European Federation of Energy Traders
SO YOU CAN RELY ON THE MARKET

EFET[1] response to the public consultation on New Market Codes (Forward, Day-Ahead & Intraday) in Greece.

22 January 2018

EFET welcomes the opportunity to submit comments in the framework of the public consultation on New Market Codes in the Greek electricity market launched by LAGIE.[2]

The proposed modifications to the market design constitute a fundamental change for the Greek wholesale electricity market and have a significant impact on the electricity markets in Central and South-Eastern Europe (CSEE). The documents subject to consultation describe in detail, on several hundreds of pages, the individual network codes and guidelines without providing a holistic overview and/or structure of the new market design. It is therefore very difficult for market participants to get a full understanding of the coherence of the proposal, as well as the timeline of its implementation relying on the fragmented pieces of information presented for the purposes of the consultation.

As already mentioned in the letter submitted to LAGIE by EFET on 10 January 2018 we suggest that LAGIE organises a workshop in the second phase of the consultation, in order to present the new market design in a more structured way and provide market participants with the opportunity to react and share their comments. The workshop would also facilitate the discussion with market participants in order to align the Greek market design with the EU target model.

Below we provide some of our general as well as detailed comments on the proposed Forward, Day-ahead, Intraday Market and Balancing Codes. We reserve our right to comment on further provisions of these codes in the second phase of the consultation.

1. General comments on all markets:

1.1. The proposal overlooks the inter-dependence between the different market timeframes, i.e. the market participants should be able to freely define their positions in each market with the only obligations being:

- To stay within the financial limits set by the Clearing Rulebook.
- To be balanced at the end of the intraday market. Demanding market participants to be balanced at the closure of each market stage is, in our view, an avoidable constraint.

[1] The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.

[2] For more information on the public consultation, see http://www.lagie.gr/en/regulatory-framework/consultations/consultation/article/1563/

- To respect the obligations related to cross-border capacities usage, as set in the respective Access Rules, i.e. when long-Long Term Capacities are guaranteed, these capacities are to be used by the end of intraday or the day ahead, in a worst-case scenario. However, it does not make sense to limit the use of Long-Term Capacities only to Forwards.

1.2. All codes lack provisions related to market making. In markets with limited liquidity like that in Greece, market makers can make a significant contribution to improving transparency and competition on the market, thereby attracting liquidity. We therefore encourage LAGIE to include the relevant provisions in the market design, based on best practices from other power exchanges in Europe.
1.3. Market participants should be allowed to buy and sell energy on the Greek market without the obligation to either produce or import this energy.
1.4. Operational limits are to be eliminated (those include price range of bids/asks, position limits and number of orders or quantity level in the Forward Market, units' minimum variable cost, etc.). These limits hinder the free formation of prices and lead to market inefficiencies and distortions. Bid price limits are not acceptable for EFET. The European Council compromise on the draft recast EU Electricity Regulation adopted on 18 December 2017 will make bid limits officially unlawful throughout the EU.
1.5. Any administratively set price should be announced to the market before the start of the calendar year and they should not be changed during the calendar year. In any case, administratively set prices should be limited in number and should have limited time span of their applicability, and following a well-substantiated analysis of their effects to the market as a whole.
1.6. The level of information that will be available to market participants is not clear. The relevant additional should be made available and be detailed enough to assist the market, e.g. in Forwards all the quantity/ price pairs should be provided anonymously). Furthermore, the Market Operator and the TSO should be made accountable for the timely provision of information i.e. the Market Operator and the TSO should be held accountable for any financial damages caused to market participants in the event of the not having provided the relevant information in an appropriate and timely manner.
1.7. The Market Operator and the TSO should be responsible for monitoring the market but they should not have the power to impose penalties in cases other than those related to non-respect of the relevant operational market framework as defined in the respective Codes/ Rulebooks. The cases of market abuse should be evaluated and the necessary penalties should be imposed by the respective authorities. The regulatory framework should also clearly define the procedures to be followed by the market participants if they want to contest the penalties imposed by the authorities. A good example of a practice **not to be followed** is Article 30 of the Balancing Code, allowing the TSO to monitor and apply penalties (based on a vague classification of penalties), without any coordination with/involvement of the Regulatory Authority for Energy (RAE) (or any other competent authority) and without defining a process to contest the penalty.
1.8. The Market Operator should not be allowed to intervene and/or modify/cancel orders. May there be any types of market control measures identified as a means of protection against market abuse, those, along with the related procedures should be clearly defined (in particular, the scope of such measures and their applicability).

