

Norges vassdrags- og energidirektorat (NVE) - Avd.
Reguleringsmyndigheten for energi - RME

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Metoder for tilrettelegging for flere NEMOer i norske budområder (MNA) iht. CACM artikkel 45 og 57

Innledning

Statnett viser til brev av 5. juli 2021 om godkjenning av vilkår og metoder, der RME ber om at Statnett oversender siste versjon av TSO-forslag for vilkår og metoder sammen med oppdaterte redegjørelser av TSO-forslag der det er relevant i henhold til en nærmere avtalt tidsplan.

Statnett har under henvisning til brev av 14. mai 2018 fra NVE og i parallell med de europeiske prosessene oversendt RME metoder for tilrettelegging for flere Nominated Electricity Market Operators (NEMOer) i norske budområder, Multiple NEMO Arrangements (MNA). Tilhørende vurderingsdokument ble sendt RME i brev av 23.11.2018.

Statnetts oppdaterte redegjørelse søker å ta høyde for utviklingen. Metodene må leses i lys av den aktuelle forordningen de er gitt i medhold av, samt annet regelverk og metoder. Statnett understreker at metodene har sammenheng med og vil kunne påvirkes av innholdet i andre metoder og regelverk som skal utvikles fremover eller som endres i fremtiden. Statnett kan ikke utelukke at det er problemstillinger knyttet til metodene som ikke er behandlet her, eller at andre kan ha avvikende synspunkter på de forholdene som behandles.

Vedlagte TSO-forslag om tilrettelegging for flere NEMOer i norske prisområder iht. forordning om kapasitetstildeling og flaskehalshåndtering i CACM artikkel 45 og 57 oversendes RME for formell godkjenning iht. CACM artikkel 45(2) og 57(2).

Metoden ble først utarbeidet i 2016 og endring av denne ble godkjent av de nordiske NRAene i 2018. Metoden består derfor av to dokumenter. Vedlagt ligger også en uoffisiell samlet versjon som er oppdatert for utnevnelsen av RME som norsk regulator.

Nedenfor følger Statnetts redegjørelse i tråd med avklart mal.

Innholdet i metoden

I listen over målsettinger med CACM (artikkel 3(1)) er bokstav a å fremme effektiv konkurranse i produksjon, handel og leveranse av kraft. Et virkemiddel i CACM for å nå dette målet, er å åpne for konkurranse mellom NEMOer innenfor hvert budområde.

TSO-forslaget omfatter både døgn- og intradagmarkedet, samt regler for både prekobling, kobling og postkobling i de to markedene. Det nordiske metodeforslaget om tilrettelegging for flere NEMOer i norske prisområder (Multiple NEMO arrangements-MNA) bygger på regelverket i

CACM. Forslaget presiserer at NEMOer som er aktive i Norge skal være balanseansvarlige og at de skal gjøre budene sine tilgjengelige både for beregning av én pris per budområde og for beregning av en referansepris, dvs. systemprisen.

Forslaget er ikke detaljert for clearing og oppgjør da dette faller inn under andre artikler. De nordiske regulatorne ønsket i sitt forslag til endringer et tillegg i MNA-forslaget som presiserte at fallback-prosedyrene ville være gjeldende for NEMOene som tilbyr tjenester i det enkelte land. TSOene vurderte dette som ikke nødvendig da fallback-prosedyren etter CACM artikkel 44 vil forplikte NEMOene til å følge denne.

Endrede forpliktelser og rettigheter

Forslaget innebærer at flere NEMOer får rett til å operere i det nordiske markedet. Dette gjør at Statnett nå forholder seg til flere NEMOer i driften, og det innebærer en risiko. For å redusere denne risikoen måtte detaljerte prosedyrer skrives. I tillegg har rollen Nordic Market Operator blitt innført slik at TSOene skal forholde seg til en NEMO av gangen. Dette er særlig viktig i en eventuell kritisk situasjon, f.eks. dersom den europeiske markedskoblingen ikke produserer et resultat og Norden dekobles fra resten av Europa. De nordiske TSOene og NEMOene i Norden (inklusive Nasdaq) inngikk en avtale i 2018; Nordic Day Ahead Operational Agreement, som inkluderer rettigheter og forpliktelser knyttet til det å være TSO og NEMO i døgntil markedet i Norden. Denne avtalen er godkjent av RME.

Flere NEMOer betyr også at flere aktører vil samle inn flaskehalsinntekter. Iht. CACM er NEMOene ansvarlige selv om de har anledning til å sette bort oppgaver knyttet til clearing og oppgjør til en Central Counter Party (CCP). CACM artikkel 68(7) og 68(8) pålegger NEMOene/CCPene å samle inn og overføre flaskehalsinntekter til TSOene. I den grad CCPene skal kunne ta betalt for dette, må det være basert på dokumenterbare kostnader, og kostnader knyttet til clearing og oppgjør mellom NEMOer/CCPer må dekkes av kundenes gebyrer.

Inntreden av flere NEMOer har også hatt betydning for hvordan Statnett oppfyller sine nøytralitetsforpliktelser. En rekke tidligere avtaler med Nord Pool er erstattet av nye avtaler som ikke diskriminerer mellom NEMOer.

Endringer fra dagens praksis

Alle prosedyrer for både prekobling, kobling og postkobling er skrevet på nytt i det nordiske kraftmarkedet. Basert på disse prosedyrene ble nye IT-systemer utviklet. Blant annet ble det besluttet å utvikle en felles TSO-tjeneste som velger rett markedsresultat fra rett NEMO (Nordic Market Operator) når alle NEMOene sender dette inn for verifikasjon av Nordic RSC, som er Coordinated Capacity Calculator (CCC) i Norden. I forkant av idriftsettelsen var det omfattende testing, både lokalt og regionalt. Andre tekniske endringer er:

- Nordic RSC gjør kapasiteten tilgjengelig for flere NEMOer i Norden og har utviklet løsninger som sikrer at alle får kapasiteten samtidig.
- Som nevnt sender samtlige aktive NEMOer markedsresultatet til Nordic RSC og TSOene - dette krever egne tekniske løsninger.
- eSett får handler fra to eller flere NEMOer eller CCPer i Norden og har tilpasset sine systemer.
- Flaksehalsinntekter samles inn av flere NEMOer/CCPer og sendes til Joint Allocation

Office (JAO). JAO er valgt av TSOene til å innhente og fordele flaskehalsinntektene mellom TSOene

Deltagelse i samarbeid

Statnett har både i utviklingen av nettkodene og i de ulike TSO-forslagene deltatt i samarbeidet i ENTSO-E og innenfor de to regionene Statnett er en del av, CCR Nordic og CCR Hansa, på tilnærmet like vilkår som øvrige TSOer. Statnett har imidlertid ikke stemmerett som følge av at vi enda ikke formelt er sertifisert som TSO. Det søkes i stor grad konsensusløsninger innenfor TSO-samarbeidet, og selv om manglende stemmerett fortsatt svekker Norges posisjon, erfarer vi at Statnett har gode muligheter for påvirkning i de prosesser vi aktivt deltar i.

I det konkrete MNA-forslaget har Statnett hatt et omfattende samarbeid om utvikling av både regelverk og nye prosedyrer med de øvrige nordiske TSOene. I utviklingen av prosedyrer har også de to NEMOene som er aktive i Norden, Nord Pool EMCO og EPEX Spot, samt Nasdaq deltatt. TSOene har også hatt jevnlig dialog med regulatorne, både i hvert enkelt nordisk land og samlet gjennom NordREG.

Med vennlig hilsen

Kjerstin Bakke
seksjonsleder

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Statnett's proposal for arrangements concerning more than one NEMO in a 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

Statnett SF, taking into account the following:

Whereas

- (1) This is a proposal developed by Statnett SF (hereafter referred to as “Statnett”) regarding the multiple NEMO arrangements (hereafter referred to as “MNA”) in the Norwegian bidding zones. This document takes into account and aligns the work done in co-operation with the other Nordic TSOs for the MNA.
- (2) This proposal (hereafter referred to as the “MNA Proposal”) takes into account the general principles and goals set in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims, it is necessary to develop arrangements for providing non-discriminatory access to cross-zonal capacity in cases of more than one NEMO in one bidding zone.
- (3) Article 45 and 57 of the CACM Regulation constitute the legal basis for the MNA Proposal and define specific requirements that the MNA Proposal should take into account. Article 45, that relates to the day-ahead capacity allocation, has the following content:

“1.TSOs in bidding zones where more than one NEMO is designated and/or offers trading services, or where interconnectors which are not operated by TSOs certified according to Article 3 of Regulation (EC) No 714/2009 exist, shall develop a proposal for cross-zonal capacity allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs, NEMOs and operators of interconnectors who are not certified as TSOs to ensure that the relevant NEMOs and interconnectors provide the necessary data and financial coverage for such arrangements. These arrangements must allow additional TSOs and NEMOs to join these arrangements.”

