ACER
Agency for the Cooperation of Energy Regulators

Annex I

Harmonised maximum and minimum clearing prices for single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation)

14 November 2017

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Whereas

(1) This document sets the harmonised maximum and minimum clearing prices ('HMMCP') in single intraday coupling ('SIDC') in accordance with Article 54(1) of the CACM Regulation.

(2) In accordance with Article 54(1) of the CACM Regulation, the HMMCP for SIDC shall take into account an estimation of the value of lost load ('VoLL'). The objective of this requirement is to ensure that the HMMCP for SIDC does not impose barriers on free price formation. This document sets the initial value of HMMCP for SIDC, which, in combination with the amendment rule of HMMCP for SIDC, is expected to achieve the same goal, i.e. to minimise the likelihood that the HMMCP for SIDC impose barriers on free price formation. The HMMCP for SIDC therefore implicitly take into account the VoLL, since an amendment rule ensures that the HMMCP for SDIC is always higher or equal to the HMMCP for SDAC, whereas the later is expected to gradually increase to a level, which represents the VoLL as determined by the market participants' willingness to pay.

(3) The HMMCP for SIDC take into account the general objectives of capacity allocation and congestion management cooperation described in Article 3 of the CACM Regulation.

(4) This document fulfils the objective of 'promoting effective competition in the generation, trading and supply of electricity' as the HMMCP for SIDC have been set at levels that do not restrict effective competition in the generation, consumption, trading or supply in the organised wholesale market.

(5) This document fulfils the objective of 'ensuring operational security' by harmonising HMMCP for SIDC as well as removing barriers for free price formation. This promotes flexibility and thereby contributes to the operational security, as well as security of supply.

(6) This document fulfils the objective of 'optimising the calculation and allocation of cross-zonal capacity', and in parts also the objective of 'optimal use of the transmission infrastructure', by removing the barriers for free price formation which effectively optimises the allocation of cross-zonal capacities and the use of transmission infrastructure.

(7) This document fulfils, or rather is deemed to have no negative impact on, the objective of "ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants'.

(8) This document achieves the objective of 'ensuring and enhancing the transparency and reliability of information' as the HMMCP for SIDC have been publicly consulted both by all NEMOs as well as by the Agency. The final document will also be published.

(9) This document fulfils the objective of 'contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the

Union' as the HMMCP for SIDC have been set at levels that allow full provision of supply and demand orders in to the SIDC markets and therefore SIDC results can contribute to provision of efficient price signals for forward (long term) price formation that can enable efficient signals for investment in generation and demand-side response.

(10) This document fulfils the objectives of 'respecting the need for a fair and orderly market and fair and orderly price formation' and 'providing non-discriminatory access to cross-zonal capacity' by harmonising the HMMCP across the bidding zones which participate in SIDC and among all NEMOs active within the given bidding zones.

(11) This document fulfils the objective of 'creating a level playing field for NEMOs' as the limits applied will always be identical for multiple NEMOs active within one individual bidding zone as well as single NEMOs active in more bidding zones.

TITLE 1

General provision

Article 1

Subject matter and scope

The HMMCP shall be applied in all bidding zones which participate in SIDC in accordance with Article 54(1) of the CACM Regulation.

Article 2

Definitions and interpretation

1. Terms used in this document shall have the meaning of the definitions included in Article 2 of the CACM Regulation.

2. In addition, in this document the following terms shall apply:
   a) 'Harmonised maximum clearing price for SIDC' means the maximum clearing price value, which is applied in all bidding zones which participate in SIDC; and
   b) 'Harmonised minimum clearing price for SIDC' means the minimum clearing price value, which is applied in all bidding zones which participate in SIDC.

3. In this document, unless the context requires otherwise:
   c) the singular indicates the plural and vice versa;
   d) the table of contents, headings and examples are inserted for convenience only and do not affect the interpretation of this document; and
   e) any reference to legislation, regulations, directives, decisions, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it then in force.

TITLE 2

Maximum and minimum prices

Article 3

Harmonised maximum and minimum clearing prices for SIDC

1. The harmonised maximum clearing price for SIDC shall be +9999 EUR/MWh.

2. The harmonised minimum clearing price for SIDC shall be -9999 EUR/MWh.

Article 4

Criteria and process for establishing and amending maximum price for SIDC

1. The harmonised maximum clearing price for SIDC in accordance with Article 3(1) shall be amended in the event that harmonised maximum clearing price for SDAC is increased above the harmonised maximum clearing price for SIDC pursuant to Article 4 of the *Harmonised maximum and minimum clearing prices for single day-ahead coupling in accordance with Article 41(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management*. In such a case, the harmonised maximum clearing price for SIDC shall also increase to be equal to the harmonised maximum clearing price for SDAC. Any such change shall be implemented and applied at the same time that the harmonised maximum clearing price for SDAC is applied.

