

Pan-European Intraday Auctions (IDAs)

USE-CASES FOR TRADERS

POSITION CLOSING

RENEWABLE PORTFOLIOS

- Renewable energy traders need to close positions during the intraday timeframe to avoid imbalance
- Intraday Continuous
 - Pro: Trading until close to delivery start ensures higher reliability of production forecasts
 - Con: High bid/ask spreads in markets, low depth of order book
- Intraday Auctions
 - Pro: Pan-European liquidity pools with single price (no spreads)
 - Con: Auctions far away from delivery still require CONT trading

Our Opinion

- P&L driven position closing will require a combination of trading on IDC and IDAs.

The Challenge

- Trading processes need to be redesigned to allow seamless trading between IDC and IDAs

FLEXIBILITY TRADING

ASSET OPTIMIZATION

- Complex asset trading typically use linear or/and stochastic optimization models to create bids
 - Examples: Pump hydro storages, DERs, BESS
- Optimizers trying to find an optimal solution require calculation time, which make it a challenging to link them with intraday continuous trading
- Optimizers can easily be extended from day-ahead trading to intraday auctions and can thus react to market price changes in the intraday time frame

Our Opinion

- IDAs will provide a further revenue stream for asset optimization

The Challenge

- Continuous intraday optimization is already complex, combining it with IDAs requires new operational processes

PROP TRADING

CAPACITY OPTIMIZATION

- Since the go live of the SIDC (XBID) system in June 2018 intraday capacity was for free
- It has been communicated from the beginning that a pricing method will be developed
- IDAs allows TSOs to extend their revenue stream to intraday capacities on borders with high price differences
- Currently, the major intraday capacity is released at 10pm free of charge. In the future, most capacity will be released in the IDA2 auction.

Our Opinion

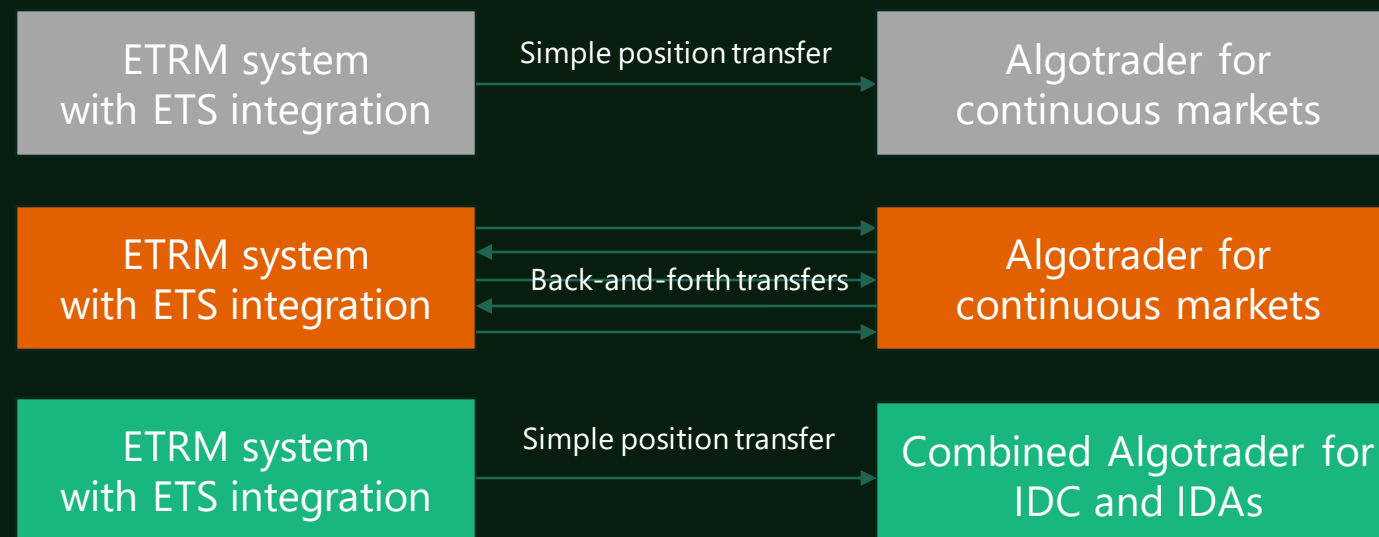
- Trading in IDA2 auction will be a crucial part executing cross-delivery area trading strategies

The Challenge

- Cross-delivery trading will require more forecasts and complexity will increase

THE DOWNSIDES OF IDAs

- Trading processes become more complex, as IDAs can't replace IDC
- Complexity is not what we see as the missing piece in the European market
- We went from critics to evangelists by solving the technical issues for clients