2.The proposal shall be submitted to the relevant national regulatory authorities for approval within 4 months after more than one NEMO has been designated and/or allowed to offer trading services in a bidding zone or if a new interconnector is not operated by a certified TSO. For existing interconnectors which are not operated by certified TSOs the proposal shall be submitted within four months after entry into force of this Regulation.”

Article 57 of the CACM Regulation has identical content but relates to the intraday capacity allocation.

The content of the MNA Proposal has been developed in cooperation with the Nordic TSOs. Nordic TSOs have been in dialogue with relevant NEMOs during the development of the proposal.

- (4) Article 2 (26) and 2 (27) of the CACM Regulation define the single day-ahead and intraday coupling:

“single day-ahead coupling’ means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market;”

“single intraday coupling’ means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market.”

- (5) Article 4 (5) of the CACM Regulation states that:
- “A NEMO designated in one Member State shall have the right to offer day-ahead and intraday trading services with delivery in another Member State. The trading rules in the latter Member State shall apply without the need for designation as a NEMO in that Member State.”*
- (6) In regards to regulatory approval, Article 9 (8) of the CACM Regulation states:
- “The following terms and conditions or methodologies shall be subject to individual approval by each regulatory authority or other competent authority of the Member State concerned:[...] (d) where applicable, the proposal for cross-zonal capacity allocation and other arrangements in accordance with Articles 45 and 57.”*
- (7) Article 9 (9) of the CACM Regulation requires that the expected impact of the MNA Proposal on the objectives of the CACM Regulation is described. The impact is presented below (points (8) to (14) of this Whereas Section).
- (8) The MNA Proposal contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the CACM Regulation. In particular, the proposal serves the objectives providing non-discriminatory access to cross-zonal capacity (Article 3 (j) of the CACM Regulation), creating a level playing field for NEMOs (Article 3 (i) of the CACM Regulation) and respecting the need for a fair and orderly market and fair and orderly price formation (Article 3 (h) of the CACM Regulation).
- (9) For the single day-ahead coupling, the objectives are met by creating a hub for each NEMO within a bidding zone. Between hubs within a bidding zone unlimited transmission capacity exists. This approach ensures that within a bidding zone there is no limitation to capacity and that each NEMO has equal access to cross-zonal capacity as orders from all market participants in spite of which NEMO they use shall be treated equally as regards to access to cross-zonal capacity. Furthermore, this approach respects the need for a fair and orderly market and orderly price formation taking into account all orders of each NEMO equally when allocating cross-zonal capacity across bidding zones within day-ahead market coupling. In general, the proposed approach together with post-coupling arrangements creates a level playing field for NEMOs within a bidding zone as related to access to cross-zonal capacity. This is ensured also during the pre-coupling phase for day-ahead coupling, where the coordinated capacity calculator will make cross-zonal capacity available to all NEMOs for publication to the market and to carry out MCO functions in accordance with Article 7(3) of the CACM Regulation.
- (10) For the intraday timeframe, the objectives are met with single intraday coupling as there is no need for specific arrangements for pre-coupling or matching phase in case of several NEMOs within a bidding zone. The shared order book will accommodate all orders from all bidding zones and all NEMOs and

the capacity management module shall ensure that cross-border capacity is allocated accordingly to each order coming from the shared order book.

- (11) Regarding the objective of ensuring fair and non-discriminatory treatment of TSOs and NEMOs (Article 3(e) of the CACM Regulation), the financial and settlement arrangements proposed by this MNA Proposal ensure that TSOs and NEMOs are treated in a fair and non-discriminatory way.
- (12) The arrangements proposed in this MNA Proposal serve the objective of optimising the allocation of cross-zonal capacity in accordance with Article 3(d) of the CACM Regulation as the arrangements lay down a common approach across the Nordic countries for several NEMOs. By this coordination, Nordic TSOs ensure compatible arrangements and their application across the Nordic region. Like the single day-ahead and intraday coupling solutions, these complementary arrangements ensure optimal use of the transmission infrastructure (Article 3(b) of the CACM Regulation).
- (13) Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), the arrangements proposed in this MNA Proposal shall be the basis for market coupling in the most transparent way. With regard to the arrangements, reliability and transparency is ensured as data is provided allowing for all NEMOs to access this data and by following the verification process to ensure that correct data is used.
- (14) In conclusion, the MNA Proposal contributes to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.

SUBMITS THE FOLLOWING MNA PROPOSAL TO THE NORWEGIAN WATER RESOURCES AND ENERGY DIRECTORATE (NVE) AS THE NATIONAL REGULATORY AUTHORITY IN NORWAY:

Article 1 **Subject matter and scope**

Arrangements described in this MNA Proposal concerning more than one NEMO in a bidding zone are in accordance with Articles 45 and 57 of the CACM Regulation.

Article 2 **Definitions and interpretation**

- 1 For the purposes of this MNA Proposal, the terms used shall have the meaning of the definitions included in Article 2 of the CACM Regulation and Regulation (EC) No 714/2009 and Regulation (EC) No 543/2013.
- 2 In addition, in this MNA Proposal, the following terms shall have the meaning below:
 - a. “Hub” means a combination of a NEMO and a bidding zone;

- b. “Pre-coupling” means procedures before MCO functions are executed for single day-ahead and intraday coupling; and
 - c. “Post-coupling” means procedures after MCO functions have been executed for single day-ahead and intraday coupling.
- 3 In this MNA Proposal, 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.

Article 3 **Application of this proposal**

This MNA Proposal applies to Pre-coupling and Post-coupling arrangements, which shall give more than one NEMO in a bidding zone access to cross-zonal capacity in the day-ahead and intraday timeframe in the Norwegian bidding zones, when single day-ahead and intraday coupling are implemented.

Article 4 **Single day-ahead coupling arrangements**

- 1 Each NEMO offering services in Norway shall be a full member of single day-ahead coupling and implement the single day-ahead coupling process in accordance with the CACM Regulation.
- 2 There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the hubs in a bidding zone.

Article 5 **Pre-coupling arrangements for single day-ahead coupling**

- 1 The coordinated capacity calculators established in accordance with Article 27 (2) of the CACM Regulation (hereafter “CCC”) shall be responsible for providing the cross-zonal capacities (hereafter referred to as “CZC”) and allocation constraints (hereafter referred to as “AC”) for the Norwegian bidding zone borders to the relevant NEMOs in accordance with Article 46(1) of the CACM Regulation to ensure the publication of CZCs and ACs.
- 2 For capacity allocation in accordance with Article 30(3) of the CACM Regulation, the CCC shall provide the CZCs and ACs to all relevant NEMOs for the purpose of processing in accordance with Article 7 (2) of CACM Regulation the provided CZCs and ACs as part of the MCO functions to be carried out jointly with all NEMOs.

- 3 The relevant NEMOs shall be responsible for the necessary arrangements between them in order to process the information. Format and timing for sending of the CZCs and ACs to the MCO functions shall follow the corresponding single day-ahead coupling and/or NEMO procedures.
- 4 The CCC shall validate that the correct CZCs and ACs are used as input for the calculations by the MCO functions. The MCO functions shall provide relevant information back to CCC to ensure that CCC can make this validation.
- 5 Each NEMO offering services in the Norwegian bidding zones shall submit the orders to the MCO functions in accordance with Article 47 of the CACM Regulation.

Article 6 **Delivery and validation of single day-ahead results**

Each NEMO offering services in the Norwegian bidding zones shall deliver the single day-ahead coupling results to Statnett and the relevant CCC. Statnett is responsible for verifying that the results have been calculated within the validated CZCs and ACs. Each NEMO in the Norwegian bidding zones shall verify that the results have been calculated based on the orders of the concerned NEMO.

Article 7 **Post-coupling arrangements for single day-ahead coupling**

- 1 In accordance with Article 7 (1) of CACM Regulation, the NEMOs shall be responsible for acting as central counter parties (hereafter referred to as “CCP”) for clearing and settlement of the exchange of energy in accordance with Article 68 (1) of CACM Regulation.
- 2 The CCP shall provide, based on the information on the single day-ahead coupling, results of the hub nominations, including cross-border nominations, to Statnett. The hub nominations shall consist of information related to market participant’s trade with the relevant NEMO.
- 3 The CCPs acting in the Norwegian bidding zones shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner with as low cost as possible.
- 4 Each NEMO active in the Norwegian bidding zones shall be a balance responsible party in Norway. They shall comply with terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party.
- 5 In accordance with Article 68 (3 and 6) of the CACM Regulation, CCPs 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.

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 national regulatory authorities responsible for the bidding zones between which the clearing and settlement of the exchange of energy is needed.

- 6 The shipping agent or CCPs shall collect the congestion income and distribute it to the relevant TSOs.

Article 8

Clearing price and system price

- 1 Each NEMO offering services in Norway for single day-ahead coupling shall allow its orders to be used for calculating and publishing unique clearing prices for the Norwegian bidding zones. This applies as well for the fallback situation, in accordance with relevant fallback procedures to be approved in accordance with Article 9.7 e of the CACM regulation.
- 2 Each NEMO offering services in Norway for single day-ahead coupling shall allow its orders to be used under conditions set in Article 8(1) for calculating and publishing one unconstrained reference price for each market time unit (MTU), e.g. the system price for Nordic bidding zones.

