

Paris, 15th September 2016

EPEX SPOT comments to the:

Nordic TSOs' proposal for Arrangements concerning more than one NEMO in one bidding zone in accordance with Article 45 and 57 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management {REF 2016-101956}

Introduction

The European Power Exchange EPEX SPOT welcomes the open, transparent and coordinated approach taken by Nordic Regulators (NordREG) to consult on the Nordic Transmission System Operators (TSOs) common proposal for arrangements concerning more than one nominated electricity market operator (NEMO) in a bidding area (the "TSO proposal").

EPEX SPOT would like to highlight the importance of the TSOs proposal as this will form the basis for the technical and governance arrangements necessary to accommodate multiple NEMOs in the Nordic region. Decisions taken now on the governance and initial technical solution will impact the efficiency and cost of implementing and operating Multi-NEMO Arrangements (MNA) in the coming years. As required by the Capacity Allocation and Congestion Management Regulation (CACM Regulation), Nordic TSOs facilitated a process to develop the TSOs proposal in cooperation with EPEX SPOT and other NEMOs in the Nordic Region. This took the form of one common physical meeting, two common conference calls, and provision of the draft TSO proposal to NEMOs for comments. In spite of the good cooperation, the majority of EPEX SPOT's comments on the TSO proposal have not been taken into account.

We believe that amending some elements of the TSO proposal is of critical importance to ensure that it is in line with the objectives of the CACM Regulation. In particular, we consider that some elements of the proposal are not in line with the CACM objectives of ensuring fair and non-discriminatory treatment of NEMOs and creating a level-playing field for NEMOs.

We will elaborate in this document on elements of the TSO proposal which in our view would unnecessarily increase the cost and complexity of the proposed multi-NEMO arrangements. Our comments in this respect are intended to reduce the cost and complexity of implementing multi-NEMO arrangements which can be implemented without disruption to Nordic market participants and the efficient functioning of the Nordic power market.

EPEX SPOT's comments are based on our experience of successfully implementing and operating multi-NEMO arrangements in Great Britain (GB) and from participating in the

development of TSO proposals in other European Union (EU) Member States. A number of lessons can be taken from the GB experience as well as ongoing discussions on establishing efficient multi-NEMO arrangements in other EU Member States. These lessons should be taken into consideration for the implementation and operation of multi-NEMO arrangements in the Nordic region and across Europe.

Furthermore, we understood that a version of the TSO proposal with EPEX SPOT's initial comments in track change has been provided to NRAs by the Nordic TSOs for information.

Our consultation response is structured as follows: in the first part we provide an introduction to EPEX SPOT SE, in the second part we propose objectives that we believe Nordic National Regulatory Authorities (NRAs) should take into consideration when deciding on the TSO proposal, in the third part we provide an overview of our comments and finally, in the annex, we explain the advantages of the multi-shipper model that EPEX SPOT supports.

PART 1: Introduction to EPEX SPOT

EPEX SPOT

The [European Power Exchange EPEX SPOT SE](#) and its affiliates operate organised short-term electricity markets for Germany, France, United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg; markets representing 50% of European electricity consumption. Striving for the well-functioning European single market for electricity, EPEX SPOT shares its expertise with partners across the continent and beyond. EPEX SPOT is a European company (Societas Europaea) in corporate structure and staff, based in Paris with offices or affiliates in Amsterdam, Bern, Brussels, Leipzig, London and Vienna. 286 companies have traded 566 TWh of electricity on EPEX SPOT and its affiliates in 2015. EPEX SPOT is held by [EEX Group](#), part of Deutsche Börse, and HGRT, a holding of European electricity transmission system operators.

EPEX SPOT offers trading on Day-ahead and Intraday markets. On the Day-ahead this happens via a daily blind auction. The German/Austrian Day-Ahead price, Phelix (“Physical electricity index”), has become a European reference thanks to its underlying liquidity. Apart from Switzerland, all markets are part of the Multi-Regional Coupling which stretches across 19 markets from Portugal to Finland and from Great Britain to Italy.

The Intraday market segment is divided into continuous and auction trading. The markets in the CWE region are among the most liquid Intraday markets in Europe: implicit cross-border trading increases liquidity and pushes market integration. In December 2014, EPEX SPOT introduced a call auction for 15-minute contracts in Germany. This Intraday auction at 3:00 pm enables Exchange members to be balanced on a 15-minute basis.

EPEX SPOT and the Nordic market

As part of the implementation of the CACM Regulation, which creates the status of NEMOs and facilitates their entry into new European markets, EPEX SPOT expressed its intention to make use of its passport in the Nordic region. We are convinced that healthy competition helps triggering innovation that best serves the needs of the market. Our ambition is to extend services in new markets beyond Continental Western Europe and GB using our designation as NEMO in countries we currently operate.

