

Common position on cost sharing and recovery in the Nordic countries

21. December 2020

In July 2018 the Nordic energy regulatory authorities (Nordic NRAs), Reguleringsmyndigheten for energi, Energiavirasto, Energimarknadsinspektionen and Forsyningstilsynet agreed on a common position on how common costs defined in Article 80(2)a) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management, and clearing and settlement costs according to Article 77(1) in the same regulation shall be shared and recovered in the Nordic countries. The Nordic NRAs also reached a common position on how national costs referred to in article 80(2)c) of Regulation (EU) 2015/1222 shall be shared and recovered in the Nordic countries.

In December 2019, the Nordic NRAs reached a common position on how regional costs defined in article 80(2)b) of Regulation 2015/1222 shall be shared and recovered. Additionally, the position on the individual NEMO costs in support of common costs, national costs and clearing and settlement costs were clarified and updated in this second version of the joint position paper.

The Nordic NRAs have now reached a new common position on how to treat the individual NEMO costs in support of common costs and have updated the joint position paper accordingly. Additionally, we have updated the joint position paper concerning clearing and settlement costs and the yearly fee NEMOs operating in the Nordic countries are allowed for collecting and transferring congestion income to the Nordic TSOs.

The Nordic NRAs will issue separate, national decisions on the matter in due course, but do hereby inform the Nordic TSOs and nominated electricity market operators (NEMOs) planning to operate in the Nordic countries about our common position.

1. General position and timing

The cost recovery arrangements presented in this document are applicable for costs incurred from the 14th of February 2017. However, the rules presented in this paper concerning fees for collecting congestion income apply from the implementation of the Nordic Multi-NEMO Arrangement (MNA).

All NRAs have agreed at European level on principles for the sharing of common cost between Member States (MS) in accordance with Article 80(3). Additionally, all NRAs have agreed at European level on a sharing key for the individual NEMO costs in support of common costs between the MSs.

This paper contains the position of the Nordic NRAs on how the MS' share of common and regional cost referred to in article 80(2)(a) and Article 80(2)(b) and national cost referred to in article 80(2)c) shall be shared and recovered in the Nordic countries in accordance with article 75(1), 75(2) and 76(3).

2. Common European costs

2.1 Costs resulting from coordinated activities of all NEMOs

Cost sharing

The MS' share of the common cost resulting from coordinated activities of all NEMOs as defined in Article 80(2)a), that has been assessed as reasonable, efficient and proportional in accordance with 75(2), shall be shared as following.

Common development cost

- 1/3 of the cost shall be shared equally between all designated and passporting NEMOs in the MS from the month of the NRA decision on designation or notification of passporting¹. For Norway, 1/3 shall be shared equally between NEMOs holding a market place license.
- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS.

Common operational cost

- 1/3 of the cost shall be shared equally between all designated and passporting NEMOs in the MS from the month of the NRA decision on designation or notification of passporting². An exception to this is new NEMOs that are not operational (meaning the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the common operational costs from the month that they are designated or passported and have started to receive bids or start to ship.

For Norway, 1/3 shall be shared equally between NEMOs holding a market place license. The exception from this are new NEMOs who are not operational (that means that the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the common operational costs from the month that they are granted a market place license and have started to receive bids or start to ship.

- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS.

Cost recovery

The shared cost shall be recovered as following:

Common operational cost

NEMOs shall bear their respective part of the MS' share of NEMOs common cost associated with operating the single day-ahead- and the intraday coupling.

These costs shall not be paid by the TSO³.

Common development cost (establishing and amending cost)

Each Nordic TSO shall bear its MS' share of the NEMOs common costs associated with establishing and amending the single day-ahead- and the intraday coupling, provided that the costs are assessed as reasonable, efficient and proportionate by the NRAs. The TSO shall be able to recover these costs through the network tariffs.

2.2 Costs resulting from joint or coordinated activity of NEMO/TSO

Cost sharing

The MS' share of common joint NEMO/TSO costs, that has been assessed as reasonable, efficient and proportional in accordance with 75(2), shall be shared equally between the NEMO(s) and the TSOs. (50% to TSO, 50% to the NEMO/NEMOs)

¹ Nordic NRAs consider a NEMO as a passporting NEMO two months after the notification of performance by the NEMO

² Nordic NRAs consider a NEMO as a passporting NEMO two months after the notification of performance by the NEMO

³ Unless agreed upon and approved as a TSO contribution pursuant to article 76(2).

