

**DÉCISION ILR/E17/53 DU 8 AOÛT 2017**

**PORTANT DEMANDE DE MODIFICATION DES PROPOSITIONS CONCERNANT LA MÉTHODOLOGIE EN MODE DÉGRADÉ, L'ALGORITHME ET LES PRODUITS POUVANT ÊTRE PRIS EN COMPTE DANS LES PROCESSUS DE COUPLAGE UNIQUE JOURNALIER ET INFRAJOURNALIER DE LA SOCIÉTÉ EUROPÉENNE EPEX SPOT SE**

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**SECTEUR ÉLECTRICITÉ**

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La Direction de l'Institut Luxembourgeois de Régulation,

Vu le règlement (UE) 2015/1222 de la Commission du 24 juillet 2015 établissant une ligne directrice relative à l'allocation de la capacité et de la gestion de la congestion, et notamment les articles 9(6), 9(12), 36(3), 37, 40 et 53 ;

Vu la demande d'approbation de la société européenne Epex Spot SE du 14 février 2017 introduisant des propositions relatives i) à la méthodologie en mode dégradé conformément à l'article 36(3) du règlement (UE) 2015/1222, ii) à l'algorithme de couplage par les prix et l'algorithme d'appariement continu des transactions élaborés conformément aux exigences énoncées à l'article 37 du règlement (UE) 2015/1222, et iii) aux produits qui peuvent être pris en compte par les opérateurs de couplage de marché (NEMOs) dans les processus de couplage unique journalier et infrajournalier conformément aux articles 40 et 53 du règlement (UE) 2015/1222, qui ont été élaborées par tous les NEMOs, et qui ont fait l'objet d'une consultation publique à l'échelon de l'Union européenne du 3 novembre 2016 au 2 décembre 2016 ;

Considérant les opinions émises par toutes les autorités de régulation lors de la réunion de l'Energy Regulators' Forum du 24 juillet 2017, demandant aux NEMOs d'apporter certaines modifications à leurs propositions ;

*Décide :*

**Art. 1<sup>er</sup>.** La proposition relative à la méthodologie en mode dégradé, telle que décrite dans le document portant l'intitulé « *All NEMOs' proposal for the back-up methodology in accordance with Article 36(3) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management* », dans sa version du 14 février 2017, est à modifier conformément aux indications données par toutes les autorités de régulation dans leur opinion conjointe figurant à l'annexe I.

**Art. 2.** Les propositions relatives à l’algorithme de couplage par les prix et l’algorithme d’appariement continu des transactions, telles que décrites dans les documents portant les intitulés « *All NEMOs’ proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management* », « *Proposal for a common set of requirements for the DA price coupling algorithm* » et « *Proposal for a common set of requirements for the continuous trading matching algorithm* », dans leurs versions du 14 février 2017, sont à modifier conformément aux indications données par toutes les autorités de régulation dans leur opinion conjointe figurant à l’annexe II.

**Art. 3.** La proposition relative aux produits qui peuvent être pris en compte par les NEMOs dans les processus de couplage unique journalier, telle que décrite dans le document portant l’intitulé « *All NEMOs’ proposal for products that can be taken into account by NEMOs in single day-ahead process in accordance with Article 40 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management* », dans sa version du 14 février 2017, est à modifier conformément aux indications données par toutes les autorités de régulation dans leur opinion conjointe figurant à l’annexe III.

**Art. 4.** La proposition relative aux produits qui peuvent être pris en compte par les NEMOs dans les processus de couplage unique intrajournalier, telle que décrite dans le document portant l’intitulé « *All NEMOs’ proposal for products that can be taken into account by NEMOs in intraday coupling process in accordance with Article 53 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management* », dans sa version du 14 février 2017, est à modifier conformément aux indications données par toutes les autorités de régulation dans leur opinion conjointe figurant à l’annexe IV.

**Art. 5.** La présente décision sera notifiée à la société européenne Epex Spot SE et publiée, ensemble avec les annexes I, II, III et IV sur le site internet de l’Institut.

L’Institut informe la société européenne Epex Spot SE qu’un recours en annulation est ouvert contre la présente décision, à introduire devant le Tribunal Administratif de Luxembourg par ministère d’avocat à la Cour, au plus tard dans les trois mois qui suivent la notification de la présente décision.

## **Pour l’Institut Luxembourgeois de Régulation**

### **La Direction**

**(s.) Michèle Bram**  
Directrice adjointe

**(s.) Camille Hierzig**  
Directeur adjoint

**(s.) Luc Tapella**  
Directeur

- Annexe I:** *Request for amendment by all regulatory authorities agreed at the Energy Regulators' Forum on all NEMOs' proposal for back-up methodology submitted in accordance with article 36(3) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management*
- Annexe II:** *Request for amendment by all regulatory authorities agreed at the Energy Regulators' Forum on the all NEMOs' proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management*
- Annexe III:** *Request for amendment by all regulatory authorities agreed at the Energy Regulators' Forum on all NEMOs' proposals for products that can be taken into account by NEMOs in single day-ahead coupling process*
- Annexe IV:** *Request for amendment by all regulatory authorities agreed at the Energy Regulators' Forum on all NEMOs' proposals for products that can be taken into account by NEMOs in intraday coupling process*

Annexe I

**REQUEST FOR AMENDMENT BY ALL  
REGULATORY AUTHORITIES AGREED AT THE  
ENERGY REGULATORS' FORUM  
ON**

**ALL NEMO's PROPOSAL FOR  
BACK-UP METHODOLOGY SUBMITTED IN  
ACCORDANCE WITH ARTICLE 36(3) OF THE  
COMMISSION REGULATION (EU) 2015/1222 OF 24  
JULY 2015 ESTABLISHING A GUIDELINE ON  
CAPACITY ALLOCATION AND CONGESTION  
MANAGEMENT**

**24 July 2017**

## I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities, agreed at the Energy Regulators' Forum on 24 July 2017, on the **All NEMOs' proposal for a Back-up Methodology submitted in accordance with Article 36(3) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management** (Regulation 2015/1222).

This agreement of All Regulatory Authorities shall provide evidence that a decision does not, at this stage, need to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which All Regulatory Authorities will each subsequently request an amendment to the proposal pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the proposal and this All Regulatory Authority agreement on the proposal, can be found in Articles 3, 7, 9, 36, 39, and 52 of the Regulation 2015/1222. They are set out here for reference.

### **Article 3** of Regulation 2015/1222:

*This Regulation aims at:*

- (a) Promoting effective competition in the generation, trading and supply of electricity;*
- (b) Ensuring optimal use of the transmission infrastructure;*
- (c) Ensuring operational security;*
- (d) Optimising the calculation and allocation of cross-zonal capacity;*
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) Ensuring and enhancing the transparency and reliability of information;*
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) Creating a level playing field for NEMOs;*
- (j) Providing non-discriminatory access to cross-zonal capacity*

### **Article 7** of Regulation 2015/1222

1. *NEMOs shall act as market operators in national or regional markets to perform in cooperation with TSOs single day-ahead and intraday coupling. Their tasks shall include receiving orders from market participants, having overall responsibility for matching and allocating orders in accordance with the single day-ahead and intraday coupling results, publishing prices and settling and clearing the contracts resulting from the trades according to relevant participant agreements and regulations.*

*With regard to single day-ahead and intraday coupling, NEMOs shall in particular be responsible for the following tasks:*

- a. (...)

- b. (...)
  - c. (...)
  - d. (...)
  - e. (...)
  - f. (...)
  - g. (...)
  - h. *establishing jointly with relevant NEMOs and TSOs back-up procedures for national or regional market operation in accordance with Article 36(3) if no results are available from the MCO functions in accordance with Article 39(2), taking account of fallback procedures provided for in Article 44;*
  - i. (...)
  - j. (...)
- 2. (...)
  - 3. (...)
  - 4. (...)
  - 5. (...)
  - 6. (...)

**Article 9** of Regulation 2015/1222

- 1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
- 2. (...)
- 3. (...)
- 4. (...)
- 5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
- 6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
  - (a) (...)
  - (..) (...)
  - (f) *back-up methodology in accordance with Article 36(3);*
- 7. (...)
- 8. (...)
- 9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*

10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
11. (...)
12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*

**Article 36** of Regulation 2015/1222:

1. (...)
2. (...)
3. *By 18 months after the entry into force of this Regulation, all NEMOs shall in cooperation with TSOs develop a proposal for a back-up methodology to comply with the obligations set out in articles 39 and 52 respectively*
4. (...)