For Nordic market participants, having EPEX SPOT entering the Nordic market will result in many advantages:

1. a greater choice of trading platforms as well as a wider and more innovative product offering
2. benefits from EPEX SPOT's particular area of expertise in developing liquid and flexible intraday markets – which we expect to increase in importance in the coming years –
3. a direct access to Europe's most liquid power markets
4. trading on numerous spot power markets across Europe (as well as on further products and markets of the [EEX Group](#)) through a single clearinghouse. [ECC \(European Commodity Clearing\)](#) is EPEX SPOT's partner and the central clearinghouse for energy and related products in Europe.

PART 2: Proposed objectives for multi-NEMO arrangements

The CACM Regulation requires that the TSO proposal meets the objectives listed in Article 3.

In Art.3 of CACM it is stated that the Regulation aims at “ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants” and at “creating a level playing field for NEMOs”. It is also stated that it should aim at “providing non-discriminatory access to cross-zonal capacity”. These are very strong objectives giving a framework to the regulation.

Multi-NEMO arrangements represent the key instrument through which the objectives listed in Art. 3 CACM can be realized. Thus, it is crucial that the Nordic TSOs proposal should always ensure non-discrimination and pave the way for a level playing field amongst NEMOs and their Central Counter Parties (CCPs) in the Nordic region.

Furthermore, we believe that Nordic Regulators should also consider in assessing the TSO proposal that multi-NEMO arrangements should be efficient and cost-effective to implement and operate. This additional principle has also guided our comments in this response.

The objectives mentioned above can only be achieved through a minimum level of harmonization between multi-NEMO arrangements notably considering cross-border shipping and governance.

EPEX SPOT believes that the aforementioned principles are however not fully taken into account in the current Nordic TSO proposal, especially considering its scope (excluding neighbouring Nordic borders) and the approach chosen for the cross-border shipping. Hence, in case this proposal would be implemented as is, it would in our view hinder free competition between NEMOs across Europe and therewith endanger the overall market/MCO (Market Coupling Operator) function design in the light of CACM.

PART 3: Comments to the TSO proposal

Comments common to Day-ahead and Intraday

1. Scope of the proposal (see TSO proposal section 1.)

The TSO proposal for multi-NEMO arrangements covers only “internal Nordic borders” and excludes “external Nordic borders”. In our view this approach is not in line with **Art. 45 and Art. 57 of the CACM Regulation**, which require TSOs to propose multi-NEMO arrangements for all relevant borders.

Multi-NEMO arrangements cannot be implemented in the Nordic region independently from other neighbouring regions and adjacent bidding zones as the CACM does not differentiate between “regional” and “cross-regional” borders in Art. 45 and Art. 57. Hence favouring a regional approach at the expense of a European one is in our view not in line with the Regulation.

If external borders are not considered at this stage it is unclear how the MCO function will couple with neighbouring countries. Besides, this approach appears non-aligned with other European TSO proposals and might affect the timeline for the implementation of other multi-NEMO arrangements. In case of delay of the implementation on external borders, other NEMOs should not be prevented from offering their services in the Nordic region (including all borders). NEMOs should have access to Cross-Zonal Capacity on all borders (including external ones) when considering regulation from the Third Energy Package.

We would like to underline the importance of ensuring sufficient alignment on models and on implementation of TSOs proposals.

First, the multitude of models (even with slight variations) increases the operational risks and the costs associated with implementation and operation. In particular, there should be consensus from TSOs on what shipping models for both Intraday and Day-Ahead are feasible and technically viable across Europe.

Second, without a pan-European alignment of the implementation schedules of these arrangements, the non-discrimination principle amongst NEMOs is not fulfilled, as some markets might be able to accommodate several NEMOs while others are not yet there.

Obviously, the alignment on implementation schedules is linked to the degree of harmonization of the models.

EPEX SPOT suggests that the Nordic TSO proposal shall be amended to include borders with neighbouring regions and consider the impacts on arrangements with adjacent TSOs.

2. Proposed shipping solution (see TSO proposal section 4.2.3)

- **Cross-clearing (shipping between two NEMOs within a bidding zone)**

The Nordic TSOs propose that intra-zonal shipping (cross-clearing between NEMO hubs and nominations to the TSOs) is performed by the CCPs which have to agree on how the clearing should be managed in the most cost efficient way.

EPEX SPOT supports such a decentralised cross-clearing arrangement – whereby CCPs create bilateral links amongst themselves to facilitate clearing between different NEMOs within the same market – is the most efficient and economical solution. However, we would like to raise a point of attention: due to competition law constraints, the CCPs shall not agree amongst themselves to establish bilateral clearing links, without a formal mandate from the TSOs or the applicable NRAs.

