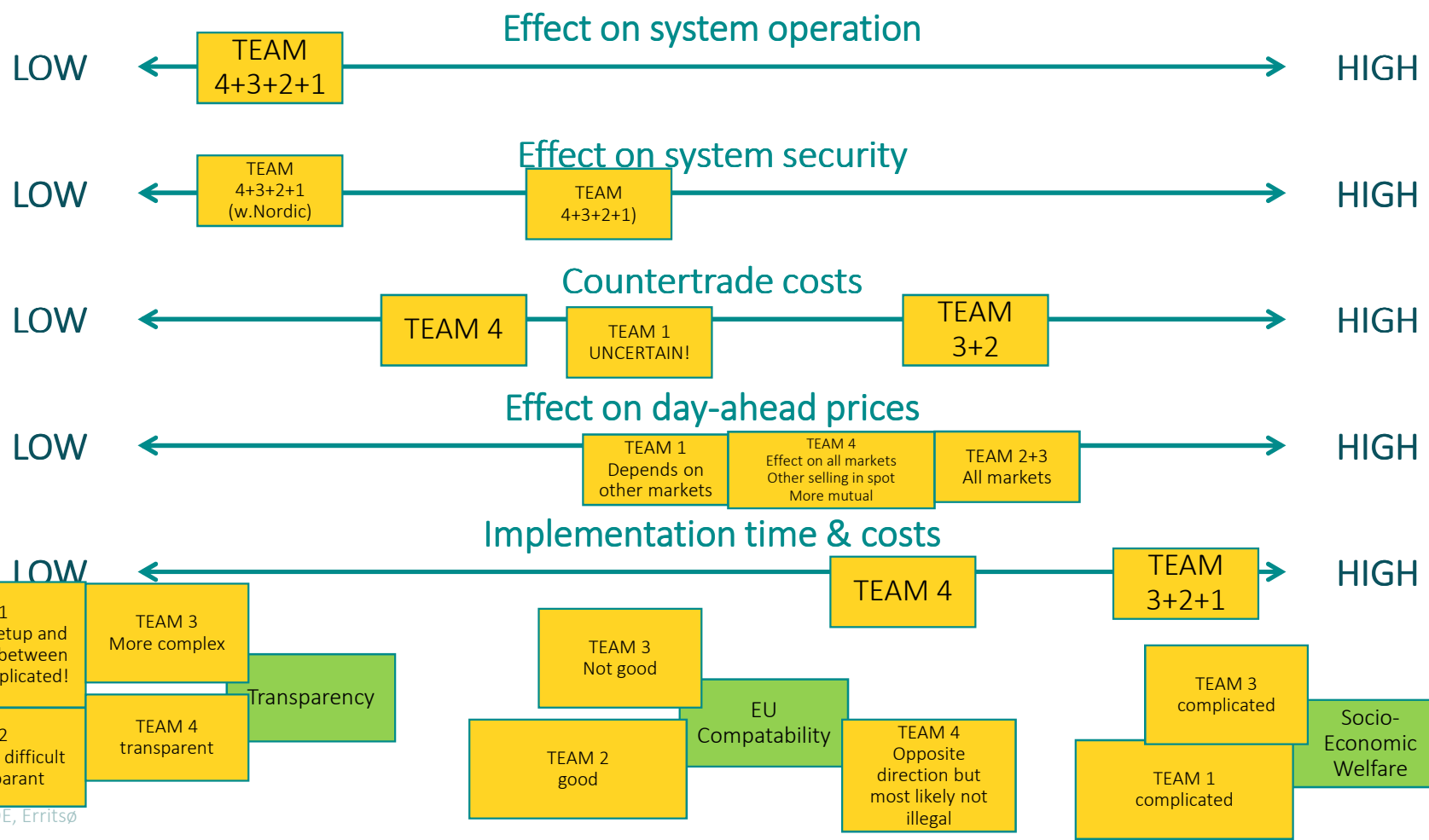
## Other concerns

- Development of new market place
- Elbas is higher complexity for some



# EVALUATION CRITERIA

TEAM 3  
Comp. To  
other alt.