**Article 39** of Regulation 2015/1222:

1. *In order to produce results, the price coupling algorithm shall use:*
  - a. *allocation constraints established in accordance with Article 23(3);*
  - b. *cross-zonal capacity results validated in accordance with Article 30;*
  - c. *orders submitted in accordance with Article 40.*
2. *The price coupling algorithm shall produce at least the following results simultaneously for each market time unit:*
  - a. *a single clearing price for each bidding zone and market time unit in EUR/MWh;*
  - b. *a single net position for each bidding zone and each market time unit;*
  - c. *the information which enables the execution status of orders to be determined.*
3. *All NEMOs shall ensure the accuracy and efficiency of results produced by the single price coupling algorithm.*
4. *All TSOs shall verify that the results of the price coupling algorithm are consistent with cross-zonal capacity and allocation constraints.*

**Article 52** of Regulation 2015/1222:

1. *All NEMOs, as part of their MCO function, shall ensure that the continuous trading matching algorithm produces at least the following results:*

- a. *the execution status of orders and prices per trade;*
  - b. *a single net position for each bidding zone and market time unit within the intraday market.*
2. *All NEMOs shall ensure the accuracy and efficiency of results produced by the continuous trading matching algorithm.*
3. *All TSOs shall verify that the results of the continuous trading matching algorithm are consistent with cross-zonal capacity and allocation constraints in accordance with Article 58(2).*



## II. The NEMO Proposal

The All NEMO Back-up methodology proposal, dated 14 February 2017, was received by the last Regulatory Authority on 17 February 2017. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222 as requested by Article 9.9 of Regulation 2015/1222.

Article 9(10) of the Regulation 2015/1222 requires All Regulatory Authorities to consult and closely cooperate and coordinate with each other to reach agreement, and make decisions within six months following receipt of submissions by the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 17 August 2017.

The main elements of the Back-up methodology proposal as understood by All Regulatory Authorities are summarised here for reference.

The proposal aims at reducing the risk of market disruption associated with full or partial decoupling, by establishing measures preventing or mitigating the occurrence of an incident during the execution of a normal procedure.

The proposal sets forth the following general principles that NEMOs shall apply to develop, implement and operate the back-up procedures:

- Back-up procedures shall be regularly tested (Article 2(4) and 3(4)), ex-post publicly analysed (Article 2(6)) and made available to NRAs on request (Article 2(7) and 3(5)).
- Back-up procedures can derogate intermediate timelines of normal procedures when extreme circumstances occur (Article 2(5)).
- The deadline to switch from back-up procedures to fallback procedures shall be agreed with TSOs (Article 2(8)).
- Back-up procedures need to be distinguished for DA and ID timeframe (Article 3(1)).
- In case of incidents occurring in ID market normal procedure which affect only some specific areas or interconnectors, such areas or interconnectors shall be closed (3(28)).

With regard to each market timeframe, the proposal lists the possible sources of market disruption and set forth the obligation for NEMOs to develop, implement and operate the corresponding back-up procedures.

The main sources of risk for the DA market timeframe, according to NEMOs, are:

- Failure of the communication system, including the inability to provide the MCO Function with the inputs as of Article 39(1) of Regulation 2015/1222
- Failure of the datacenter
- Failure of the Coordinator
- Failure of the Price Coupling Algorithm

The main sources of risk for the ID market timeframe, according to NEMOs, are:

- Failure of the communication system, including file exchange between the transactional mechanism and the central ID system
- Failure of the datacenter
- Failure of operational procedures, including the inability of parties to perform their operational role (e.g. Central Admin or ID Coordinator)

NEMOs propose to implement the Back-up methodology, immediately after implementation of:

- The common grid model methodology (CGM M)
- The capacity calculation methodology (CC M)
- The MCO-function
- The arrangements to accommodate multiple NEMOs (MNA) in the ID timeframe in all Bidding Zones where there are multiple NEMOs.
- The relevant capacity calculation coordinator (CCC) had been set up.

### III. All Regulatory Authorities' position

All Regulatory Authorities request All NEMOs to amend a number of areas of the proposal pursuant Article 9(12) of the Regulation 2015/1222.

The format of the proposal does not meet satisfactory standards required for a legally binding text.

The details of the request for amendment are explained in this section, followed by the requested actions.

1. The timeline for implementation is not justified.  
It is not clear why only MNAs for the ID timeframe (Art. 57 of the Regulation 2015/1222) and not MNAs for DA timeframe (Art. 45 of the Regulation 2015/1222) are mentioned. Furthermore, it is also not clear why implementation is contingent upon MNAs for the ID timeframe being implemented in **all** Bidding Zones where there are multiple NEMOs (as opposed to, only the relevant Bidding Zones).
2. The proposal contains expressions that are not defined, in particular:
  - In Article 2(5) reference is made to “intermediate timelines” and “exceptional circumstances”.
  - In Article 2(16) reference is made to “common configuration parameters”.
  - In Article 2(27) reference is made to “pre-tested configuration”.

As a general rule, if an expression is only mentioned once in the document, then it can be explained directly in the main text.
3. The proposal contains expressions that are ambiguously specified, in particular:
  - In Article 1(7), 1(8), 1(11), 1(12), definitions provided for Global and Local issues are ambiguous. Furthermore it is not clear the distinction between definitions of Global and Local issues for DA and Global and Local issues for ID.
  - In Article 2(6) reference is made to Article 52 of the Regulation 2015/1222 which deals with ID whereas Article 2(6) of the proposal deals with DA.
  - In Article 2(16) the availability of a secondary datacenter is not granted: “[...] an Operator may switch to the secondary datacenter, if available, [...]”. It is not clear whether the availability depends upon a discretionary decision of NEMOs or if an incident affecting also the secondary datacenter is taken into consideration.
  - In Article 3(2) reference is made to Local issues, while in Article 3(3) reference is made to Local pre/post coupling issues. The distinction (if any) is not clear.
  - In Article 3(27) reference is made to an “issue [...] that is confined to one or more, but not all, areas or to one or more, but not all, interconnectors”. Insufficient information is

provided about the nature of such issues. In particular it is not completely clear how areas or interconnectors can be affected by an incident. In fact, it seems that, if an incident occurs in the allocation process, it should affect a specific NEMO Trading Hub (as defined in the Algorithm Proposal submitted in accordance with Article 37(5) of Regulation 2015/1222), instead of the area or interconnector. Furthermore, the relation with definition of Local issues should be clarified.

- In Article 3(28) a closure of affected areas or interconnectors is proposed in order to solve issues. It is not explained why it is not possible to close only the affected NEMO Trading Hub. Furthermore, it is not clarified the impact of the closure on other NEMO Trading Hubs neither is explained which measures can be adopted to prevent other NEMOs from a potential problem.
4. The proposal contains some descriptions of normal procedures which are not related to any corresponding back-up procedure, in particular:
    - In article 2(28) reference is made to NEMO results confirmation procedure. However, the possible occurrence of incidents is not taken into consideration and no back-up procedure is foreseen.
    - In Article 2(29) reference is made to TSO results confirmation procedure. However, the possible occurrence of incidents is not taken into consideration and no back-up procedure is foreseen.
  5. In Article 2(8) the deadline when fallback procedures have to be initiated is not specified.
  6. Requirements for back-up communications in ID market lacks flexibility, in particular:
    - In Article 3(7) it is prescribed that all TSOs shall be connected to the central ID hosting service provider, without taking into consideration i) the possibility for a TSO to request another TSO to act as backup; ii) the possibility that only one TSO performs the backup task for a bidding zone border.
    - In Article 3(8) it is prescribed that a switch between primary and secondary communication line is automatically performed, without taking into consideration the possibility to have a manual switch, since this is nowadays also feasible at TSO side.
  7. Some responsibilities are not clearly assigned, in particular:
    - In many articles (e.g. Articles 3(9), 3(18), 3(23)) it is stated that when a problem occurs it will be analyzed and back-up procedures will apply. However there is no clear reference to the entity that is responsible for carrying out the analysis and for the activation of a specific back-up procedure. The usage of the active voice is required to avoid confusion as to *who* is responsible of performing an obligation.
    - In Article 3(19) the responsibility for deciding whether the support of the ID algorithm provider is needed is not clearly assigned.

