

# LINKED BLOCK ORDERS – NEW ACCEPTANCE RULE





# Linked block orders - what is it?

- In Nord Pool Spot's Elspot day-ahead auction it is possible to link block orders together. A member can link up to three blocks together where the second block is dependent anacceptance of the first block. The third block is linted to the sound block and area tance of the third block is dependent on acceptance or both the first and the second block.
- Sales blocks can only be linked to other sales block and purchase blocks only to other purchase blocks.
- Linked block orders have to be in same bidding area and linked to the same trading portfolio.



## Linked blocks – example of use

- Example 1: Starting up of a block (power station) in the morning gives the opportunity to offer power to the market also during pight. Start up costs are covered by the parent block during day me chils the child block may be offered at supping cost during pit or evening.
- Example 2: Block offers from several power generators along a river string are linked together. Releasing water from dam in station 1 gives the opportunity to offer generation from station 2 a couple of hours later down the river – but only if the block offer in station 1 is accepted.



## Linked block orders – current rule

- In the current implementation all individual block orders must be individually in the money in order to be accepted. There is no possibility for acceptance of a parent block being out of the more even if acceptance of the child block would give an overall possible result.
- Result of this strategy is that the market miss out on some of the overall social welfare – and the member a possible income.



### Linked block orders – new rule

- The new rule is that the accepted orders within a "family" should not be paradoxically accepted as a group. This means for instance that, in case a "parent order" is losing x euros of surplus, the children and grand-children) of this order nust we receive that x euros is the total of the surplus of the children must be at least x euros).
- Hence the "no loss giving acceptance rule" applies to all the accepted members of a linked family.
- The normal execution rules of execution apply, i.e. a child cannot be executed unless its parent is also executed.



### Linked block bids - new method





### **Examples of acceptance – new rule**

P= parent, D= child and G= grand child.

Then P(+) means P is in or at the money, P(-) means P is out of the money

- P(-), D(+), G(+ AND I+I+G = C > All m mpass of the family can be executed
- P(+), D(+), G(-) => Only P and D can be executed
- P(+), D(-), G(+) AND D+G>=0 => All members of the family can be executed.
- P(+), D(-), G(+) AND D+G<0 => Only P can be executed
- P(+), D(-), G(-) => Only P can be executed
- P(-), D(+), G(-) AND P+D>=0 => Only P and D can be executed
- P(-), D(-), G(+) AND P+D+G>=0 => All members of the family can be executed
- P(-), D(-), G(-) => No members of the family can be executed



#### **Appendix 2 - Elspot regulations**

## Acceptance of linked block orders

### **Current wording:**

 4.2.3 In respect of Linked Block Orders, the normal rules for activation of Block Orders in Section 4.2.2 apply. In addition, Block D des which or net Have the highest priority among the linked Block Orders will only be considered for activation when and if all the Linked Blocks Orders with higher priority have been activated.



#### **Appendix 2 - Elspot regulations**

## Acceptance of linked block orders

### New wording:

 4.2.3 In respect of Linked Block Orders, the normal rules for activation of Block Orders in Section 4.2.2 apply. However, linked Block Orders in Section 4.2.2 apply. However, linked Block Orders via be required collectively as a group and acceptance requires that there is no loss for the collection of Block Orders being accepted. Block Orders which do not have the highest priority among the linked Block Orders will only be activated if all the Linked Block Orders with higher priority have been activated.