2. The NEMOs shall transparently announce and publish the amended harmonised maximum clearing price for SIDC at least four weeks before its implementation and application in SIDC.

3. The NEMOs shall, at least every two years, reassess the HMMCP, share this assessment with all market participants and consult it in relevant stakeholder forums organised in accordance with Article 11 of the CACM Regulation. A reassessment may also follow any amendment in accordance with paragraph (**Error! Reference source not found.**), if the NEMOs deem it appropriate.

TITLE 3

Final provisions

Article 5

Timeline for implementation

The NEMOs shall implement the HMMCP for SIDC in all bidding zones participating in the SIDC immediately after the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation.

Article 6

Language disclaimer

The reference language for the HMMCP for SDAC shall be English. For the avoidance of doubt, where NEMOs need to translate this HMMCP for SDAC into the national language(s) of the relevant regulatory authority, in the event of inconsistencies between the English version submitted in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant NEMO(s) shall be obliged to dispel any inconsistencies by providing a revised version of this HMMCP for SDAC to the relevant national regulatory authorities.

Annex Ia

(for information only)

~~All NEMO's proposal for harmonised~~ Harmonised maximum and minimum clearing prices for ~~Single Intra Day Coupling~~ single intraday coupling in accordance with Article 54(~~2~~1) of Commission Regulation (EU) 2015/1222 of 24 July~~-~~ 2015 establishing a guideline on capacity allocation and congestion management ~~-~~(CACM Regulation)

~~14 February~~

XX October 2017

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~~All NEMOs, taking into account the following~~

~~1. Whereas~~

Whereas

~~Background~~

~~1.1~~ This document ~~is a common proposal developed by all Nominated Electricity Market Operators (hereafter referred to as "NEMOs") in cooperation with TSOs and in accordance with article 54 of Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the "CACM Regulation") on~~ sets the harmonised maximum and minimum clearing prices ~~for the single intraday coupling (hereafter referred to as the "HMMP for SIDC").~~

(1) ~~According to Article 54 "By 18 months after the entry into force of this Regulation, all NEMOs shall, in cooperation with the relevant TSOs, develop a proposal on harmonised maximum and minimum clearing prices to be applied in all bidding zones which participate~~('HMMCP') in single intraday coupling. ~~The proposal shall take into account an estimation of the value of lost load~~ ('SIDC') in accordance with Article 54(1) of the CACM Regulation.

~~1.2 For the purpose of this proposal, terms used in this document, i.e. 'clearing price' means the price determined by matching the highest accepted selling order and the lowest accepted buying order in the electricity market, as defined in Article 2 Paragraph 31 of the CACM Regulation.~~

~~1.3 By 18 months after the entry into force of the CACM Regulation, all NEMOs shall, in cooperation with the relevant TSOs, submit the proposal to all regulatory authorities for approval. Where a Member State has provided that an authority other than the national regulatory authority has the power to approve maximum and minimum clearing prices at the national level, the regulatory authority shall consult the proposal with the relevant authority as regards its impact on national markets.~~

~~1.4 According to Paragraph 2 of Article 54 of the CACM Regulation "The proposal shall be subject to consultation in accordance with Article 12". The consultation on all proposals will be prepared in cooperation between all TSOs and all NEMOs and be consulted upon together to ensure efficient assessment of their content by market participants.~~

~~Impact on the objectives of the CACM Regulation~~

(2) ~~The proposed HMMP for SIDC proposal takes~~In accordance with Article 54(1) of the CACM Regulation, the HMMCP for SIDC shall take into account an estimation of the value of lost load ('VoLL'). The objective of this requirement is to ensure that the HMMCP for SIDC does not impose barriers on free price formation. This document sets the initial value of HMMCP for SIDC, which, in combination with the amendment rule of HMMCP for SIDC, is expected to achieve the same goal, i.e. to minimise the likelihood that the HMMCP for SIDC impose barriers on free price formation. The HMMCP for SIDC therefore implicitly take into account the VoLL, since an amendment rule ensures that the HMMCP for SDIC is always higher or equal to the HMMCP for SDAC, whereas the later is expected to gradually increase to a level, which represents the VoLL as determined by the market participants' willingness to pay.

~~(2)~~(3) The HMMCP for SIDC take into account the general objectives of capacity allocation and congestion management cooperation described in Article 3 of the CACM Regulation.