8. Article 7(1)(h) of Regulation 2015/1222 is understood as meaning NEMOs and TSOs shall jointly establish back-up procedures, and Article 8(2)(i) of Regulation 2015/1222 states that TSOs shall establish and operate fallback procedures. According to Article 44 of Regulation 2015/1222, the TSOs shall propose the fallback methodology, whereas the procedure is to be jointly implemented by the TSOs and NEMOs. In those instances where the fallback procedures developed by TSOs (according to Article 44 of Regulation 2015/1222, but also Articles 45 and 57 when relevant) describe national or regional coupling, the back-up methodology should include a general obligation for NEMOs to execute national and regional coupling in case of partial decoupling, in accordance with regional and local procedures developed by TSOs.

#### **IV. Actions**

Based on the above rationale, all Regulatory Authorities agree to request an amendment to the Back-up procedure Methodology Proposal. This amendment should contain the following elements:

1. To justify the timescale for implementation.
2. To properly define all the expressions used in the proposal (including those reported as examples in point-2 of § III ).
3. To replace any ambiguous expression with a corresponding expression which makes the provision clearly enforceable (including those reported as examples in point-3 of § III).
4. To elaborate measures aiming at closing only the NEMO Trading Hub affected by an incident and at preventing the impact on other NEMO Trading Hubs.
5. To specify back-up procedures for any normal procedure mentioned in the proposal (including those reported as examples in point-4 of § III ).
6. To specify in the algorithm proposal the deadline when fallback procedures shall be activated.
7. To introduce more flexibility in back-up communication for ID market (taking into account also the remarks raised in point of § III).
8. To assign the responsibilities for analyzing the arising issues and for deciding to activate the corresponding back-up procedure (including those reported as examples in point-6 of § III ).
9. In those instances where the fallback procedures developed by TSOs (according to Article 44 of Regulation 2015/1222, but also Articles 45 and 57 when relevant) describe national or regional coupling, the back-up methodology should include a general obligation for NEMOs to execute national and regional coupling in case of partial decoupling, in accordance with regional and local procedures developed by TSOs.

**REQUEST FOR AMENDMENT BY ALL REGULATORY  
AUTHORITIES AGREED AT THE ENERGY  
REGULATORS' FORUM**

**ON**

**The all NEMOs' proposal for the price coupling  
algorithm and for the continuous trading matching  
algorithm, also incorporating TSO and NEMO proposals  
for a common set of requirements, in accordance with  
Article 37(5) of the Commission Regulation (EU)  
2015/1222 of 24 July 2015 establishing a guideline on  
capacity allocation and congestion management**

**24 July 2017**

## I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities, agreed at the Energy Regulators' Forum on 24 July 2017, on the **all NEMOs' proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management** (Regulation 2015/1222) (hereafter referred to as: "The Algorithm Proposal"<sup>1</sup>)

This agreement of All Regulatory Authorities shall provide evidence that a decision on the Algorithm Proposal does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of Regulation 2015/1222. This agreement is intended to constitute the basis on which All Regulatory Authorities will each subsequently request an amendment to the Algorithm Proposal pursuant Article 9(12).

The legal provisions relevant to the submission and approval of the Algorithm Proposal and this All Regulatory Authority agreement on the Algorithm Proposal, can be found in Articles 3, 9, 36, 37, 38, 39, 51 and 52 of Regulation 2015/1222.

**Article 36** of Regulation 2015/1222:

1. *All NEMOs shall develop, maintain and operate the following algorithms:*
  - (a) *A price coupling algorithm;*
  - (b) *A continuous trading matching algorithm.*
2. *All NEMOs shall ensure that the price coupling algorithm and the continuous trading matching algorithm meet the requirements provided for in Articles 39 and 52 respectively*

**Article 37** of Regulation 2015/1222:

1. *By eight months after the entry into force of this Regulation:*
  - (a) *all TSOs shall jointly provide all NEMOs with a proposal for a common set of requirements for efficient capacity allocation to enable the development of the price coupling algorithm and of the continuous trading matching algorithm. These requirements shall specify functionalities and performance, including deadlines for the delivery of single day-ahead and intraday coupling results and details of the cross-zonal capacity and allocation constraints to be respected;*
  - (b) *all NEMOs shall jointly propose a common set of requirements for efficient matching to enable the development of the price coupling algorithm and of the continuous trading matching algorithm.*
2. *No later than three months after the submission of the TSO and NEMO proposals for a common set of requirements in accordance with paragraph 1, all NEMOs shall develop a proposal for the algorithm in accordance with these requirements. This proposal shall indicate the time limit for the submission of received orders by NEMOs required to perform the MCO functions in accordance with Article 7(1)(b).*

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<sup>1</sup> For practical purpose, the entire set of approval documents shall be referred to as "The Algorithm Proposal". Where appropriate, this document shall refer to "The DA Algorithm", "The ID Algorithm", "The DA Algorithm Requirements" and "The ID Algorithm Requirements", all of which, taken together, constitute "The Algorithm Proposal".

3. *The proposal referred to in paragraph 2 shall be submitted to all TSOs. If additional time is required to prepare this proposal, all NEMOs shall work together supported by all TSOs for a period of not more than two months to ensure that the proposal complies with paragraphs 1 and 2.*
4. *The proposals referred to in paragraphs 1 and 2 shall be subject to consultation in accordance with Article 12.*
5. *All NEMOs shall submit the proposal developed in accordance with paragraphs 2 and 3 to the regulatory authorities for approval by no later than 18 months after entry into force of this Regulation.*
6. *No later than two years after the approval of the proposal in accordance with paragraph 5, all TSOs and all NEMOs shall review the operation of the price coupling algorithm and continuous trading matching algorithm and submit the report to the Agency. If requested by the Agency, the review shall then be repeated every second year.*

**Article 38** of Regulation 2015/1222:

1. *The price coupling algorithm shall produce the results set out in Article 39(2), in a manner which:*
  - (a) *aims at maximising economic surplus for single day-ahead coupling for the price-coupled region for the next trading day;*
  - (b) *uses the marginal pricing principle according to which all accepted bids will have the same price per bidding zone per market time unit;*
  - (c) *facilitates efficient price formation;*
  - (d) *respects cross-zonal capacity and allocation constraints;*
  - (e) *is repeatable and scalable.*
2. *The price coupling algorithm shall be developed in such a way that it would be possible to apply it to a larger or smaller number of bidding zones.*

**Article 39** of Regulation 2015/1222:

1. *In order to produce results, the price coupling algorithm shall use:*
  - (a) *allocation constraints established in accordance with Article 23(3);*
  - (b) *cross-zonal capacity results validated in accordance with Article 30;*
  - (c) *orders submitted in accordance with Article 40;*
2. *The price coupling algorithm shall produce at least the following results simultaneously for each market time unit:*
  - (a) *a single clearing price for each bidding zone and market time unit in EUR/MWh;*
  - (b) *a single net position for each bidding zone and each market time unit;*
  - (c) *the information which enables the execution status of orders to be determined.*
3. *All NEMOs shall ensure the accuracy and efficiency of results produced by the single price coupling algorithm.*
4. *All TSOs shall verify that the results of the price coupling algorithm are consistent with cross-zonal capacity and allocation constraints.*

**Article 51** of Regulation 2015/1222:

1. *From the intraday cross-zonal gate opening time until the intraday cross-zonal gate closure time, the continuous trading matching algorithm shall determine which orders to select for matching such that matching:*
  - (a) *aims at maximising economic surplus for single intraday coupling per trade for the intraday market time-frame by allocating capacity to orders for which it is feasible to match in accordance with the price and time of submission;*
  - (b) *respects the allocation constraints provided in accordance with Article 58(1);*
  - (c) *respects the cross-zonal capacity provided in accordance with Article 58(1);*
  - (d) *respects the requirements for the delivery of results set out in Article 60;*
  - (e) *is repeatable and scalable.*
2. *The continuous trading matching algorithm shall produce the results provided for in Article 52 and correspond to the product capabilities set out in Article 53.*

