

Annex 3  
7 October 2009

**Workstream Intra Day Markets  
Proposal for Target Model and Roadmap**

## The Target Model Choice : Main Criteria

- **Ease of use of the solution**
  - Accessibility for all market parties
  - Visibility / tradability of all offers European wide
  - Complexity and number of systems: user-friendly and "single screen"
  - Transparent for the market parties
  - Quickly and easily implementable consistently across all EU (??)
- **Efficiency in solving the balance of market parties** (hedging risk)
  - Reduce the balancing needs of BRPs
  - Portfolio optimisation
  - Ability to trade until close to real time (preferably H-1 for delivery H)
  - Flexibility of trading
  - Fast matching (i.e. 30 sec);
  - Trading horizon until the end of the rolling D+1 (starting from the first intraday trade)
- **Maximisation of social welfare**
  - Efficient utilisation of cross border capacity
  - Market based allocation of additional intraday capacity.
  - Implicit maximisation of social welfare by facilitating trades

## Target model basic principles

- Two layer Intra-Day (ID) trading, being the second layer optional, according to the National/Regional decisions
  - The first layer is the Inter-Regional Cross-Border (XB) ID trading solution
  - The second (optional) layer is the Intra-National/Regional ID trading solution
- The ID Target Model and Road Map will deal with:
  - The principles, the solution and the implementation path for the first Inter-Regional XB ID trading layer
  - The minimum set of compatibility requirements to be imposed to the second ID trading layer
- The development of a target model is not constrained by and does not impede existing (ongoing) regional/interregional developments
- There is no practical advantage to introduce periodic auctions into an interregional XB intraday Continuous Trading
- The platform for interregional XB intraday trade should be based on implicit Continuous Trading; general acceptance to include market based matching to accommodate significant new capacity (based on social welfare grounds)
- Cross-border OTC offers to be published on the platform and traded like any other deal
- Target model platform should allow sophisticated products (block bids)

OTC having tag on them? OTC issue will be further elaborated ...

## Target Model choice

- Main Criteria not sufficiently met by existing models
  - Auctions: *efficiency* (speed and flexibility of the solution)
  - Implicit continuous allocation of capacity (referred to as "Continuous Trading"): *maximisation of social welfare*, and market-based allocation of capacity as a result of a significant market event
- Clear preference for inter-regional implicit continuous allocation of cross-border capacity (continuous trading)
  - Capacity should be allocated market based (e.g. auction) when significant additional capacity becomes available

## Roadmap

	Description	2010	2011	2012	2013	2014	2015	
Stage 1	common principles + compatibility requirements							
Stage 2	centralised capacity matrix							
Stage 3	compatible regional development <sup>o</sup>							layer 2
Stage 4	coupled order books*							layer 1, EU wide interregional
Stage 5	EU wide trade (target model)							

<sup>o</sup>new development or copy/paste  
\*through the capacity matrix