If there are more than one NEMO designated or accepted as passporting NEMO in the MS, the NEMOs share shall be shared as following:

Common development cost

- 1/3 of the cost shall be shared equally between all designated and passporting NEMOs in the MS from the month of the NRA decision on designation or passporting⁴. For Norway, 1/3 shall be shared equally between NEMOs holding a market place license.
- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS.

Common operational cost

- 1/3 of the cost shall be shared equally between all designated and passporting NEMOs in the MS from the month of the NRA decision on designation or passporting⁵. An exception to this is new NEMOs that are not operational (meaning the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the common operational costs from the month that they are designated or passported and have started to receive bids or start to ship.

For Norway, 1/3 shall be shared equally between NEMOs holding a market place license. The exception from this are new NEMOs who are not operational (that means that the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the common operational costs from the month that they are granted a market place license and have started to receive bids or start to ship.

- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS

Cost recovery

The shared cost shall be recovered as following:

Common operational cost

NEMOs shall bear their respective part of the MS' share of the common joint NEMO/TSO operational cost associated with operating the single day-ahead- and the intraday coupling. These costs shall not be paid by the TSO⁶.

The TSOs shall be able to recover their share of the common joint operational costs through their network tariffs.

Common development cost

Each Nordic TSO shall bear its MS' share⁷ of the common joint NEMO/TSO development costs associated with establishing and amending the single day ahead and the intraday coupling, provided that the costs are assessed as reasonable, efficient and proportionate. The TSO shall be able to recover these costs through the network tariffs. This implies that a NEMO gets cost recovery through the network tariff for its share of the common joint NEMO/TSO development costs.

⁴ Nordic NRAs consider a NEMO as a passporting NEMO two months after the notification of performance by the NEMO

⁵ Nordic NRAs consider a NEMO as a passporting NEMO two months after the notification of performance by the NEMO

⁶ See footnote 2

⁷ Both the share attributed to the TSO and the share(s) attributed to the NEMO(s)

2.3 Costs resulting from coordinated activities of all TSOs

Cost sharing

The MS' share of the common cost resulting from coordinated activities of all TSOs, that has been assessed as reasonable, efficient and proportional in accordance with 75(2), shall be attributed 100% to the national TSO.

Cost recovery – operational and development cost

Both operational cost and development costs resulting from coordinated activities of all TSOs can be recovered through network tariffs, provided that the costs are assessed as reasonable, efficient and proportionate.

2.4 Summary of common European costs

NEMOs shall bear their **respective share** of common cost resulting from coordinated activities of all NEMOs associated with **operating** the single day ahead and intraday coupling. These costs shall not be paid by the TSO.

NEMOs shall bear their **respective share** of common cost resulting from coordinated activities of all NEMOs and TSOs jointly (common joint NEMO/TSO costs) associated with **operating** the single day-ahead- and the intraday coupling. These costs shall not be paid by the TSO.

Each Nordic TSO shall bear its **MS' share** of the cost associated with **establishing and amending** the single day ahead and the intraday coupling. These cost can be recovered through network tariffs, provided that the costs are assessed as reasonable, efficient and proportionate.

Each Nordic TSO shall bear **its share** of the common cost resulting from coordinated activities of all TSOs associated with **operating** the single day-ahead- and the intraday coupling. These costs can be recovered through network tariffs, provided that the costs are assessed as reasonable, efficient and proportionate.

Each Nordic TSO shall bear **its share** of the common cost resulting from coordinated activities of all NEMOs and TSOs jointly (common joint NEMO/TSO costs) associated with **operating** the single day-ahead- and the intraday coupling. These costs can be recovered through network tariffs, provided that the costs are assessed as reasonable, efficient and proportionate.

3. Regional cost

Cost sharing

It follows from article 80(4) that NEMOs and TSOs cooperating in a certain region shall jointly agree on a proposal for the sharing of regional costs subject to approval by the competent NRA. Alternatively, the NEMOs and TSOs may use the cost sharing arrangements set out in article 80(3) (''common costs''). The sharing of the costs for a specific region will therefore depend on the chosen and approved sharing key for each regional project.