**Article 52** of Regulation 2015/1222:

1. *All NEMOs, as part of their MCO function, shall ensure that the continuous trading matching algorithm produces at least the following results:*
  - (a) *the execution status of orders and prices per trade;*
  - (b) *a single net position for each bidding zone and market time unit within the intraday market.*
2. *All NEMOs shall ensure the accuracy and efficiency of results produced by the continuous trading matching algorithm.*
3. *All TSOs shall verify that the results of the continuous trading matching algorithm are consistent with cross-zonal capacity and allocation constraints in accordance with Article 58(2).*

**Article 3** of Regulation 2015/1222:

*This Regulation aims at:*

- (a) *Promoting effective competition in the generation, trading and supply of electricity;*
- (b) *Ensuring optimal use of the transmission infrastructure;*
- (c) *Ensuring operational security;*
- (d) *Optimising the calculation and allocation of cross-zonal capacity;*
- (e) *Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) *Ensuring and enhancing the transparency and reliability of information;*
- (g) *Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) *Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) *Creating a level playing field for NEMOs;*
- (j) *Providing non-discriminatory access to cross-zonal capacity*



**Article 9 of Regulation 2015/1222**

1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
2. (...)
3. (...)
4. (...)
5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
  - (f) (...)
  - (g) *the algorithm submitted by NEMOs in accordance with Article 37(5), including the TSOs' and NEMOs' sets of requirements for algorithm development in accordance with Article 37(1);*
  - (h) (...)
7. (...)
8. (...)
9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
11. (...)

12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 719/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*

## **II. The Algorithm Proposal**

The All NEMO Algorithm Proposal, dated 14 February 2017, was received by the last Regulatory Authority on 17 February 2017. Article 9(10) of Regulation 2015/1222 requires All Regulatory Authorities to consult and closely cooperate and coordinate with each other to reach agreement, and make decisions within six months following receipt of submissions by the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 17 August 2017.

The Algorithm Proposal consists of three different documents:

- The “All NEMOs’ proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.”
- The “Proposal for a common set of requirements for the DA price coupling algorithm”
- The “Proposal for a common set of requirements for the continuous trading matching algorithm”

Each of these is subject to the All Regulatory Authorities approval process, as outlined in Article 9 of the Regulation 2015/1222.

The Algorithm Proposal contains, as required by Article 9(9) of the Regulation 2015/1222, a description of the timeline for implementation as well as a description of the expected impact of objectives of the Regulation as listed in Article 3.

Finally, following the requirements in Article 12(3) on the transparency of the outcome of the public consultation, a consultation report including the views of the stakeholders and the assessment of NEMOs’ has been sent along, for information, with the approval documents by the All NEMO Committee on 14 February 2017.

On 11 April 2017, all NEMOs submitted, via the Interim NEMO Committee, a supporting document entitled “Algorithm Proposal: Day Ahead Supporting Document”. This document contains a more in-depth description of the functioning of the DA price coupling algorithm and is submitted for information. It is not part of the Algorithm Proposal, submitted for approval on 14 February 2017.

## **III. All Regulatory Authority position**

### **a) In general**

All Regulatory Authorities request NEMOs to improve the Algorithm Proposal, avoiding any inconsistencies between Articles, the Annexes and with all other NEMOs’ terms and conditions or methodologies, in particular:

- All NEMOs’ proposal for products that can be taken into account by NEMOs in single day-ahead process in accordance with Article 40 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management
- All NEMOs’ proposal for products that can be taken into account by NEMOs in intraday coupling process in accordance with Article 53 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management
- All NEMOs’ proposal for harmonized maximum and minimum clearing prices for Single Day Ahead Coupling in accordance with Article 41(1) of Commission Regulation (EU) 2015/1222 of July 2015 establishing a guideline on capacity allocation and congestion management
- All NEMOs’ proposal for harmonized maximum and minimum clearing prices for Single Intra Day Coupling in accordance with Article 54(2) of Commission Regulation (EU) 2015/1222 of July 2015 establishing a guideline on capacity allocation and congestion management
- All NEMOs’ proposal for the back-up methodology in accordance with Article 36(3) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

All Regulatory Authorities consider it of paramount importance that these terms and conditions and methodologies are aligned and drafted taking into account the interdependencies between them. Furthermore, for practical reasons, NEMOs are requested to standardize the format of the submitted terms and conditions and methodologies.

## b) Specific requirements

In accordance with Article 38(1) and 51(1) of Regulation 2015/1222, all Regulatory Authorities agree that maximizing economic surplus (optimality), repeatability and scalability of the algorithm are important objectives of the algorithm now and in the future. Taken together, these three concepts can be measured (cf. below) in order to assess the performance of the algorithms. Regulatory authorities consider that, given the lack of clear definition in the Regulation 2015/1222 or elsewhere, a common understanding of these concepts – even though they do not represent a legal definition – is useful here. All Regulatory Authorities have provided their understanding of these concepts below.

- Optimality: an “optimal” solution for the algorithms is the solution that, taking into account the capacity and allocation constraints, aims for the highest welfare measured as the economic surplus (i.e. consumer surplus, producer surplus and congestion income) for the coupled markets.
- Repeatability: a “repeatable” algorithm is an algorithm that delivers the exact same result for two different runs of the algorithm,<sup>2</sup>
- Scalability: a “scalable” algorithm ensures that the proposed set of rules and the architecture of the algorithm can be extended to new markets, new bidding zones, new NEMOs, and an increasing volume of bids and offers, taking into account the proposed and approved set of products, without any modification to the approved methodologies for both the algorithms and the products while ensuring equitable treatment for both existing and newly coupled markets.

Regulatory authorities agree that NEMOs must deliver an algorithm that is compliant with Regulation 2015/1222. The implementation timeline required by the Regulation 2015/1222 shall indicate when the above will be achieved. For this purpose, NEMOs should develop metrics in order to assess and monitor the algorithms and its solutions on their optimality, their repeatability and their scalability.

## c) On the DA algorithm

Taking into account Article 9(6)(g), Article 37(1) and Article 37(5) of Regulation 2015/1222, Regulatory Authorities fail to see that the submitted Algorithm Proposal actually describes the algorithm. The DA algorithm is briefly described in Article 4 of the Algorithm Proposal, in 9 points which elaborate the general framework of the DA algorithm, rather than propose a DA algorithm.

Regulatory Authorities request that the “*heuristic rules*”, shortly touched upon in Article 4(2) of the Algorithm Proposal, be described in a manner which can be easily understood by market participants and Regulatory Authorities, as Regulatory Authorities understand that these rules form the core of the DA algorithm. These rules are needed for Regulatory Authorities to be able to perform their legal tasks to assess the proposal on its compliance with Regulation 2015/1222, including both the general objectives (Article 3 of Regulation 2015/1222) and the specific requirements for the DA algorithm (Article 38 and Article 39 of Regulation 2015/1222). Moreover, these rules are needed for market participants to understand how the algorithm will function.

In addition to the general and specific objectives of the DA algorithm, Regulatory Authorities, as well as TSOs, need to be able to assess whether the DA algorithm allows for the requirements (mainly the Initial Requirements but ideally also Future Requirements in future versions of the DA Algorithm) can be fulfilled. From the current Algorithm Proposal, this is not possible and Regulatory Authorities request further information from NEMOs on this matter.

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<sup>2</sup> As defined above, “repeatability” needs to be distinguished from “reproducibility”, as defined by NEMOs in – among other occasions – the PCR [presentation](#) to the MESC of 9 December 2016.

As an initial remark (without prejudice to further analysis based on a more comprehensive description of the DA Algorithm), Regulatory Authorities remark that Article 4(7) of the Algorithm Proposal related to the output of the DA algorithm only lists the price for each relevant market time unit and each bidding zone (and PUN area). Article 39(2)(b) and (c) clearly obliges the NEMOs to propose a DA algorithm which provides for net positions (i.e. net volumes in MW, as understood by Regulatory Authorities) and the execution status of submitted orders per bidding zone, and not per NEMO hub (as proposed by NEMOs). Regulatory Authorities request that NEMOs consider this Article 39(2) and amend the Algorithm Proposal accordingly.

From the Algorithm Proposal, it is impossible to assess whether the DA algorithm allows for a repeatable solution. On the contrary, NEMOs suggest that Euphemia 10 only allows for repeatability through auditability. Regulatory Authorities request more explanation on how this corresponds to the all Regulatory Authorities' interpretation of a repeatable solution, as explained under point b) above.