Article 9

Change of bidding zone configurations

Each NEMO offering services in Norway for single day-ahead coupling shall be able to implement a change of bidding zone configuration in accordance with Article 32 and 33 of the CACM Regulation in its procedures no later than 4 weeks after the request for a change has been received.

Article 10

Single intraday coupling arrangements

- 1 Each NEMO offering services in Norway shall be a full member of single intraday coupling and implement the single intraday coupling process in accordance with the CACM Regulation.
- 2 There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the hubs in a bidding zone.

Article 11

Pre-coupling arrangements for single intraday coupling

- 1 The CCC shall provide CZCs and ACs for the bidding zone borders to the capacity management module (hereafter referred to as “CMM”) in accordance with Article 58 of the CACM Regulation.
- 2 Each NEMO offering services in the Norwegian bidding zones shall submit the orders for a given market time unit for single matching immediately after the orders have been received from the market participants in accordance with Article 59 (5) of the CACM Regulation.

Article 12

Delivery of single intraday results

Each NEMO offering services in the Norwegian bidding zones shall deliver to Statnett a single net position for each Norwegian bidding zone and market time unit within the intraday market and scheduled exchanges, i.e. net scheduled flow, for each bidding zone border.

Article 13

Post-coupling arrangements for single intraday coupling

- 1 In accordance with Article 7 (1) of CACM Regulation, the NEMOs shall be responsible for acting as CCP for clearing and settlement of the exchange of energy in accordance with Article 68 (1) of CACM Regulation.
- 2 The CCP shall provide, based on the information on the single intraday coupling, results of hub nominations, including cross-border nominations, to Statnett. The hub nominations shall consist of information related to market participant’s trade with the NEMO.
- 3 The CCPs acting in the Norwegian bidding zones shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner with as low cost as possible.
- 4 Each NEMO active in the Norwegian bidding zones shall be a balance responsible party. They shall comply with the terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party.
- 5 In accordance with Article 68 (3 and 6) of the CACM Regulation, CCPs 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. The 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 national regulatory authorities responsible for the bidding

zones between which the clearing and settlement of the exchange of energy is needed.

Article 14 **Financial arrangements**

- 1 According to Articles 45 and 57 of the CACM Regulation, relevant NEMOs offering services in the single day-ahead and intraday coupling shall provide the necessary financial coverage for the arrangements concerning more than one NEMO in a bidding zone.
- 2 Costs arising from the arrangements concerning more than one NEMO in a bidding zone of this MNA proposal, which are not covered by Articles 77 and 78 of the CACM Regulation, shall be shared and recovered by national arrangements approved by the national regulatory authority. Common and regional costs, where appropriate, arising from the arrangements concerning this MNA proposal shall be shared in accordance with Article 80 (3) and 80 (4) of the CACM Regulation.

Article 15 **Publication and implementation of MNA Proposal**

- 1 Statnett shall publish the MNA without undue delay after NVE has approved the MNA Proposal.
- 2 The implementation of the MNA shall coincide with the implementation of single day-ahead or intraday coupling on the corresponding bidding zone border in accordance with the CACM Regulation.
- 3 Implementation of the MNA Proposal for single day-ahead coupling will be according to the following milestones:
 - a. The establishment of the relevant coordinated capacity calculator in accordance with Article 27 (2) of the CACM Regulation;
 - b. The implementation of the MCO function for single day-ahead market coupling by the relevant NEMOs in accordance with Article 7 (3) of the CACM Regulation;
 - c. Implementation of the fallback procedures in accordance with Article 44 of the CACM Regulation in the relevant capacity calculation region, and
 - d. Implementation of clearing and settlement arrangements in accordance with Article 68 of the CACM Regulation.
- 4 Implementation of the MNA Proposal for single intraday coupling will be according to the following milestones:
 - a. The establishment of the relevant coordinated capacity calculator in accordance with Article 27 (2) of the CACM Regulation;

- b. The implementation of the MCO function for single intraday coupling by the relevant NEMOs, in accordance with Article 7 (3) of the CACM Regulation, and
- c. Implementation of clearing and settlement arrangements in accordance with Article 68 of the CACM Regulation.

Article 16 **Language**

The reference language for this MNA Proposal shall be English. For the avoidance of doubt, where Statnett needs to translate this MNA Proposal into Norwegian, in the event of inconsistencies between the English version published by Statnett in accordance with Article 9 (14) of the CACM Regulation and any version in Norwegian, Statnett shall, in accordance with national legislation, provide NVE, as the relevant national regulatory authority, with an updated translation of the MNA Proposal.

Statnett's request for amendment in accordance with Article 9(13) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management on the Arrangements concerning more than one NEMO in one bidding zone in accordance with Article 45 and 57

21 June 2018

Statnett SF, taking into account the following,

Whereas

- (1) This document is a proposal for amendment (hereafter referred to as the “Proposal for Amendment”) developed by Statnett SF (hereafter referred to as “Statnett”) to the Arrangement concerning more than one NEMO in a bidding zone (hereafter referred to as “MNA”) as defined in accordance with Articles 45 and 57 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”). This document takes into account and aligns the work done in co-operation with the other Nordic TSOs for MNA (hereafter referred to as “Nordic TSOs”).
- (2) In accordance with Article 9(13) of the CACM regulation, Statnett hereby issues a Proposal for Amendment to the Arrangement concerning more than one NEMO in one bidding zone as defined in accordance with Articles 45 and 57 of the CACM Regulation.
- (3) This Proposal for Amendment takes into account the general principles and goals set in the CACM Regulation as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the CACM Regulation is the coordination and harmonization of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims, it is necessary to develop arrangements for providing non-discriminatory access to cross-zonal capacity in cases of more than one NEMO in one bidding zone.
- (4) According to Article 9(9) of the CACM Regulation, the expected impact of the proposal on the objectives of the CACM Regulation has to be described. The impact is presented below (points (5) to (7) of this Whereas section).
- (5) This Proposal for Amendment contributes to, and does not hamper in any way, the achievement of the objectives of the CACM Regulation. In particular, the proposal serves the objectives of ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants (Article 3(e)), providing non-discriminatory access to cross-zonal capacity (Article 3(j) of the CACM Regulation), creating a level playing field for NEMOs (Article 3(i) of the CACM Regulation) and respecting the need for a fair and orderly market and fair and orderly price formation (Article 3(h) of the CACM Regulation).
- (6) Deleting the requirement on CCCs to validate that correct CZCs and ACs are used as input for the calculations by the MCO function meets the objective of ensuring fair and non-discriminatory treatment. By ensuring that responsibilities of the CCCs and the NEMOs are clear and in line with CACM Regulation Article 7(2)(b) and Article 46(1), the relevant CCC(s) for the Norwegian bidding zone borders are not required to perform a task not required by CCCs in general and thereby not treated unfairly.
- (7) Requiring Statnett to define file formats and communication protocol between TSOs and NEMOs for data exchange based on international or ENTSO-E standards ensures fair and non-discriminatory treatment of TSOs and NEMOs. TSOs are not required to change already implemented formats and protocols or to accept non-international or non-ENTSO-E standards to allow for multiple NEMO

arrangements. In addition, NEMOs are not facing non-discriminatory treatment since they are treated equally. A level playing field for NEMOs is ensured as they will be following equal data exchange requirements. Besides, NEMOs shall define the file formats and communication protocols for data exchange between NEMOs in accordance with corresponding single day-ahead coupling, single intraday coupling and/or NEMO procedures.

SUBMITS THE FOLLOWING PROPOSAL FOR AMENDMENT TO THE NORWEGIAN WATER RESOURCES AND ENERGY DIRECTORATE (NVE) AS THE NATIONAL REGULATORY AUTHORITY IN NORWAY:

TITLE 1 Amendments

Article 1

Amendment to Article 5 on Pre-coupling arrangements for single day-ahead coupling

1. Statnett proposes to amend Article 5(1) in the following way:

The coordinated capacity calculators established in accordance with Article 27(2) of the CACM Regulation (hereafter “CCCs”) shall be responsible for providing the cross-zonal capacities (hereafter referred to as “CZCs”) and allocation constraints (hereafter referred to as “ACs”) for the Norwegian bidding zone borders to the relevant NEMOs in accordance with article 46(1) of the CACM Regulation to ensure the publication of CZCs and ACs to the market by the relevant NEMOs.

2. Statnett proposes to amend Article 5(3) in the following way:

The relevant NEMOs shall be responsible for the necessary arrangements between them in order to process the information provided to them in accordance with Article 5(2).

