

DECISION OF RAE UNDER NO. 1456/2020

Amendment of Decision of RAE No. 870/2020 regarding the definition of the Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market, for which HEnEx examines the possibility of conducting a Second Auction, according to the provisions of sub-sections 4.5.1 and 4.5.2 of the Day-Ahead and Intra-Day Markets Trading Rulebook and article 18 par. 4 of the L. 4425/2016, as in force

The Regulatory Authority for Energy

During its ordinary meeting, at its headquarters, **on the 22nd of October 2020** and

Taking into account:

1. The provisions of Chapter C' *"Stipulations coming under the competency of the Ministry for the Environment and Energy"* of L. 4425/2016 *"Urgent regulations of the Ministries of Finance, Environment and Energy, Infrastructure, Transport and Networks and the Ministry of Labor, Social Security and Social Solidarity, on the application of the agreement on fiscal targets and structural reforms and other stipulations"* (GG A' 185/30.09.2016), and in particular article 18 par. 4, as in force.
2. The stipulations of L. 4001/2011 *"On the operation of Energy Markets for Electricity and Natural Gas, for Research, Production and Hydrocarbon transmission networks and other regulations"* (GG A' 179/22.08.2011), as applying.
3. The Day-Ahead and Intra-Day Markets Trading Rulebook, (decision of RAE under the No. 1116/2018, GG B' 5914/31.12.2018, as applying following its modification by the No. 820/2020 Decision of RAE, GG B' 1941/21.05.2020), and in particular the sub-sections 4.5.1 and 4.5.2 of section 4.5.
4. The Decision of the Deputy Minister of Environment and Energy *"Setting a schedule for the date of commencement of the Day-Ahead, Intra-Day and Balancing Markets of L. 4425/2016 (A' 185), as applying"* (ΥΠΕΝ/ΔΗΕ/7083/112, GG B' 172/30.01.2020).
5. The Decision of 23/01/2020 of the Deputy Minister of Environment and Energy *"Determination of a timetable for Go-live of Day-Ahead Market, Intra-Day Market and Balancing Market of L. 4425/2016 (A' 185), as applying, according to par. 1 of Art. 1 of L. 4643/2016 (A'193), as in force"* (GG B' 2853/13.07.2020)

6. The no. 1298/2020 RAE decision, "*on the Go-Live date of non-coupled operation of Day-Ahead and Intra-Day Market in accordance with the provisions of Article 9 thereof L. 4425/2016 (AD 185), as in force, and the provisions of Chapter 7 of the Day-Ahead and Intra-Day Market Rulebook, as applies*"¹
7. The provisions of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal electricity market (restatement) (EU L 158 dated as of 14.06.2019 p. 54).
8. The provisions of the Regulation (EC) 714/2009 of the European Parliament and of the Council of 13th of July 2009 on network access conditions for cross-border trading in electricity and repealing the Regulation (EC) No. 1228/2003 (EU L 211 dated as of 14.08.2009 p. 15).
9. The stipulations of the Regulation (EU) 2015/1222 of the Committee dated as of July 24th, 2015 establishing a guideline on capacity allocation and congestion management (EEL 197 dated as of 25.07.2015, p. 24 sqq.) (hereinafter "Regulation (EU) 2015/1222").
10. No. 4/2017 dated as of 14.11.2017 Decision of ACER "*on the nominated electricity market operators' proposal for harmonised maximum and minimum clearing prices for single day-ahead coupling*"²
11. The No. 1124/2019 Decision of RAE "*On defining the public limited company "HELLENIC ENERGY EXCHANGE S.A." and distinctive title HEnEx S.A." as "Nominated Electricity Market Operator/NEMO", in accordance with paragraph 2 of the article 8 of L. 4425/2016 (GG A' 185/30.09.2016), as applying*".
12. The No. 36/2020 Decision of RAE "*Approval, in accordance with par. 1 of article 9 of L. 4425/2016 and par. 1 of the article 117C of L. 4001/2011 as applying, of the operation of the public limited company operating under the name "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEnEx S.A." as Energy Exchange for the administration and operation of the Day-Ahead and Intra-Day Markets*" (GG B'742/10.03.2020).
13. The RAE decision No. 870/2020 "*Determination of the Maximum and Minimum Price Thresholds of Day-Ahead Market, for which HEnEx considers the possibility of a Second Auction, in accordance with the provisions of sub-sections 4.5.1 and 4.5.2 of Day-Ahead and Intra-Day Trading Rulebook and par. 4 of article 18 of law 4425/2016, as applies*" (B' 2385).
14. The under Reg. No. RAE I-258026/02.04.2019 proposal of HEnEx S.A. regarding the modification of Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market, for which, HEnEx S.A. considers the possibility to conduct a Second Auction subject to the provisions of section 4.5 of the Day-Ahead and Intra-Day Markets Rulebook, as approved and in force.