Linked to the above remark on repeatability, Regulatory Authorities request that NEMOs do not reference existing solutions, such as the different versions of the Euphemia algorithm, in the Algorithm Proposal. As an example, NEMOs are requested to remove from Article 4(1) of the Algorithm Proposal the references to "the PCR Euphemia algorithm" and "the MRC and 4MMC regions", but referring to "already agreed solutions" as stated in Article 36(4) of Regulation 2015/1222. The Explanatory Note, which is not subject to regulatory approval, may be used for more specific references as this document is not legally binding.

#### d) On the ID algorithm

Regulatory Authorities, as well as TSOs, need to be able to assess whether the ID algorithm allows for the requirements (mainly the Initial Requirements but ideally also Future Requirements in future versions of the ID Algorithm) can be fulfilled. From the current Algorithm Proposal, this is not possible and Regulatory Authorities request further information from NEMOs on this matter.

All Regulatory Authorities understand that the draft all TSO proposal for the Single Methodology For Pricing Cross-zonal Intraday Capacity (CZIDCP) under Article 55 of Regulation 2015/1222 appears to propose a mix between continuous trading and auctions. All Regulatory Authorities request that NEMOs coordinate with TSOs to consider the interaction between the ID algorithm and CZIDCP further.

All Regulatory Authorities understand that Article 5.8 of the Algorithm Proposal states that contracts shall be executed in the SOB on the price-time-priority principle. Regulatory Authorities request further explanation how this can be achieved for multiple-time-unit (i.e. block) orders and explicit capacity requests for which only a first-come-first-served treatment is applied (Article 5.11). All Regulatory Authorities request a solution ensuring a non-discriminatory treatment of the different types of orders available in the continuous trading environment. Regulatory Authorities recall the general requirement set by Article 2.7 of Annex 1 of Regulation 714/2009 requiring non-discrimination and the selection of the highest value bids.

All Regulatory Authorities understand 'local contracts' to be outside of the scope of Regulation 2015/1222. As such all Regulatory Authorities request NEMOs to delete all references to local contracts from the algorithm proposal.

#### e) On Algorithm Performance

In order to allow for effective Performance Monitoring, Regulatory Authorities request that NEMOs take into account at least the different specific requirements which, taken together, contribute to the Algorithm Performance: optimality, repeatability and scalability. Regulatory Authorities set out their understanding of these concepts earlier in this document.

Furthermore, Regulatory Authorities ask for the inclusion of clear minimum performance indicators, in the Algorithm Proposal. These indicators will be approved by Regulatory Authorities and used for the monitoring of the Algorithm Performance. Regulatory Authorities request that the Algorithm Management Principles also allow for rules and a clear proposal for performance amelioration, in addition to the rules for the detection and correction of performance deterioration.

All Regulatory Authorities request NEMOs to include measurements detailing algorithm performance in relation to particular products, to be calculated per market time unit. These should be made available to market parties, TSOs and Regulatory Authorities on a continuous basis in order to allow all relevant stakeholders to assess the algorithm performance. These measurements should, in addition to the already included indicators in Article 6 of the Algorithm Proposal, include for every bidding zone the number and volume of bids per product, the number and volume of accepted bids per product, paradoxically rejected bids per product and the time needed for the algorithm to find the final solution. These metrics should be added to the indicators listed for the monitoring procedure foreseen in the Algorithm Proposal.

#### f) Performance improvement

Regulatory authorities emphasize the need for a DA and ID algorithm which are fully compliant with Regulation 2015/1222, and therefore provide optimal, repeatable and scalable results as explained above, as a necessary and crucial cornerstone of the single day-ahead and intraday market coupling.

The algorithm must therefore be able to address the needs of new markets, new bidding zones, new NEMOs and to accommodate an increasing volume of bids and offers, taking into account the proposed and approved set of products and to offer equitable treatment for both existing and newly coupled markets, without a decrease in algorithm performance below what is agreed under the arrangements for performance monitoring. Regulatory Authorities encourage NEMOs to consider how best to achieve this noting, without prejudice to any final decision, the initial options considered in, among others, the PCR presentation of 11 January 2016 at the MESC.

Regulatory Authorities also expect NEMOs to continuously improve the algorithm performance and suggest that NEMOs include in the Algorithm Proposal:

- (i) a set of quantitative metrics for monitoring the objectives of optimality, repeatability and scalability;
- (ii) a timescale and a path for monitoring improvement; and
- (iii) minimum performance thresholds to assess performance deterioration

#### g) Usage Limits

All Regulatory Authorities take note of the introduction of Usage Limits in Article 7, points (10) to (14) of the Algorithm Proposal. Regulatory Authorities do not accept the proposed Usage Limits, as these:

- imply that the DA and ID Algorithms are not scalable, in the strict sense as described earlier;
- lead to discrimination between NEMOs, both existing and new, and are therefore not compliant with Article 3(i) of Regulation 2015/1222;
- do not allow for effective competition in the trading of electricity, and are therefore not compliant with Article 3(a) of Regulation 2015/1222;
- suggest NEMOs cannot ensure that the DA algorithm can accommodate orders from the proposed products, and are therefore not compliant with Article 40(2) of Regulation 2015/1222;
- could be in breach of European competition law, more specifically Article 101 of the Treaty on the Functioning of the European Union;
- do not allow for equal treatment of market participants, and are therefore not compliant Article 3(e) of Regulation 2015/1222; and
- are not transparent.

#### h) On the common set of requirements

Regulatory Authorities request that NEMOs elaborate on the need to classify requirements, either from TSOs or from NEMOs, as either “initial” or “future”. NEMOs are asked to elaborate on the interaction between future requirements and the legal obligations which the Algorithm Proposal needs to comply with.

On the list of requirements, regulatory authorities consider that at least the following requirements should be implemented immediately and therefore a classification as “future requirement” cannot be approved by all regulatory authorities:

- DA Algorithm Requirements, Title 1 - 1.a.v
- DA Algorithm Requirements, Title 1 – 1.i
- DA Algorithm Requirements, Title 5 – 3.a
- DA Algorithm Requirements, Title 5 - 5
- DA Algorithm Requirements, Title 5 – 2.f
- DA Algorithm Requirements, Title 5 – end
- ID Algorithm Requirements, Title 1, 1.v
- ID Algorithm Requirements, Title 1, 4.a
- ID Algorithm Requirements, Title 4.a.ii
- ID Algorithm Requirements, Title 4.d

Regulatory Authorities consider that at least the following requirements are lacking from the Algorithm Proposal and request that these are included:

- The deadlines for the delivery of single day-ahead and intraday coupling results, in accordance with Article 37(1)(a) of Regulation 2015/1222
- The publication of the information on aggregated executed volumes and prices, in accordance with Article 62(2) of Regulation 2015/1222

Regulatory Authorities request that the Algorithm Proposal allows for NEMOs, TSOs, regulatory authorities and market participants to assess if and how the proposed algorithms are able to accommodate all initial requirements.

Finally, NEMOs should set out the process and timeline for implementation of Future Requirements, or confirm in which methodology this will be defined.

The DA and ID Algorithm Requirements describe a Scheduled Exchange Calculation (“SEC”) Function that relates to the joint responsibility of TSOs to calculate and publish scheduled exchanges in accordance with Article 8(2)(g) of Regulation 2015/1222. The proposals for DA and ID Algorithm Requirements state that the requirements linked to the SEC Function are not yet specified and that the calculation might be performed outside of the algorithms for DA and ID. No reference is made to the methodologies developed by TSOs to calculate scheduled exchanges for intraday and day-ahead according to Article 43 and 56 of Regulation 2015/1222.

Regulatory Authorities request NEMOs to describe clearly the link between the SEC Function and the methodologies to calculate scheduled exchanges. Regulatory Authorities also request NEMOs to state whether or not the SEC Function will perform a calculation of scheduled exchanges and to explain the link with the designation by TSOs of scheduled exchanges calculate pursuant to Article 8(2)(g) of Regulation 2015/1222.

#### i) On the Change Management Principles

It is important that the established change management process is not unnecessarily onerous and bureaucratic as this could restrict innovation and the ability of NEMOs to respond as the market evolves. At the same time the process and for which changes approval of All Regulatory Authorities are necessary must be clear to all parties.

