WELCOME

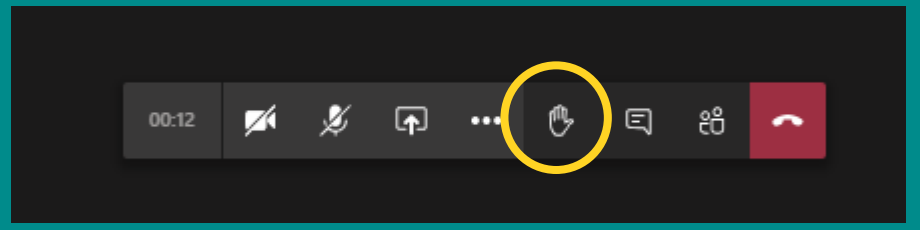
# Intraday countertrade model design draft meeting

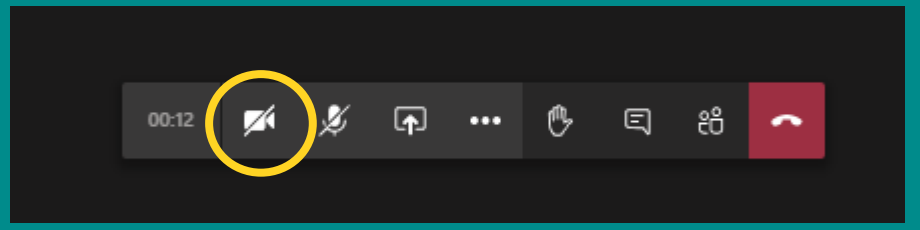
# QUESTIONS AND COMMENTS GUIDELINE

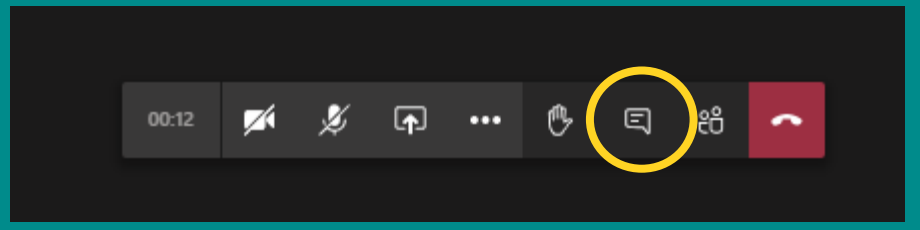
- Energinet will briefly present the topic/question related to the design, and then open up for questions and comments
- You can comment and give input in the chat box
- If you have questions which requires an answer, please raise your hand and ask the question out loud
- Questions asked in the chat must be repeated verbally to ensure an answer

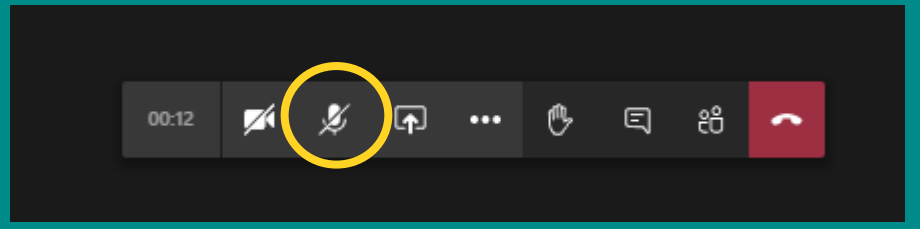
# TECHNICAL GUIDELINES

- If you have a question or a comment, please use the "raise your hand" function in teams. We will make sure everyone gets speaking time
- Please turn off your camera whenever you are not speaking and please **turn it on whenever you are speaking**
- You can write comments in the chat box
- Please mute your microphone whenever you are not speaking



# PURPOSE OF THE MEETING

The main purpose of the Intraday countertrade model design draft meeting is to get concrete input to the design of the intraday countertrade model

- The design draft can be changed before, under and after the design meeting
- Diverging input will be discussed internally by Energinets working group, and participants giving the input may be contacted for further elaboration
- The final design will be submitted for public consultation in May/June.

# Agenda

- Market dynamics & the model
- Discussions on design topics
  - Full transparency
  - Auction-like setup
  - Shortage of bids
  - Automated trading
  - Trading windows
  - Unmatched volumes
  - Netting
- Sum up and further process

