UFE's reply to the All Nemo Committee consultation around the Fallback concept for SDAC

Market Participants Consultation Preparation - Fallback Concept for SDAC
TSOs and NEMOs are requested to investigate an alternative fallback mechanism for SDAC where intraday continuous trading (SIDC CT) is used for both capacity allocation, replacing Shadow Auctions, and determining SDAC reference price formation in case of either full decoupling or partial decoupling of all NEMOs in a bidding zone (the case when it is impossible to calculate the SDAC price). The details of this concept are presented in the last MCCG on the ENTSO-E and NEMO Committee websites.

It has to be emphasized that the fallback proposal is currently a concept under discussion. The geographical scope, the potential implementation deadline as well as the timing of the planned process steps are currently under discussion. Therefore, it should not be considered as agreed among the TSOs and the NEMOs. The survey is related to the proposal of implementing SIDC CT as fallback for SDAC for capacity allocation in the following borders, namely FR-ES, FR-IE, FR-BE, FR-DE, BE-NL, BE-DE, NL-DE, DE-PL, DE-CZ, DE-AT, PL-SK, PL-CZ, PL-LT, CZ-AT, CZ-SK, AT-HU, AT-SI, SK-HU, SI-HR, SI-HU, HR-HU, HU-RO, RO-BG and using SIDC CT as fallback for the SDAC reference price formation in the following BZs – France, Belgium, The Netherlands, Germany, Austria, Poland, Romania, Slovenia*, SEM** and Croatia*. For the borders NL-NO2, NL-DK1, DE-NO2, DE-DK1 and DE-DK2, TSOs have already submitted an amended fallback methodology for approval by the Hansa NRAs. For the borders DE-SE4 and PL-SE4 intraday continuous as fallback methodology already applies.

The following questions aim to collect feedback on the fallback concept to understand the key drivers and potential limitations of the market participants active in zones that would apply the fallback concept. This feedback will help TSOs and NEMOs to finalize this fallback concept.

It is particularly important for TSOs to understand how this fallback will affect the scheduling process of market parties. TSOs rely on the submitted schedules in their consecutive planning processes, therefore it is important to receive schedules that reflect the best estimate of the planned positions for the next day from market parties. This is what is meant by 'reliability' in this survey related to the scheduling.

Disclaimer: TSOs and NEMOs will not publish individual feedback answers given by stakeholders, aiming at allowing answers and positions to remain anonymous. For operational safety, all exceptions to a Normal Day are clearly and very well described in the operational procedures, included the case where there is the complete impossibility to calculate the SDAC clearing price for all the Bidding Zones or just one. Nevertheless, it is worth to remind to all parties that since the start of Market Coupling in SDAC, neither a Full Decoupling nor a decoupling of a Bidding Zone where more than one NEMOs is operational took place.

*Slovenia and Croatia are planned to become MNA areas in 2026
**SEM area (representing Northern Ireland and Republic of Ireland) is planned to become MNA in 2026/2027.

Clarification of terms used in this survey:

- *SIDC CT* — Single Intraday Coupling, Continuous Trading — This refers to continuous trading on the coupled intraday market for power (XBID).
- *Shadow Auctions* — Current fallback mechanism for some borders in SDAC.
- *SDAC (or DA) reference price* — Price that is calculated, in the fallback concept, based on SIDC CT trading that serves as a replacement for the SDAC price in case the SDAC price is not available

3.In which electricity markets are you active in?

4.In which role(s) do you act within those countries?

- Trader
- Significant grid user
- Retail company
- Balancing service provider
- Balancing responsible party

High-level Acceptance of the Proposed Fallback Concept

5.Do you support the proposed new fallback concept?

- Yes, fully
- Yes, partially
- No, rather not
- No, not at all
- Not applicable

6.Which aspects do you consider critical, which aspects do you support, which aspects do you find blocking points?

TSO nomination deadline and intraday continuous market fallback proposal:

In parallel, **UFE supports postponing the TSO nomination deadline**, as this would provide additional time to resolve SDAC incidents. In this respect, UFE recalls that **TSOs in the Nordic and Baltic CCRs already apply more flexible approaches around this deadline when decoupling risks arise**. UFE therefore supports a delay of nomination deadlines by at least 30 minutes, as currently outlined in the proposal, in order to extend the decoupling deadline. In this respect, UFE would welcome clarifications on how NEMOs intend to use this time to effectively identify, analyse and resolve incidents affecting SDAC coupling.

However, **UFE considers that significant uncertainties remain at this stage regarding the proposal by TSOs and NEMOs to rely on an intraday continuous market fallback**:

- First, UFE considers **that the rationale put forward to link the TSO nomination deadline with the withdrawal of shadow auctions remains insufficiently substantiated at this stage**. Given the far-reaching implications of such a change, **a clear, robust and conclusive relationship between these two elements needs to be demonstrated and shared with market participants**.

