SEMOpx Exchange Committee

Explanatory Note on SEM Intraday HMMCP Methodology

11th May 2023

Background

- In 2022 increased energy prices being experienced in Europe lead to SDAC auction prices in some jurisdictions hitting maximum technical price caps specified in the SDAC auction.

- The existing Harmonised Maximum and Minimum Clearing Prices (HMMCP) methodology for SDAC- which defines under what circumstances the max/min prices in SDAC market will be adjusted -was found under these circumstances to not be appropriate.

- In January 2023 ACER decided on a new HMMCP methodology for SDAC.

- SEM-GB coupled markets (IDA1 and IDA2) and SEM local market IDA3 are not governed by SDAC and hence a similar methodology for SEM IDAs does not exist.

- This leads to ambiguity and uncertainty about how any max/min clearing price changes would be applied in SEM IDA auctions.

- The SEM-GB power exchanges agreed to develop and implement a SEM Intraday HMMCP methodology to ensure clarity and transparency in the application of changes to the price cap/floor for the IDAs.

Key Details on the Methodology

- The implementation of a SEM Intraday HMMCP methodology for the SEM-GB coupled auctions (IDA1 and IDA2) and separately for local IDA3

- The SEM Intraday HMMCP is based on the SDAC HMMCP for consistency. However, the HMMCP for SEM IDAs would only be triggered where an increase in prices is seen in IDA1 or IDA2, or separately for IDA3.

- A trigger of the HMMCP in SDAC would not trigger an increase in max/min prices in the SEM-GB coupled auctions.

- The SEM Intraday HMMCP methodology agreed with the SEM-GB parties will be published on the SEMOpx website for transparency.

- If a max/min price change is triggered this will be implemented after IDA1 and before IDA2 auctions (of the same trade date)

Summary of Methodology

- A summary of the HMMCP methodology is:
  - *Prices shall increase by 500 EUR/MWH when a price exceeds 70% of the max price for SEM-GB*
  - *Prices shall decrease by 100 EUR/MWH when a price falls below 70% of the min price for SEM-GB*
  - *Needs to occur within 2 trading periods over 2 different days over a 30 day rolling window*
  - *Implementation of price increase/decrease 28 days after instance has occurred*
  - *During the period between the event occurring and the price cap increase / price floor decrease, the price cap will remain as the current level.*

- The full SEM Intraday HMMCP methodology document is provided with this Explanatory Note for reference.

Triggering Auction due to Price Event	Impacted Auctions as a result of Price Event
DAM (SDAC)	DAM (SDAC)
IDA1	IDA1 and IDA2
IDA2	IDA1 and IDA2
IDA3	IDA3

Benefits and Implementation Timeline

Benefits

- Provides clarity and transparency on the triggers and magnitude of updates to the min/max ceiling prices for SEM coupled IDAs (IDA1 and IDA2) and for local IDA3.
- Removes ambiguity and uncertainty about amendment of price caps in SEM IDAs.
- Mitigates other SEM-GB parties suggesting cap increases in the IDAs due to subjective views.
- Delinks max/min price changes in SEM IDAs from SDAC.
- Is consistent with similar HMMCP methodology used for SDAC.

Implementation Timeline

- A modification has been raised to link SEMOpx Operating Procedures to the SEM Intraday HMMCP methodology. SEMOpx are looking for approval on the mod in the 11th May Exchange Committee Meeting.
- Target implementation would be within 1 month of this (based on agreement with SEM-GB power exchanges)