

EPEX SPOT assesses course of events and lessons learned from the Day-Ahead incident

Regular training sessions and member tests to be put in place

Paris, 4 July 2019. The European Power Exchange EPEX SPOT has witnessed technical issues on its Day-Ahead markets on 7 June 2019, leading to a partial decoupling of the Multi-Regional Coupling (MRC) and to further issues on the local auctions run in Austria, Belgium, France, Germany, Great Britain and the Netherlands. The EPEX Intraday continuous markets were not affected by these technical issues.

Decoupling of EPEX SPOT markets from MRC

In the morning of Friday, 7 June, a market participant unintentionally entered an unsupported order into the EPEX Trading System (ETS). It was an order type which exists in the European-wide Market Coupling, but which is not supported by the ETS system. This led to a server lock. Once the server was unlocked and a restart was performed, the market participant entered the same non-supported order again, despite the Market Operations' request not to do so. This led to a second server lock.

When the system was up and running again, the deadline for Market Coupling, according to procedures of the Price Coupling of Regions, was reached. As EPEX SPOT was not able to send order books to the Market Coupling partners within the required timeframe, partial decoupling of all EPEX SPOT markets was declared at 12h49 CET, in an orderly manner and according to procedures. This implies that local auctions needed to be run on every EPEX SPOT market, and that cross-border capacities at certain borders needed to be allocated explicitly through shadow auctions run by the Joint Allocation Office (JAO).

The technical issue on the local auctions

Prior to decoupling, EPEX SPOT had established a manual workaround to overcome the server locks experienced in the morning, and one server restart was performed. The Exchange reopened the order books for market participants at 13h00, to run local auctions in all market areas. The server restart from the morning had created a further technical issue, of which the EPEX SPOT teams were unaware at this point in time. This technical issue led to the market results being calculated based on only a part of the order books, instead of the full order books.

As a consequence of the incomplete order book, some of the prices in the calculated market results were extreme. Considering the time pressure of the nomination gate closures, no second auction procedure was followed. The erroneous market results were then published at 13h41. These results were cancelled as soon as the teams became aware of the issue related to the order books, and EPEX SPOT decided to rerun the auction. The Exchange reopened the order books from 14h08 onwards until 14h35 and ran calculations again, this time based on the full order books. Additional manual cross-checks were performed to ensure the firmness of the prices published. Final results were published at 15h38. EPEX SPOT sent the trade results to ECC, which validated the transactions. All nominations and payments were completed and settled correctly.

Lessons learned and improvement processes

The first issue caused by the non-supported order entry was fixed on the same day, with a patch rolled out in ETS on that evening at 19h30. The sequence leading to the incomplete orderbooks has been identified and fixed as well. Furthermore, EPEX SPOT has implemented additional checks to verify the firmness of market results before publication.

The incident of 7 June revealed clear imperfections on the side of EPEX SPOT and its processes, and also insecurities on the side of market participants with regard to fallback procedures. “Our members stated a lack of clarity but also a lack of practice in fallback procedures applicable in case of market incidents” says Jonas Törnquist, Chief Operating Officer at EPEX SPOT. “We have already reviewed internal and member procedures, with a particular focus on incidents, in order to increase efficiency and clarity needed for the market participants, helping them to better handle such rare incidents” he adds. “We want market participants to be involved, to the greatest extent possible, in the continued redesign and change of these procedures to ensure that processes are robust and that market participants can properly and reliably price the markets in which they operate in all scenarios”, he concludes.

The operational part of exchange trading is technically complex, with more than 250 members submitting their orders for the coupled auctions. Despite this complexity, such market incidents remain extremely rare. However, they can quickly have an operational snowball effect, as it was the case for the two-fold incident experienced at EPEX SPOT.

To practically test decoupling scenarios, EPEX SPOT has completed additional member tests on 19 and 20 June, testing a partial decoupling of EPEX SPOT markets as well as a full decoupling scenario under the setting of the new Multi-NEMO Arrangements in Central Western Europe, which went live on 2 July 2019. Regular training sessions will be put in place.

“This incident has had an impact on European markets on that day, and we are aware of this” says Ralph Danielski, Chief Executive Officer of EPEX SPOT. “But it has also revealed weaknesses in the wider market processes, not just on the side of EPEX. We are now in close discussions with all stakeholders and Market Coupling partners to share what we have taken from the incident. We also bring to the discussions the global concerns expressed by our members with regard to shared MRC processes, in order to improve them in a sustainable manner. This is especially important in the light of the Multi-NEMO agreements that bring changes to the market setup” he adds.

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The European Power Exchange EPEX SPOT SE and its affiliates operate physical short-term electricity markets in Central Western Europe and the United Kingdom. As part of EEX Group, a group of companies serving international commodity markets, EPEX SPOT is committed to the creation of a pan-European power market. In 2018, its 289 members traded 567 TWh – a third of the domestic consumption in the eight countries covered. 49% of its equity is held by HGRT, a holding of transmission system operators. For more information, please visit www.epexspot.com.

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