



Bundesnetzagentur

NEMOs' duties under Regulation 2015/1222 (CACM)

Lisa-Marie Mohr, BNetzA - German NRA

ACER - ECRB Workshop on CACM

Rome, 21.09.2018



www.bundesnetzagentur.de



NEMO – Definition and Designation

NEMOs' Tasks under CACM

Cooperation between NEMOs

Costs

Monitoring



'nominated electricity market operator (NEMO)' means an entity designated by the competent authority to perform tasks related to single day-ahead or single intraday coupling

- New entity introduced by CACM
- Private company (power exchange)
- Competent authority is NRA unless otherwise provided by member states



- Each member state connected to a bidding zone of another member state shall ensure that one or more NEMOs are designated
- Initial designation term of 4 years
- Applicants can be either domestic or non-domestic
- CACM defines designation criteria with which NEMOs need to comply on continuous basis
- NRAs shall ensure that designation is revoked if NEMO fails to comply with criteria
- NEMO designated in one member state has the right to offer DA and ID trading activities with delivery in another member state (by notification)



- Cost-efficiency with separate accounts for market coupling operator function
- Sufficient resources for operation of market coupling
- Towards market participants:
 - Access to information regarding NEMOs' tasks
 - Non-discriminatory treatment
- Adequate level of business separation from other market participants
- Appropriate market surveillance, transparency and confidentiality arrangement
- Provision of clearing and settlement services
- Necessary communication systems for coordinating with TSOs



- National legal monopoly is deemed to exist where national law expressly provides that no more than one entity can carry out DA and ID trading services
- If at time of entry into force of CACM a national legal monopoly exists in a member state, member state must notify Commission and may refuse designation of more NEMOs
- If there are several applicants - MS concerned shall designate applicant which best meets designation criteria

Agenda



NEMO – Definition and Designation

NEMOs' Tasks under CACM

Cooperation between NEMOs

Costs

Monitoring



'NEMOs shall act as market operators in national or regional markets to perform in cooperation with TSOs single day-ahead and intraday coupling.'