¹ http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/gen/1109.csp

² http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2004-2017%20on%20NEMOs%20HMMCP%20for%20single%20day-ahead%20coupling.pdf

15. The Public Consultation of RAE on the above mentioned proposal of HEnEx S.A, that took place 08.09.2020 until 11.09.2020³ and on which remarks have been submitted and published to the RAE website⁴:
 - (a) The under Reg. No. RAE I-288075/11-09-2020 letter of the PPC S.A.
 - (b) The under Reg. No. RAE I-288086/14-09-2020 letter of ESEPIE
16. The RAE O-84163 / 25-09-2020 electronic RAE document to HEnEx S.A., regarding the indexing of the comments of the above Public Consulting and submitting opinions on them.
17. The document under RAE I-289217 / 02-10-2020 of HEnEx S.A. (HEnEx: 2037 / 30-09-2020), with subject: "Submission of replies to the comments of the Public on the recommendation on the definition of the Maximum Average Daily Price Threshold, for which HEnEx SA is examining the Second Auction".
18. The fact that, according to par. 4 of Art. 18 of N. 4425/2016, the methodologies of Markets Rulebooks are decided by RAE, after the consultation of Market Operators and they are published to the Government Gazette.
19. The fact that the provisions hereof do not entail any charge on the State Budget.

Has come to the following conclusions:

I. On the legislative and regulatory framework

Because, in article 18 "***Preparation and amendment of the Rulebooks and Codes of the Markets***" of L. 4425/2016, as applying, the following are provided:

"[...] 4. Methodologies, parameters and other special approvals provided by the Market Codes, are decided by RAE, following a suggestion of the Market Operators and are published in the Government Gazette. [...]"

Because, in section 4.5 "***Second Auction Procedure***" of Day-Ahead and Intra-Day Market Trading Rulebook (hereafter the "Rulebook"), as it is approved by RAE Decision 1116/2018 and amended with RAE Decision 820/2020 and Decision 1228/2020 (rel. 3):

"1. The Second Auction procedure is provided in cases where the Market Clearing Price, as derived from the Day-Ahead Market Coupling Algorithm solution, is equal to or exceeds a predetermined Maximum or Minimum Price Threshold, for one or more Market Time Units for one or more Bidding Zones. The Second Auction procedure allows HEnEx to open the Local Order Book for a short period of time, which HEnEx announces by any appropriate means. Participants have the option to modify their bids, to improve the outcome of the Day-Ahead Market Matching Algorithm solution."

³ http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/gen/0809_1.csp

⁴ http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/maj/230920_2.csp

2. *The procedure of the Second Auction may be activated **also in the non-coupled operation** of the Day-Ahead Market. "*

In this regard, in accordance with sub-section 4.5.1 **"Second Auction Procedure in the non-coupled operation of the Day-Ahead Market"** of the Rulebook, as applying:

"1. HEnEx completes the control of the Market Clearing Price directly after the settlement of the Day-Ahead Market and the receipt of the Results. In case HEnEx finds an equality or exceeding a predetermined Maximum or Minimum Price Threshold, for one or more Market Time Units, for one or more Bidding Zones, HEnEx rejects the Day-Ahead Market Results.

2. HEnEx sets the Local Order Book available to the Participants.

3. HEnEx notifies the Participants of the Local Order Book opening time and provides the Participants with any other information deems necessary for their right participation in the Order re-submission procedure.

4. HEnEx performs all necessary actions for the successful completion of the Second Auction.

5. No further Auction is held in case following the Second Auction the Market Clearing Price equals to or is higher than a certain predefined Upper or Lower Price Threshold for one or more Market Time Units.

6. The predefined Maximum or Minimum Price Thresholds of the Clearing Price for the non-coupled operation of the Day-Ahead Market for which HEnEx examines the possibility of conducting a Second Auction, are defined on a basis by a RAE Decision, upon HEnEx's recommendation."

Because, in accordance with sub-section 4.5.2 **"Second Auction Procedure in the coupled operation of the Day-Ahead Market"** of the Rulebook, as applying:

"1. HEnEx checks the Market Clearing Price during the process of Preliminary Market Coupling Results evaluation. In the event that the Market Clearing Price is equal to or exceeds a predetermined Maximum or Minimum Price Threshold for one or more Market Time Units in one or more Bidding Zones, it shall immediately notify the MCO and reject the Preliminary Market Coupling Results.

