

Clearing and settlement for single day-ahead and intraday coupling – shipping arrangements between different central counter parties for the exchange of energy for the Nordic bidding zones

The Nordic national energy regulatory authorities (“Nordic NRAs”), Norges vassdrags- og energidirektorat, Energiavirasto, Energimarknadsinspektionen and Energitilsynet, intend to coordinate their national decisions regarding settlement, clearing and shipping between different central counter parties for the exchange of energy for all the Nordic bidding zones in accordance to article 68(6) in Regulation (EU) 2015/1222 establishing a guideline on capacity calculation and congestion management (“CACM Regulation”), taking into account the following:

Whereas

- (1) The European Commission has established the CACM Regulation, which entered into force on 14 August 2015.
- (2) The CACM Regulation sets out minimum harmonized rules for the ultimately single day-ahead and intraday coupling, in order to provide a clear legal framework for an efficient and modern capacity allocation and congestion management system, facilitating Union-wide trade in electricity, allowing more efficient use of the network, providing a level playing field for market participants, and increasing effective and undistorted competition, for the benefit of the consumers.
- (3) For efficiency reasons and in order to implement single day-ahead and intraday coupling as soon as possible, single day-ahead and intraday coupling should make use of existing market operators and already implemented solutions where appropriate without precluding competition from new operators in accordance with CACM Regulation.
- (4) On 23 December 2016, the Nordic transmission system operators (“TSOs”) informed the Nordic NRAs that the concerned Nominated Electricity Market Operators (“NEMOs”) had not been able to conclude on a specific agreement on shipping arrangements for the exchange of energy for the Nordic bidding zones which was meant to be part of the arrangements concerning more than one NEMO in a bidding zone in accordance with Article 45 and 57 of CACM Regulation. Thus, the shipping arrangements will therefore be decided by the Nordic NRAs in accordance with article 68(6) in CACM Regulation. The Nordic NRAs consider the national decisions regarding shipping arrangements to be a part of the national decisions regarding arrangements in accordance with Article 45 and 57.
- (5) Article 68 in CACM Regulation concerning clearing and settlement for single day-ahead- and intraday-coupling defines the legal basis for this agreement and states that:
 1. *The Central counter parties shall ensure clearing and settlement of all matched orders in a timely manner. The central counter parties shall act as the counter party to market participants for all their trades with regard to the financial rights and obligations arising from these trades.*
 3. *Central counter parties shall act as counter party to each other for the exchange of energy between bidding zones with regard to the financial rights and obligations arising from these energy exchanges.*

6. Notwithstanding paragraph 3, a shipping agent may act as a counter party between different central counter parties for the exchange of energy, if the parties concerned conclude a specific agreement to that effect. If no agreement is reached, the shipping arrangement shall be decided by the regulatory authorities responsible for the bidding zones between which the clearing and settlement of the exchange of energy is needed.

- (6) The Nordic NRAs have considered various different alternatives for implementing a shipping and settlement arrangement, each with different positive and negative effects. The CACM Regulation is an ambitious effort in connecting the day-ahead and intraday markets in the EU, and this is an ongoing process at the time of the decision-making. Therefore, the effects of the CACM Regulation once fully implemented have not yet materialised. The proposed clearing, settlement and shipping arrangements are considered the most appropriate at the time of the intended decision, taking into consideration the current circumstances, and in particular restrictions on time for implementing a settlement solution. However, the arrangements presented in this document shall not preclude the Nordic NRAs from evaluating the chosen arrangements and amend the arrangements if this is necessary in order to ensure *inter alia* non-discrimination, a level playing field among NEMOs and market participants in general, to facilitate sustainable long-term effective and undistorted competition, or to ensure efficient and cost-effective settlement in the Nordic capacity calculation region.
- (7) The Nordic NRAs have been in dialogue with relevant NEMOs and TSOs during the process of developing these arrangements.

Article 1

Subject matter and scope

1. These arrangements concern settlement, clearing and shipping for the exchange of energy within and between all Nordic bidding zones in accordance with article 68 of the CACM Regulation.
2. These arrangements apply to each NEMO offering day-ahead- and/or intraday-services in any of the Nordic bidding zones.

Article 2

Definitions and interpretation

1. The terms used shall have the meaning of the definitions included in Article 2 of the CACM Regulation and Regulation (EC) No 714/2009.
2. In this arrangement, unless the context requires otherwise:
 - a) The singular indicates the plural and vice versa;
 - b) The headings are inserted for convenience only and do not affect the interpretation of this proposal; and
 - c) Any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.
3. This proposal distinguishes two layers of clearing and settlement:
 - a) intra-zonal layer: energy exchanges between NEMO Trading Hubs within a bidding zone and
 - b) cross-zonal layer: clearing and settlement for energy exchanges between bidding zones.

Article 3

Clearing and Settlement

1. Each NEMO in any of the Nordic bidding zones shall act or be represented by central counter party for clearing and settlement of the exchange of energy resulting from single day-ahead and intraday coupling and shall set up the required contractual and financial arrangements.
2. Central counter parties shall act as counter party to each other for the exchange of energy within in and between bidding zones with regard to the financial rights and obligations arising from these energy exchanges in accordance with Article 68(3) of the CACM Regulation.

Article 4

Shipping

1. The function of shipping includes shipping across any of the Nordic bidding zone borders.
2. The shipping of energy exchanges resulting from the single day-ahead coupling comprises of:
 - a. **Physical shipping:** physical energy delivery through nominations according to the outcome of the single day-ahead coupling or by a designated suitable scheduling process between NEMOs or their associated central counter parties, TSOs and, where applicable, shipping agents; and
 - b. **Financial shipping:** financial settlement of the single day-ahead coupling between central counter parties.
3. The shipping of energy exchanges resulting from the single intraday coupling comprises of:
 - a. **Physical shipping:** physical energy delivery according to the outcome of the single intraday coupling or by a designated suitable scheduling process by the NEMOs' associated central counter parties and/or shipping agents towards the relevant Nordic TSO in any of the Nordic bidding zones; and
 - b. **Financial shipping:** financial settlement of the single intraday coupling between central counter parties.

Article 5

Shipping solution in the Nordic region

1. NEMOs or their associated central counter parties are responsible for the physical and financial shipping resulting from the single day-ahead coupling and the single intraday coupling.
2. The NEMOs and TSOs in the Nordic region shall cooperate when setting up the arrangements for the shipping solution.
3. Central counter parties shall be in compliance with the Balance Responsible Party license system, recognitions and processes for each of the Nordic bidding zones.
4. NEMOs and central counter parties involved in intra-zonal energy exchanges and cross-zonal energy exchanges must nominate towards the relevant Nordic TSO.

Article 6

Cost

1. All costs incurred by central counter parties shall be recoverable by means of fees or other appropriate mechanisms if they are reasonable and proportionate in accordance with Article 77 of the CACM Regulation.

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2. The central counter parties must seek efficient clearing and settlement arrangements avoiding unnecessary costs and reflecting the risk incurred in accordance with Article 77 of the CACM Regulation.