~~1.5 Assessment against objectives of the CACM Regulation and other key considerations made when setting the HMMP for SIDC provides the following conclusions:~~

~~(3)~~(4) ~~The proposal~~This document fulfils the objective of ~~"~~'promoting effective competition in the generation, trading and supply of ~~electricity"~~electricity' as the ~~limits~~HMMCP for ~~Intraday~~SIDC have been set at ~~a level~~levels that ~~does~~do not restrict effective competition in the generation, consumption, trading or supply in the organized wholesale market. ~~Moreover, the HMMP for SIDC shall take into account the value of lost load – assumed to be the price at which TSOs take curtailment action.~~

~~The proposal fulfils, or rather is deemed to have no impact on,~~

~~1.5.1~~ This document fulfils the objective of ~~"ensuring optimal use of the transmission infrastructure",~~

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~~(4)~~(5) ~~The proposal fulfils the objective of "~~ensuring operational ~~security"~~security' by ~~having HMMP~~harmonising HMMCP for SIDC ~~that are public~~as well as removing barriers for free price formation. This promotes flexibility and ~~stable over time. Furthermore, it does it by providing a process led by All NEMOs and involving all TSOs to amend the HMMP for SIDC in accordance with the request for amendment process, including public consultations, provided for in the CACM Regulation Article 9.13 as referred to in Article 1.8 below,~~thereby contributes to the operational security, as well as security of supply.

~~(5)~~(6) ~~The proposal~~This document fulfils the objective of ~~"~~'optimising the calculation and allocation of cross-zonal ~~capacity",~~capacity', and in parts also the objective of ~~"optimal~~ 'optimal use of the transmission infrastructure', by removing the barriers for free price formation which effectively optimises the allocation of cross-zonal capacities and the use of ~~the~~transmission infrastructure~~", by proposing harmonisation of the HMMP for SIDC,~~.

~~(6)~~(7) ~~The proposal fulfils~~This document fulfils, or rather is deemed to have no negative impact on, the objective of "ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market ~~participants" by proposing harmonisation of the HMMP for SIDC,~~participants',

~~(7)~~(8) ~~The proposal~~This document achieves the objective of ~~"~~'ensuring and enhancing the transparency and reliability of ~~information"~~information' as the ~~HMMP~~HMMCP for SIDC have been publicly consulted both by all NEMOs as well as by the Agency. The final document will also be published~~;~~.

~~The proposal~~

~~(8)~~(9) This document fulfils the objective of ~~"~~'contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the ~~Union"~~Union' as the ~~HMMP~~HMMCP for SIDC have been set at ~~a level~~levels that ~~allows~~allow full provision of supply and demand orders in to the ~~Single Intra Day Coupling~~SIDC markets and therefore SIDC results can contribute to provision of efficient price signals for forward (long term) price formation that can enable efficient signals for investment in generation and demand-side response~~;~~.

~~(9)~~(10) ~~The proposal~~This document fulfils the ~~objective~~objectives of ~~"~~'respecting the need for a fair and orderly market and fair and orderly price ~~formation" based on that~~ formation' and 'providing non-discriminatory access to cross-zonal capacity' by harmonising the ~~limits are to be harmonised~~ HMMCP across the ~~Bidding Zones and countries included in Single ID Coupling, and made harmonised~~ bidding zones which participate in SIDC and among all NEMOs active within the given ~~Bidding Zones.~~ bidding zones.

~~(10)~~(11) ~~The proposal~~This document fulfils the objective of ~~"~~'creating a level playing field for ~~NEMOs"~~NEMOs' as the limits applied will always be identical for multiple-NEMOs active within ~~identical~~one individual ~~or groups of Bidding Zones,~~ bidding zone as well as single NEMOs active in more bidding zones.

~~1.5.2 The proposal fulfils the objective "providing non-discriminatory access to cross-zonal capacity" as the limits will be harmonised across the Bidding Zones and countries included in Single ID Coupling, and made harmonised among all NEMOs active within the given Bidding Zones.~~

~~1.6 Finally, to ensure that the proposal continues to fulfil the objectives of the CACM Regulation all NEMOs shall undertake, in coordination with TSOs, an assessment at least every two years of the HMMP for SIDC against the objectives of the CACM Regulation with respect to SIDC. If that assessment, including any at that time established or amended estimates of Value of Lost Load (VoLL) which HMMP for SIDC can be set in relation to, points to a need to adjust the limits then the process to propose such amendments would be carried out in accordance with the request for amendment process provided for in CACM Article 9.13 which would also include a Consultation (CACM Article 12).~~

~~2. Definitions~~

~~2.1. Harmonised Intra-Day Minimum Clearing Price Limit means the~~

~~minimum clearing price value proposed by all NEMOs to~~ TITLE 1

General provision

Article 1

Subject matter and scope

The HMMCP shall be applied in all bidding zones which participate in ~~single intra-day coupling~~SIDC in accordance with Article 54(1) of the CACM Regulation.