2. If, as part of the MCO function, a Second Auction is decided to be executed, HEnEx has the right to open the Local Order Book to Participants. No Second Auction can be executed if the Market Clearing Price is equal to or exceeds a predetermined Maximum or Minimum Price Threshold for one or more Market Time Units for one or more Bidding Zones, if partial Decoupling has preceded.

3. If HEnEx decides to open the Local Order Book, it shall inform Participants of the opening of the Local Order Book and provide them with any other

information it deems necessary for their proper participation in the resubmission of Orders.

4. If HEnEx decides to open the Local Order Book, it shall send to the MCO the amended Local Order Book and perform all necessary actions for the successful execution of the Second Auction in coordination with other NEMOs as part of the MCO Plan.

5. No further Auction is held in case following the Second Auction the Market Clearing Price equals to or is higher than a certain predefined Upper or Lower Price Threshold for one or more Market Time Units.

6. In the event that the MCO has not completed the Global Confirmation of the Second Auction Results by the prescribed Full Decoupling period, HEnEx shall operate the Day-Ahead Market in Full Decoupling mode.

7. The pre-defined Maximum or Minimum Clearing Price Market Thresholds in coupling operation, for which HEnEx examines the possibility of conducting a Second Auction are defined annually by a RAE Decision, upon HEnEx's recommendation."

II. On the proposal of HEnEx S.A. as regards the definition of Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market, for which, HEnEx considers the possibility to conduct a Second Auction

Because, with its relevant document 14, HEnEx S.A. (hereinafter referred to as "HEnEx") submitted a proposal to RAE by amending no. 870/2020 of its RAE decision (ref. 13) on the determination of the Maximum and Minimum Market Clearing Price Thresholds, for which HEnEx is considering the possibility of Second Auction, according to the provisions of subsections 4.5.1 and 4.5.2 of Rulebook and par. 4 of article 18 of law 4425/2016, as they apply.

In particular, HEnEx recommended for the non-coupled operation of the Day-Ahead Market, in addition to those already approved by the rel. 13 Decision of Maximum and Minimum Clearing Price thresholds, to be inserted, additionally and the average daily Clearing Price of the Day-Ahead Market, as the Maximum Threshold for which HEnEx is considering the possibility of a Second Auction.

Because, as stated by HEnEx in the rel. 14 documents to substantiate its proposal, from the results of ongoing tests for new Markets, which it has carried out to date, it has become apparent that credits are scarcity to the quantities of Buy/Sell in the configurable Order Book comparable to the submitted Offers and Declarations of the current Day-Ahead Scheduling for technical and non-technical reasons, such as technical failures, lack of understanding of new procedures of Orders and Credit Risk coverage and / or difficulty of the participants in responding to within the existing time limits in the submission of buy /Sell Orders to the Day-Ahead Market.

Because, the above mentioned shortcomings have direct impact on the formation of the Market Clearing Prices of Day-Ahead Market. Specifically, according to the results of the Day-Ahead Market for the indicatively examined Delivery Days reported by HEnEx in its letter, the Market Clearing Price of the Day fluctuated higher compared to DAS levels in the area of 150 € / MWh.

Because, in that regard, HEnEx proposes, exclusively for the duration of the non-coupled operation of the Day-Ahead Market, starting from Delivery Day of 1 November 2020 (ref. 6), to be examined by this and the average Daily Market Clearing Price of Day-Ahead Market at the level of +150 € / MWh, as a Maximum Threshold in order to conduct a Second Auction.

Because, RAE submitted the relevant HEnEx recommendation to Public Consultation from 08-09-2020 until 11-09-2020 (rel. 15). In the context of the public consultation, comments were received from PPC and ESEPIE. With the HEnEx letter (rel. 17), HEnEx submitted to the Authority its views on the Participants' comments of the aforementioned Public Consultation, as well as relevant documentation whether or not to accept the comments of the Public Consultation.

Because, in the above consultation, it was proposed by Participants the determination of the Maximum Average Daily Market Clearing Price of the last five years as a Maximum Threshold. Given that the market solution algorithm is different between DAS (existing algorithm) and DAM and the different tradable types of Orders in DAM and the different regulatory framework and market model, the use of DAS results as a reference point for the establishment of such limits cannot be considered. On the contrary, the one proposed Threshold by HEnEx arises as a result of observation and analysis of the results of the executions tests for new Markets.

Because, in addition, another Participant requested in the Public Consultation the amendment of section 4.5 of the Rulebook in order to introduce a restriction in the offers submitted by the Participants in terms of Second Auction, so that only improved Orders are submitted compared to the initial Orders in Day-Ahead Market. This is not in line with the procedure for conducting the Second Auction, as already in force and applies to all European Day-Ahead Markets, participating in Multiregional Market Coupling (MRC) area and 4M MC area, and in which the possibility of Second Auction is provided. In particular, to open the Local Order Book by NEMOs for a period of ten (10) minutes, the Participants have the opportunity and not the obligation to resubmit their Buy and Sell Orders, without any specific condition for price or quantity of the new Orders to be submitted.