Regulatory Authorities do not approve any provision restricting their ability, or their right, to approve or request an amendment to the Algorithm Proposal once approved by Regulatory Authorities. Therefore, all Regulatory Authorities request that NEMOs include a provision stating that all modifications to the any document (the Algorithm Proposal including the DA and ID Algorithm Requirements) shall be dealt with via the procedure foreseen in Article 9(13) of Regulation 2015/1222.

Regulatory Authorities request that NEMOs elaborate on the method via which prioritization of the execution of change requests will be given and how the NEMOs plan to deal with conflicting change requests.

The Change Management Principles can only be used for changes to the algorithm which do not change the Algorithm Proposal as approved by all Regulatory Authorities. Such changes need to be documented and transparently and actively communicated to Regulatory Authorities and Market Participants. Market Participants should be consulted before implementing changes through the Change Management Principles. This does not affect the amendment process foreseen in Article 9(13) of Regulation 2015/1222.

#### j) On the implementation timeline

The proposed timeline for the implementation of the Algorithm Proposal is not justified. Regulatory authorities request more information on why the implementation of the Algorithm Proposal should only take place after the moment of setting up the Common Grid Model, the Capacity Calculation Methodology and the Coordinated Capacity Calculator in accordance with the relevant TSO obligations in Regulation 2015/1222. It's also unclear why implementation is dependent on implementing (a) the Article 57 arrangements in the case of day-ahead as this Article refers to intraday only, and (b) in all Bidding Zones where there is more than one NEMO regardless if other Bidding Zones are ready to implement. The implementation timescale doesn't distinguish between day-ahead and intraday so this will make the day-ahead contingent on intraday arrangements for more than one NEMO.

As explained in the chapter on performance improvement, regulatory authorities request that the NEMOs propose in the Algorithm Proposal a timescale for elaborating and establishing a solution which allows for optimal, repeatable and scalable results of the algorithms. This should include a timeline for implementation of Future Requirements.

## IV. Actions

Based on the above rationale, All Regulatory Authorities agree to request an amendment to the Algorithm Proposal. This amendment should contain the following elements:

- (i) Further alignment and standardization of the Proposal with other terms and conditions or methodologies submitted by all NEMOs, pursuant Article 36(3), Articles 40 and 53 and Articles 41(1) and 54(2) of Regulation 2015/1222, to maximize the consistency between these proposals.
- (ii) A description of the metrics to monitor the performance of the algorithms, with regards to the descriptions provided by all Regulatory Authorities of optimality, repeatability and scalability. Statistics related to the usage of different products with regards to their impact on algorithm performance, should be included.
- (iii) A description of the heuristic rules applied by the price coupling algorithm.
- (iv) A description of the way in which the price coupling algorithm and the continuous trading matching algorithm deliver the Initial and Future Requirements requested by all NEMOs and all TSOs.
- (v) A modification of the DA Algorithm in order to comply with the requirement in Article 39(2) of Regulation 2015/1222.
- (vi) A deletion of all references to specific existing solutions and, where necessary, inclusion of a general reference to "already agreed solutions" as mentioned in Article 36 of Regulation 2015/1222.
- (vii) A high-level description of the interaction of the continuous trading matching algorithm with the all TSOs' draft proposal for a methodology for intraday capacity pricing. In parallel, NEMOs are requested to coordinate with all TSOs on the interaction between the pricing of intraday capacities and all aspects related to intraday continuous trading.
- (viii) A description of the application of the price-time-priority principle in the continuous trading matching algorithm to the proposed set of products for intraday market coupling. Regulatory Authorities request that the proposed solution ensures a non-discriminatory treatment of the different order types.



- (ix) A deletion of all references to “local contracts” as these are understood to be out of the scope of single intraday market coupling.
- (x) The introduction and detailed elaboration of rules for performance improvement, in addition to the already proposed actions in case of performance deterioration.
- (xi) A proposal for a solution for the price coupling algorithm and continuous trading matching algorithm which is fully compliant with Regulation 2015/1222. NEMOs are requested to propose, in the implementation timeline, a clear path towards this solution, including:
  - a. Metrics for the monitoring of algorithm performance
  - b. Minimum thresholds for these metrics
  - c. A timescale and a path for the improvement of the performance of the algorithms, including a description of which options for improvement will be pursued and, where possible, prioritized.
- (xii) A deletion of the proposed Usage Limits or a modification of the proposed Usage Limits with a clear, unambiguous justification of how these limits will be applied in a way that disproves the arguments made by all Regulatory Authorities in this position paper.
- (xiii) A modification of the Initial and Future Requirements as requested by all Regulatory Authorities in this position paper, including a process and timeline for implementation of the Future Requirements.
- (xiv) A description of the link between the SEC Function and the all TSOs’ methodology for calculating scheduled exchanges pursuant Articles 43(1) and 56(1) of Regulation 2015/1222.
- (xv) A modification of the Change Management Principles proposed in Article 7 of the Algorithm proposal, avoiding any restrictions on all Regulatory Authorities’ possibility to approve or request amendments to any approved version of the Algorithm Proposal, including a method via which prioritization of the execution of change requests will be given and how NEMOs plan to deal with conflicting change requests.
- (xvi) A duly elaborated timeline for implementation, including:
  - a. A description of the interdependencies with other terms and conditions or methodologies, established within Regulation 2015/1222. These interdependencies need to be justified within the proposal.
  - b. A timescale for elaborating and establishing a solution which allows for an optimal, repeatable and scalable price coupling algorithm and continuous trading matching algorithm.
  - c. A timescale for the implementation of Future Requirements as described under Action point (xii).

Annexe III

**REQUEST FOR AMENDMENT BY ALL  
REGULATORY AUTHORITIES AGREED AT THE  
ENERGY REGULATORS' FORUM  
ON**

**ALL NEMOS' PROPOSALS FOR  
PRODUCTS THAT CAN BE TAKEN INTO ACCOUNT  
BY NEMOs IN SINGLE DAY- AHEAD COUPLING  
PROCESS**

**24 July 2017**

## I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities, agreed at the Energy Regulators' Forum on 24 July 2017, on the All NEMOs' proposals concerning products that can be taken into account in the single day-ahead coupling (hereinafter the DA Product proposal) in **accordance with Article 40 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management** (Regulation 2015/1222).

This agreement of All Regulatory Authorities shall provide evidence that a decision does not, at this stage, need to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of Regulation 2015/1222. This agreement is intended to constitute the basis on which All Regulatory Authorities will each subsequently request an amendment to the Product proposals pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the Product proposals and this All Regulatory Authority agreement on the Product proposals, can be found in Articles 3, 9, and 40 of Regulation 2015/1222. They are set out here for reference.

### **Article 3** of Regulation 2015/1222:

*This Regulation aims at:*

- (a) promoting effective competition in the generation, trading and supply of electricity;*
- (b) ensuring optimal use of the transmission infrastructure;*
- (c) ensuring operational security;*
- (d) optimising the calculation and allocation of cross-zonal capacity;*
- (e) ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) ensuring and enhancing the transparency and reliability of information;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) creating a level playing field for NEMOs;*
- (j) providing non-discriminatory access to cross-zonal capacity*

### **Article 9** of Regulation 2015/1222

- 1. TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*

4. (...)
5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
  - (a) (...)
  - (..) (...)
  - (h) *products that can be taken into account by NEMOs in the single day-ahead and intraday coupling process in accordance with Articles 40 and 53;*
  - (m) (...)
7. (...)
8. (...)
9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
11. (...)
12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*

**Article 40 of Regulation 2015/1222:**

1. *No later than 18 months after the entry into force of this Regulation NEMOs shall submit a joint proposal concerning products that can be taken into account in the single day-ahead coupling. NEMOs shall ensure that orders resulting from these products submitted to the price coupling algorithm are expressed in euros and make reference to the market time.*
2. *All NEMOs shall ensure that the price coupling algorithm is able to accommodate orders resulting from these products covering one market time unit and multiple market time units.*
3. *By two years after the entry into force of this Regulation and in every second subsequent year, all NEMOs shall consult, in accordance with Article 12:*
  - (a) market participants, to ensure that available products reflect their needs;*
  - (b) all TSOs, to ensure products take due account of operational security;*
  - (c) all regulatory authorities, to ensure that the available products comply with the objectives of this Regulation.*
4. *All NEMOs shall amend the products if needed pursuant to the results of the consultation referred to in paragraph 3.*

## **II. The All NEMO DA Product Proposal**

The All NEMO DA Product proposal, dated 14 February 2017, was received by the last Regulatory Authority on 16 February 2017. The proposal includes a proposed timescale for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222.