1.9. Under no circumstances should the Market Operator should be allowed to “adjust” prices, as such “adjustments” have direct impact on market participants’ positions and on market confidence.
1.10. The gate closure times of all 4 markets must be aligned with that of other EU markets.
1.11. All times defined in the Codes and Rulebooks to be drafted should be set in CET and not EET, since single day-ahead and intraday coupling will operate in CET time zone. Preserving the timeframes in EET may cause confusion.
1.12. Any non-market related costs (e.g. Uplift Accounts, System Losses, etc.) should be abolished and the respective cost should be included in the System Usage charge, like in all other EU markets.
1.13. Invoicing procedure should be preserved in its current state where one invoice is issued for the whole month. Proposals for daily issuing of invoices lead to higher costs for market participants.
1.14. All Codes and Rulebooks should also be made available in English.

2. Forward Market Code

General comments:

2.1. According to the code, bilateral OTC deals have to be cleared and financially settled by the Clearing House. We wonder what is the reason to financially settle OTC contracts through the Clearing House.
2.2. It seems that the document identifies a link between the products (yearly, quarterly, and monthly) traded at the exchange and the OTC ones. There should not be any links drawn between those, as it is misleading. OTC trading allows for the flexibility to trade customized products. There should be no limitations imposed on the structure of the OTC products, whereas the exchange and OTC positions should be netted when “transferred” to the day-ahead market (REMIT/ EMIR legislation allows regulators to oversee activities on the OTC market).
2.3. The physical position in cross-border trading should also be portfolio-based and border nomination should not be on contract level; no control should be performed with respect to long-term capacities held by market participants, as the latter should be allowed to use e.g. daily capacities for Forwards.
2.4. The code does not foresee the existence of financial products. We expect those to be included in the respective Rulebook and in accordance with Law 4425/2016, as amended by Law 4512/2018.

Comments related to specific Articles:

Chapter 3

Art. 13 – There is no definition of a Trading Calendar. The indicated trading hours are between 10.30 EET -15.30 EET. The reason behind setting such a narrow trading window is not clear to us. We suggest to widen it (i.e. 09:00 – 18:00) and use CET time zone as a instead of EET.

Art. 14 - Volumes of last trade should be published together with the price.

Art. 15 - Standard products: Yearly, Quarterly and Monthly are defined. We suggest to include weekly products as well. European peak and off-peak profiles should be included in the standard products.

Art. 16 - Expiry Days: Three days before the beginning of the delivery period for the Quarter Contract seems like a very conservative period to set. In our view, two days before delivery should be enough.

Art. 18 2.D – According to the draft Code, Iceberg Orders in the Exchange Based Forward Market shall have a minimum visible volume requirement equal to 5 MW for Year, Quarter and Month Forward Contracts. Especially for Calendar contracts, 5 MW is a significant quantity. 1 MW constitutes a better compromise volume, in our view. This is a need to limit discrimination against smaller MPs, RES producers and DSM.

Art. 19 – There is no clear delimitation of order submission and execution. We would like to make sure that the EIC code is not made visible to the whole market when submitting an order.

Art. 19.3 – On administratively set orders' price (price of day before +/- %X). We struggle to understand what is the relationship between the day-ahead price and the price evolution of a Calendar or a Quarter. We therefore recommend to eliminate this administrative restriction.

Art. 26 – Pre-trade limits: currently, there is no explanation of what may form the basis for introducing the pre-trade limit – a reasonable explanation should be provided.

Art. 27 - Pre-clearing limits are not described clearly. A clear definition of pre-clearing limits and the relevant conditions for introducing those should be provided.

Art. 30 – The suggested Forward Contracts registration Gate Closure (17.00 of D-2) is too conservative. The Physical Delivery Nomination Gate Closure (10:00 in day D-1) should be adopted as the deadline for forward contracts registration.

Chapter 7

Art. 19 (art. 41 in the content table) – Further explanations and comments have to be provided with regards to the provision allowing the Market Operator to trading on behalf of a Market Participant (with limited liability?)

3. Day-Ahead Market Code

General comments:

3.1. Should the scheduling of confirmed Long-Term capacities be preserved, the market participant should be allowed to price the capacities in way, similar to other schedules with priority in dispatch, like mandatory hydro and RES, as those also fall within the "must run" group of schedules.
3.2. It should be stated clearly that no internal zones in Greece will be implemented.
3.3. The products to be traded should at least include the EU peak/ off peak ones.

Comments related to specific Articles:

Chapter 3

Art. 14 - Administratively defined DAM Lower and Upper Order Prices de facto correspond to bid limits. We believe that **bid price limits are not acceptable**. The European Council compromise on the draft recast EU Electricity Regulation adopted on 18 December 2017 will make bid limits officially unlawful throughout the EU. Price limits will only be allowed based on the conditions of the CACM Guideline: only applicable to clearing prices, if technically justified and taking into account the value of lost load. The ACER decision of 14 November 2017 on harmonised technical price limits for single day-ahead coupling – based on a proposal of all NEMOs including LAGIE – sets the clearing price limit in day-ahead at EUR 3,000/MWh, with an automatic review mechanism.