These costs do not include costs for the Multi-Regional Coupling (MRC) project until the Single Day-Ahead market goes live.

Cost recovery

The shared costs shall be recovered by the TSOs and NEMOs according to the same principles as common costs. Reference is therefore made to the recovery part of the three chapters

- a) Common cost resulting from coordinated activities of all NEMOs (see 2.1),
- b) Common costs resulting from coordinated activity of NEMO/TSO (see 2.2),
- c) Common cost resulting from coordinated activities of all TSOs (see 2.3).

4. National cost

Cost sharing

Individual NEMO national costs shall not be shared between the NEMOs. National costs resulting directly from coordinated activities of the NEMOs in that Member state⁸ that have been assessed as reasonable, efficient and proportional in accordance with 75(2), shall be shared as following:

National development cost

- 1/3 of the cost shall be shared equally between all designated and passporting NEMOs in the MS from the month of the NRA decision on designation or passporting⁹. For Norway, 1/3 shall be shared equally between NEMOs holding a market place license.
- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS.

National operational cost

- 1/3 of the cost shall be shared equally between designated or passporting NEMOs in the MS from the month of the NRA decision on designation or passporting¹⁰. The exception from this are new NEMOs who are not operational (that means that the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the national operational cost from the month that they are designated or passported and have started to receive bids or started to ship.

For Norway, 1/3 shall be shared equally between NEMOs holding a market place license. The exception from this are new NEMOs who are not operational (that means that the NEMO does not receive bids nor ships) anywhere in the EU. These NEMOs will start to share the national operational cost from the month that they are granted a market place license and have started to receive bids or start to ship.

- 2/3 of the cost shall be shared based on traded volume of the NEMOs operating in the MS

⁸ Such costs do not include the costs borne by NEMOs to adapt their own systems in order to ensure compatibility with coordinated or joint activities.

⁹ Nordic NRAs consider a NEMO for a passporting NEMO two months after the notification of performance by the NEMO

¹⁰ Nordic NRAs consider a NEMO for a passporting NEMO two months after the notification of performance by the NEMO

National costs resulting from coordinated activities of the TSO and NEMOs in that Member state and assessed as reasonable, efficient and proportional shall be equally shared by the TSO and NEMOs. (50% to TSO, 50% to the NEMO/NEMOs)

If there are more than one NEMO designated or accepted as passporting NEMO in the MS, the NEMOs share shall be shared in accordance with the same principles as the national costs resulting from joint activities of the NEMOs in that Member state (ref. above).

National costs resulting from activities of the TSO in that Member state shall be attributed to the TSO solely.

Cost recovery – national operational cost and development cost

A NEMO's share pursuant to the sharing key for national costs in that Member state (share of cost resulting from joint activities for NEMOs in a MS) shall be borne by the respective NEMO. These costs shall not be paid by the TSO¹¹.

Also, national costs resulting from the individual NEMO's activities in that Member state shall be borne by the NEMO. These costs shall not be paid by the TSO¹².

The TSO's share of national costs in that Member state shall be borne by the TSO and can be recovered through network tariffs.

4.1 Individual NEMO costs in support of common costs

The NEMOs have decided to allocate costs to the category 'individual NEMO costs in support of common costs'. These are individual NEMO costs resulting directly from activities for the common European project decided by all NEMOs. All European NRAs have decided that these costs belong under the category national costs.

Cost sharing

Each NEMO shall share its costs according to the agreed sharing key at European level.

Since these are individual NEMO costs there shall not be any sharing of these costs between the NEMOs.

These costs should not include the costs borne by NEMOs to adapt their own systems in order to ensure compatibility with coordinated or joint activities.

Cost recovery – operational cost and development cost

Whether a MS' share of the individual NEMO costs in support of common costs are subject to cost recovery, is a national decision decided by the respective Nordic NRA.

5. Clearing and settlement costs

NEMOs that are designated or have passported into one of the Nordic countries shall bear the costs associated with financial settlement between CCPs/NEMOs themselves.

Arrangements concerning submission of clearing and settlement arrangements are subject to approval by relevant NRAs in accordance with CACM article 77.