Article 9(10) of Regulation 2015/1222 requires All Regulatory Authorities to consult and closely cooperate and coordinate with each other to reach agreement, and make decisions within six months following receipt of submissions by the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 16 August 2017.

A brief summary of the DA Product proposal is provided here for reference.

The NEMOs have provided one proposal for products that should be accommodated in the single day-ahead coupling. The proposal builds upon existing arrangements and products.

The proposal contains products covering one market time unit and several market time units. Different types of hourly orders and block orders are listed, but all products relates to the market time unit of one hour.

## **III. All Regulatory Authorities' position**

### **a) General**

All Regulatory Authorities request NEMOs to improve the DA Product proposal, avoiding any inconsistencies between Articles and with all other NEMOs' terms and conditions or methodologies, in particular:

- All NEMOs' proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of Regulation 2015/1222,
- All NEMOs' proposal for products that can be taken into account by NEMOs in intraday coupling process in accordance with Article 53 of Regulation 2015/1222,
- All NEMO's proposal for harmonized maximum and minimum clearing prices for Single Day Ahead Coupling in accordance with Articles 41(1) of Regulation 2015/1222,
- All NEMO's proposal for harmonized maximum and minimum clearing prices for Single Intra Day Coupling in accordance with Article 54(2) of Regulation 2015/1222,
- All NEMOs' proposal for the back-up methodology in accordance with Article 36(3) of Regulation 2015/1222.

All Regulatory Authorities consider it of paramount importance that these terms and conditions and methodologies are aligned and drafted taking into account the interdependencies between them. Furthermore, for practical reasons, NEMOs are requested to standardize the format of the submitted terms and conditions and methodologies.

The proposals contain several issues that, in the opinion of All Regulatory Authorities, need to be revised. All Regulatory Authorities therefore request All NEMOs to amend a number of areas of the proposal pursuant Article 9(12) of Regulation 2015/1222. The details of the request for amendment is explained in this section, followed by the requested actions.

To facilitate the finalization of the NEMO proposals All Regulatory Authorities have developed a guidance paper. Thus, when amending the DA Product proposal the NEMOs shall consider the "NRAs Guidance to NEMOs on how to draft proposals for terms and conditions or methodologies under CACM Regulation".

## b) Editing

The DA Product proposal needs substantial editing; there are incorrect references, denominations are not used consistently etc. In addition abbreviations should in principle be avoided unless not previously defined in the specific document. This concern should be addressed by introducing a separate article with definitions. The following non-exhaustive list contains examples that All Regulatory Authorities have encountered and should serve as a guide to NEMOs when amending the proposals. The NEMOs are urged to search and ensure that no other editorial inconsistencies remain in the amended proposal.

- a. The proposal contains incorrect references, in particular:
  - Whereas section (1) includes unnecessary reference to article 53 dealing with intraday (ID) products.
  - Whereas (3): the reference of the paragraph of article 40 is missing.
  
- b. Use denominations consistently and explain abbreviations, in particular:
  - There are many references to "bidding area" e.g. in art 2(1), 2(2) and 2(15), but the reference should be to "bidding zone".
  - In article 2(8) of the proposal the abbreviation MP is used without being explained. All used abbreviations should be explained when introduced in the proposal.

- c. Other:
  - The language issue currently in Article 1 should be moved to a separate article in the end of the proposals.
  - Article 1 should for clarity reasons state: The products accommodated in SDAC as determined in this Product proposal is the common proposal by all NEMOs in accordance with Article 40 of Regulation 2015/1222.
  - Article 2(11), the ending sentence appears to be unfinished or needs to be reworded.

#### c) Article with definitions

All NEMOs should introduce an article containing relevant definitions. For the purposes of the DA Product proposal, it should be clear that the terms used in the document shall have the meaning of the definitions included in Article 2 of Regulation 2015/1222, Regulation (EC) 714/2009, Directive 2009/72/EC and Commission Regulation (EU) 543/2013. For other terms a new definition should be provided.

#### d) Compliance with article 3

The DA Product proposal comprise a section on compliance with Article 3 in Regulation 2015/1222. The sections are high level but generally sufficient. However, in the impact sections in paragraph 3 it is stated that local regulatory constraints on market design are taken into account. The NEMOs should make reference to the relevant regulations and comment on potential impact on the compliance with Regulation 2015/1222 Article 3.

#### e) Implementation timeline

The proposed timeline for the implementation of the DA Products Proposal is not justified. Regulatory authorities request more information on why the implementation of the DA Products Proposal should only take place after the moment of setting up the Common Grid Model, the Capacity Calculation Methodology and the Coordinated Capacity Calculator in accordance with the relevant TSO obligations in the Regulation 2015/1222. It's also unclear why implementation is dependent on implementing (a) the Article 57 arrangements this Article refers to intraday only, and (b) in **all** Bidding Zones where there is more than one NEMO regardless if other Bidding Zones are ready to implement. The implementation timescale doesn't distinguish between day-ahead and intraday so this will make the DA Products proposal contingent on intraday arrangements for more than one NEMO.

#### f) Orders for one and several market time units

All Regulatory Authorities note that the current DA product proposal is prescribing orders based on the current market time unit of one hour. Article 40(2) of Regulation 2015/1222 stipulates; *All NEMOs shall ensure that the price coupling algorithm is able to accommodate orders resulting from these products covering one market time unit and multiple market time units.* Therefore the proposal shall be amended so that a potential change of market time unit does not automatically render a need for change of the products methodology. All Regulatory Authorities suggest that NEMOs make, where appropriate, reference to the market time unit, without specifying the actual timeframe considered.

#### g) Accomodated products and changes based on defined products

The products defined in the DA Products proposal form a framework of functionalities. Within this framework any product or combination of products can be applied without changing the proposal itself. This ensures that processes for introducing new products can be done with a minium of bureaucracy. It should be stated that for the introduction of new products based on the functionalities in the product list or a combination of functionalities should not require regulatory approval. However, any change in functionalities which result in a change to the DA Products Proposal approved by All Regulatory Authorities would require an amendement procedure according to article 9(13) of Regulation 2015/1222.

### IV. Actions

Based on the above, all Regulatory Authorities agree to request an amendment to the DA Product proposal. The amendment should address the following issues:

1. Make sure that all references are correct, denominations and abbreviations used consistently.
2. Include a new article with definitions.
3. Include reference to the local regulations taken into account and comment on potential impact on the compliance with Regulation 2015/1222 Article 3.
4. A duly elaborated timeline for implementation, including a description of the interdependencies with other terms and conditions or methodologies, established within Regulation 2015/1222. These interdependencies need to be justified within the proposal.
5. Revise the proposal so that the products can be of another market time unit than hourly.
6. The process and for which changes requires approval of All Regulatory Authorities are necessary must be clear to all parties. It should be stated that for the introduction of new products based on the functionalities in the product list or a combination of functionalities should not require regulatory approval. However, any change in functionalities which result in a change to the DA Products Proposal approved by All Regulatory Authorities would require an amendement procedure according to article 9(13) of Regulation 2015/1222.



Annexe IV

**REQUEST FOR AMENDMENT BY ALL  
REGULATORY AUTHORITIES AGREED AT THE  
ENERGY REGULATORS' FORUM  
ON**

**ALL NEMOS' PROPOSALS FOR  
PRODUCTS THAT CAN BE TAKEN INTO ACCOUNT  
BY NEMOs IN INTRADAY COUPLING PROCESS**

**24 July 2017**

## I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities, agreed at the Energy Regulators' Forum on 24 July 2017, on the All NEMOs' proposals concerning products that can be taken into account in the single intraday coupling (hereinafter the ID Product proposal) **in accordance with Article 53 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management** (Regulation 2015/1222).

