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apx power spot exchange



Member Update APX Power NL-UK
NWE Price Coupling – Market Preparation



Key attention points

- NWE Price Coupling Go-live targeted at 26 November 2013
- Harmonisation of 12:00 (CET) Gate Closure Time
- Launch of (Profile) Block Orders on APX Power UK
- Launch of Smart Order types: Linked & Exclusive Block Orders
- Change to price caps in NWE region
- New Automatic Order Submission Tool to submit orders in xml format
- Member Testing plan for NWE Price Coupling, Smart Orders & Automatic Order Submission

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NWE Price Coupling – Market Preparation

Launch of North-Western Europe Price Coupling

In November 2013, the day-ahead Central Western European (CWE) Market Coupling, the CWE-Nordic Interim Tight Volume Coupling and APX' embedded solution to couple GB to the continent via the BritNed cable, will be replaced by an integrated North-Western Europe (NWE) Price Coupling mechanism. The day-ahead capacity on the IFA Interconnector between France and GB and the BritNed Interconnector between NL and GB will be allocated implicitly via the NWE Price Coupling.

The launch of the NWE Price Coupling solution is targeted for 26 November 2013, for delivery day 27 November 2013, subject to successful testing and regulatory approvals.

This Member Update is intended to give APX Members an overview of all changes that will impact market parties with the launch of NWE Price Coupling, and the Member Testing opportunities that will be available.

Summary of changes

The main changes to the APX Power NL Day-Ahead Auction, APX Power UK Day-Ahead Auction and Belpex Day-Ahead Market following the implementation of the NWE Price Coupling will be:

- Gate Closure Time for APX Power UK Day-Ahead Auction will be aligned with GCT on APX Power NL and Belpex Day-Ahead Markets, i.e. 11:00 UK local time (12:00 CET);
- Publication of preliminary results before they become firm;
- Operational procedures: timings and fall-back procedures will change;
- Available products:
 - (Profile) Block Orders will be introduced on APX Power UK Day-Ahead Auction;
 - Linked & Exclusive Block Orders will be introduced on all day-ahead markets;
- The minimum price will be -500 €/MWh and the maximum price will 3000 €/MWh;
 - These price limits will also apply to APX Power UK, and will be converted to values in GBP/MWh on a daily basis;
- Price thresholds to trigger a Second Auction will be introduced on APX Power UK: -150 £/MWh and 500 £/MWh;
- Introduction of Virtual Hub in GB;
- Modifications to Market Rules & Instrument Specifications to reflect the above changes.

Please refer to further chapters for details on these changes.

There will be no changes to the EuroLight® Trading Platform: EuroLight® 6 already supports the introduction of the new order types; this functionality will be activated on the Production environment with the Go-live of NWE Price Coupling and will as of then be available for members. The functionality has already been activated on the Member Testing environment.

Market Preparation

APX would like to ensure adequate training opportunities are available for its members, to ensure a smooth transition to the NWE Price Coupling.

Information sessions

To inform and prepare market parties, several information sessions will be organised:

- 10 October 2013 – NWE project partners will have a timeslot to discuss the latest status of the project, during the CWE Flow Based Market Forum in Brussels;
- 14 & 15 October 2013 – APX and Belpex will organize information sessions about the operational and contractual changes the NWE Price Coupling implies for Belgian, Dutch and British market parties, these sessions will be organized in
 - Amsterdam, 14 October;
 - Brussels, 15 October;
 - London, 15 October;
- Please contact your account manager for more information or if you wish to register.

Member Testing sessions

Several testing opportunities have been foreseen to optimally prepare members:

- The **new order types** are already available in the Member Testing environment of EuroLight® and will remain available until (and after) the Go-live date of NWE Price Coupling;
 - This will allow members to test submitting these new order types;
- Between 14 October and 25 October, the NWE project partners will jointly organise member testing sessions to give members an **end-to-end overview** of the NWE Price Coupling processes. Procedures applicable under normal conditions and those in the case of Second Auction, Partial Coupling and Decoupling scenarios will be tested;
 - The new order types will be available for these member testing sessions;
 - Please note that registration is required to participate to the tests; please contact the Customer Service Desk for more information;
- From 28 October until 15 November, APX will organize **test auctions** on the Member Test environment;
 - The new order types will be available for these member testing sessions;
 - More details on the timing of these test auctions will be communicated later.

EuroLight® Member Testing environment

The Member Testing environment is available via the following IP address:

- APX Power NL:
 - 194.178.46.56;
- APX Power UK:
 - 194.178.46.57;
 - Please note that these are not the regular IP addresses for the UK Member Test environment.

Automatic Order Submission Tool

APX have developed a tool to allow members to submit orders using xml files, called “EuroLight® Automatic Order Submission Tool”.

A first draft of the manual with the specifications of this new tool is available for download in the Member Area on www.apxgroup.com. This manual should allow you to produce xml files in the required format and test this new functionality.

Please note that this manual will be in draft state and subject to small changes, e.g. based on feedback received from members.

Testing of Automatic Order Submission Tool

The EuroLight® Automatic Order Submission Tool is scheduled to be available for testing on the Member Testing environment as of 23 October. It will be installed in Production prior to the NWE go-live, but please note that the smart orders functionality will only be available following the go-live of NWE.