Article 2

Definitions and interpretation

1. Terms used in this document shall have the meaning of the definitions included in Article 2 of the CACM Regulation.

2. In addition, in this document the following terms shall apply:

~~2.2.~~ 'Harmonised ~~Intra-Day Maximum Clearing Price Limit~~maximum clearing price for SIDC' means the

a) maximum clearing price value ~~proposed by all NEMOs to be~~, which is applied in all bidding zones which participate in SIDC; and

~~a)~~b) 'Harmonised minimum clearing price for SIDC' means the minimum clearing price value, which ~~participate~~is applied in ~~single intra-day coupling~~all bidding zones which participate in SIDC.

3. In this document, unless the context requires otherwise:

c) the singular indicates the plural and vice versa;

d) the table of contents, headings and examples are inserted for convenience only and do not affect the interpretation of this document; and

e) any reference to legislation, regulations, directives, decisions, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it then in force.

TITLE 2

Maximum and minimum prices

Article 3

Harmonised ~~Minimum and Maximum Clearing Price Limits~~maximum and minimum clearing prices for SIDC

1. The ~~Harmonised Maximum Clearing Price Limit~~harmonised maximum clearing price for SIDC shall be +9999 ~~Euro~~EUR/MWh.

2. The ~~Harmonised Minimum Clearing Price Limit~~harmonised minimum clearing price for SIDC shall be -9999 ~~Euro~~EUR/MWh.

Article 4

Criteria and process for establishing and amending maximum price for SIDC

1. The harmonised maximum clearing price for SIDC in accordance with Article 3(0) shall be amended in the event that harmonised maximum clearing price for SDAC is increased above the harmonised maximum clearing price for SIDC pursuant to Article 4 of the *Harmonized maximum and minimum clearing prices for single day-ahead coupling in accordance with Article 41(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management*. In such a case, the harmonised maximum clearing price for SIDC shall also increase to be equal to the harmonised maximum clearing price for SDAC. Any such change shall be implemented and applied at the same time that the harmonised maximum clearing price for SDAC is applied.

The

2. NEMOs shall transparently announce and publish the amended harmonised maximum clearing price for SIDC at least four weeks before its implementation and application in SIDC.

3. The NEMOs shall, at least every two years, reassess the HMMCP, share this assessment with all market participants and consult it in relevant stakeholder forums organised in accordance with Article 11 of the CACM Regulation. A reassessment may also follow any amendment in accordance with paragraph (**Error! Reference source not found.**), if the NEMOs deem it appropriate.

TITLE 3

Final provisions

Article 5

Timeline for implementation

~~2.3.~~ The NEMOs shall implement the ~~HMMP~~HMMCP for SIDC in ~~a Bidding Zone with respect to the operation of~~all bidding zones participating in the SIDC immediately after:

~~2.3.1. the common grid model methodology developed in accordance with Article 17 of the CACM Regulation, the capacity calculation methodology developed in accordance with Article 20 of the CACM Regulation, and the relevant coordinated capacity calculator has been set up in accordance with Article 27 of the CACM Regulation on the borders of the relevant Capacity Calculation Region, and~~

the MCO function has been implemented in accordance with Article 7(3) of the CACM Regulation~~, and the arrangements to accommodate multiple NEMOs developed in accordance with Article 57 are implemented in all the Bidding Zones where there are multiple NEMOs.~~.

Article 6

Language disclaimer

The reference language for the ~~HMMP~~HMMCP for ~~SIDC Proposal~~SDAC shall be English. For the avoidance of doubt, where NEMOs need to translate this ~~HMMP~~HMMCP for ~~SIDC Proposal~~SDAC into the national language(s) of the relevant ~~NRA~~regulatory authority, in the event of inconsistencies between the English version submitted in accordance with ~~article~~Article 9-(14) of the CACM Regulation and any version in another language, the relevant NEMO(s) shall be obliged to dispel any inconsistencies by providing a revised version of this ~~HMMP~~HMMCP for ~~SIDC Proposal~~SDAC to ~~their~~the relevant national regulatory authorities.

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Annex II

Evaluation of responses to the Public consultation on the proposal on harmonised maximum and minimum clearing prices

1 Introduction

Pursuant to Article 9(6)(i) and 54(1) of the CACM Regulation, all NEMOs submitted the Proposal regarding the HMMCP for SIDC to their respective regulatory authorities for approval. The date on which the last NRA received the Proposal was 17 February 2017.