- Second, UFE wishes to underline the **fundamental structural differences between the intraday continuous market and the day-ahead auction**. Under continuous intraday trading, cross-zonal capacities would be allocated on a **first-come-first-served basis**, potentially for the entire available volume, including capacities that would otherwise have been allocated in the day-ahead timeframe. This raises concerns as to whether **"racing" behaviours and risks of discrimination between market participants** could become predominant under such a design.

Moreover, while market participants are expected to bid at marginal cost in **pay-as-cleared auctions**, this incentive structure does not apply in a continuous, pay-as-bid environment, thereby introducing **well-known inefficiencies**. In addition, since **SIDC continuous trading does not offer block order functionalities equivalent to those of the day-ahead market**, market participants would struggle to reflect their technical constraints with the same level of efficiency **which could further affect the representativeness of the resulting price outcomes.** It raises the question of the robustness of price formation for dispatch and operational decisions and of the representativeness of the resulting SDAC reference price under such a fallback design.

- Third, **UFE highlights the current lack of visibility regarding the liquidity that could be expected if the intraday continuous market were to become the SDAC fallback**. In several bidding zones, intraday liquidity remains limited and may not be sufficient if this timeframe were to become central to the market design. While it can reasonably be expected that some volumes would shift from SDAC to intraday trading, **the dynamics of such a transfer remain unclear**, notably with respect to the availability of sufficient volumes in the first minutes of trading.

This raises concerns regarding the **relevance of the resulting reference price**, the **ability of market participants to obtain a clear view of their portfolios**, and ultimately the **quality of schedules submitted to TSOs**. These issues are particularly acute if the reference period is limited to only 30 minutes. Conversely, should large volumes materialise within this short timeframe, it remains uncertain whether the intraday market would be capable of absorbing such a shock, in light of the **performance issues currently observed on SIDC**. UFE would therefore welcome **additional details from NEMOs and TSOs on these performance constraints** in order to properly assess the proposal.

In conclusion, **UFE supports further work to reduce the likelihood of decoupling and improve fallback arrangements, with a focus on ensuring the emergence of a single and reliable SDAC price reference**. UFE considers that the proposal to remove shadow auctions requires clearer justification and framing, in particular regarding the limited additional time it is expected to make available in the operational process and its concrete impact on decoupling risks. At this stage, UFE also considers that the SIDC continuous trading option has not yet demonstrated sufficiently robust properties in terms of SDAC price reliability and therefore expresses strong reservations regarding the proposal.

Bid Transfer, Trading Capability, and Process Timings

7.From a technical perspective, how much time would you need to transfer your bids from the Day-Ahead timeframe (SDAC) to the Intraday timeframe (SIDC CT) in the fallback scenario?
Please provide the minimum and maximum time, in minutes.

8.How would the transfer of bids be implemented in your organization?

- Immediately, in a single step (considering the technical minimum time needed as indicated in the previous question) after decoupling is announced

- Gradually (continuous / stepwise) transfer
- It depends on the specific market situation
- Not applicable

9.Additional remarks and/or comments on how the transfer of bids would be implemented in your organization:

10.How much time would you consider sufficient to trade in SIDC CT before the snapshot for the SDAC Reference Price is taken?
Please provide the minimum and the maximum time in minutes

11.How would your internal processes be affected if a postponement of the full decoupling deadline leads to a start of SIDC CT without cross-zonal capacities (that would only be available once the ID Capacity Calculation process has been completed)?

- No impact
- Minor impact
- Moderate impact
- Significant impact

12.Please elaborate on how your internal processes would be affected if a postponement of the full decoupling deadline leads to a start of SIDC CT without cross-zonal capacities (that would only be available once the ID Capacity Calculation process has been completed)?

Reliability of Portfolios, Nominations, and Schedules
13.Would the proposed fallback concept affect your ability to submit generation and load schedules to your national TSOs in a timely and accurate manner?

- Yes
- Limited in accuracy
- Other limitation
- No
- Not applicable

14.Please elaborate why you selected 'Limited in accuracy' or 'Other limitation'

15.How does this fallback concept compare with the current fallback process in terms of submission of reliable generation and load schedules?

- Better
- Same
- Worse
- Not applicable

16.Please elaborate your answer to how this fallback concept compares with the current fallback process

17.Under the conditions of the proposed fallback concept; once the SDAC reference price is published; what is the minimum time you would need to provide reliable generation and load schedules to the respective TSO?

Please provide the minimum and the maximum time in minutes

Dependency on the Day-Ahead Reference Price

18.Would you participate in the SIDC CT before the Day-Ahead reference price is available?

- Yes
- No
- Not applicable

19.If 'No', please explain

20.Do you rely on the Day-Ahead reference price to prepare your nominations?

- Yes, essential
- Yes, but not critical
- No
- Not applicable

21.Does the time at which the DA reference price is published influence your trading decisions?