Detailed overview of changes

The following changes will result from the Go-live of NWE Price Coupling on 26 November.

Operational timings, Gate Closure Time & publication of results

As a result of the new systems and mechanisms used for the NWE Price Coupling, new timings will apply, on normal days and in case of special circumstances, such as 2nd Auction or (partial) decoupling. These timings will be harmonized across all NWE markets:

- The Gate Closure Time for the APX Power UK Auction will move from 10h50 to 11h00 (UK local time);
- The Gate Closure Time for the APX Power NL Auction will remain 12h00 CET;
- Preliminary market results will be published at 12h42 CET / 11h42 UK local time;
 - These preliminary results are still subject to change or cancellation, until confirmation that they are firm at 12h55 CET / 11h55 UK local time;
- At 12h55 CET / 11h55 UK local time the final market results will be published.

Detailed information about the timings that apply in all possible operational scenarios will be presented during the information sessions that are mentioned above, and will be made available via the Member Area on www.apxgroup.com.

New order types

The Euphemia algorithm used for NWE Price Coupling will allow the introduction of new order types:

- (Profile) Block Orders will be introduced on the APX Power UK Day-Ahead Auction;
- Linked & Exclusive Block Orders will be introduced on the APX Power NL and APX Power UK Auctions;
- All Block Orders types may be subject to restrictions, which will be communicated prior to the launch.

The following execution conditions will apply to these order types:

- A Block Order may only be executed in the event:
 - The Block Order volume indicated per Instrument can be executed for every Instrument the Block Order relates to (volume condition)¹; and
 - The volume weighted average price of the Instruments the Block Order relates to is lower than or equal to the limit price of the Block Order in case of an Purchase Order, or is higher than or equal to the limit price of the Block Order in case of a Sell Order (income condition).
- A Linked Block Order can only be executed if another previously identified Block Order (the “Parent” Block Order) is executed;
 - The above Block Order execution conditions apply;
 - The new auction algorithm will consider the entire “Family” of Linked Block Orders. Parent Block Orders that do not meet the above income condition can be accepted as part of the Family, or as a subset of the Family, where the Family or Subset of the Family can be executed without generating a loss.
- From a set of Block Orders within the same Exclusive Group only one Block Order can be accepted.;
 - The above Block Order execution conditions apply.

The new auction algorithm, named Euphemia, will select which Block Orders will be executed, based on a maximisation of total welfare. Please refer to the algorithm description which will be made available shortly by the NWE Project Partners for more details.

Price caps

The price caps in the NWE region will be harmonized. The minimum price will be -500 €/MWh and the maximum price will 3000 €/MWh.

These price limits will also apply to the APX Power UK Auction, and will be converted to values in GBP/MWh on a daily basis. The relevant exchange rate will be published on www.apxgroup.com on a daily basis prior to the auction GCT.

All UK Auction orders will be converted to €/MWh before they are sent to the NWE systems, by applying the above exchange rate. This rate will also be used to convert the market results back to GBP/MWh. Members will not face any currency risks, as all transactions on the UK Auction will be executed in GBP/MWh.

To allow APX Power UK members to submit Market Orders, (i.e. where Buy Orders are submitted at the maximum price level and Sell Orders submitted at the minimum price levels) without having to factor in the daily fluctuation in the exchange rate, APX allows members to submit orders beyond the price caps, without fear that their orders will be rejected. Upon conversion into Euros, all orders on the UK Auction with a limit price outside of the range -500 €/MWh to 3000 €/MWh will be considered to have been submitted at the price caps.

Price thresholds for Second Auction

If, for at least one instrument, a clearing price is calculated that is outside certain price thresholds, this will lead to the execution of a Second Auction: a message is sent out indicating the reasons for

¹ Block Orders are subject to an “All or None” constraint; hence a Block Order may not be matched if matching it would push it out of the money (paradoxically rejected block PRB).

triggering the Second Auction, the order books are reopened for 10 minutes and a new auction is run.

- Price thresholds to trigger a Second Auction will be introduced on APX Power UK; these will be -150 GBP/MWh and 500 GBP/MWh;
- The threshold to trigger a Second Auction in the CWE region will remain -150 €/MWh and 500 €/MWh.
- Order books will also be re-opened if another price area in the NWE region triggers a Second Auction, except in case of full decoupling, when:
 - CWE order books will only be re-opened in case another price area in the CWE region triggers a Second Auction;
 - APX Power UK order books will only be re-opened in case local prices exceed the thresholds.

GB Virtual Hub

The day-ahead auctions operated by APX Power UK and N2EX will be connected by a virtual interconnector with infinite capacity. This implies that both auctions will quote the same auction prices, in case of a normal or partially coupled situation.

This way, the capacity on the BritNed and IFA interconnectors will benefit all market participants in GB and the rest of the NWE region.

In case of full decoupling:

- The capacity on the virtual interconnector within GB will be zero;
- The capacity on the IFA interconnector will be allocated via an explicit day-ahead auction;
- The capacity on the BritNed interconnector will be allocated via an explicit intraday auction.

Updates to Market Rules

The Market Rules and Instrument Specifications will be modified to reflect the above changes. The changes will be communicated as soon as possible and in any case at the latest two weeks prior to the Go-live of the NWE Price Coupling.

Contact details

If you have any questions, please feel free to contact any of the following:

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