3. Statnett proposes to delete Article 5(4).

Article 2

Amendment to Article 6 on Delivery and validation of single day-ahead result

1. Statnett proposes to amend Article 6 in the following way:

1. NEMOs offering services in the Norwegian bidding zone shall deliver the single day-ahead coupling results to Statnett and the relevant CCC(s) in accordance with Article 48 of the CACM Regulation.
2. Statnett is responsible for verifying that the results have been calculated in accordance with the validated CZCs and ACs. This verification can be delegated to the relevant CCC(s) or other relevant entities according to Article 81 of CACM Regulation.
3. Each NEMO in the Norwegian bidding zone shall verify that the results have been calculated in accordance with the orders of the concerned NEMO.

Article 3

New article on Data Exchange

1. Statnett proposes to include a new article 14 on Data Exchange as follows:
 1. Statnett shall define the file formats and communication protocols for data exchange between Statnett (including relevant CCC(s) and relevant settlement entity(ies)), and relevant NEMOs (including relevant CCP(s)) in the Norwegian bidding zone. For this purpose:
 - a. the technical specifications used in the common single day-ahead and/or single intraday solution shall be favoured to the extent possible; and
 - b. the file formats and communication protocols based on international or ENTSO-E standards shall be relied on where possible.
 2. NEMOs shall define the file formats and communication protocols for data exchange between NEMOs (including relevant CCP(s)) in accordance with corresponding single-day ahead coupling, single intraday coupling and/or NEMO procedures.

Article 4

Renumbering of articles

1. Statnett proposes to renumber the following articles:
 - a) Article 14 on Financial arrangements to be renumbered to Article 15
 - b) Article 15 on Publication and implementation of MNA Proposal to be renumbered to Article 16
 - c) Article 16 on Language to be renumbered to Article 17

TITLE 2

Final Provisions

Article 5

Publication and implementation of the amendments

1. Statnett shall publish the amendments without undue delay after NVE as the national regulatory authority in Norway has approved the Proposal for Amendment.
2. The implementation date of this proposal shall follow the implementation of the MNA Proposal as set in Article 15 of the original MNA proposal.

Article 6

Language

The reference language for this Proposal for Amendment shall be English. For the avoidance of doubt, where Statnett needs to translate this Proposal for Amendment into Norwegian, in the event of inconsistencies between the English version published by Statnett in accordance with Article 9(14) of the CACM Regulation and any version in Norwegian, Statnett shall, in accordance with national legislation, provide NVE as the relevant national regulatory authority with an updated translation of this Proposal for Amendment.



Statnett's proposal for arrangements concerning more than one NEMO in a 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

Statnett SF, taking into account the following:

Whereas

- (1) This is a proposal developed by Statnett SF (hereafter referred to as “Statnett”) regarding the multiple NEMO arrangements (hereafter referred to as “MNA”) in the Norwegian bidding zones. This document takes into account and aligns the work done in co-operation with the other Nordic TSOs for the MNA.
- (2) This proposal (hereafter referred to as the “MNA Proposal”) takes into account the general principles and goals set in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims, it is necessary to develop arrangements for providing non-discriminatory access to cross-zonal capacity in cases of more than one NEMO in one bidding zone.
- (3) Article 45 and 57 of the CACM Regulation constitute the legal basis for the MNA Proposal and define specific requirements that the MNA Proposal should take into account. Article 45, that relates to the day-ahead capacity allocation, has the following content:

“1. TSOs in bidding zones where more than one NEMO is designated and/or offers trading services, or where interconnectors which are not operated by TSOs certified according to Article 3 of Regulation (EC) No 714/2009 exist, shall develop a proposal for cross-zonal capacity allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs, NEMOs and operators of interconnectors who are not certified as TSOs to ensure that the relevant NEMOs and interconnectors provide the necessary data and financial coverage for such arrangements. These arrangements must allow additional TSOs and NEMOs to join these arrangements.”

2. The proposal shall be submitted to the relevant national regulatory authorities for approval within 4 months after more than one NEMO has been designated and/or allowed to offer trading services in a bidding zone or if a new interconnector is not operated by a certified TSO. For existing interconnectors which are not operated by certified TSOs the proposal shall be submitted within four months after entry into force of this Regulation.”

Article 57 of the CACM Regulation has identical content but relates to the intraday capacity allocation.

The content of the MNA Proposal has been developed in cooperation with the Nordic TSOs. Nordic TSOs have been in dialogue with relevant NEMOs during the development of the proposal.
- (4) Article 2 (26) and 2 (27) of the CACM Regulation define the single day-ahead and intraday coupling:

“single day-ahead coupling’ means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market;”

“single intraday coupling’ means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market.”

- (5) Article 4 (5) of the CACM Regulation states that:
- “A NEMO designated in one Member State shall have the right to offer day-ahead and intraday trading services with delivery in another Member State. The trading rules in the latter Member State shall apply without the need for designation as a NEMO in that Member State.”*
- (6) In regards to regulatory approval, Article 9 (8) of the CACM Regulation states:
- “The following terms and conditions or methodologies shall be subject to individual approval by each regulatory authority or other competent authority of the Member State concerned:[...] (d) where applicable, the proposal for cross-zonal capacity allocation and other arrangements in accordance with Articles 45 and 57.”*
- (7) Article 9 (9) of the CACM Regulation requires that the expected impact of the MNA Proposal on the objectives of the CACM Regulation is described. The impact is presented below (points (8) to (14) of this Whereas Section).
- (8) The MNA Proposal contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the CACM Regulation. In particular, the proposal serves the objectives providing non-discriminatory access to cross-zonal capacity (Article 3 (j) of the CACM Regulation), creating a level playing field for NEMOs (Article 3 (i) of the CACM Regulation) and respecting the need for a fair and orderly market and fair and orderly price formation (Article 3 (h) of the CACM Regulation).
- (9) For the single day-ahead coupling, the objectives are met by creating a hub for each NEMO within a bidding zone. Between hubs within a bidding zone unlimited transmission capacity exists. This approach ensures that within a bidding zone there is no limitation to capacity and that each NEMO has equal access to cross-zonal capacity as orders from all market participants in spite of which NEMO they use shall be treated equally as regards to access to cross-zonal capacity. Furthermore, this approach respects the need for a fair and orderly market and orderly price formation taking into account all orders of each NEMO equally when allocating cross-zonal capacity across bidding zones within day-ahead market coupling. In general, the proposed approach together with post-coupling arrangements creates a level playing field for NEMOs within a bidding zone as related to access to cross-zonal capacity. This is ensured also during the pre-coupling phase for day-ahead coupling, where the coordinated capacity calculator will make cross-zonal capacity available to all NEMOs for publication to the market and to carry out MCO functions in accordance with Article 7(3) of the CACM Regulation.
- (10) For the intraday timeframe, the objectives are met with single intraday coupling as there is no need for specific arrangements for pre-coupling or matching phase in case of several NEMOs within a bidding zone. The shared order book will accommodate all orders from all bidding zones and all NEMOs and

the capacity management module shall ensure that cross-border capacity is allocated accordingly to each order coming from the shared order book.

- (11) Regarding the objective of ensuring fair and non-discriminatory treatment of TSOs and NEMOs (Article 3(e) of the CACM Regulation), the financial and settlement arrangements proposed by this MNA Proposal ensure that TSOs and NEMOs are treated in a fair and non-discriminatory way.
- (12) The arrangements proposed in this MNA Proposal serve the objective of optimising the allocation of cross-zonal capacity in accordance with Article 3(d) of the CACM Regulation as the arrangements lay down a common approach across the Nordic countries for several NEMOs. By this coordination, Nordic TSOs ensure compatible arrangements and their application across the Nordic region. Like the single day-ahead and intraday coupling solutions, these complementary arrangements ensure optimal use of the transmission infrastructure (Article 3(b) of the CACM Regulation).
- (13) Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), the arrangements proposed in this MNA Proposal shall be the basis for market coupling in the most transparent way. With regard to the arrangements, reliability and transparency is ensured as data is provided allowing for all NEMOs to access this data and by following the verification process to ensure that correct data is used.
- (14) In conclusion, the MNA Proposal contributes to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.

SUBMITS THE FOLLOWING MNA PROPOSAL TO THE NORWEGIAN ENERGY REGULATORY AGENCY (NVE-RME) AS THE NATIONAL REGULATORY AUTHORITY IN NORWAY:

Article 1 **Subject matter and scope**

Arrangements described in this MNA Proposal concerning more than one NEMO in a bidding zone are in accordance with Articles 45 and 57 of the CACM Regulation.

Article 2 **Definitions and interpretation**

- 1 For the purposes of this MNA Proposal, the terms used shall have the meaning of the definitions included in Article 2 of the CACM Regulation and Regulation (EC) No 714/2009 and Regulation (EC) No 543/2013.
- 2 In addition, in this MNA Proposal, the following terms shall have the meaning below:
 - a. “Hub” means a combination of a NEMO and a bidding zone;

- b. “Pre-coupling” means procedures before MCO functions are executed for single day-ahead and intraday coupling; and
 - c. “Post-coupling” means procedures after MCO functions have been executed for single day-ahead and intraday coupling.
- 3 In this MNA Proposal, 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.