All CCPs have an obligation to collect congestion income arising from single day-ahead coupling and the single intraday coupling and ensure that the collected congestion incomes are transferred to TSOs in

¹¹ See footnote 2

¹² See footnote 2

accordance with CACM art 68 (7) and (8). The Nordic NRAs consider the collection and transfer¹³ of congestion income as a task performed by the NEMOs on behalf of the TSOs¹⁴. The costs for the collection and transfer of congestion income to the Nordic TSOs, shall be recovered through network tariffs of TSOs, to the extent that the actual costs of providing this service are deemed reasonable and proportionate in accordance with article 77(1).

Fee structure for congestion income collection

NEMOs operating in the Nordic bidding zones are allowed a maximum yearly fee for the service of collection and transfer of congestion income to the Nordic TSOs. The Nordic NRAs have agreed on a common position on this yearly fee, which is based on the responses from EPEX and Nord Pool EMCO to our request for cost estimates and additional clarifications. EPEX and Nord Pool EMCO submitted cost estimates with relevant historic data to the Nordic NRAs in April 2020. The Nordic NRAs have agreed that each NEMO operating in the Nordic bidding zone is allowed a maximum yearly fixed fee equal to EUR 150 000.

The fee only includes cost related to providing the service of collection and transfer of congestion income to the Nordic TSOs. The costs included are efficient cost allowances for

- Additional working hours that relate specifically to the collection and transfer of congestion income.
- Additional IT costs that relate specifically to the collection and transfer of congestion income
- Costs for handling extra collaterals towards TSOs, if any

For each of the following years after 2020 the total sum all NEMOs are allowed to charge all TSOs will be increased by the average of the CPI in all Nordic countries unless otherwise stated by the Nordic NRAs. All NEMOs shall record a breakdown of actual costs for collection and transfer of congestion income. This information shall be submitted to Nordic NRAs upon request.

The cost of the total chargeable amount will be split equally between all Nordic countries and thereby also all Nordic TSOs. This gives a maximum sum that each TSO can be charged by all NEMOs together¹⁵.

6. National decision

Cost recovery is subject to decision and approval by relevant NRA in accordance with article 9(8)(e), 75(1), 75(2) and 76(3).¹⁶

The Nordic NRAs will issue their decisions after the cost report is received in accordance with article 80(1) and the costs presented in the report has been assessed. The national decisions must also await NRA approval of the different sharing keys for regional costs.

¹³ CACM art. 68, 7 and 8 regulates collection and transfer of congestion income. The allocation between TSOs are not explicitly mentioned in this provision.

¹⁴ Note, the provisions in this section do not cover the costs of distributing congestion income amongst the TSOs.

¹⁵ The maximum yearly fee is dependent on whether the NEMO has been operative the whole calendar year.

¹⁶ At the time of writing, CACM is not in force in Norway. Therefore, any decisions from NVE-RME will be based on, and are subject to, requirements in relevant national law and licenses granted in accordance with national law.

The Nordic NRAs decision on costs recovery does not preclude any agreement between NEMOs and TSOs on TSO contribution (subject to NRA approval) according to article 76(2).

7. Basis for the Nordic NRAs common position

Cost recovery – Common and regional operational cost resulting from coordinated activities of all NEMOs

As NEMOs are in control of operations of the single day-ahead and intraday coupling, they also impact on the levels of costs incurred by operating the MCO function. In order to induce NEMOs to operate the MCO function in an efficient manner, the Nordic NRAs are of the opinion that the NEMOs shall cover their respective part of the Member State's share of NEMOs common costs.

Cost recovery – Common and regional development cost (establishing and amending cost) cost resulting from coordinated activities of all NEMOs

The establishment and development of the single day-ahead- and intraday coupling is a crucial part of facilitating Union-wide trade in electricity, allowing more efficient use of the network and increasing competition, for the benefit of consumers. The costs covered by TSOs, which is ultimately a cost borne by the grid users in the various Member States, reflects that the MCO function as an asset that shall lead to and be applied to ensure a more efficient use of the network, facilitate efficient trade in energy and thereby benefiting consumers.

Cost recovery – national operational cost and development cost

Unlike the cost associated with the establishment and development of the single day-ahead- and intraday coupling at a pan-European level, which can be seen as provision of infrastructure to ensure a more efficient use of the network and facilitate efficient trade, the Nordic NRAs consider the NEMOs national development cost as cost related to each NEMO's ability to enter the market and attract customers.