# MARKET DYNAMICS

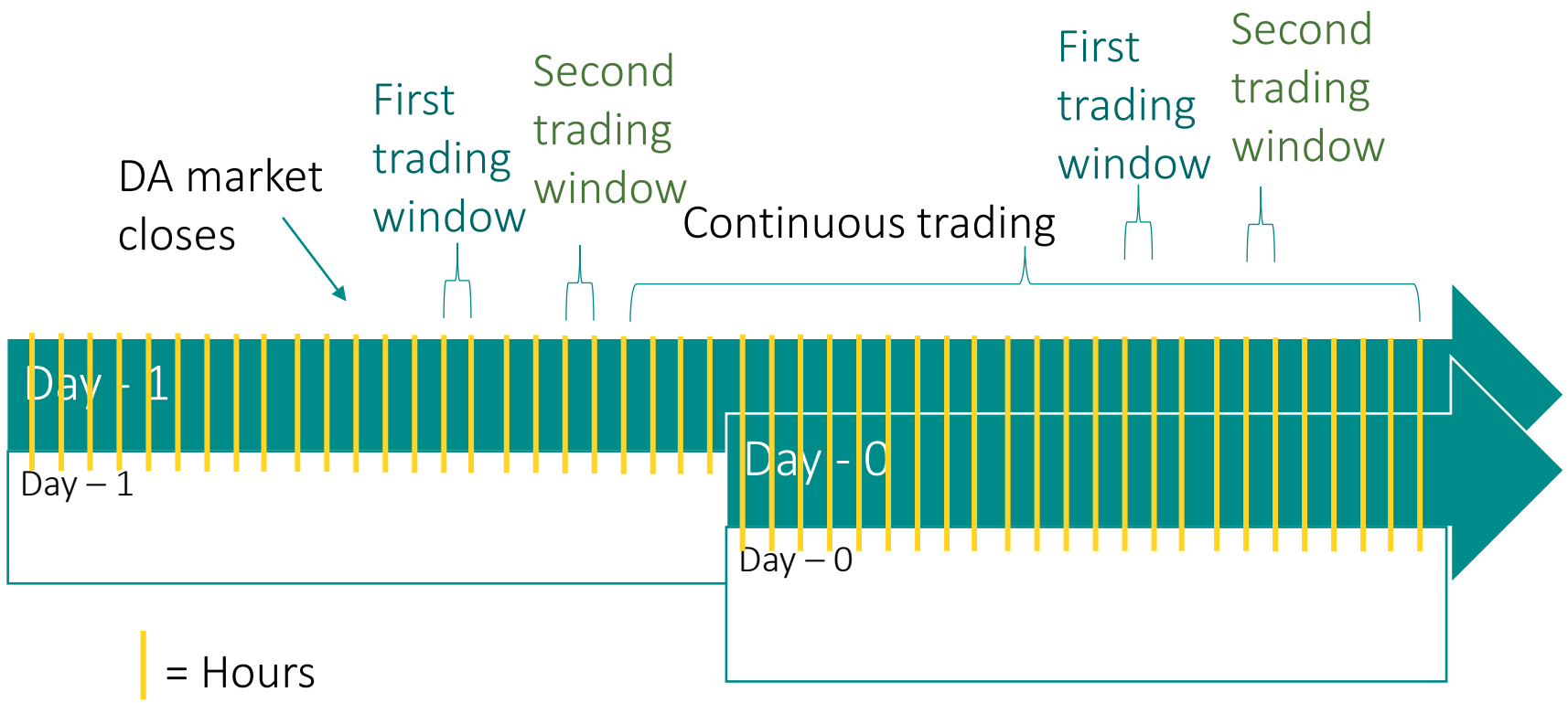
TSOs has a higher willingness to pay than most market participants as they ultimately have to secure Pan-European grid stability.

The current volumes bid into the Nordic regulation market and intraday market will in most cases ”cover” the need for countertrade.

All market participants can participate in the future intraday countertrade model and liquidity in intraday will be increased.

*”No one will leave money lying on the floor”*

# THE MODEL




**Design suggestions**

- Publish: price, volumes and timings
- Two windows & continuous trading
- Bids will be submitted at the maximum price
- Auction-like setup
- Firm only once traded
- Gradual implementation
- Requester pays

# TWO CATEGORIES OF COUNTERTRADE

| | Structural need | Unexpected need |
|---|---|---|
| **CT needs arising later than ½ hour before ID (GCT) (Cannot be handled with the ID countertrade model)** | If TSOs e.g. due to their planning process requests CT later than ½ hour before ID GCT | - Interconnector trips less than ½ hour before ID GCT<br>- Internal lines (relevant to cross border capacity) trips less than ½ hour before ID GCT |
| **Known after DA closure or at least ½ hour before ID GCT (can be handled with the ID countertrade model)** | Tennet Commitments & 70% rule | - Interconnector trips more than ½ hour before ID GCT<br>- Internal lines (relevant to cross border capacity) trips more than ½ hour before ID GCT<br>- Requesting TSO needs CT after the two windows are closed |

# QUESTIONS & COMMENTS

External input

# Discussions on design topics

# FULL TRANSPARENCY?

| | Pro | Con |
|---|---|---|
| Full trans-parency | Market manipulation not possible to be done by Energinet.<br>Higher market efficiency as 3rd party can handle the trading. | It is market manipulation to enter with extreme prices.<br>May lead to paying a higher price in ID<br>Increased speculation. |
| Timing/ rules | Attracts liquidity in specific timeslots.<br>Participants know when to be ready. | Gives less flexibility to wait for the best bids. |
| Volumes | Attracts liquidity.<br>REMIT compliant. | Some market participants prefers less predictability |
| Price | Will anyways be revealed to market participants in case of shortage. | The attractive price bid visible in XBID may increase the price. |

# AUCTION-LIKE SETUP

Will it work like an auction?