Article 3

Application of this proposal

This MNA Proposal applies to Pre-coupling and Post-coupling arrangements, which shall give more than one NEMO in a bidding zone access to cross-zonal capacity in the day-ahead and intraday timeframe in the Norwegian bidding zones, when single day-ahead and intraday coupling are implemented.

Article 4

Single day-ahead coupling arrangements

- 1 Each NEMO offering services in Norway shall be a full member of single day-ahead coupling and implement the single day-ahead coupling process in accordance with the CACM Regulation.
- 2 There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the hubs in a bidding zone.

Article 5

Pre-coupling arrangements for single day-ahead coupling

- 1 The coordinated capacity calculators established in accordance with Article 27(2) of the CACM Regulation (hereafter “CCC”) shall be responsible for providing the cross-zonal capacities (hereafter referred to as “CZCs”) and allocation constraints (hereafter referred to as “ACs”) for the Norwegian bidding zone borders to the relevant NEMOs in accordance with article 46(1) of the CACM Regulation to ensure the publication of CZCs and ACs to the market by the relevant NEMOs.
- 2 For capacity allocation in accordance with Article 30(3) of the CACM Regulation, the CCC shall provide the CZCs and ACs to all relevant NEMOs for the purpose of processing in accordance with Article 7 (2) of CACM Regulation the provided CZCs and ACs as part of the MCO functions to be carried out jointly with all NEMOs.

- 3 The relevant NEMOs shall be responsible for the necessary arrangements between them in order to process the information provided to them in accordance with Article 5(2).
- 4 Each NEMO offering services in the Norwegian bidding zones shall submit the orders to the MCO functions in accordance with Article 47 of the CACM Regulation.

Article 6

Delivery and validation of single day-ahead results

- 1 NEMOs offering services in the Norwegian bidding zone shall deliver the single day-ahead coupling results to Statnett and the relevant CCC(s) in accordance with Article 48 of the CACM Regulation.
- 2 Statnett is responsible for verifying that the results have been calculated in accordance with the validated CZCs and ACs. This verification can be delegated to the relevant CCC(s) or other relevant entities according to Article 81 of CACM Regulation.
- 3 Each NEMO in the Norwegian bidding zone shall verify that the results have been calculated in accordance with the orders of the concerned NEMO.

Article 7

Post-coupling arrangements for single day-ahead coupling

- 1 In accordance with Article 7 (1) of CACM Regulation, the NEMOs shall be responsible for acting as central counter parties (hereafter referred to as “CCP”) for clearing and settlement of the exchange of energy in accordance with Article 68 (1) of CACM Regulation.
- 2 The CCP shall provide, based on the information on the single day-ahead coupling, results of the hub nominations, including cross-border nominations, to Statnett. The hub nominations shall consist of information related to market participant’s trade with the relevant NEMO.
- 3 The CCPs acting in the Norwegian bidding zones shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner with as low cost as possible.
- 4 Each NEMO active in the Norwegian bidding zones shall be a balance responsible party in Norway. They shall comply with terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party.
- 5 In accordance with Article 68 (3 and 6) of the CACM Regulation, CCPs 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.

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 national regulatory authorities responsible for the bidding zones between which the clearing and settlement of the exchange of energy is needed.

- 6 The shipping agent or CCPs shall collect the congestion income and distribute it to the relevant TSOs.

Article 8

Clearing price and system price

- 1 Each NEMO offering services in Norway for single day-ahead coupling shall allow its orders to be used for calculating and publishing unique clearing prices for the Norwegian bidding zones. This applies as well for the fallback situation, in accordance with relevant fallback procedures to be approved in accordance with Article 9.7 e of the CACM regulation.
- 2 Each NEMO offering services in Norway for single day-ahead coupling shall allow its orders to be used under conditions set in Article 8(1) for calculating and publishing one unconstrained reference price for each market time unit (MTU), e.g. the system price for Nordic bidding zones.

Article 9

Change of bidding zone configurations

Each NEMO offering services in Norway for single day-ahead coupling shall be able to implement a change of bidding zone configuration in accordance with Article 32 and 33 of the CACM Regulation in its procedures no later than 4 weeks after the request for a change has been received.

Article 10

Single intraday coupling arrangements

- 1 Each NEMO offering services in Norway shall be a full member of single intraday coupling and implement the single intraday coupling process in accordance with the CACM Regulation.
- 2 There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the hubs in a bidding zone.

Article 11

Pre-coupling arrangements for single intraday coupling

- 1 The CCC shall provide CZCs and ACs for the bidding zone borders to the capacity management module (hereafter referred to as “CMM”) in accordance with Article 58 of the CACM Regulation.
- 2 Each NEMO offering services in the Norwegian bidding zones shall submit the orders for a given market time unit for single matching immediately after the orders have been received from the market participants in accordance with Article 59 (5) of the CACM Regulation.

Article 12

Delivery of single intraday results

Each NEMO offering services in the Norwegian bidding zones shall deliver to Statnett a single net position for each Norwegian bidding zone and market time unit within the intraday market and scheduled exchanges, i.e. net scheduled flow, for each bidding zone border.

Article 13

Post-coupling arrangements for single intraday coupling

- 1 In accordance with Article 7 (1) of CACM Regulation, the NEMOs shall be responsible for acting as CCP for clearing and settlement of the exchange of energy in accordance with Article 68 (1) of CACM Regulation.
- 2 The CCP shall provide, based on the information on the single intraday coupling, results of hub nominations, including cross-border nominations, to Statnett. The hub nominations shall consist of information related to market participant’s trade with the NEMO.
- 3 The CCPs acting in the Norwegian bidding zones shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner with as low cost as possible.
- 4 Each NEMO active in the Norwegian bidding zones shall be a balance responsible party. They shall comply with the terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party.
- 5 In accordance with Article 68 (3 and 6) of the CACM Regulation, CCPs 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. The 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 national regulatory authorities responsible for the bidding

zones between which the clearing and settlement of the exchange of energy is needed.

Article 14

Data Exchange

- 1 Statnett shall define the file formats and communication protocols for data exchange between Statnett (including relevant CCC(s) and relevant settlement entity(ies)), and relevant NEMOs (including relevant CCP(s)) in the Norwegian bidding zone. For this purpose:
 - a. the technical specifications used in the common single day-ahead and/or single intraday solution shall be favored to the extent possible; and
 - b. the file formats and communication protocols based on international or ENTSO-E standards shall be relied on where possible.
- 2 NEMOs shall define the file formats and communication protocols for data exchange between NEMOs (including relevant CCP(s)) in accordance with corresponding single-day ahead coupling, single intraday coupling and/or NEMO procedures.

Article 15

Financial arrangements

- 1 According to Articles 45 and 57 of the CACM Regulation, relevant NEMOs offering services in the single day-ahead and intraday coupling shall provide the necessary financial coverage for the arrangements concerning more than one NEMO in a bidding zone.
- 2 Costs arising from the arrangements concerning more than one NEMO in a bidding zone of this MNA proposal, which are not covered by Articles 77 and 78 of the CACM Regulation, shall be shared and recovered by national arrangements approved by the national regulatory authority. Common and regional costs, where appropriate, arising from the arrangements concerning this MNA proposal shall be shared in accordance with Article 80 (3) and 80 (4) of the CACM Regulation.

Article 16

Publication and implementation of MNA Proposal

- 1 Statnett shall publish the MNA without undue delay after NVE-RME has approved the MNA Proposal.
- 2 The implementation of the MNA shall coincide with the implementation of single day ahead or intraday coupling on the corresponding bidding zone border in accordance with the CACM Regulation.
- 3 Implementation of the MNA Proposal for single day-ahead coupling will be according to the following milestones:
 - a. The establishment of the relevant coordinated capacity calculator in accordance with Article 27 (2) of the CACM Regulation;

- The implementation of the MCO function for single day-ahead market coupling by the relevant NEMOs in accordance with Article 7 (3) of the CACM Regulation;
 - b. Implementation of the fallback procedures in accordance with Article 44 of the CACM Regulation in the relevant capacity calculation region, and
 - c. Implementation of clearing and settlement arrangements in accordance with Article 68 of the CACM Regulation.
- 4 Implementation of the MNA Proposal for single intraday coupling will be according to the following milestones:
- d. The establishment of the relevant coordinated capacity calculator in accordance with Article 27 (2) of the CACM Regulation;

TITLE 2

Final Provisions

Article 16

Language

The reference language for this MNA Proposal shall be English. For the avoidance of doubt, where Statnett needs to translate this MNA Proposal into Norwegian, in the event of inconsistencies between the English version published by Statnett in accordance with Article 9 (14) of the CACM Regulation and any version in Norwegian, Statnett shall, in accordance with national legislation, provide NVE-RME, as the relevant national regulatory authority, with an updated translation of the MNA Proposal.

Explanatory document concerning the Nordic TSOs' proposal for arrangements concerning more than one NEMO in a 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

1. Introduction

This document is an explanatory document for the proposals from Statnett as meant in Articles 45 and 57 of Commission Regulation (EU) 2015/1222 of 24 July 2015 ("CACM Regulation"). Originally the document was made jointly by Svenska Kraftnät, Energinet, Fingrid and Statnett and sent to Nordic NRAs in 2018.