Under a decentralised solution, CCPs should be required to agree contractual terms based on their standard clearing terms and ensuring equal treatment and a level playing field amongst them. This principle would also incentivize efficiency of cross-CCP membership conditions since CCPs would contract each other based on competitive terms and conditions. Furthermore, credit risk from customers of one CCP should not spill over to customers of another CCP: a CCP should not contribute to the default fund of another CCP because of the possible domino effect, whereby the default of one CCP could trigger a string of defaults in other CCPs.

EPEX SPOT requests that it is made clear that the adoption of the respective solutions for intra-zonal and cross-border shipping must be done by TSOs (or NRAs) since competition law forbids competitors to agree amongst themselves on such distribution of roles.

- **Cross-border shipping role**

The TSO proposal suggests a solution with one common shipper for the entire Nordic region (referred to as the ‘central shipper model’ under the XBID solution). This shipper will be the balancing responsible party for the exchanges across the bidding zone borders and will be liable for the associated imbalances. EPEX SPOT understands this single shipper would be responsible for the cross-border shipping (provision of cross-border nominations and scheduled exchanges to the TSOs).

For the shipping across bidding zone borders, only one approach (i.e. the “single shipper”) is presented in this proposal. It is described as being the most cost-efficient solution due to non-multiplication of IT infrastructures and lower impact on collaterals. It is also considered by Nordic TSOs as the preferable solution regarding operational security, especially in Intraday.

EPEX SPOT challenges this view. When compared with other possible models, the single shipper approach is not the most efficient one and is not aligned with other Multiple NEMO Arrangement (MNA) proposals. We consider the optimal solution for cross-border shipping is the multiple shipper model (referred to as the ‘preferred shipper model’ under the XBID solution). All the advantages linked to multi-shipment solution are detailed in the attached Annex (part 4). We summarize below why the multi-shipment solution is lower cost, easier to

implement, as well as more compatible with neighbouring countries and a competitive environment.

Cost-efficiency

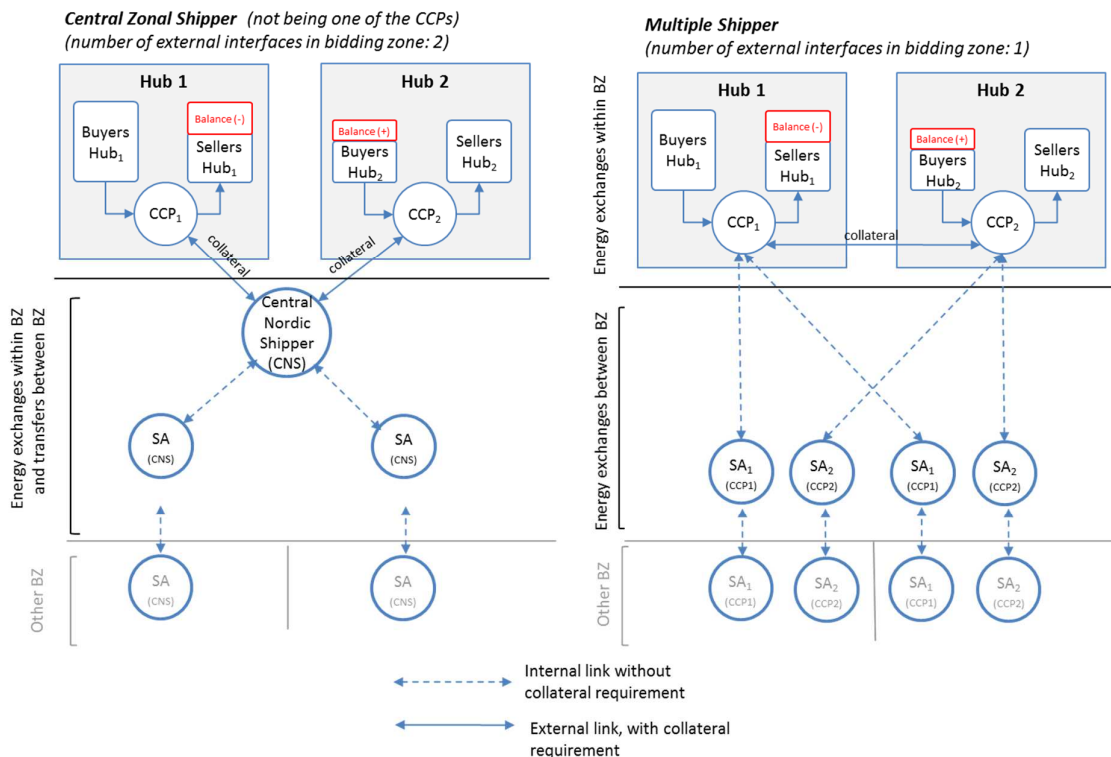
At first glance, a single common Shipping Agent may appear less costly, however it does not take into consideration that this would create additional costs instead of building upon existing technical shipping infrastructure and procedures already used by CCPs (thus being contrary to recommendation in CACM Preamble 14).

