

MESC | Co-optimisation

18 October 2023



Outline

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1. Background

- In accordance with Art. 13(3) of the ACER Decision 12-2020 of 17 June 2020 on a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves and following the Co-optimisation Implementation Impact Assessment (IIA) Report publication and submission for information to ACER on 15 December 2021, Project Team (PT) Co-optimisation has developed the New Set of Requirements for the Price Coupling Algorithm, which was submitted to NEMOs on 17 June 2022.
- On 25 November 2022, ACER has submitted a letter to NEMOs requesting for a proposal for amendment of the SDAC algorithm methodology.
- On 15 September, All TSOs submitted to NEMOs the updated New Set of Requirements for the Price Coupling Algorithm in accordance with Art. 27(7) of ACER Decision No 11/2023 of 19 July 2023.
- NEMOs requested All TSOs' input on the co-optimisation process and next steps to be implemented within the NEMOs' public consultation in August – September 2023.
 - On the 20 September, All TSOs submitted its position to the NEMOs public consultation (see slide 4).

2. All TSOs response to NEMOs public consultation

All TSOs proposed to NEMOs within the [public consultation](#) the following co-optimisation timeline (with regard to [the Article 4A\(8\)](#)):

- a) **By 1 January 2025**, NEMOs shall have coordinated with TSOs to request inputs from market participants in the form of a bidding guide. The bidding guide shall describe the needs for bidding structure for the BCM orders to be available to market participants in the BC market. The bidding structure must fulfil requirements and provide order types that are useful to market participants.
- b) **By 1 January 2026**, pending the input gathered in the bidding guide from the market participants, TSOs shall provide a set of updated requirements to the algorithm. In the absence of relevant inputs from the bidding guide from the market participants, All TSOs will not be in a position to complete and provide the updated New Set of Requirements for the Price Coupling Algorithm and submit it to NEMOs. Similarly, NEMOs shall review and if needed propose update in accordance with CACM Article 40 the product methodology with the products to be taken into account in the single day-ahead coupling due to co-optimisation.
- c) **Upon the notification* of two or more TSOs intending to apply the co-optimisation process pursuant to Art. 38(1) EB Regulation**, NEMOs in cooperation with TSOs shall carry out necessary research and development in order to fully define an algorithm methodology fit for implementation of co-optimising the CZC for the exchange of balancing capacity or sharing of reserves and cross-border matching of Day-Ahead market (DAM) bids. Research shall include at least – but not limited to – type of linking of orders between the DAM and BCM, different types of balancing products, for 15 min MTU, TSOs requirements of deterministic compatibility with Flow-based, methodology for auction model.

** For clarity, the two-TSO request/notification is a precondition not for the Research & Development (which shall anyway take place after the bidding guide collection and light R&D on bid liking, as this is a needed input to draft a fully fledged algo methodology), but for the industrialisation/implementation (which is not needed if no TSO requests it).*

3. All TSOs request to the market participants: Bidding guide specifications

The following information is coming from the **Bidding Guide explanatory note** (see separate document for further details):

Bidding guide would need to **include at least**:

- Elaboration of the characteristic and discussion of the main issues of bidding in sequential markets;
- Introduction of required cross-product linking under a co-optimised allocation process and bidding with one single gate closure;
- Elaboration of the characteristic and working principle of required cross-product linking.

4. Next Steps

- 1. January 2023 – December 2024:** Market participants are asked to develop and submit the bidding guide to All TSOs (to be provided by the end of Dec 2024 at the latest).
 - 1. Market participants are asked to inform ENTSO-E ([Nino Vakhtangishvili](#)) by 15 January on the way forward regarding the bidding guide.**
 - 2. ENTSO-E can organise a monthly Q&A call for TSOs and NEMOs to offer their expertise to the market participants, but TSOs/NEMOs will not offer PMO and drafting support of the bidding guide (i.e., market participants are requested to self-organise their work).**
- 2. January – December 2025:** Pending input gathered in the bidding guide from the market participants, All TSOs shall provide updated New Set of Requirements for the Price Coupling Algorithm and submit it to NEMOs.



In the absence of relevant inputs from the bidding guide from the market participants, All TSOs will not be in a position to complete and provide the updated New Set of Requirements for the Price Coupling Algorithm and submit it to NEMOs.