The reason for the proposal is the fact that besides NORD POOL ("Nord Pool"), which has been designated as Nominated Electricity Market Operator ("NEMO") in Denmark, Sweden and Finland, a second NEMO, EPEX SPOT, also offers services for single day-ahead and single intraday coupling in the Nordic area. Further Nasdaq is planned to offer services in day ahead by end of 2022/beginning of 2023. Both EPEX and Nasdaq will be using the possibility to have "passport" to be eligible to offer trading services in Norway.

In the proposals and the explanatory document no distinction is made between EPEX SPOT, Nord Pool and Nasdaq based on location of designation as NEMO. In other words, the NEMOs are treated equally regardless of the fact that passport is applied in some cases.

The original MNA proposal was submitted for NRA approval in June 2016 (4 months after more than one NEMO had been designated and/or allowed to offer trading services). In December 2016 the Nordic TSOs were requested by the Nordic NRAs to amend the proposal (including a request that TSOs submit individual national proposals in legal format). The amended proposals were to be submitted 2 months after receipt of the request. As different dates applied to the NRA decisions (or communications) to allow EPEX SPOT to offer services, different deadlines for submission of the amended proposals to the different NRAs applied.

The proposals cover both arrangements for single day-ahead coupling and single intraday coupling in the Nordic bidding zones.

Throughout this explanatory document references will be to the common Nordic proposal as this is the basis for the individual national proposals.

2. Legal requirements and interpretation

This chapter contains references to relevant articles in the CACM Regulation. Furthermore, a description is given on how these articles are interpreted in order to set the scope for this proposal.

According to Article 36 (4) of the CACM Regulation, NEMOs shall use already agreed solutions to efficiently implement the objectives of this Regulation where possible.

In addition, the preamble of the CACM Regulation states the following:

"14) 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."

Single day-ahead and intraday coupling are defined in Article 2 (26) and 2 (27) of the CACM Regulation:

"single day-ahead coupling' means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones

in the day-ahead market;”

“‘single intraday coupling’ means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market.”

Article 4 (5) of the CACM Regulation states that:

“A NEMO designated in one Member State shall have the right to offer day-ahead and intraday trading services with delivery in another Member State. The trading rules in the latter Member State shall apply without the need for designation as a NEMO in that Member State.” [..]

NEMOs are obliged to carry out MCO functions which relate to the task of matching orders from the day-ahead and intraday market for different bidding zones and simultaneously allocating cross-zonal capacities. The MCO functions are defined in Article 7 (2) of the CACM Regulation:

“2.NEMOs shall carry out MCO functions jointly with other NEMOs. Those functions shall include the following:

- (a) developing and maintaining the algorithms, systems and procedures for single day-ahead and intraday coupling in accordance with Articles 36 and 51;*
- (b) processing input data on cross-zonal capacity and allocation constraints provided by coordinated capacity calculators in accordance with Articles 46 and 58;*
- (c) operating the price coupling and continuous trading matching algorithms in accordance with Articles 48 and 60;*
- (d) validating and sending single day-ahead and intraday coupling results to the NEMOs in accordance with Articles 48 and 60.”*

In regards to post-coupling arrangements, the following definitions from Article 2 (42) and (43) of the CACM Regulation are relevant to mention:

“‘central counter party’ means the entity or entities with the task of entering into contracts with market participants, by novation of the contracts resulting from the matching process, and of organising the transfer of net positions resulting from capacity allocation with other central counter parties or shipping agents;

‘shipping agent’ means the entity or entities with the task of transferring net positions between different central counter parties.”

The legal grounds for this proposal are laid down in Article 45 and 57 of the CACM Regulation. Article 45 has the following content:

“1.TSOs in bidding zones where more than one NEMO is designated and/or offers trading services, or where interconnectors which are not operated by TSOs certified according to Article 3 of Regulation (EC) No 714/2009 exist, shall develop a proposal for cross-zonal capacity allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs, NEMOs and operators of interconnectors who are not certified as TSOs to ensure that the relevant NEMOs and interconnectors provide the necessary data and financial coverage for such arrangements. These arrangements must allow additional TSOs and NEMOs to join these arrangements.”

“2.The proposal shall be submitted to the relevant national regulatory authorities for approval within 4 months after more than one NEMO has been designated and/or allowed to offer trading services in a bidding zone or if a new interconnector is not operated by a certified TSO. For existing interconnectors which are not operated by certified TSOs the

proposal shall be submitted within four months after entry into force of this Regulation.”
Article 57 of the CACM Regulation has identical content but relates to the intraday capacity allocation.

In regards to regulatory approval, Article 9 (8) of the CACM Regulation states:
"The following terms and conditions or methodologies shall be subject to individual approval by each regulatory authority or other competent authority of the Member States concerned:[...]"

(d) where applicable, the proposal for cross-zonal capacity allocation and other arrangements in accordance with Articles 45 and 57."

The proposal is therefore now submitted for regulatory approval to RME.

2.1 Interpretation and scope of the proposal

The proposal is to cover capacity allocation and other necessary arrangements to ensure that the relevant NEMOs provide the necessary data and financial coverage for such arrangements. Moreover, arrangements must be flexible to additional TSOs and NEMOs joining these arrangements in the future.

First, it should be noted that Article 45 of the CACM Regulation applies to single day-ahead coupling and Article 57 of the CACM Regulation applies to single intraday coupling. It is therefore required that the arrangements proposed apply to these two solutions. Currently arrangements for single day-ahead and intraday coupling are not yet in place but are under development.

The whole process for single day-ahead and intraday coupling will consist of arrangements for pre-coupling and post-coupling, which is the responsibility of TSOs (as defined by the CACM Regulation Article 8), whereas implementation of the MCO function has been provided by the NEMOs through the MCO plan (as defined by the CACM Regulation Article 7).

Therefore, this proposal covers both pre-coupling and post-coupling requirements for day-ahead and intraday capacity allocation, but not requirements related to the MCO function.

Secondly, the proposal shall relate to cross-zonal capacity allocation and other necessary arrangements. This formulation in the CACM Regulation is broad and unspecified. However, it is stated that the purpose of the proposed arrangements is to ensure that the relevant NEMOs provide the necessary data and financial coverage for such arrangements.

Based on this, the proposal is focused on arrangements which are needed to give several NEMOs access to cross-zonal capacity in the day-ahead and intraday timeframe, when single day-ahead and intraday coupling are implemented. Moreover, these arrangements are focused on data exchange and financial arrangement to comply with the aim of Article 45 and 57 of the CACM Regulation.

Finally, arrangements must be flexible to additional TSOs and NEMOs. The proposal for arrangements is a common proposal by all four Nordic TSOs thereby ensuring that the arrangements are flexible to several TSOs. At the same time the proposed arrangements are flexible to more NEMOs, should more NEMOs wish to join at a later stage.

The following is not part of this explanatory document:

- Market information and transparency requirements. This is not seen as directly relating to capacity allocation and the scope of the CACM Regulation as a whole.
- The fallback procedures, according to Article 44 of the CACM Regulation, require separate NRA approval on CCR level.
- National trading rules, which the TSOs apply to both designated NEMOs and NEMOs wanting to offer trading services in a bidding zone based on NEMO designation it has acquired for another bidding zone. They relate to for example requirements for balancing responsible parties and fall outside the scope of the common proposal.

2.2 Process

Articles 45 and 57 of the CACM Regulation require that a proposal is developed in cooperation with the concerned TSOs and NEMOs.

By setting up a common proposal the condition is met that the proposal is developed in cooperation with concerned TSOs.

Moreover, the Nordic TSOs have been in dialog with Nord Pool and EPEX SPOT during the development of the original proposal. A meeting was held to discuss arrangements on 14 March 2016 and a follow-up telephone meeting was held on 29 April 2016. On 20 May 2016 the draft proposal for an arrangement was sent to the NEMOs for commenting. During autumn 2016 one physical meeting and several telephone conferences were held with the NEMOs with focus on clearing and settlement.

3. Relevant algorithm requirements for price coupling – All TSOs proposal

According to the CACM Regulation Article 37(1), all TSOs shall jointly provide all NEMOs with a proposal for requirements to the price coupling algorithm and the continuous trading matching algorithm. This proposal has been provided by the TSOs in April 2016. Within the same deadline NEMOs has also been required to propose a common set of algorithm requirements. Following these two proposals, all NEMOs are required to develop a proposal for the algorithms in accordance with the submitted requirements. Such a proposal was published for consultation by all NEMOs in November 2016.

The common Nordic proposal for arrangements for more NEMOs has been developed with the assumption that the "all TSO" proposal for algorithm requirements will be included in "the all NEMO" proposal for the algorithms and approved and implemented. Should the requirements change, parts of this proposal might have to be updated to be aligned with the changes in algorithm requirements.