EPEX SPOT cannot agree with the TSOs' statement on cost-efficiency of a central shipping solution.

First, important netting effects for CCP-cleared trades could be impaired by the implementation of a central shipper, which would increase overall risk exposure of such solution. With a central shipper the netting of payments is limited to Nordic links with the central shipper (whilst further links between CCPs beyond the Nordic region might exist). As a consequence, this would lead to higher collateral to protect CCPs against associated higher risk exposures.

Secondly, a central shipper solution would lead to collateral requirements for the shipping agent on each NEMO/CCP compared to a solution where each NEMO/CCP could directly transfer energy between bidding zones. Thus, collateral will have to be posted to each CCP by this central shipping agent, which leads to an increase in required interfaces compared to a situation where CCPs directly collateralize each other (see representation below). Having a single pool of collateral for all links between two CCPs lowers required collateral buffer and associated transaction costs (e.g. collateral monitoring, bank fees for collateral deposit, collateral fees for separate collateral deeds).

Thirdly, a central shipper solution does not build on existing contractual arrangements and settlement procedures and requires an unnecessary, complex and lengthy process to designate and procure shipping agents per border.



Ease of implementation

The Nordic TSOs state that a single shipper solution has advantages from an operational security perspective. These advantages are unclear to EPEX SPOT especially considering that the multi-shipper model has been selected as solution for other multi-NEMO arrangements in Europe. Besides, the difficulty of coordination on a contractual and technical basis between a central Shipping Agent and the local CCPs should also be taken into account.

Multi-shipping would also avoid a complex, long and costly process for the selection and procurement of the central shipper.

Compatibility with neighbouring countries and impact on competition

Moreover, EPEX SPOT insists on the shipping arrangements to be considered in a broader perspective. We would like to repeat our concerns about the compatibility of the proposed solution for cross-border shipping with other neighbouring countries.

Shipping arrangements can only be defined after further alignment with at least the TSOs of neighbouring bidding zones, and preferably across the North West Europe (NWE) region, for the sake of non-discriminatory treatment among NEMOs and their CCPs. Incompatible shipping solutions on a given Nordic border with an adjacent bidding zone may simply block the implementation of the multi-NEMO solution for the two connected countries.

Indeed, a divergence in the design of multi-NEMO arrangements between regions risks leading to implementation of MNAs on significantly different timelines. This would hamper free

competition between NEMOs and contravene the provisions of Article 3 of the CACM regulation which requires non-discriminatory access to the necessary tools for competition.

Following the submission of the Nordic TSO proposal, there has been a NEMOs and TSOs process to decide on the preferred approach to organize shipping arrangements (whether to adopt a single or multi-shipper model) for the launch of the XBID project. From these meetings the XBID TSOs concluded that the multi-shipper solution was the preferred approach. Hence implementing multiple-shipment model also on Day-Ahead would provide for a coherent overall arrangement. We consider that the TSO Proposal should be updated and amended to reflect these recent developments.

EPEX SPOT recommends taking the limits of the central shipper solution into account:

- **Cost-efficiency and operational security would not be enhanced if the central shipper appointed is a TSO or external party.**
- **The need for collateral contribution from TSOs will not necessarily be reduced in case the central shipper appointed is an existing CCP.**
- **The contractual set-up will not be easier if the appointed central shipper is a TSO or external party.**
- **The design of the tender process proposed does not sufficiently take into account the non-discrimination principle amongst NEMOs.**
- **It would not contribute to have a single solution in Europe as the proposal is not coordinated with current MNA proposals elsewhere in EU Member States.**

The central shipper solution will create additional costs instead of building upon existing infrastructure, it will be difficult to coordinate contractually and technically, and will trigger a complex, long and costly selection process for TSOs. Besides, the XBID TSOs have recently communicated on their willingness to implement the multi-shipper solution at XBID level.¹

EPEXSPOT therefore suggests amending the TSO proposal in order to align the Day-ahead design with the Intraday one and implement a multiple-shipper model which is less costly and easier to implement on all timeframes.

- **Open questions in case of selection of a common shipping agent (see TSO proposal section 6.)**

In case the option of a common single shipping agent should be retained by NRAs, a series of questions would have to be answered: transparency of the selection criteria, delay for the tendering process, and frequency of reopening of tender to NEMOs/CCPs. Also referring to Nordic TSOs' step 1, we wonder what selection procedure is foreseen if not a tender. We are concerned that if step 1 is a designation (or equivalent approach) made without a tender then there may be risks of discrimination in the second step (i.e. the designated entity is at an advantageous position for the step 2 tender). Thus, how can a lack of bias and equal treatment for all received offers be ensured?