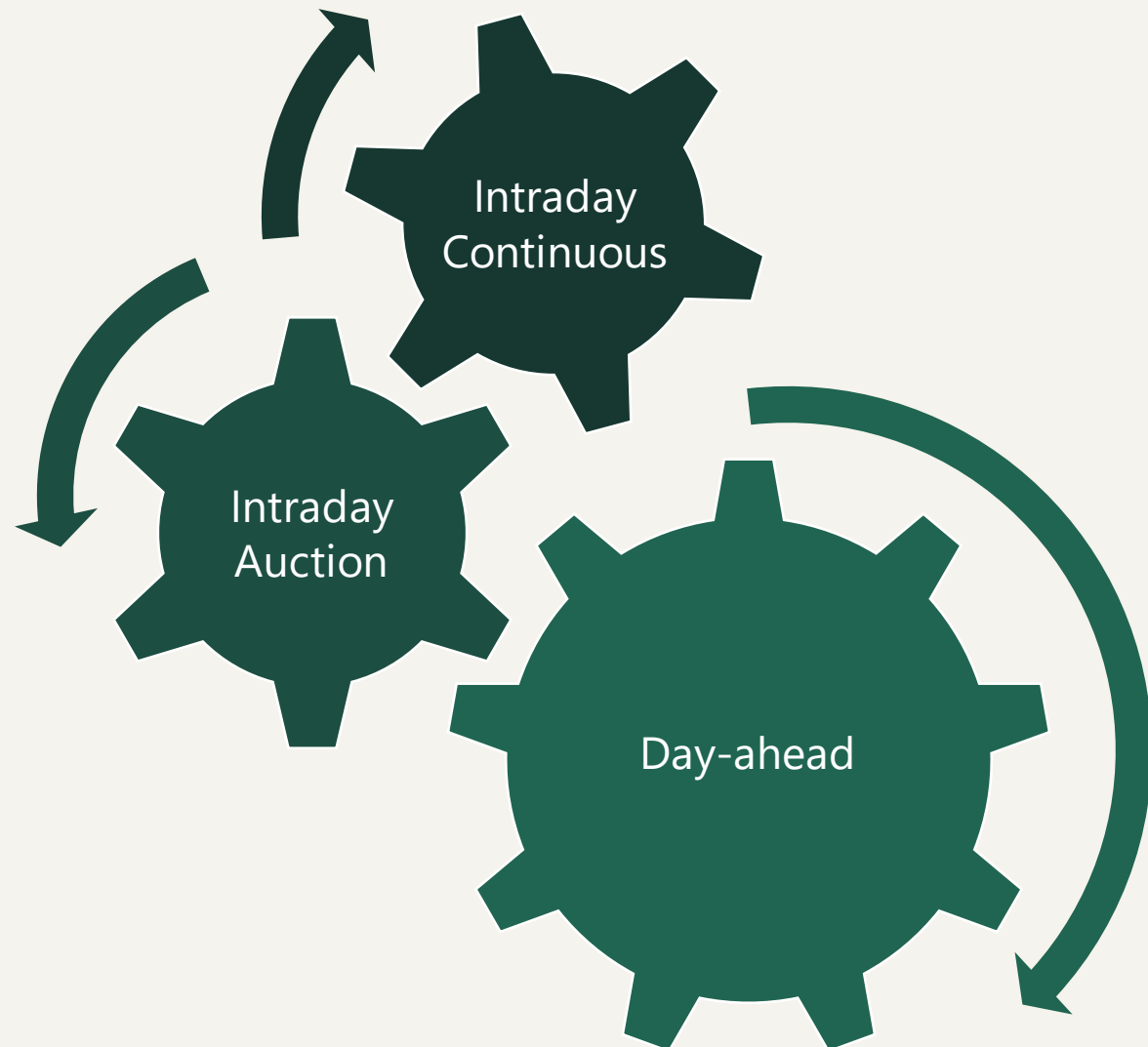
SOME SCEPTICISM IS LEFT

- Big-bang go-lives (all three auctions and all of Europe at once) are risky
 - Are policy-to-implementation rushes becoming a threat? (see REMIT II)
 - Implications on trading flows are a big question mark
- Will the IDAs see liquidity
 - Local ID auctions are not famous for that, but we believe in market coupling
 - But may take some time, as a lot of participants are technically not ready
- Interference with intraday continuous trading?
 - Missing signals about state of capacities and IDA status in continuous trading

FINAL THOUGHTS

MORE OPPORTUNITIES

- IDAs are here to stay, because this is where cross-border capacity is released (and TSOs generate revenues)
- More products = more opportunities, although complexity is rising
- The European energy market is in constant change and so is market design



Thank you for your attention!

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