The following algorithm requirements are relevant for arrangements for more NEMOs:

- The price coupling algorithm for the single day-ahead coupling shall be able to facilitate configurations with more than one NEMO for a given bidding zone, meaning several day-ahead trading hubs in a bidding zone.
- For each bidding zone the result from application of the algorithm shall be one price and one net position for each Market Time Unit (MTU) and, where applicable, net positions for each scheduling area and each NEMO trading hub for bidding zones with several NEMOs in a bidding zone. If required by relevant TSOs there shall be one price and one net position for each MTU for each bidding zone under all circumstances, including partial and full decoupling. In case of partial decoupling, net positions and prices shall be determined by implicit auctions on

non-decoupled bidding zone borders.

- Regarding the prices for each MTU, 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.
- Regarding the quantities for each MTU the output of the algorithm shall be: rounded and unrounded net position for each bidding zone, which is defined as the difference between matched supply and demand orders within a bidding zone, where rounding shall follow the rounding rules defined for each bidding zone and where applicable, net position for each scheduling area and each NEMO trading hub in bidding zones with several NEMOs.
- The algorithm shall be able to implement a change of bidding zone configurations no later than 4 weeks after a TSO requests a change.
- At the request of a TSO, the algorithm shall be able to deliver the bidding curves of the control area of the requesting TSO.

4. Proposal for Arrangement - day-ahead

4.1 Description of the proposed arrangement for more NEMOs in the Nordic region

A prerequisite for NEMOs in the day-ahead market in the Nordic region is to be full members of European Single Day ahead coupling (SDAC) and to implement the SDAC procedures. This requirement is already today fulfilled by both Nord Pool and EPEX SPOT and will be fulfilled when Nasdaq when they become an operating NEMO.

4.1.1 More NEMOs in a bidding zone

To enable several NEMOs to provide single day-ahead market coupling services within a bidding zone, the bidding zones are divided into hubs as illustrated by figure 3. This approach is used since there is currently no solution in place for merging order books within a bidding zone. There will be one hub per NEMO per bidding zone and each hub will be connected to the order book of the concerned NEMO. Between the different hubs within the bidding zone, and between each hub and its bidding zone, there are in effect infinite capacities, i.e. there are no limitations on how many transactions that can take place between the different hubs/order books within the bidding zone.

Should more NEMOs wish to provide their services at a later stage, the relevant bidding zones will be divided into further hubs to correspond to number of NEMOs.

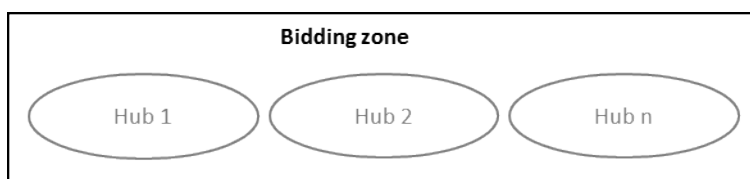


Figure 3: Bidding zones and hubs

4.1.2 Pre-coupling

The pre-coupling phase starts with the calculation of CZCs and possible ACs and ends for the TSOs when the CZCs and the ACs have been provided by the Coordinated Capacity Calculator (CCC) and ends for the NEMOs, when their order books (OBKs) have been provided to the MCO function. This is illustrated by figure 4.

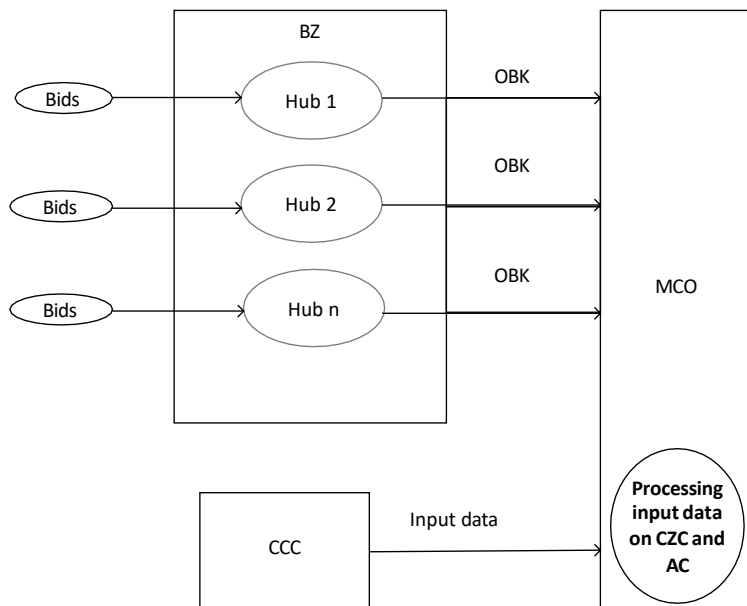


Figure 4: Data exchange during the pre-coupling phase

The definition of pre-coupling is based on the following CACM Regulation Articles:

- Article 7(2) where the interface between the MCO and pre-coupling is set – processing input data on CZC and AC provided by CCC.
- Article 30(3) – defining that each CCC shall provide the validated CZC and AC for the purpose of allocating capacity.
- Article 46(1) – where each CCC shall ensure that CZC and AC shall be provided to relevant NEMOs in the time to ensure the publication of CZC and of AC to the market no later than 11.00 market time day-ahead.

Cross Zonal Capacity and allocation constraints

From the time when the CCC has been established according to the CACM Regulation Article 27(2), the CCC will be responsible for providing the internal Nordic CZCs and ACs to the relevant NEMOs in accordance with the CACM Regulation Article 46(1) to ensure the publication of CZCs and ACs.

For capacity allocation in accordance with Article 30(3) the CCC will provide the CZCs and ACs to all relevant NEMOs. According to the CACM Regulation Article 7(2) the relevant NEMOs are responsible for processing the provided CZCs and ACs as part of the MCO functions to be carried out jointly with other NEMOs.

The relevant NEMOs are responsible for the necessary arrangements between them to process this information. Format and timing for sending of the CZCs and ACs to the MCO function must follow the corresponding MRC and/or NEMO procedures.

The CCC should according to Article 27 (2) of the CACM Regulation has been established

NEMO Order Books

During the pre-coupling phase each relevant NEMO collects bids and offers from the Nordic market participants. Based on these bids and offers the relevant NEMOs send their

order books to the MCO function as illustrated in figure 4. When this has been executed the pre-coupling phase ends.

4.1.3 Post-coupling

Delivery of results

The post-coupling phase starts with the delivery of the results according to the CACM Regulation Article 48. All NEMOs performing the MCO function shall deliver the results to CCCs, TSOs and NEMOs; see figure 5.

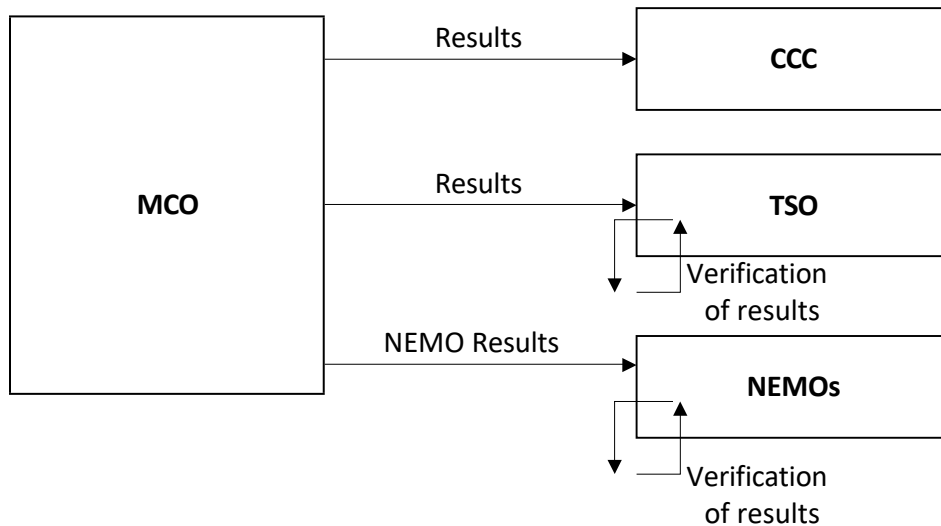


Figure 5: Delivery of results

The results shall be verified by TSOs. This verification can be delegated to the CCC-verification: verify that results have been calculated based on the correct CZCs and ACs). This verification can be delegated to the relevant CCC. The results shall also be verified by the NEMOs (verify that results have been calculated based on correct order books).

Clearing and settlement

According to Article 7(1) of the CACM Regulation, the NEMOs will be responsible for acting as central counter parties (CCP) for clearing and settlement of the exchange of energy in accordance with Article 68(3). The CCP will clear the contracts resulting from the day-ahead trade with the market participants. For the CCP to be able to clear contracts with market participants, NEMOs shall provide information on the matching results. Based on this information, the CCP will provide hub nominations to the TSOs. The hub nominations consist of information related to market participant's trade with the NEMO.

It is up to the CCPs to agree how the clearing between them within a bidding zone should be managed. The leading principles should be that it should be done in an efficient manner and to as low cost as possible.