The regulatory authorities agreed to request the Agency to adopt a decision on the Proposal, because they considered it necessary to ensure consistency of the processes of the two highly related proposals, i.e. the HMMCP for the SDAC and the HMMCP for SIDC. Therefore, in accordance with Article 9(11) of the CACM Regulation and Article 8(1) of Regulation (EC) No 713/2009[1], the Agency became responsible for adopting a decision concerning the Proposal as of 2 August 2017. In order to take an informed decision on the Proposal, the Agency launched a pubic consultation on 24 August 2017 inviting all interested parties to express their views on the elements of the Proposal with regard to potential amendments. More specifically, those amendments covered two SIDC related consultation questions, (i) the automatic price adjustment mechanism and (ii) the implementation timeline. The closing date for comments was 15 September 2017.

The public consultation was held together for the SDAC and SIDC proposals, therefore the evaluation of responses below contains topics related to SDAC as well.

2 Responses

By the end of the consultation period, the Agency received responses from 40 respondents.

This evaluation paper summarises all received comments and responds to them. The table below is organised according to the proposed amendments in the consultation and provides the respective views from the respondents as well as the response from the Agency how their comments were taken into account.

[1] OJ L 211, 14.8.2009, p. 1.

Respondent's views	ACER views
Question 1: For which of the three proposed options for the harmonised maximum clearing price for SDAC would have your preference? Please explain thoroughly why. - **Option 1: 3000 EUR/MWh** - **Option 2: 5000 EUR/MWh** - **Option 3: 9999 EUR/MWh**	
16 respondents favoured Option 1 and some of them raised following comments: a) GNERA: We estimate that such price is high enough to reflect market volatility. b) Respondent: Price caps should not affect trading and unnecessary increase in the guarantees. The issue of price caps is already adequately covered with the automatic adjustment rule. c) UNIDEN: Such a limit (3000) protects the consumers of any market disruptions. Moreover, increasing the price cap will increase the risk premium in forward market and consequently increase the costs for all consumers. d) ENTSO-E: Any change to the current setup should be based on an economic analysis that should take into account the impact on collaterals, market liquidity and estimations based on VoLL. e) NEMO Committee: Maintaining the currently proposed limit is the most cost efficient and safest setup for the buyers who are at risk in case of very high prices, when taking into account the cost of the	**The Agency decided that the initial value of the harmonised maximum clearing price for SDAC can be set at 3000 EUR/MWh provided that it is complemented with a more dynamic adjustment mechanism.** The views and opinions, which stakeholders expressed during the consultation, reflect two main positions. On the one hand, there are concerns that most of the consumers today are not used to estimate their individual VoLL and, for this reason, are willing to accept any price whereas the harmonised maximum clearing price for SDAC should serve the purpose of protecting the consumers from extremely high prices. Many stakeholders also expressed the concern that a higher harmonised maximum clearing price for SDAC may have an impact on the collaterals required for participation in the SDAC. On the other hand, there was support for an

Respondent's views	ACER views
guarantees, and there is no reason to increase this cost in a permanent way if it is not fundamentally justified. f) Danske Commodities: A danger of increasing the maximum price to levels higher than 3000 EUR/MWh is that market participants will deem the markets too risky to trade if bidding errors or other unforeseeable events occur. Customers might be reluctant to hedge their production if they are left with an unplanned outage and there could be a risk of maximum prices reaching +5000-9999 EUR/MWh. With very high limit, the liquidity in forward markets in Europe will suffer because of price spike risk and that long-term contracts will be a less attractive market to trade, thus creating suboptimal price formation and incorrect signals toward a true wholesale electricity price. g) EDF: An increase of the current level of maximum prices on the day-ahead market may induce some additional risks for market participants, notably concerning the management of the collaterals required by power exchanges. h) TOE: The limit of 3000 EUR/MWh seems to be sufficiently high for Polish conditions. It seems to reflect the Polish VoLL as demonstrated by the results of the latest TSO's auction for DSR services. i) EPEX SPOT: The analysis of historical prices proves that technical price limits have never been reached in EPEX SPOT markets for scarcity reasons. Higher maximum price leads to higher costs of collaterals, higher default risk of members will impact central	elimination of any price cap in order to facilitate the free price formation and contribute to a more efficient market, better signals for investment and innovation for flexible resources (in particular demand response) and a better use of existing infrastructures. While these positions may be considered as opposing each other, the Agency believes that the automatic adjustment mechanism for the harmonised maximum clearing price proposed by NEMOs, with the amendments introduced by the Agency, provides a well-balanced and proportional approach between the objectives of an efficient market, the need to protect consumers and the impact on collaterals. On the one hand, the Agency expects that the automatic adjustment mechanism provided in Annex I should prevent any situation where the harmonised maximum clearing price for SDAC would restrict the clearing prices, because the former should automatically increase whenever the clearing prices exceeds 60 percent of the harmonised maximum clearing price. On the other hand, setting the harmonised maximum clearing price for SDAC to the current value of 3000 EUR/MWh and allowing it to increase gradually in case of scarcity should allow consumers to adapt gradually to the environment in