Art. 15 - Declaration of non-available capacities for RES/CHP. LAGIE does not provide a rationale for this proposal. We interpret this requirement as a hidden bid cap and floor for electricity producers. We reiterate the comments made in relation to art. 14 challenging the proposal listed in the respective this article.

Art. 16- Minimum variable cost of generation units used for validation process of DA sell orders. We believe this requirement is as a hidden bid cap and floor for electricity producers. We reiterate the comments made in relation to art. 14 to challenging the proposal listed in the respective this article.

4. Intra-Day Market Code

General comments:

4.1. The information on the intraday cross-border capacities should be made available for market participants before the deadline stated in the document (i.e. 5 min before the auction gate closure).
4.2. The time-plan for the implementation of the continuous intraday is not clear.
4.3. All operational timeframes should be coordinated with the neighboring markets to facilitate the use of the interconnections.
4.4. The number, timeframe and respective gate closure times for ID auctions should be as close to actual delivery as possible, otherwise the whole functioning of intraday is jeopardised.

Comments related to specific Articles:

Chapter 3

Art. 14 - Administratively defined IDM Lower and Upper order prices de facto correspond to bid limits. Bid price limits are not acceptable for EFET. The European Council compromise on the draft recast EU Electricity Regulation adopted on 18 December 2017 will make bid limits officially unlawful throughout the EU. Price limits will only be allowed based on the conditions of the CACM Guideline: only applicable to clearing prices, if technically justified and taking into account the value of lost load. The ACER decision of 14 November 2017 on harmonised technical price limits for single intraday coupling – based on a proposal of all NEMOs including LAGIE – sets the clearing price limit in day-ahead at EUR 9,999/MWh.

Art. 15 - Declaration of non-available capacities for RES/CHP. LAGIE does not provide a rationale for this proposal. We believe that this requirement provides for a hidden bid cap and floor for electricity producers. We reiterate the comments made in relation to art. 14 to challenge this article.

Art. 16- Minimum variable cost of generation units used for validation process of ID sell orders. We understand this requirement as a hidden bid cap and floor for electricity producers. We reiterate the comments made in relation to art. 14 to challenging the proposal listed in the respective this article.

Chapter 4

Art. 17 - Intraday market design:

- 1st phase: 3 local (internal) ID auctions. We note that there is no mention of cross-border auctions. Cross-border access to intraday markets is vital for the development of the internal energy market. LAGIE, together with the TSO and the regulator, is ought to take action to ensure that cross-border access is available without waiting for the single intraday coupling solution.
- 2nd phase: XBID to be implemented with one internal auction and two complementary regional auctions (CRIDA). We recommend setting a clear deadline for the implementation of XBID at the Greek borders, as well as limiting the number of cross-border auctions to one, may LAGIE, together with the TSO and the Regulator, deem maintaining auctions in addition to XBID necessary. In any case, the implementation and timing of cross-border intraday auctions in addition to XBID should be agreed with the neighbouring bidding zones operators/TSOs.

Chapter 5

Art. 25 - 1st phase: the draft Code foresees three local intraday auctions, two on D-1 and only one in the morning of day D. Without continuous trading in place in the 1st phase of implementation, two auctions in D1 are still very far from real time.

Art. 26 - 2nd phase of implementation: CRIDA Gate Closure Time closing times: GCT of the auctions at 23.00 EET in day D-1 for CRIDA 1; and 8.30 EET in day D for CRIDA 2. We recommend to limit the number of cross-border auctions to one, may LAGIE, together with the TSO and the Regulator, deem maintaining auctions in addition to XBID necessary. In any case, the implementation and timing of cross-border intraday auctions in addition to XBID should be agreed with the neighbouring bidding zones operators/TSOs.

5. Balancing

General comments:

5.1. Wherever TSO forecasts are used for settling imbalances, the TSO should be monitored and held responsible for the forecasts, as well as liable for providing inaccurate information.

5.2. As the time unit for balancing proposed is 15 min, the balancing products' unit should also be 15 min (not 30 min).

5.3. It is not clear how the imbalance price is calculated, paid and charged to participants.
5.4. The TSO should be responsible to control whether the mandatory hydro declarations are lawful (instead of simply accepting what is submitted by the producer).
5.5. Market participants should be notified about all the changes in market in a timely manner, and appropriate consultations must be offered to market participants.
5.6. Market participants should be allowed to submit offers in every single ISP instead of having the offers of ISP 1 to be used for ISP 2 and ISP 3. No limitations to or links between the different ISP offers should be established (e.g. ISP 2 and ISP offers to be “better” than the ones of ISP 1).
5.7. It should be clearly defined that the balancing day is from 00:00 CET to 24:00 CET, to ensure the coherent functioning of the Balancing market.