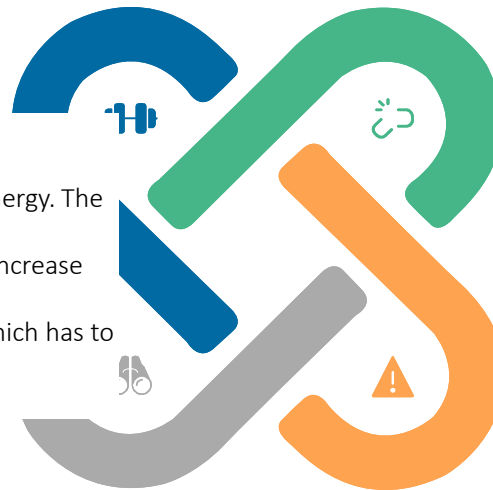
# IMPLICIT INTRADAY AUCTION

## STRENGTHS

- One price – marginal pricing
- Good, efficient and proven methodology
- Follows EU Intraday Capacity Pricing (auction) methodology – Synergy. The auction could serve more purposes.
- Open to all market participants – could be an EU wide auction – increase liquidity
- Less TSO involvement - only capacity calculation methodology, which has to be done anyway

## Suggestions for further analysis

- Can this be used without cross-border DK1-DE i.e. internal ID auction in the Nordics?
- Impact assessment for effects on all markets – DA, ID, regulating power market
- How does this work with multiple NEMOs?
- Relation to ENTSO-E intraday capacity pricing (auction)
- Could this be a closing auction? – would make it easier to prioritize between markets
- What should be the geographical scope (bidding-zones to be included) be?



## WEAKNESSES

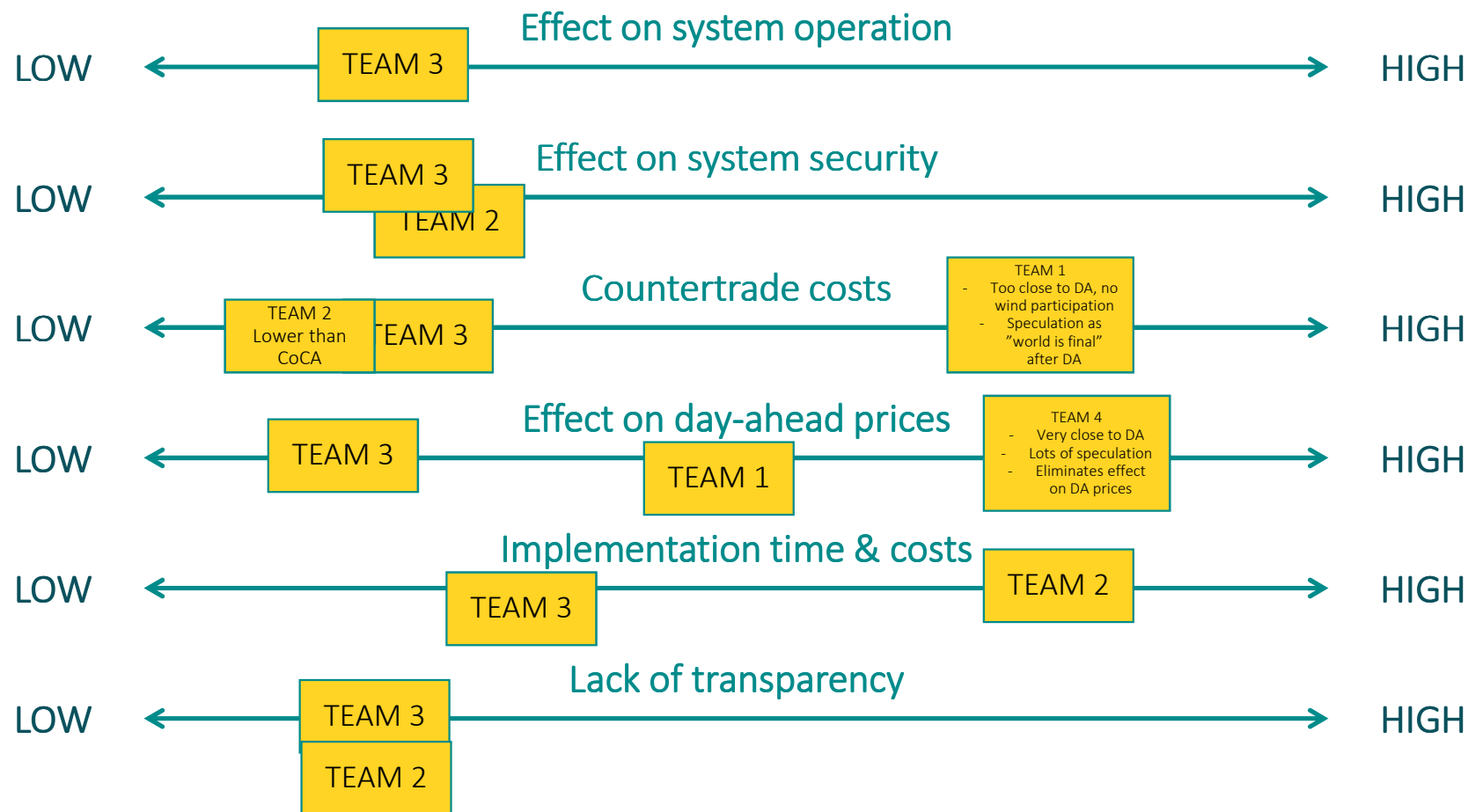
- Time wise conflict with ENTSO-E Intraday Capacity Pricing (auction) proposal and NRA approval
- Long and costly implementation and high complexity with more NEMOs
- Leave room for manipulation as there is long lead time to operation hour (wind uncertainty is high) – no asset backed trading
- Additional capacity calculation is needed on TSO side