Shipping arrangement

As requested by the NRAs, shipping arrangements are not included in the proposal and this explanatory document as relevant NRAs will decide on these arrangements in a separate process in line with Article 68 (6) of the CACM Regulation.

4.1.4 Fallback

The fallback procedures has been implemented according to the requirements of the CACM Regulation Article 44.

The proposal for fallback incorporates a solution where more NEMOs are equally involved and equally treated while at the same time respecting the need for keeping the Nordic region internally coupled also during a fallback situation.

4.1.5 Legal agreements

A Nordic Day Ahead Operations Agreement (Nordic DAOA) has been signed and accommodates for the arrangement with more NEMOs. The Nordic DAOA defines roles and responsibilities of the Nordic TSOs and of the NEMOs operating in the Nordic market.

4.1.6 System Price

Because most of the standard financial contracts traded in the Nordic region use the system price as reference price, it is important to ensure that a system price is also calculated with more NEMOs in the Nordic region.

A specific Nordic TSO requirement is therefore that all NEMOs offering services in the Nordic bidding zones shall allow their order books to be used for calculating and publishing this additional system price (called reference price in the algorithm requirements) for the Nordic region. The calculation and publication will not be exclusive to one NEMO.

4.1.7 Change of Bidding Zone configuration

It is important for the Nordic TSOs that a change in bidding zone configuration can be implemented within the same deadlines as are currently enforced. A specific Nordic TSO requirement is therefore that each NEMO offering services in the Nordic bidding zones shall be able to implement a change of bidding zone configuration in its procedures no later 4 weeks after a TSO requests a change. The change of bidding zone configuration shall be done in accordance with the CACM Regulation Article 32 and 33.

5. Proposal for Arrangement – intraday

5.1 Description of the proposed arrangement for more NEMOs in the Nordic region

Single intraday Coupling (SIDC) started operating in June 2018 and is the joint European intraday solution. The Nordic BZs were part of the first go live and both EPEX and Nord Pool are now offering services in all Nordic BZs.

Below we show how the different processes are affected when we have several NEMOs in the intraday market.

5.1.1 Pre-coupling – SIDC

Nordic TSOs will provide the daily CZCs on the internal Nordic bidding zone borders to the Capacity Management Module (CMM). The CMM is defined in Article 2(40) of the CACM

Regulation as a system which contains up-to-date information on available cross-zonal capacity for the purpose of allocating intraday cross-zonal capacity. The CMM then makes the capacities available for the NEMOs in each bidding zone. This operation is independent of number of NEMOs within a bidding zone.

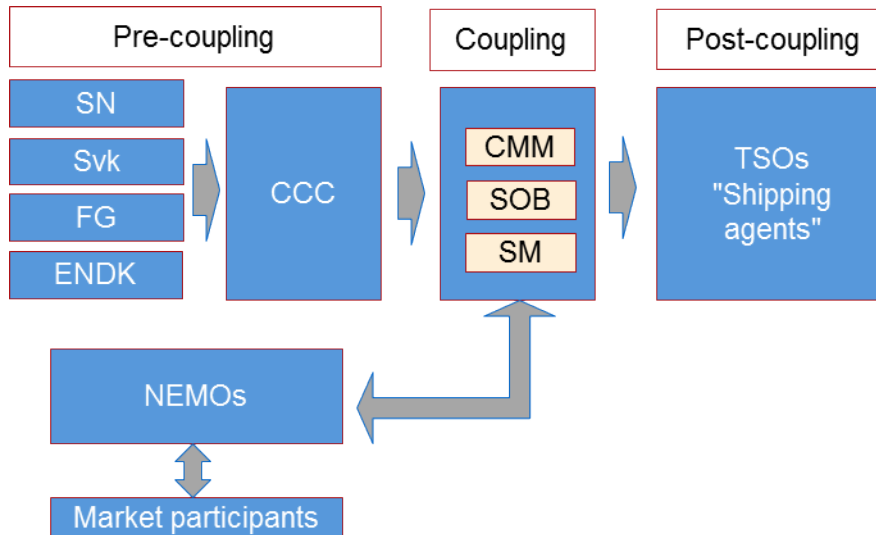


Figure 7: intraday procedure

The Shared Order Book (SOB) allows for the simultaneously matching of all orders received by the NEMOs active in the single intraday coupling solution, regardless of how many NEMOs are active within a single bidding zone. The shipping module (SM) consist of information on cross zonal flow on each bidding zone border to be sent to the assigned shipper. Some TSOs can also receive this information from the CMM.

When the CCC has been established according to the CACM Regulation Article 27.2, the CCC will make sure that the NEMOs will have the Nordic cross-zonal capacities and allocation constraints available at the same time and at the latest 15 min before gate opening as stated in the CACM Regulation Article 58.

5.1.2 Post-coupling

The NEMOs shall deliver to the TSOs single net positions for each bidding zone and market time unit (MTU) within the intraday market. In addition, the TSOs will require information from the XBID system on net scheduled flow per bidding zone border per MTU.

In regards to clearing and settlement and shipping the same applies to intraday as described in chapter 4.1.3

5.1.3 Legal agreements

In SIDC there are several agreements will be made including at a central operational agreement. There has not been necessary to develop a separate Nordic Operational Agreement for intraday.

6. Financial arrangements

According to the text of Article 45 and 57 of the CACM Regulation, the proposal has the aim to ensure that the relevant NEMOs provide the necessary financial coverage for the

arrangements.

Cost recovery arrangements must be decided upon on a regional or national level in accordance with the requirements of the CACM Regulation. Costs arising from the arrangements contained in this proposal that are not covered by Article 77 and 78 of the CACM Regulation shall be shared and recovered by national arrangements approved by relevant NRAs. Common and regional costs, where appropriate, arising from the arrangements contained in this proposal shall be shared in accordance with Article 80(3) and 80(4) of the CACM Regulation. Regional costs could arise, for example for the CCC, are handled more efficiently jointly by the Nordic TSOs than by TSOs individually.

7. Description of the expected impact on the relevant objectives of the CACM regulation

The proposed arrangements contribute to and do not in any way hamper the achievement of the objectives of Article 3 of CACM Regulation. In particular, the proposal serves the objectives providing non-discriminatory access to cross-zonal capacity (Article 3(j) of the CACM Regulation), creating a level playing field for NEMOs (Article 3(i) of the CACM Regulation) and respecting the need for a fair and orderly market and fair and orderly price formation (Article 3(h) of the CACM Regulation).

These objectives are met for single day-ahead coupling by creating a hub for each NEMO within a bidding zone. Between hubs within a bidding zone unlimited capacity exists. This approach ensures that within a bidding zone there is no order book limitation and that each NEMO has equal access to CZC as orders from all market participants in spite of which NEMOs they use shall be treated equally as regards to access to CZC. Furthermore, this approach respects the need for a fair and orderly market and orderly price formation taking into account all orders of each NEMO equally when allocating cross-zonal capacity across bidding zones within day-ahead market coupling. In general, the taken approach together with post-coupling arrangements creates a level playing field for NEMOs within a bidding zone as related to access to cross-zonal capacity. This is ensured also during the pre-coupling phase for day-ahead coupling, where the coordinated capacity calculator will make cross-zonal capacity available to all NEMOs for publication to the market and to carry out MCO functions.

For the intraday timeframe these objectives are met with single intraday coupling as there is no need for specific arrangements for pre-coupling or matching phase in case of several NEMOs within a bidding zone. The shared order book will accommodate all orders from all bidding zones and all NEMOs and the capacity management module shall ensure that cross-border capacity is allocated accordingly to each order coming from the shared order book.

Regarding the objective of ensuring fair and non-discriminatory treatment of TSOs and NEMOs (Article 3(e) of the CACM Regulation), the financial and settlement arrangements proposed by Nordic TSOs ensure that TSOs and NEMOs are treated in a fair and non-discriminatory way.

The arrangements serve the objective of optimising the allocation of cross-zonal capacity in accordance with Article 3(d) of the CACM Regulation as the arrangements lay down a common approach across the Nordic countries for several NEMOs. By this coordination, Nordic TSOs ensure compatible arrangements and their application across the Nordic region. Like the single day-ahead and intraday coupling solutions, these complementary arrangements ensure optimal use of the transmission infrastructure (Article 3(a) of the

CACM Regulation).

Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), these arrangements, being proposed by Nordic TSOs and once approved by regulatory authorities, will be the basis for further work towards market coupling in the most transparent way. These arrangements have been developed jointly by the Nordic TSOs in consultation with relevant NEMOs, approved by regulatory authorities and published by TSOs, thus, increasing transparency and reliability of information. Regarding the arrangements when implemented, reliability and transparency is ensured as data is provided to all NEMOs and by following the verification process to ensure that correct data is used.

In conclusion, the proposed arrangements contribute to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.

8. Publication and implementation of the arrangements

Each TSO shall publish the arrangements without undue delay after the national regulatory authority has approved the proposed arrangements.