# Public consultation on amending the electricity price coupling algorithm methodology

## Consultation questions

Please note that none of the questions is mandatory.

**Topic 1: R&D activities**

1. Do you consider that the Proposal should take into account the steps listed under chapter 9 of the feasibility study when defining the R&D activities necessary to enable the implementation of co-optimisation?

- ⊗ Yes
- ○ Partially
- ○ No

Please explain your answer.

*4000 character(s) maximum*

*We share the concern with the TSOs and NEMOs that the study has several significant limitations, and the proposed concerns must be further investigated and clarified.*

0 / 4000

2. Paragraph 4.3.2 of the explanatory note lists a set of design elements which, according to the NEMOs, would need to be further investigated before implementing co-optimisation. However, Article 4(16)(c) of the algorithm methodology includes other elements that are not mentioned in the explanatory note.

Do you consider that the Proposal includes all the necessary design elements requiring further R&D?

- ⊗ Yes
- ○ No

**Topic 2: Bid design and products**

3. When a market participant intends to bid in both day-ahead and balancing capacity markets, which bid design would you consider more appropriate?

- ⊗ Separate bids for day-ahead and balancing capacity market(s)
- ○ A single bid covering both day-ahead and balancing capacity market(s)

Please justify your answer and, in case of a single bid, please explain how the bid would allow to capture the interactions between the two markets.

*4000 character(s) maximum*

*The optimization of electricity production on thermal power plants cannot be performed without the optimization of heat production – which can be predetermined by heat contracts. The relationship between electricity and heat production is reflected in PQ diagrams, which Euphemia cannot optimize. This implies that when a thermal power plant is producing heat in back pressure mode (or somewhere else in the PQ diagram) it has a forced electricity production which must be sold. This complexity cannot by covered by one bid for both day-ahead and capacity markets.*

*Also, there are different requirements to balancing bids than bids in day ahead (bid size, minimum/maximum price, activation time and so forth) and these are priced differently. This is another reason why one single bid cannot cover both the day ahead market and balancing capacity market(s).*

0 / 4000

4. In your view, what information would the NEMOs and the TSOs still need from market participants to define the bid design?

*4000 character(s) maximum*

*Interdependencies between the day ahead bid and the balancing capacity market bid(s).*

*Input to the bidding guide including cross product linking and product design.*

0 / 4000

5. What is the most suitable process for market participants to provide such information?

- ○ Public consultation
- ⊗ Public workshop
- ○ Other

6. Under Article 4(16) of the algorithm methodology, a 1-year timeline is foreseen for the collection of inputs from market participants on the bid design. How do you consider this 1-year timeline?

- ○ Too short
- ⊗ Adequate
- ○ Too long

Please explain your answer.

*4000 character(s) maximum*

*Adequate IF a lot of resources are put into this work. Market participants must be interviewed individually to ensure useful input as bidding strategies are commercially sensitive information.*

7. With the introduction of co-optimisation, the list of products which can be taken into account in SDAC will need to be amended to include products related to balancing capacity and, potentially, products linking day-ahead and balancing capacity bids.

Which additional products would you consider necessary to be added to the list of SDAC products?

*4000 character(s) maximum*

*This would need to be discussed directly with the market participants individually and during workshops.*

0 / 4000

**Topic 3: Benefits of co-optimisation**

8. By allocating cross-zonal capacity where its market value is the highest, i.e. either to the day-ahead market or to the balancing capacity markets, co-optimisation aims to facilitate the integration of balancing capacity markets and to allow for a more optimal use of cross-zonal capacity between these two markets. Thanks to the co-optimisation process, the cost for the procurement of balancing capacity is expected to decrease by making use of cheaper bids from other areas and/or by reducing the individual TSO's demand for balancing capacity through sharing of reserves.

What do you consider to be the most significant benefits of co-optimisation?

*4000 character(s) maximum*

*We are afraid that the increase in complexity in bidding will worsen the market participants ability to optimize their own portfolio, and thereby decrease the overall social welfare increase estimated by SDAC.*

0 / 4000

**Topic 4: Other remarks**

9. Please provide any other remarks on the Proposal.

*4000 character(s) maximum*

*Co-optimization complicates the market(s) and puts further pressure on Euphemia. Furthermore, the co-optimization results are not robust enough to conclude that it is a superior optimization of DA and balancing capacity bids. It too early to introduce co-optimization right after the huge implementations of Nordic Flowbased and 15 min MTU.*

0 / 4000