Respondent's views	ACER views
counterparties and higher operational and imbalance risks and will expose especially small market players. j) Direct Energie: High price caps induce very high risks for both producers and retailers, especially if they do not have a large perimeter of flexible assets (like local incumbents or former monopolies) they can activate in order to compensate any imbalance. Moreover, high price caps can increase the requirements of collateral on the organised markets.	which they will need to become more active and bid into the SDAC (e.g. using their own estimate of VoLL). This would gradually also decrease the concern over the collaterals required to participate in the SDAC. The Agency therefore considers the proposal to set the harmonised maximum clearing price for SDAC equal to 3000 EUR/MWh, combined with the automatic adjustment mechanism as proposed by NEMOs and amended by the Agency, as an adequate response to the various concerns expressed by stakeholders.
3 respondents favoured Option 2 and one of them raised the following comment: a) Fortum: Currently, some market participants already provide sell bids that are close to the present 3000 EUR/MWh price limit. This indicates that very probably there exist some resources, especially on the demand side, with higher costs than 3000 EUR/MWh. Some resources can also require longer activation periods, or shutdown periods on the demand side, which means that a single hour needs to have a clearly higher price when other hours during the activation period are not so tight. If the purchase bids were curtailed due to too low P_{maxDA}, the extra costs for the curtailed part could remain unhedged and lead to major economic problems for market participants who have relied on derivative hedging contracts.	
17 respondents favoured Option 3 and some of them raised following comments:	

Respondent's views	ACER views
a) Vorarlberger Illwerke AG and Oesterreichs Energie: Price limits distort price signals and scarcity prices are of special importance for future investments. b) Energie-Nederland: The reason for implementing these increased technical price limits is to facilitate RES integration and create a demand curve that is price elastic. This level sends the right signal to the market indicating what the value is of any investment in peak capacity (generation, storage, DSR). c) BDEW: Any price cap would have negative effects on the incentives for market parties to balance themselves and, especially in moments of scarcity. d) ENGIE: Electricity prices must reflect the supply-demand balance at any moment in time and reflect scarcity during moments of system stress (e.g. peak in demand, lack of available generation, unavailable demand response), especially as the system faces more intermittent generation and therefore needs more flexibility. Any impact of higher price limits on collateral should be either very limited and/or could easily be avoided through adjusting bidding strategy by changing "price-taking orders" to "price-sensitive orders". e) ACM: Raising the price cap to the VoLL in order to reflect better the scarcity will improve price formation. It will also give a clear signal to market participants and investors that regulators are committed to efficient price formation. An automatic adjustment rule is a second best solution. Market parties have to adjust quickly, within five weeks, therefore it is better to set the maximum price closer to the	

Respondent's views	ACER views
VoLL and have market parties adjust behaviour and rules from the start. This also provides incentives for flexible production and demand side response in a timely manner. f) UPM: Having different price limits would only move volumes from day-ahead to intraday markets (e.g. if ID price limit would be higher than DA), which does not benefit the grid stability. Higher price cap would ignite new investments for peak hour production. g) Eurelectric: Energy prices should reflect market fundamentals, including scarcity in terms of time and location. A clear and precise market price signal is necessity to ensure that market participants will have accurate price signals that will drive/incentivise their dispatching decisions. h) ENEL: 9999 EUR/MWh is more in line with possible national VoLLs, which in many cases have not been calculated or updated. Higher maximum prices will allow improved pricing for flexibility and value of electricity near the real-time. In addition, it is important to avoid discrepancies between different energy markets, therefore, maximum prices for the day-ahead and the intraday markets should be kept aligned. i) EFET: 3000 EUR/MWh in day-ahead has already been reached in a few instances in the past, and thus has already constrained day-ahead market prices. Current overcapacity will be reduced following the closing and/or mothballing of some of the existing capacity, thus, high prices due to scarcity will be more likely to occur in the coming years, for example in evening hours (no PV), with low wind and high	