Individual NEMO/ power exchange

Tasks performed individually
as competitive entity*

Market coupling operator (MCO) function

Tasks performed jointly with
other NEMOs

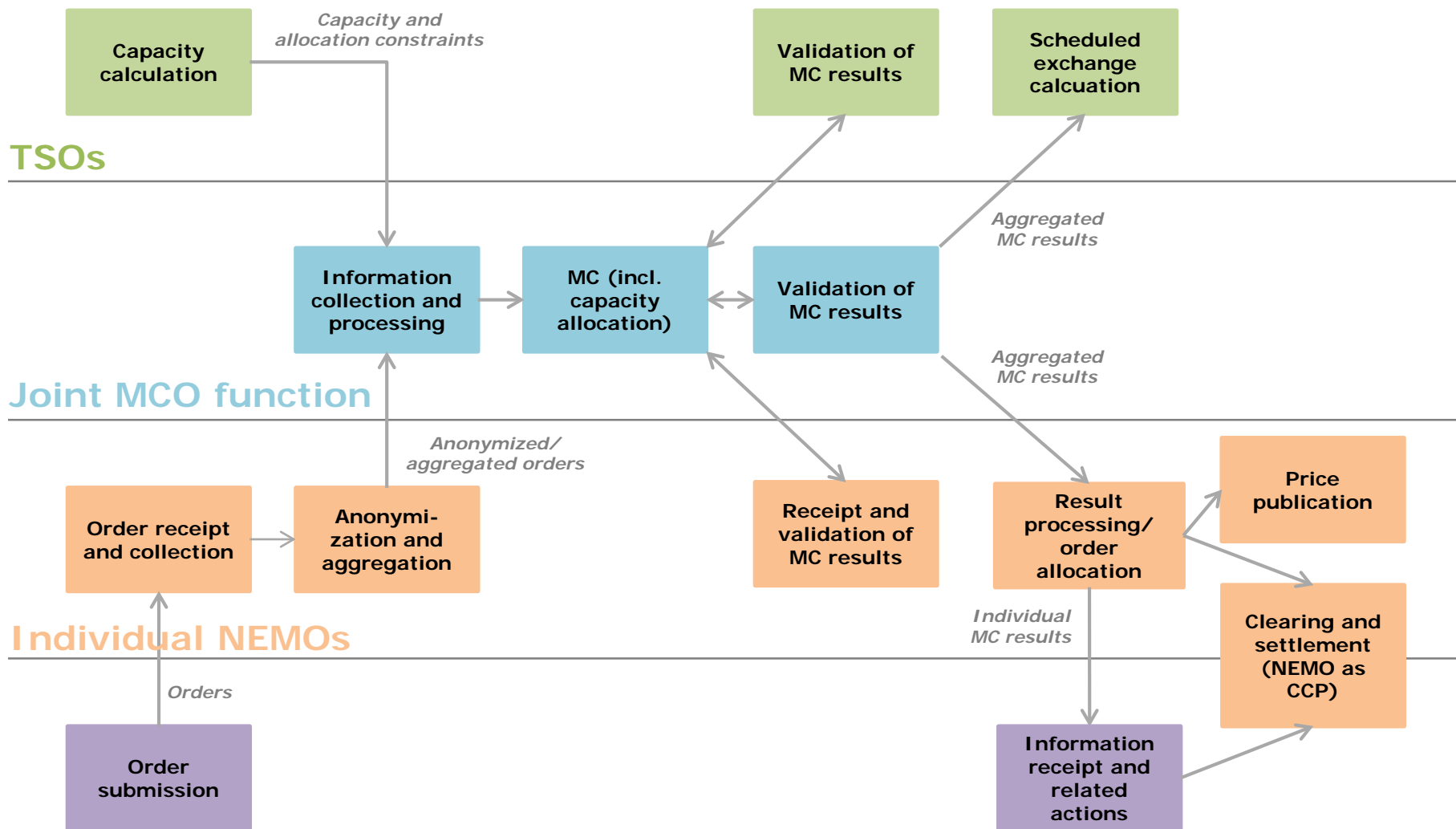
* or as national monopoly



'market coupling operator (MCO) function' means the task of matching orders from DA and ID markets for different bidding zones and simultaneously allocating cross-zonal capacities

- No entity but a function/task attributed to all NEMOs
- Joint operation of market coupling of all NEMOs
- Centralized matching procedure including allocation of cross-border capacity in order to optimize its usage
- MCO function also includes non-operational tasks such as joint development of TCMs etc.

DA Market Coupling Process



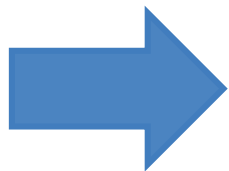
Market Participants



- NEMOs shall act as central counter parties (CCPs) for clearing and settlement of energy exchanges resulting from market coupling
- Related tasks:
 - Acting as counter party for market participants
 - Acting as counter party for each other for the exchange of energy between bidding zones
 - Clearing and settlement in timely manner
- CCPs shall ensure consistency of all bidding zones' net positions



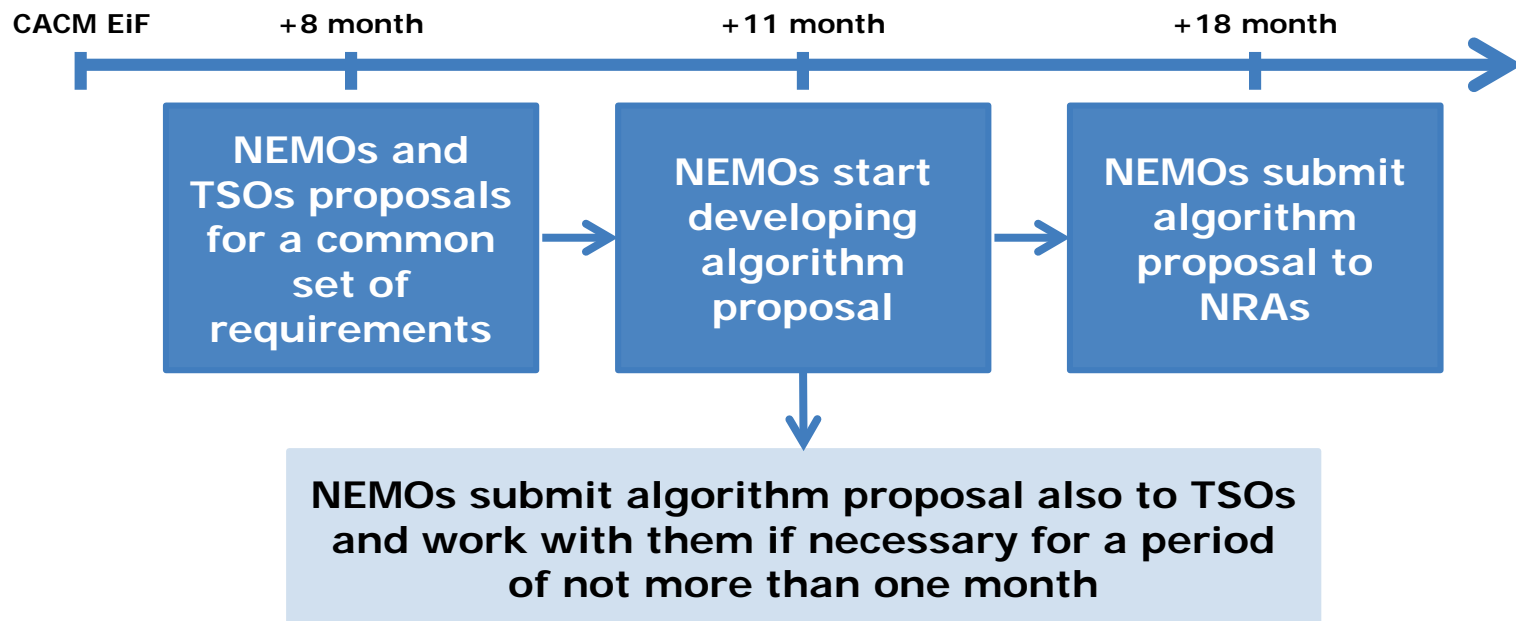
- Development and maintenance of algorithms, systems and procedures for market coupling
- Establishment of algorithm requirements
- Definition of accommodated products for the market coupling
- Determination of maximum and minimum prices
- Establishment of back-up procedures with TSOs