## Other concerns

- Incentive to over-sell in day-ahead (gaming)
- Timing with final decision about intraday capacity pricing (auction) in 2018 (CACM GL)
- Enough liquidity? – short lead time after day-ahead and limited new cross-border capacity



# EVALUATION CRITERIA



Effect on day-ahead prices is the most essential criteria!

# SPECIAL REGULATION

## STRENGTHS

- The regulation is physical and asset backed, so delivery is guaranteed.
- Proven concept and it works today in existing setup
- There is high volumes – wind uncertainty is low as it is close to operation hour.
- Current price signals enhance investment – already today.
- Less incentives for gaming as it is close to operation hour.

## Suggestions for further analysis

- Could countertrade MW be announced in advance?
- Would it be possible to contract capacity for downward regulation using existing market platforms?
- Impact assessment on all market
- Would it be possible to extend the market to all the Nordics – this is already part of the upcoming Electricity Balancing GL, could this be a front runner project?
- Why do the other Nordic TSOs not want to participate in the market?
- Do consumption imbalances increase?



## WEAKNESSES

- May effect Nordic balancing price, as fixed downward regulation might increase price of bids
- Only use of bids in DK1, high risk for market power and lack of resources, which gives high prices
- Valuable resources for balancing are used for countertrade
- Large volumes close to operational hour might increase risk for system security
- Issue is not handled by the market but by the TSOs
- Low transparency – pay-as-bid vs. Marginal price, and netting
- Still some room for speculation in the day-ahead market

## Other concerns

- Is this part of REMIT reporting – or will it be if this becomes a fixed market?
- Are costs so high that the cost limit is reached?
- Can we introduce a new product?
- Should be evaluated on costs and operational security – not TSO inconvenience
- Is special regulation scalable when minimum capacities increase?
- Is this draining intraday liquidity or substituting intraday markets?



# EVALUATION CRITERIA

Too much focus on TSO convenience

Suggestion to merge the top three