Respondent's views	ACER views
demand. Low caps also continuously constrain prices on the forward markets, because forward prices reflect expected spot prices.	
6 respondents do not have any preferences with respect to the maximum price and just reflect the fact that the price should be 'high enough' and reflect the scarcity at the markets.	
Question 2: Do you have any concern with respect to the new proposed automatic adjustment rule for the harmonised maximum clearing prices for SDAC and SIDC? If so, please explain thoroughly why.	
21 respondents agreed with the newly proposed automatic adjustment rule and raised the following comments: a) Vorarlberger Illwerke AG and Oesterreichs Energie: A single trigger for automatic adjustment can prevent major distortions and increase the efficiency of the market by converging faster to the VoLL. b) Jämkraft: If the price caps were not raised in a fast way, it would delay the investments in new capacity. c) DIHK: Functioning energy only markets with peak pricing are necessary to avoid the introduction of capacity markets. The introduction of a more dynamic automatic adjustment mechanism seems reasonable to ensure that technical limits approach the value of lost load as soon as possible. d) Cefic: Suggests downward adjustment mechanism as well.	**The Agency deems it important that the adjustment mechanism is more dynamic than the one proposed by NEMOs.** In the Agency's view, the NEMO's proposal entails a rather high likelihood that the price limits will not increase even in case of legitimate scarcity conditions. For example, in case the scarcity condition would occur once every two weeks, the NEMO proposal would fail to adjust the price limit, which would represent a detrimental distortion of market signals and free price formation. With the Agency's amendment, such likelihood would significantly decreases.
7 respondents partially agreed with the newly proposed automatic adjustment rule and raised the following comments:	Some stakeholders correctly identified that accidental and isolated events should not result in increased price

Respondent's views	ACER views
a) Association of Energy Users in Finland: There must be an automatic adjustment rule, which will lower price caps to normal level as well. Proposes to increase the 60% threshold to 100% and to introduce a separate automatic decreasing mechanism, if the prices did not reach 50% of the maximum price for 10 days. b) Fortum: High peak prices occur rarely and are impacted by unexpected plant or grid failures. Thus one exceeding of the 60% price limit (instead of the 3) is an appropriate trigger to increase the PmaxDA in order to secure that the maximum price does not cause any obstacles in utilising high-cost resources to always clear the day-ahead market. c) Holding Slovenske Elektrarne: Proposes shorter adjustment period (e.g. 5 days). d) VIESGO: If the prices of both markets were not aligned, SIDC could be affected by operational price limitations, not amended by SDAC's mechanism. Proposes to set mirroring adjustment rule for SIDC. e) IFIEC: Price caps for the day-ahead and intraday markets are not required provided Balancing Responsible Parties are adequately stimulated to keep their portfolios balanced and appropriately penalised if they fail to do so. On the other hand, and to the extent that higher price caps in the day-ahead and/or intraday markets would cause hedging costs in the forward market to increase, energy consumers have no interest in higher caps. f) EPEX SPOT: "1 time rule" will create a situation where the PmaxDA will be raised based on a single occurrence of surpassing the	limits. Furthermore, some stakeholders asked for an automatic mechanism to decrease the maximum price limits. The agency carefully evaluated these concerns by evaluating the possible effect of price limits being influenced by accidental and isolated events or by automatic decrease mechanism. On the one hand, excluding accidental and isolated events from the automatic adjustment mechanism would require additional rules on governance of such mechanism. Therefore, the document would need to identify the entity responsible for evaluating and deciding whether the event was a legitimate scarcity situation or not. Furthermore, such process would require significant time for evaluation and decision-making, thus significantly delaying the applicability of the adjustment. This would again significantly reduce the dynamism of the adjustment rule, which is necessary to minimise the likelihood that the price limits restrict the free price formation. On the other hand, the Agency evaluated the consequences of an event where the accidental or isolated event would trigger the adjustment mechanism. In the Agency's understanding, the adjustment of the maximum price limit would indeed increase the risk for

Respondent's views	ACER views
threshold, which does not have to be a result of scarcity. It will probably be due to operational issues, such as order or capacity entry errors, or a situation without relevance for wider EU application, or a local supply squeeze in only one market time unit with no relevance for the whole EU power system. Furthermore, the "1 time rule" based on one incident will also add unnecessary stability risks and process risks. An escalation occurring too quickly, e.g. in winter's time, has to be avoided. EFET suggests '3 time rule', 10,000 EUR/MWh cap, automatic price decrease mechanism. g) Nordic regulators: Propose to replace the 60% trigger rule by an absolute value in EUR, e.g. 1,500 EUR/MWh below the maximum price.	consumers and or suppliers and potentially the costs of collaterals. However, this would only affect those consumers and/or suppliers, which are currently willing to accept any price and do not actively bid into the day-ahead market using their own estimate of VoLL. Such consumers rely on administrative protection against high prices. The Agency considers it important that the maximum price limits represent the VoLL as required by the CACM Regulation and this position was actively supported by the Agency and NRAs in their white paper on efficient wholesale price formation.[2] Such long-run objective can only be supported if consumers/suppliers are incentivised to actively bid into the market using their own estimate of VoLL. In this way, the price limits will reflect the VoLL as determined by the consumers (and/or suppliers) rather than through an administrative decision. Keeping price limits at a lower level with a conservative adjustment mechanism may therefore appear to be in consumers' interest in the short term. However, such a choice could distort the free price formation and have detrimental long-term effects for EU's consumers. One of
9 respondents disagreed with the newly proposed automatic adjustment rule and raised the following comments: a) UNIDEN: Strongly against the upward adjustment of the maximum clearing prices in Day-Ahead markets especially in countries, in which there is already a capacity mechanism already supporting peak production investments and demand side response development and which cost is born by the consumers; consumers cannot pay the bill twice. Opposes the automatic adjustment mechanism and proposes to increase the automatic adjustment	