Critically we would also like to know how the TSOs would ensure that such a tender procedure does not lead to gaps in implementation of CACM across the EU (i.e. a longer, three step

¹ Letter from XBID TSO Steering Committee to NRAs on Shipping Arrangements-XBID (4th July 2016).

tender procedure may lead to a slower implementation than for other MNAs) and frictions towards neighbouring regions and bidding zone borders with different MNA designs.

This could mean that there is a period in which one NEMO is able to compete in another's market before the inverse is true which would prejudice the principle of reciprocity for fair competition between NEMOs.

The final shipping arrangements (and possible corresponding selection process) can only be decided after further alignment with at least the TSOs of neighbouring Bidding Zones, and preferably across the NWE region. This is necessary to ensure that implementation proceeds in parallel to ensure non-discriminatory treatment of NEMOs and their CCPs in the competitive environment regulated by CACM.

3. Cost sharing and recovery for multi-NEMO arrangements (see TSO proposal section 7.)

As stated under Whereas 24 of CACM, the rules of cost sharing (for both implementation and operation) should be agreed in advance of implementation of coupling solutions in order not to prejudice their effective and timely implementation. In particular, financing appropriately the collateralisation costs of the inter-hub capacity links is key to the feasibility of the MNAs.

First, it seems the Nordic TSOs interpret "financial coverage" as per Art. 45 and 57 CACM as a requirement for NEMOs to finance the shipping infrastructure. EPEX SPOT does not share this interpretation of the CACM but rather considers it a requirement for NEMOs and CCPs to ensure necessary financial robustness to carry out their operational tasks.

According to the CACM Regulation, all costs related to arrangements allowing operation of multiple NEMOs for the single day-ahead and intraday coupling shall be recoverable subject to being reasonable, efficient, proportionate and transparent.²

Since these costs are strictly related to "*costs of establishing, amending and operating single day-ahead and intraday coupling*", pursuant to art. 76 of CACM Regulation, they shall be initially borne by NEMOs, and subject to recovery according CACM. Pursuant to art 76(3) "*The NEMOs concerned shall be entitled to recover costs in accordance with paragraph 1 which have not been borne by TSOs in accordance with paragraph 2 by means of fees or other appropriate mechanisms only if the costs are reasonable and proportionate, through national agreements with the competent regulatory authority.*"

EPEX SPOT's interpretation of CACM also differs concerning the inclusion in the MNA proposal of costs for intra-zonal shipping between CCPs (or cross-clearing). The TSOs proposal indicated that these are not part of the arrangement and shall not be recovered by TSOs. Our view is that all shipping costs are covered under Art. 77 of the CACM.

The feasibility of the implementation of any multi-NEMO arrangement is fully contingent on the agreement on financial conditions for cost-sharing and cost-recovery between NRAs, NEMOs, CCPs and TSOs.

² See CACM Whereas 23, and Article 76(2), 76(3), 77(1).

In this context and in order to ensure a level playing field and non-discriminatory treatment of NEMOs, a sustainable, stable model for sharing and recovery of the MNA costs will need to be agreed between all concerned parties and NRAs with reference to the relevant CACM Regulation articles.

Hence a proposal for cost sharing and costs recovery by any party, resulting from the multi-NEMO arrangement, shall be submitted to the National Regulatory Authority.

NEMOs should more generally not pay for costs that are incurred by TSOs, and thus not under their control. Specifically we have no means to audit TSO costs and ensure that they are cost-efficient and required for effective implementation.

4. Governance is key

EPEX SPOT considers that governance is the key to effective implementation and operation of market coupling processes. However, governance and contractual frameworks are not fully considered as it is in the Nordic MNA proposal.

To a certain extent, the governance and contractual framework cannot be fully defined without a validated technical framework and a more detailed level of discussion amongst concerned Parties. Nonetheless, such arrangements should ensure, a minima:

- Clear roles, responsibilities and liabilities
- Transparent adherence processes for new Parties
- Provisions for cost reporting, sharing and recovery
- Compliance with respective regulatory framework (e.g. tax, CCPs' financial regulations)

According to the requirement formulated in Art. 9 § 9 CACM ("The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation."), the next implementation steps should be made clear at this stage.

The go-live of any MNA solution must be considered entirely contingent on the development and conclusion of governance frameworks and their validation by the Nordic NRAs.

EPEX SPOT therefore requests the Nordic TSOs to initiate discussion on the matter with concerned NEMOs. The main governance principles should be agreed and included in the multi-NEMO proposal together with a more detailed timeline for implementation (in agreement with Art 9. § 9 CACM).