- Yes, significantly
- Yes, but minor
- No
- Not applicable

22.If 'Yes, significantly', please elaborate

23.Under the proposed fallback scenario, do you expect liquidity in continuous intraday trading in your bidding zone to be sufficient to support a robust calculation of the Day-Ahead reference price?

- Yes
- Partially
- No
- Not applicable

24.If 'Partially' or 'No', which of the following do you see as the main reasons for likely insufficient liquidity?

- Overall traded volumes remain too low
- Trading is too back-loaded (concentrated late / close to gate closure)
- Delayed or uncertain cross-zonal capacity availability
- High bid-ask spreads or volatility deterring early trades
- Autre

Regulatory and Market Rule Preconditions

25.Do you foresee any need for amendments to national legislation, market rules, or other binding frameworks to implement the proposed fallback concept?

- Yes
- No

26.If 'Yes', what amendments would be required?

By the same logic, and in a similar manner to the modification of the fallback arrangements in case of partial decoupling—following the introduction of volume allocation at the SDAC price—which led to an update of the Multi-Nemo Agreement (MNA) in France, any modification of the fallback arrangements in the event of full decoupling would likewise be expected to trigger an update of the MNA.

Based on the process described in articles 45 and 57 of the CACM regulation for the development of MNA, and by reference to the process observed in France for updating the MNA in order to implement the new fallback procedure in case of partial decoupling, such an update for the implementation of a new fallback procedure in case of full decoupling would be expected to be proposed by the national TSO and approved by the relevant NRA.

27.In Poland, market participants will have to keep providing the internal nominations (internal commercial trade schedules, generation schedules, ISP bids [in Polish Terms and Conditions for Balancing: USE, PP, OZPG, OEB]) until 15:30. Do you see the need for any support from Polish NEMOs or PSE to perform that process in this new fallback?

- Yes
- No
- Not applicable

28.If 'Yes', what support would be required?

Addional Remarks

29.Please provide additional remarks, if any.

Overall, **UFE welcomes and supports initiatives aiming at reducing the risk of decoupling**, enhancing fallback arrangements, and improving communication during such events. With respect to fallback procedures, UFE stresses that any solution should ensure the emergence of a price that is **(i) unique at the level of the bidding zone** and **(ii) as reflective as possible of actual system conditions**. UFE also underlines the need to **harmonise fallback mechanisms for day-ahead and intraday coupling among TSOs within the same capacity calculation region (CCR)**, both for existing arrangements and future developments.
Against this background, UFE welcomes the joint TSO–NEMO calls for feedback on fallback concepts, which go in the right direction in terms of transparency and stakeholder involvement.

Measures to prevent partial decoupling and LTS resilience:
UFE supports the proposed measures aimed at **preventing partial decoupling through improvements to Local Trading Systems (LTS)**. In particular, UFE is in favour of the **daily pre-GCT NEMO process consisting in sending a local test order book to a pre-production or test environment**. Such tests could help assess the general availability and readiness of systems, including under conditions close to real-time operations. In addition, UFE notes that the MCCG slides invite market participants to submit orders at an early stage to facilitate effective testing. In this regard, UFE would welcome confirmation from NEMOs and TSOs that any order books submitted early by market participants would not be considered for SDAC clearing if updated versions are submitted subsequently.

More broadly, UFE also supports the measures aimed at **enhancing LTS resilience across all NEMOs**, notably through the **harmonisation of LTS architecture setups** and the **definition of common resilience expectations**.

While these initiatives are clearly beneficial for improving IT system robustness, **UFE recognises that they do not entirely eliminate the risk of LTS failures at GCT**. In this context, UFE would welcome **additional information on the share of past decoupling events that could realistically have been avoided** had these measures already been in place.

At last, UFE regrets that no comparative assessment has been carried out against alternative fallback solutions to identify the most suitable solution. We list below a non-exhaustive list of options that could usefully be compared as part of an overall assessment:

- Improved existing fallback processes:
    - Improved shadow auction process, notably by increasing their efficiency and transparency
    - Reference price derived from local auctions: for bidding zones operating under a Multi-NEMO Arrangement (MNA), the existing fallback (explicit allocation of cross-zonal capacities trough shadow auctions combined with local NEMO energy auctions) could be complemented by the definition of a single day-ahead reference price, computed as the volume-weighted average of NEMO hub prices within the BZ.
- IDAs as a fallback: IDAs have the advantage of operating under a pay-as-cleared auction design, as it is for SDAC. However, they also present a significant limitation, as they are also based on Euphemia, implying a high risk that IDAs could be similarly affected in the event of issues impacting SDAC
- An extension to full decoupling situations of the volume allocation mechanism used in partial decoupling, with volumes allocated at a SDAC-based reference price (e.g. derived from previous SDAC outcomes or from OTC reference price). Nevertheless, this approach raises legitimate questions regarding the quality and representativeness of such a price reference.