Joint development of specific methodologies within respective deadlines approved by NRAs (partly in cooperation with TSOs)



- NEMOs shall develop, maintain and operate both the price coupling algorithm for DA and the continuous trading matching algorithm for ID
- ACER decision in July 2018



Products

Art. 40 + Art. 53

- NEMOs submitted proposals (one DA and one ID)
- Algorithms need to be able to accommodate orders resulting from those products covering one and multiple market time units
- Revised proposal was approved by all NRAs in January 2018

Min/Max Prices

Art. 40 + Art. 53

- NEMOs developed in cooperation with TSOs proposals (one DA and one ID) for max/min prices for bidding zones in market coupling
- Proposal shall take into account value of lost load
- ACER decision in November 2017

Back-up Procedure

Art. 36

- NEMOs developed in cooperation with TSOs a proposal for a back-up methodology for market coupling process
- Revised proposal was approved by all NRAs in January 2018

Agenda



NEMO – Definition and Designation

NEMOs' Tasks under CACM

Cooperation between NEMOs

Costs

Monitoring



- Cooperation between NEMOs shall be strictly limited to what is necessary for efficient implementation and operation of market coupling
- Joint performance of MCO functions shall be based on principle of non-discrimination and best effort
- No benefit from unjustified economic advantages in order to be compliant with EU competition law
- Cooperation with TSOs in order to develop and implement market coupling



- Plan setting out how to jointly set up and perform the MCO function (governance structure)
- Plan includes in general:
 - a detailed description,
 - necessary draft arrangements between NEMOs and between NEMOs and third parties,
 - an implementation timeline which shall not be longer than 12 month and
 - a description of expected impact of other TCMs of CACM on the establishment and performance of the MCO functions.
- All-NRA approval in June 2017



- All NEMO Cooperation Agreement (ANCA)
- NEMO DA Operational Agreement (DAOA)
- NEMO ID Operational Agreement (IDOA)
- NEMO – TSO arrangements
- Set of contracts between NEMOs and third party service providers incl. DA MCO Function co-owners



- All designated NEMOs shall join the All NEMO Cooperation Agreement (ANCA)
- Party designated as NEMO in non-EU country fulfilling necessary requirements is entitled to join
- Setting up of All NEMO Committee consisting of representatives of each NEMO
- Escalation procedure to manage cases of any NEMO's refusal to sign or approve a revised version of Operational Agreements
- Decision making rules for All NEMO Committee
- Detailed description of rights and responsibilities of each NEMO with respect to common performance of MCO functions



- Oversees management of NEMOs' cooperation necessary for all common EU tasks
- Main tasks (i.a.):
 - Escalation body
 - Annual report(s)
 - Information submission to ACER, ENTSO-E etc.
 - Single point of contact for other parties
 - Budget approving
- Approved minutes of meetings are published on website
- ACER and EC can participate as observer



- NEMO DA Operational Agreement (DAOA):
 - Basic principles of DA coupling process
 - NEMO roles and rotating principle
 - Operational sequences of the coupling session
- NEMO ID Operational Agreement (IDOA):
 - Basic principle of continuous trading
 - Description of matching principle and process
- Included in both agreements:
 - Validation of market coupling results
 - Daily management
 - Change control procedures

Agenda



NEMO – Definition and Designation

NEMOs' Tasks under CACM

Cooperation between NEMOs

Costs

Monitoring



- NEMOs shall bear costs associated to:
 - establishing, updating, further developing algorithms and coupling processes
 - operating DA and ID market coupling
- Costs need to be reasonable, efficient and proportionate
- Subject to agreement with NEMOs and approval of NRAs, TSOs may make a contribution to those costs
- NEMOs are entitled to recover costs not borne by TSOs by fees or other appropriate mechanisms
- NEMOs and TSOs shall provide a yearly report to NRAs on costs including details on possible TSO contributions -> report published by ACER

Agenda



NEMO – Definition and Designation

NEMOs' Tasks under CACM

Cooperation between NEMOs

Costs

Monitoring



- NEMOs need to submit all necessary information required for monitoring at a joint request of ACER and ENTSO-E
- NEMOs shall review operation of the DA and ID algorithms and submit a report to ACER two years after approval
- NEMOs shall amend products to be considered in DA and ID coupling if needed pursuant to the results of a compulsory consultation (every two-years) of market participants, TSOs and NRAs



Thank you for your attention!

Lisa-Marie Mohr
BNetzA - German NRA

lisa-marie.mohr@bnetza.de