This agreement of All Regulatory Authorities shall provide evidence that a decision does not, at this stage, need to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of Regulation 2015/1222. This agreement is intended to constitute the basis on which All Regulatory Authorities will each subsequently request an amendment to the Product proposals pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the Product proposals and this All Regulatory Authority agreement on the Product proposals, can be found in Articles 3, 9 and 53 of Regulation 2015/1222. They are set out here for reference.

### **Article 3** of Regulation 2015/1222:

*This Regulation aims at:*

- (a) promoting effective competition in the generation, trading and supply of electricity;*
- (b) ensuring optimal use of the transmission infrastructure;*
- (c) ensuring operational security;*
- (d) optimising the calculation and allocation of cross-zonal capacity;*
- (e) ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) ensuring and enhancing the transparency and reliability of information;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) creating a level playing field for NEMOs;*
- (j) providing non-discriminatory access to cross-zonal capacity*

### **Article 9** of Regulation 2015/1222

- 1. TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*

4. (...)
5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
  - (a) (...)
  - (..) (...)
  - (h) *products that can be taken into account by NEMOs in the single day-ahead and intraday coupling process in accordance with Articles 40 and 53;*
  - (m) (...)
7. (...)
8. (...)
9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
11. (...)
12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*

**Article 53** of Regulation 2015/1222:

1. *No later than 18 months after the entry into force of this Regulation NEMOs shall submit a joint proposal concerning products that can be taken into account in the single intraday coupling. NEMOs shall ensure that all orders resulting from these products submitted to enable the MCO functions to be performed in accordance with Article 7 are expressed in euros and make reference to the market time and the market time unit.*
2. *All NEMOs shall ensure that orders resulting from these products are compatible with the characteristics of cross- zonal capacity, allowing them to be matched simultaneously.*
3. *All NEMOs shall ensure that the continuous trading matching algorithm is able to accommodate orders covering one market time unit and multiple market time units.*
4. *By two years after the entry into force of this Regulation and in every second subsequent year, all NEMOs shall consult in accordance with Article 12:*
  - (a) market participants, to ensure that available products reflect their needs;*
  - (b) all TSOs, to ensure products take due account of operational security;*
  - (c) all regulatory authorities, to ensure that the available products comply with the objectives of this Regulation.*
5. *All NEMOs shall amend the products if needed pursuant to the results of the consultation referred to in paragraph 4.*

## **II. The All NEMO ID Product Proposal**

The All NEMO ID Product proposal, dated 14 February 2017, was received by the last Regulatory Authority on 16 February 2017. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222.

Article 9(10) of Regulation 2015/1222 requires All Regulatory Authorities to consult and closely cooperate and coordinate with each other to reach agreement, and make decisions within six months following receipt of submissions by the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 16 August 2017.

A brief summary of the ID Product proposal is provided here for reference.

The NEMOs have provided a proposal for products that should be accommodated in the single intraday coupling. The proposal builds upon existing arrangements and products.

The proposal contains products covering one market time unit and several market time units. The products cover quarter-hourly, half-hourly and hourly products. In addition predefined blocks and user defined blocks are included.

## **III. All Regulatory Authorities' position**

### **a) General**

All Regulatory Authorities request NEMOs to improve the ID Product proposal, avoiding any inconsistencies between Articles and with all other NEMOs' terms and conditions or methodologies, in particular:

- All NEMOs' proposal for the price coupling algorithm and for the continuous trading matching algorithm, also incorporating TSO and NEMO proposals for a common set of requirements, in accordance with Article 37(5) of Regulation 2015/1222,
- All NEMOs' proposal for products that can be taken into account by NEMOs in single day-ahead process in accordance with Article 40 of Regulation 2015/1222,
- All NEMO's proposal for harmonized maximum and minimum clearing prices for Single Day Ahead Coupling in accordance with Articles 41(1) of Regulation 2015/1222,
- All NEMO's proposal for harmonized maximum and minimum clearing prices for Single Intra Day Coupling in accordance with Article 54(2) of Regulation 2015/1222,
- All NEMOs' proposal for the back-up methodology in accordance with Article 36(3) of Regulation 2015/1222.

All Regulatory Authorities consider it of paramount importance that these terms and conditions and methodologies are aligned and drafted taking into account the interdependencies between them. Furthermore, for practical reasons, NEMOs are requested to standardize the format of the submitted terms and conditions and methodologies.

The proposal, contains several issues that in the opinion of All Regulatory Authorities, still needs to be revised. All Regulatory Authorities therefore request All NEMOs to amend a number of areas of the proposal pursuant Article 9(12) of Regulation 2015/1222. The details of the request for amendment is explained in this section, followed by the requested actions.

To facilitate the finalization of the NEMO proposals the All Regulatory Authorities have developed a guidance paper. Hence, when amending the ID Product proposal the NEMOs shall consider the "NRAs Guidance to NEMOs on how to draft proposals for terms and conditions or methodologies under CACM Regulation".

#### b) Editing

The proposal need substantial editing; there are incorrect references, denominations are not used consistently etc. In addition abbreviations should in principle be avoided unless not previously defined in the specific document. This concern should be addressed by introducing a separate Article with definitions. The following non-exhaustive list contains examples that All Regulatory Authorities have encountered and should serve as a guide to NEMOs when amending the proposal. The NEMOs are urged to search and ensure that no other editorial inconsistencies remain in the amended proposal.

a. The proposal contains incorrect references, in particular:

- In the Whereas section (2) of the ID proposal, the reference should be to Article 53 of Regulation 2015/1222 and not Article 54.

b. Use denominations consistently and explain abbreviations, in particular:

- Impact section (9): there is a reference to "market area" although the reference should be to "bidding zone".
- In Article 2(8) the current reference is to "delivery area" also here the reference should be to "bidding zone".

c. Other:

- The language issue currently in Article 1 should be moved to a separate Article at the end of the proposal.
- Article 1 should for clarity reasons state: The products accommodated in SIDC as determined in this Product proposal is the common proposal by all NEMOs in accordance with Article 53 of Regulation 2015/1222.

c) Article with definitions

All NEMOs should introduce an Article containing relevant definitions. For the purposes of the ID Product proposals, it should be clear that the terms used in the documents shall have the meaning of the definitions included in Article 2 of Regulation 2015/1222, Regulation (EC) 714/2009, Directive 2009/72/EC and Commission Regulation (EU) 543/2013. For other terms a new definition should be provided.

d) Compliance with Article 3

The ID Product proposal comprise a section on compliance with Article 3 in Regulation 2015/1222. The section is high level but sufficient for this proposal.

e) Implementation timeline

The proposed timeline for the implementation of the ID Products Proposal is not justified. Regulatory Authorities request more information on why the implementation of the ID Products Proposal should only take place after the moment of setting up the Common Grid Model, the Capacity Calculation Methodology and the Coordinated Capacity Calculator in accordance with the relevant TSO obligations in the Regulation 2015/1222. It's also unclear why implementation is dependent on implementing the Article 57 arrangements in **all** Bidding Zones where there is more than one NEMO regardless if other Bidding Zones are ready to implement.

f) Accomodated products and changes based on defined products

The products defined in the ID product proposal form a framework of functionalities. Within this framework any product or combination of products can be applied without changing the proposal itself. This ensures that processes for introducing new products can be done with a minimum of bureaucracy. It should be stated that for the introduction of new products based on the functionalities in the product list or a combination of functionalities should not require regulatory approval. However, any change in functionalities which result in a change to the ID Products Proposal approved by All Regulatory Authorities would require an amendment procedure according to article 9(13) of Regulation 2015/1222.

## **IV. Actions**

Based on the above, all Regulatory Authorities agree to request an amendment to the ID Product proposal. The amendment should address the following issues:

1. Make sure that all references are correct, denominations and abbreviations used consistently.
2. Include a new Article with definitions.
3. A duly elaborated timeline for implementation, including a description of the interdependencies with other terms and conditions or methodologies, established within Regulation 2015/1222. These interdependencies need to be justified within the proposal.
4. The process and for which changes requires approval of All Regulatory Authorities are necessary must be clear to all parties. It should be stated that for the introduction of new products based on the functionalities in the product list or a combination of functionalities should not require regulatory approval. However, any change in functionalities which result in a change to the ID Products Proposal approved by All Regulatory Authorities would require an amendment procedure according to article 9(13) of Regulation 2015/1222.