Specific to Day-ahead

1. Cross-Zonal Capacity and allocation constraints (see TSO proposal section 4.2.2.)

Currently the Nordic TSOs provide daily cross-zonal capacities on the internal Nordic interconnectors to Nord Pool via a common Nordic TSO system. For the multi-NEMO

arrangements, TSOs propose to establish a data platform from which all relevant NEMOs can collect the cross-zonal capacities and allocation constraints.

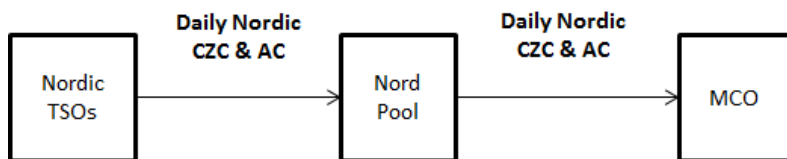
EPEX SPOT underlines that a situation in which Nordic TSOs would continue providing capacities to Nord Pool and other NEMOs would have to rely on Nord Pool to submit the capacities, would not be acceptable. Concerning the TSOs proposal, it should be considered that no such platform exists nor has been required in markets with a similar set-up in Central Western Europe (CWE). In order to ensure non-discrimination between NEMOs, our preferred option is a rotational principle.

In our view, TSOs could provide the capacities to a NEMO endpoint, as it is currently the case, but on a rotational basis between NEMOs. This solution would ensure an equal access of NEMOs to input data and represents a simpler alternative to the platform enabling all NEMOs to retrieve input data at the same time. EPEX SPOT believes there is no requirement for having a dedicated platform, which would bring additional complexity due to the need to implement a new Cross-Zonal Capacity (CZC) crosscheck procedure at PCR level (Price Coupling of Regions) for NEMOs to ensure submission of CZCs to the MCO.

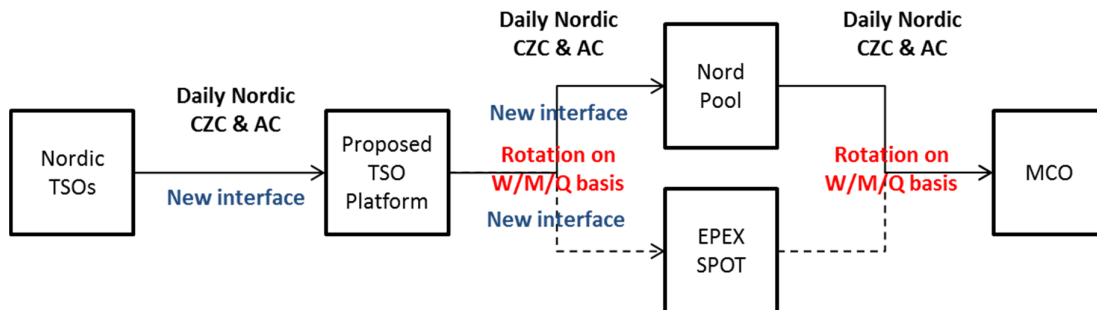
Such TSO platform would anyway not elude the issue of selecting either a rotational principle or designating the NEMO in charge of processing input data from TSOs, since having NEMOs agreeing amongst themselves on this matter would not be compliant with competition law principles

Of course, for implementing such a rotational principle it is critical that a clear operational procedure for organizing NEMOs' access to CZCs (to avoid complex cross-checking procedures) is implemented and developed by the NEMOs. Yet for competition reasons, we require the basic principle for this organization (i.e. rotational) to be stated in the MNA, so as to enable NEMOs to cooperate on this subject.

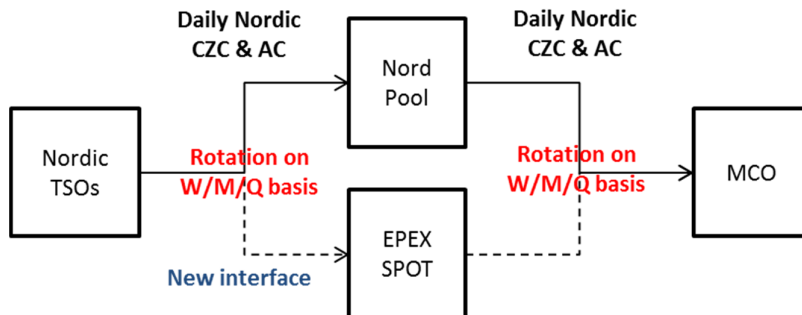
Current situation



Workable solution, with a TSO platform



Alternative solution proposed by EPEX SPOT, w/o a TSO platform



The introduction of a platform between the Coordinated Capacity Calculator (CCC) and NEMOs to provide the CZCs to all NEMOs at the same time would only bring additional complexity and costs so we would rather suggest to build on existing infrastructure and embed in the multi-NEMO arrangement a rotational principle for provision of CZCs to NEMOs.