Hourly bids (same size as CT requested) will be submitted at the attractive price at 15.00 or 18.00 (or a minute later to ensure cross border capacity has been released, and that bids have been stacked)

Energinets bid will be matched instantaneously

| Buy | Sell |
|---|---|
| 800 MWh (60) | *2000 MWh (-200)* |
| 100 MWh (40) | 50 MWh (65) |
| 400 MWh (10) | 100 MWh (75) |
| 700 MWh (-100) | 60 MWh (80) |
| 300 MWh (-150) | |

Energinets will match these bids

Is this “auction-like” setup likely to work as an auction, when all bids are visible for everybody?

# IN CASE OF A SHORTAGE OF BIDS

*COMPETITION WILL GENERALLY SECURE A STACK OF BIDS AND COMPETITIVE PRICES

## PUBLICATION OF PRICES

Bids better than the attractive price (e.g. -200 EUR/MWh) will be instantly matched.

The remaining volumes will be bid in at the attractive price, and all bids will then be matched at the attractive price.

| Buy | Sell |
|---|---|
| | *200 MWh (-200)* |
| | 300 MWh (-50) |
| | 50 MWh (65) |
| | 100 MWh (75) |
| | 60 MWh (80) |

## HIDDEN PRICES

All bids better than the attractive price (e.g. -200 EUR/MWh) will be taken. Bids worse than the attractive price will not.

The remaining volumes will then be matched at the attractive price.

| Buy | Sell |
|---|---|
| 200 MWh (-200) | 300 MWh (-50) |
| 100 MWh (-300) | 50 MWh (65) |
| | 100 MWh (75) |
| | 60 MWh (80) |
| | |

# AUTOMATED TRADING

## Suggested to be done by third party

It requires full transparency and automated processes, to ensure that the third party can also participate on intraday and be REMIT compliant.

Automated processes will ensure a low cost for the service.

The publication of volumes, prices, timings & rules serve as inputs to the trading algorithm.

Discussion: What gives the lowest market impact?

1) Full transparency + automatized process
2) An active trading strategy
3) Other suggestions

# TRADING WINDOWS SUGGESTED

Structural countertrade needs are suggested to be traded in two windows:

Window 1: 15.00 – 15.30
Window 2: 18.00-18.30

Unexpected countertrade can be countertraded in the windows and continuously up until GCT.

Any input to the timing & number of windows?

# UNMATCHED VOLUMES CAN OCCUR

If bids are not matched in the windows nor while trading continuously then the volumes cannot be countertraded.

Can we do anything to avoid this?

# NETTING IN XBID

Can we expect fully competitive prices and low profit margins when TSOs are joining?

Ex. 1.

If Energinet needs downward regulation and Statnett needs upward regulation, should they then both trade all volumes on XBID without netting the CT needs?

Ex. 2

If Energinet needs downward regulation in DK1 and upward regulation in DK2 should we then both buy and sell on XBID (using the attractive price) within the same hour without netting the needs?

# WHAT HAS BEEN OVERLOOKED?

Any other topic you would like discuss in relation to the design?

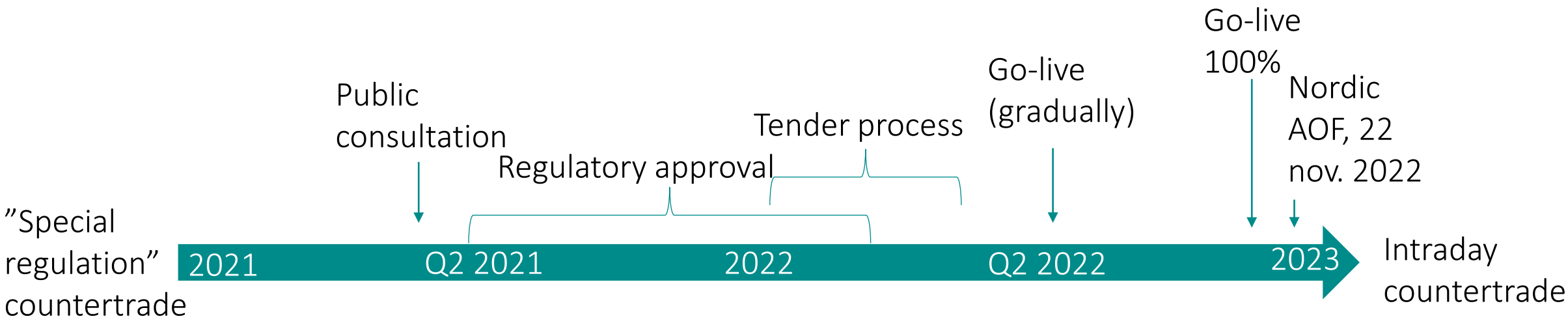
Suggestions for improvements?

Blind spots and effects we have overlooked?

# QUESTIONS & COMMENTS

Finally

# SUM UP AND FURTHER PROCESS


Public consultation
Regulatory approval
Tender process
Go-live (gradually)
Go-live 100%
Nordic AOF, 22 nov. 2022
”Special regulation” countertrade
2021
Q2 2021
2022
Q2 2022
2023
Intraday countertrade

External input

# Thank you for your participation

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