Because, after analyzing the Market Clearing Prices of Day-Ahead Market by the Authority for the Delivery Days 05-03-2020 to and 09-10-2020 (total 161 days), where HEnEx carried out the respective tests, it was observed that by setting the average daily Market Clearing Price at the level of € 150 / MWh as only additional to the Maximum Threshold for the above period, HEnEx would perform a Second Auction for four (4) days only, where for one (1) of which (20-06-2020) would have

already been carried out, because of the already established Maximum Threshold (+1,500 € / MWh).

Because, in addition, they were investigated in more detail by the Authority referred Delivery Days in the HEnEx letter on which shortcomings were identified in the emerging Order Book for technical and non-technical reasons resulting in a significant effect on the formation of Market Clearance Prices for DAM. Based on the results of the analysis, it was observed that the adoption of the average daily Market Clearing Price equal to 150 € / MWh as a Maximum Threshold was insufficient for conducting Second Auction, in accordance with of HEnEx recommendation, however it is important to take it as well take into account the frequency of consequent Delivery Days where the Market Clearing Price is observed to be equal to 150 € / MWh. Consequently, if the Market Clearing Price, as shown by the DAM solution, equals or exceeds 150 € / MWh, for a sufficient number of consecutive Delivery Days, for Greek Bidding Zone, that HEnEx will consider the possibility of a Second Auction.

Because, the additional regulatory limits of the Market Clearing Prices have a limited duration, i.e. during the non-coupled operation of the Day-Ahead Market. In addition, their definition stems from the need to familiarize the Participants with the new environment of the Electricity Markets, while recognizing that liquidity and the emerging price level of the Day-Ahead Market can have a direct impact on both Wholesale as well as Retail Electricity Markets.

Because, in the event that after its execution Second Auction, the Market Clearing Price of one or more Market Time Units is again outside the predefined limits, then no further auction is held in the Day-Ahead Market.

Because, the purpose of the Second Auction is the improvement of the Market Clearing Prices in Day-Ahead Market in order to maximize the social surplus, since the Participants have the opportunity to resubmit Improved Buy and Sell and therefore change the Market Clearing Prices.

Because, both the average daily Clearance Price at level of +150 € / MWh as well as the Market Clearing Price for ten (10) or more consecutive Day-Ahead Market Time Units at level of +150 € / MWh as additional Maximum Clearing Price Thresholds for activation of the Second Auction procedure during the non-coupled operation of the Day-Ahead Market, they are reasonably judged by the Authority, since they are substantiated by the results of tests without imposing any limitation in the electricity trade and are intended to make the transition from the existing DAS to the Markets of Target Model in a smooth and efficient way,

Decides:

Within the frame of its duties, subject to article 18, par. 4 of L. 4425/2016, and the provisions of sub-sections 4.5.1 and 4.5.2 of the Day-Ahead and Intra-Day Market Rulebook, as applying, the amendment of the Decision of RAE under no. 870/2020 regarding the Definition of the Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market (GG B' 2385/17.06.2020), as follows

1. The definition of the Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market during the **non-coupled** operation, for which HEnEx examines the possibility of conducting a Second Auction, as follows:
 - Maximum Price Threshold: one thousand five hundred Euros per Megawatt Hour (+1500 €/MWh).
 - Minimum Price Threshold: minus one hundred fifty Euros per Megawatt Hour (-150 €/MWh).
 - Maximum Daily Average Price Threshold: one hundred fifty Euros per Megawatt Hour (+150 €/MWh).
 - Maximum Price Threshold for 10 or more consecutive Market Time Units (MTUs): one hundred fifty Euros per Megawatt Hour (+150 €/MWh).

2. The definition of the Maximum and Minimum Clearing Price Thresholds for the Day-Ahead Market during the **coupled** operation, for which HEnEx examines the possibility of conducting a Second Auction, as follows:
 - Maximum Price Threshold: one thousand five hundred Euros per Megawatt Hour (+1500 €/MWh).
 - Minimum Price Threshold: minus one hundred fifty Euros per Megawatt Hour (-150 €/MWh).

3. The entry into force of this decision from the day of commencement of operation of the Day-Ahead Market

This Decision is notified to the company "Hellenic Energy Exchange S.A.", posted on the official website of RAE and published in the Government Gazette (GG).

Athens, 22 October 2020

The President of RAE

Assist. Prof. Athanasios Dagomas