2. Current Nordic Fall-back solution (see TSO proposal section 4.1.3.)

The TSO proposal states that, at present, in case of a fall-back situation in the Nordic region, Nordic TSOs requested Nord Pool to continue calculations until 20:00 using the Multi-Regional Coupling (MRC) algorithm Euphemia in an isolated regional mode.

The proposal also stipulates that TSOs decided to use the trade results from the previous day (or previous weekend) for nominations in case successful calculation could not be achieved until 20:00.

EPEX SPOT understands the importance for the Nordic region to remain coupled due to security of supply reasons.

However, we cannot support a procedure through which trade results from the previous day are used for nomination purpose. We are contractually bound towards our members and will not take the responsibility of nominating trades on behalf of our members which do not correspond to an order submitted by them. If it is a regulatory requirement for TSOs in the Nordic region to use the results from the previous day, any risks or costs related to imbalances should be covered by the Nordic TSOs.

In addition, we consider the fact that TSOs decide to use the trading results of the previous day for their own needs (e.g. imbalance settlement) shall not affect the ability of the NEMOs to settle their prices based on another rule (e.g. market outcome of the matching of orders in isolated bidding zones), and, in case matching is not possible, to publish reference prices based on more efficient method for the market.

3. System Price (see TSO proposal section 4.2.6.)

EPEX SPOT agrees that the calculation and the publication of the System Price should be carried out by NEMOs based on order books of all NEMOs offering services in the region.

We would like to underline that the order books and market prices produced by the NEMOs are considered as proprietary data of the NEMOs and should only be used by other NEMOs in the algorithm for System Price calculation purpose, subject to the applicable commercial agreements.

4. Relevant algorithm requirements (see TSO proposal section 3.)

The TSO proposal states that the output of the algorithm shall be rounded and unrounded price in Euros for each bidding zone and, if requested by relevant parties, regional prices, such as unconstrained prices for specific Nordic regions.

To handle the constraint of rounding discrepancies, EPEX SPOT recommends to agree on a common definition of the Single Price per bidding zone which results understood as one single unrounded price calculated by the MCO algorithm prior to the application of rounding rules to calculate the price for individual NEMO hubs.

Furthermore, the TSO proposal suggests that at the request of a TSO, the algorithm shall be able to deliver the bidding curves of the control area of the requesting TSO.

EPEX SPOT considers there is no technical ground for NEMOs to deliver bidding curves of the control area of a TSO requesting such data. Today, EPEX SPOT publishes these curves (in an aggregated format) on its website where they are already accessible to the TSOs.

5. Infinite transmission capacity links (see TSO proposal section 8.)

EPEX SPOT would like to give a more detailed explanation of the unlimited or infinite transmission capacity links between hubs mentioned in the MNA proposal.

It is important to distinguish between the theoretical and the technical definition of 'infinite capacity'. **In practice it will not be possible to configure 'infinite capacity' links between NEMO hubs, due in part to mathematical constraints associated with infinite values, and in part due to the excessive risks and collateral costs that such infinite links would impose.** Hence, the term 'infinite capacities' refers to a defined level of capacity sufficient to ensure unlimited exchange between hubs under normal market conditions, and provided sufficient collateral is deposited with the relevant CCP.

These technical limits should be established for Day-Ahead timeframes only. For Intraday markets such limits should ideally be dynamically derived from the level of available collateralisation (this should be foreseen as mid-term goal after the launch of XBID).

Specific to Intraday

Current market access restriction (see *TSO proposal section 5.1.*)

The TSO proposal states that until the implementation of XBID Nord Pool will be the sole Exchange offering services in the Intraday market in the Nordic bidding zones.

Under 714/2009 Regulation and ACER Framework guideline, access must be granted to cross border capacity on a non-discriminatory and fair basis by TSOs. In addition, competition law (article 102 TFUE) prohibits TSOs, in a legal or natural monopoly, to inter alia discriminate (“applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage”), impose unfair trading conditions.

TSO are obliged, as soon as they grant access thereto to a PX, to grant access under the same terms and conditions to any PX objectively similar. Any deviation to that could have an anticompetitive effect on the downstream market of facilitation of trading services.

Moreover, this principle is also stated in the introduction of the Nordic TSO proposal (“This does not entail that NEMOs in the Nordic region are prevented from having access to the CZC on these borders”).

EPEX SPOT disagrees with this requirement, as it should be entitled to operate Intraday markets in the Nordic markets and access cross-zonal capacities at any moment. Therefore, we believe it is non-compliant and should not be part of the Nordic TSO proposal.