[2] This position of the Agency in the "European Energy Regulators': White Paper # 4: Efficient Wholesale Price Formation Relevant to European Commission's Clean Energy Proposals" of 30 May 2017, see http://www.acer.europa.eu/official_documents/position_papers/position%20papers/wp%20acer%2004%2017.pdf

Respondent's views	ACER views
trigger from 60% to 100% and apply it only in the concerned bidding zone(s). b) ENTSO-E: In order to avoid strategic bidding between different market time horizons and consider decreasing flexibility of generation units due to technical restrictions, the clearing price limit for the intraday market should always be higher than day-ahead. Every increase should be communicated and consulted with market participants to provide stable market conditions. c) UPM: Changing price limits would distort spot price formation, could lead to inefficient and unexpected behaviour from the market participants and will increase market participants' system costs. d) NEMO Committee: "one time rule" would introduce a significant risk that the amendment of maximum clearing price could end up being based indeed on an isolated event, in time and space, which could be due to "gaming/manipulation" or a "black swan" like situation with little or no relevance for wider EU application, and which would not in our view justify an adjustment of the max clearing price across all Bidding Zones in the Single DA Coupling. Alternatively proposes, with the single trigger rule to introduce additional conditions regarding volumes of energy. e) Danske Commodities: The risk management will be challenged as the range of settlement prices will be uncertain. This could reduce market liquidity if market participants would deem this as unmanageable risk. The added risk could possibly also increase	such effect could be the increasing reliance on capacity remuneration mechanisms as a mean to ensure sufficient stream of revenues to resources serving peak demand. In the light of these arguments, the Agency deems it more important to minimise the likelihood of price limits preventing the free price formation than administratively protecting those consumers from high prices.

Respondent's views	ACER views
trading costs as clearing banks will demand increasing collateral, which again, could affect market liquidity in a negative direction. f) EDF: Suggests a one-off automatic adjustment of PmaxDA limited to the time units in which PmaxDA is likely to distort free price formation on the SDAC. This adjustment could be implemented by using the existing back-up procedures (e.g. the second day-ahead auction to be held at 12:30 in D-1) which would allow to re-run the day-ahead market with higher technical price limits for the time units in which the PmaxDA was reached in the first run. This mechanism would ensure that the day-ahead market prices systematically reflects the actual demand-supply equilibrium (i.e. with no delay, as it could result from ACER's proposal) while preserving market participants from the potential additional costs related to a permanent increase of the technical price limits. g) TOE: Suggests 90% as a limit trigger parameter, as the recent 60% is too low and too dynamic. h) Direct Energie: In case of curtailment in the spot auction, buyers of forward products should go to the intraday market in order to purchase (again) the volumes that have been curtailed. In order to avoid financial losses, it is then necessary to have a similar price caps for all market maturities. Not in favour of an automatic adjustment rule, especially since no decrease adjustment rule is proposed after scarcity periods are ended.	
3 respondents had no view on this question.	

Respondent's views	ACER views
Question 3: Do you have any concern with respect to the new proposed implementation date? If so, please explain thoroughly why.	
16 respondents agreed with the proposed implementation timeline.	After evaluation of these reponses, the Agency does not see the need for changes to the implementation timeline proposed by the Agency in the consultation document. This is because the Agency deems the implementation of the MCO functions as the only relevant condition for implementing the harmonised maximum and minimum clearing prices (as they are indeed needed for the operation of SDAC and SIDC). Other conditions proposed by NEMOs are considered as not relevant for the operation of SDAC and SIDC.
1 respondent partially agreed with the proposed implementation timeline with the following comment: The proposed implementation date is fine, if the solution is to have stable price limits. If the automatic adjustment is implemented, then more time has to be reserved for market participants' system development.	
4 respondents expressed their view that the Proposal should be implemented 'as soon as possible'.	
2 respondents disagreed with the proposed implementation timeline. Association of Energy Users in Finland provided the following comment: For the Nordic consumers, it is important that the rules for second auction in the day-ahead market are harmonised to all price areas, which are using the same algorithm for the day-ahead price calculation before establishing automatised rules for price caps.	
17 respondents had no view or concern on this question.	