



Pentalateral Energy Forum
Chairpersons Support Group 1
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Your reference
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Subject Proposals for priorities in local implementations in the context of
the XBID project

Dear PLEF SG1 co-chairs,

The growing share of intermittent generation in the electricity system increases the need for efficient and integrated intraday markets in order to make use of the existing and emerging flexibility sources. Such markets are indeed necessary for market players to reassess and rebalance their positions close to real time at least cost. The integration of intraday markets, bridging the gap between day-ahead and balancing markets is also a prerequisite to efficient balancing market integration.

MPP has always been and is still supportive of the XBID project, which will pave the way for fully integrated European intraday markets. We took note during the last PLEF meeting that development and testing of XBID solution is now planned for July 2016. In the AESAG meeting of 7 April 2015 the planning for the project already moved to go live for Q3 2017. This represents another delay in delivering the common European platform. However, on the positive side we see a commitment to set-up local implementation projects before the end of this quarter.

We believe indeed that, in parallel to the work on the XBID IT solution, it is urgent to start working on the local implementation that is needed to improve the functioning of existing intraday markets. With smart planning it should be possible to improve the current situation and will allow to implement and use the common XBID solution at its full potential once ready. The idea is to implement necessary local changes when ready instead of waiting for the go-live of the XBID solution.

This should be possible to a significant extent since the involved resources are essentially different: development of the XBID solution mainly requires work from the provider and PXs whereas work on



local implementation projects should rely as much as possible on TSOs and regulators. This letter presents the priority actions in the CWE local implementation plans, based on an analysis of the current situation.

Target and current situation

The target for cross-border intraday is to have continuous allocation of capacity as close as possible to real-time (and maximum one hour before real time). Without surprise, evidence based on current allocation mechanisms shows that the borders with rules and set-up closest to the target are by far the most efficient ones. An analysis based 2014 data reveals a much greater efficiency of the allocation process on the borders between Germany, Switzerland and France, where continuous allocation of capacity, both implicit and explicit, is allowed up to 1h or 1h15 ahead of real-time. On the contrary, on the FR-BE border, where a pro-rata allocation mechanism is still in place since 2007 and where only intermittent explicit allocation of capacity is allowed, around 30% of hours with a price difference do not see any cross-border trade at all.

The situation is even more problematic on borders where the number of auctions (i.e. non-continuous allocation) is smaller and where liquid intraday markets could develop and be coupled much faster.

Implement continuous allocation on Belgian Borders and allow for full regional allocation

Cross-border allocation of capacity on the Belgian borders is currently the most problematic within the CWE region. Currently issues are the allocation method, the amount of gates and the gate closure (2 hours for BE-FR and 2 hours and 30 minutes for BE-NL).

The most obvious short-term improvement on these borders is to move from 12 to 24 gates. It should go hand-in-hand with the implementation of a forth-rolling gate closure 1 hour. This request is known for years and only needs the right priority setting in the local implementation plan.

Another important step in the right direction would be to implement explicit continuous allocation on both BE-FR and BE-NL borders. This can be achieved by implementing the DBS system that currently proves efficient on DE-CH, DE-FR, FR-CH and DE-NL borders. Past experience shows that implementing it takes between 2 to 6 months. We also heard that it would be relatively easy to connect the DBS capacity matrix to the ELBAS system. Therefore the current arrangement on the BE-NL border could remain. It would be important to aim for implementation by winter 2015-16 in order to improve cross-border capacity allocation and therefore security of supply in a context of risk of scarcity.

Move cross-border gate closures closer to real-time

For borders inside the CWE regions where cross-border gates close around 2 hours ahead of real-time, and in the worst case even 3,5 hours, we believe it should be relatively easy to move them to 1 hour. For borders with countries outside CWE where cross-border gates close up to 5 hours ahead of real-time and allocation is performed through a small number of auctions, the shift to continuous allocation up to 1 hour ahead of real-time will be even more necessary but might prove much more



challenging. In any case, these changes will be necessary before the XBID solution can be fully used. Early work on these issues should therefore start as soon as possible in order to prepare for the implementation of the XBID solution in the same way as for CWE borders.

The move to one hour ahead gate closure should not prevent an earlier switch to continuous trading, which will bring in itself many improvements to intraday trading both at a local and regional levels. It is indeed important to look at the “blocking” or “beneficial” effects from a regional perspective, especially in the CWE region.

For the longer term we should prepare for even shorter gate closures in order to align with internal intra day market gate closure, balancing market and to cope with frequency deviations. Markets with a large exposure to RES show that weather forecasts improve significantly in the last hour before delivery. Thus the last hour is the moment, when most of the intraday trading activity occurs. Therefore, it must be a key priority to enable intraday-trading as close as possible to real-time also across the borders.

Implement cross border capacity recalculations of cross border capacity during intraday

This issue is independent from the points raised earlier. Working towards this intraday recalculation should therefore not delay the more urgent shift to continuous allocation in the CWE region presented previously.

This is a provision of the soon to be adopted CACM Guideline that would provide much added value for the region. The cross-border capacity calculation process currently performed for the day-ahead coupling starts two-days ahead of real-time, which logically entails a relatively high level of uncertainty on the assumptions taken. Due to this uncertainty regarding future flows, TSOs have to reserve a consistent security margin on allocated cross border capacities. If the same calculation were performed a second time after day-ahead coupling results, uncertainties on flows and consequently security margins could be reduced and incremental capacity could therefore be allocated in the intraday timeframe.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ruud Otter', written over a blue horizontal line.

Ruud Otter

Chairman Market Parties Platform

A copy of this letter has been sent to:

- CWE Flow Based Project
- European Commission
- ACER