Furthermore, the TSO proposal indicates there is currently no contractual arrangement between the Nordic TSOs and Nord Pool for the operation of Elbas.

EPEX SPOT would welcome more information on how the Nordic Intraday market is organised and on which basis Intraday transactions take place in the Nordic region.

Part 4 (Annex): Advantages of Multiple Shipper Model in the Multi-NEMO Arrangement context

I. Context

EPEX SPOT supports a multiple (also referred to as ‘preferred’) shipper model for all MNA solutions. The solution has the benefits of reducing costs and organisation associated with tendering for shipping roles (and avoiding the time required for such processes), whilst also minimizing costs associated with clearing between exchanges and shipping across borders. It provides legal simplicity and will be easier to handle from a governance perspective.

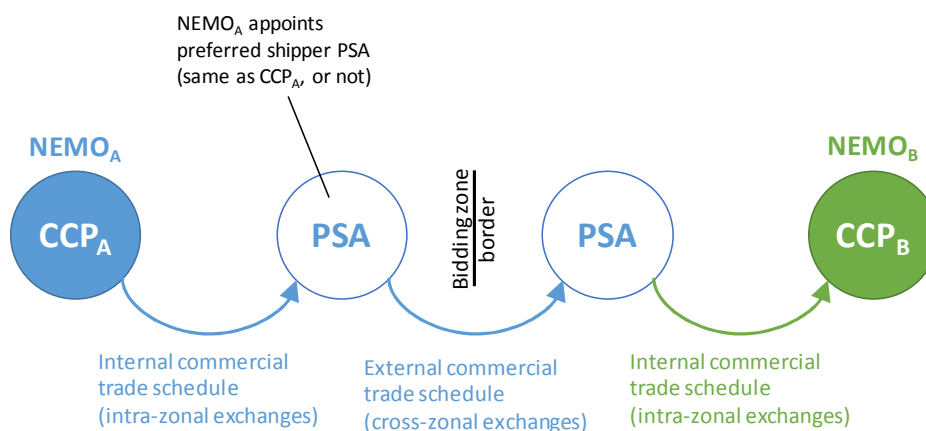
This model has already been adopted as the interim solution within XBID. This note investigates the feasibility of adopting for DAM coupling as well.

II. General description and advantages of the Multiple Shippers approach

a. General description

For a given border, each CCP performs the tasks involved in cross-zonal shipping, or can appoint another entity as its “preferred Shipping Agent” to perform this task on its behalf (physical and financial settlements). The underlying contractual arrangements are settled between relevant CCPs and/or Shipping Agents, under the applicable contractual and technical framework.

From TSOs’ perspective, the physical settlement can thus be summarized as follows:



In the intraday coupling context, the XBID solution already supports technically this Multi-Shipper solution. In addition, the XBID TSOs have recently communicated on their willingness to implement this solution at XBID level.

For Day-ahead coupling, this would require that scheduled exchanges resulting from market coupling are calculated up to a on a NEMO-hub level.

b. Advantages

This approach would ensure an **efficient shipping solution** and lower overall costs by:

- **Re-using existing contractual arrangement and settlement procedures** between NEMOs/CCPs established for cross-border links in course of the past projects, supporting a cost-efficient setup of shipping solutions,
- **Allowing netting of payments on the same or between different CCPs**, potentially resulting in lower collateral costs for market participants and/or between CCPs,
- **Limiting the number of required interfaces** between CCPs and/or Shipping Agents, which potentially results in lower operational and transaction costs (the financial settlement between CCPs and/or Shipping Agents will be more efficient since no “third” parties in the settlement chain are involved).

From TSOs’ perspective:

- Since it is up to the NEMOs to define their preferred Shipping Agent (or have their CCP performing shipping themselves), no additional burden is put on TSOs with respect to discussions on unclear legal basis for TSOs to select or tender a Shipping Agent,
- This solution would also **avoid a potentially complex, long and costly process for the selection and procurement** of a central shipper,
- This solution provides additional security that partial decoupling (one NEMO/CCP not being able to take part in the coupling) is still possible since no dependency of other NEMOs/CCPs on the absent NEMO/CCP for shipping).

From NEMOs’ perspective this solution would furthermore:

- **Ensure fair and non-discriminatory treatment of NEMOs/CCPs**, which have the possibility to perform both physical and financial settlements, based on the same level of information,
- Allow a level playing field among NEMOs/CCPs as each CCP could arrange transfers between different bidding zones resulting from trades on the respective market platforms,
- The implementation of a multi-shipper approach consistently over Europe is indeed the **simplest way to avoid a divergence in the design of MNAs between regions** leading to implementation of MNAs on significantly different timelines: this case would impede competition between NEMOs and contravene the provisions of Article 3 of the CACM regulation which requires non-discriminatory access to the necessary tools for competition.