

**GB TSOs' Day Ahead proposal for  
arrangements concerning more than one  
Nominated Electricity Market Operator  
(NEMO) in the GB Bidding Zone in  
accordance with Article 45 of the  
Commission Regulation (EU) 2015/1222 of  
24 July 2015 establishing a Guideline on  
Capacity Allocation and Congestion  
Management**

**12<sup>th</sup> December 2016**

**nationalgrid**



## Table of Contents

Whereas: .....	3
Article 1 .....	5
Subject matter and scope .....	5
Article 2 .....	5
Definitions and interpretation .....	5
Article 3 .....	7
Cross-Zonal Capacity Arrangements .....	7
Article 4 .....	8
Intra-GB Arrangements .....	9
Article 5 .....	9
Decoupling and Fallback Arrangements.....	9
Article 6 .....	10
Implementation and timescales.....	10
Article 7 .....	11
Additional NEMOs .....	11
Article 8 .....	11
Additional Interconnectors.....	11
Article 9 .....	12
Costs.....	12

## Whereas:

- 1) This document is a common proposal (the "TSOs' Proposal") by all TSOs within the GB bidding zone that have as at the date hereof been certified in respect of interconnectors under Article 3 of Regulation (EC) No 714/2009, regarding cross-zonal capacity allocation and other necessary arrangements in bidding zones where more than one NEMO is designated and/or offers trading services, as required by Article 45 of Regulation (EC) 2015/1222 on Capacity Allocation and Congestion Management (the "CACM Regulation").
- 2) Consistent with the Authority's decision of 14 October 2015 on TSO obligations under the CACM Regulation, in which the Authority stated that the TSO tasks listed within Article 45 of the CACM Regulation are obligations on TSOs that have been certified in respect of interconnectors, this TSOs' Proposal is a joint submission by National Grid Interconnectors Limited, BritNed Development Limited, EirGrid Interconnector Limited and Moyle Interconnector Limited.
- 3) The two power exchange operators in Great Britain were designated as Nominated Electricity Market Operators by the Authority on 10 December 2015.
- 4) Article 45(1) of the CACM Regulation requires that a proposal made thereunder should allow additional TSOs and NEMOs to join the proposed arrangements and this TSOs' Proposal makes provision for the proposed arrangements to accommodate new interconnectors and new power exchanges, the operator of which is certified as a TSO or designated as a relevant NEMO (as the case may be). This TSOs' Proposal is not however intended to place any obligations or implementation requirements on the configuration of any bidding zone other than the GB bidding zone or shipping arrangements in relation to any bidding zone other than the GB bidding zone.
- 5) In accordance with the requirements of Article 45 of the CACM Regulation a TSOs' Proposal was developed in cooperation with the NEMOs in the GB bidding zone and was submitted to the Authority for approval on 11 April 2016, which was within 4 months of more than one NEMO being designated. On 10 October 2016 the Authority requested an amendment to the proposal, and this proposal constitutes the required amendment which is submitted following the public consultation jointly conducted by the above-stated TSOs upon recommendation of the Authority.
- 6) This TSOs' Proposal contributes to the achievement of the objectives of Article 3 of the CACM Regulation. In particular, this TSOs' Proposal (lettering below reflects the corresponding lettering within Article 3 of the CACM Regulation):
  - a. promotes effective competition in the generation, trading and supply of electricity ensuring that the NEMOs and TSOs in the GB bidding zone have the basis for participating in single day ahead coupling, in support of which it sets out arrangements for the coupling of separate NEMOs' order books;

- b. ensures optimal use of the transmission infrastructure by setting out arrangements that allow interconnector capacity to be allocated efficiently based on the optimal matching of energy trades via the single day ahead price coupling algorithm, regardless of which NEMO the trades relate to;
- d. optimises the calculation and allocation of cross-zonal capacity by setting out arrangements that allow interconnector capacity to be allocated efficiently based on the optimal matching of energy trades via the single day ahead price coupling algorithm, regardless of which NEMO the trades are associated with;
- e. ensures fair and non-discriminatory treatment of TSOs, NEMOs and market participants as it lays down the governance of responsibilities of NEMOs and TSOs for cross zonal capacity arrangements for the relevant bidding zone borders. This includes setting out arrangements for how NEMOs will be selected by TSOs where applicable and that afford market participants full access to the available implicit cross zonal interconnector capacity, regardless of which NEMO they trade with;
- f. enhances the transparency of information, with standard pro forma agreements to be used, as appropriate, as the basis for arrangements between TSOs and NEMOs, with such pro forma agreements to be published when finalised, (taking into account any confidentiality restrictions);
- h. respects the need for a fair and orderly market and fair and orderly price formation by establishing a transparent mechanism enabling the matching of orders between multiple NEMOs operating in the GB bidding zone and the delivery of a single clearing price for Great Britain;
- i. creates a level playing field for NEMOs by providing equal opportunity for all NEMOs to engage in single day ahead coupling activities in the GB bidding zone and with enduring agreements between TSOs and NEMOs to be substantially based on a generic standard form;
- j. provides non-discriminatory access to cross-zonal capacity by setting out arrangements that facilitate the implicit allocation of interconnector capacity as an integral step during the matching of all available orders via the single day ahead price coupling algorithm, regardless of which NEMO such orders are associated with.

This TSOs' Proposal does not hinder or involve direct relevance to the achievement of the objectives of Article 3 of the CACM Regulation as follows:

- c. ensuring operational security;
- e. ensuring fair and non-discriminatory treatment of the Agency and regulatory authorities, as no roles or obligations are assigned to such organisations;
- g. contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union,

## **Article 1**

### **Subject matter and scope**

1. This document is, for the purposes of the GB bidding zone, the proposal required by Article 45 of the CACM Regulation for the arrangements for the single day ahead market coupling process in bidding zones in which more than one NEMO is designated.

## **Article 2**

### **Definitions and interpretation**

1. Terms used in this TSOs' Proposal shall have the meanings defined in Article 2 of the CACM Regulation.
2. In this TSOs' Proposal:
  - a. 'Authority' means the Gas and Electricity Markets Authority established by section 1 of the Utilities Act 2000;
  - b. 'CACM Regulation' means Commission Regulation (EU) 2015/1222, of 24 July 2015 establishing a guideline on capacity allocation and congestion management;
  - c. 'day ahead trading activities' means those activities described in paragraph 1 of Article 3 of this TSOs' Proposal;
  - d. 'existing interconnector' means a relevant interconnector that is participating in single day ahead price coupling as at the date of submission of this TSOs' Proposal to the Authority for approval;
  - e. 'GB Agreed Procedures' means the procedures developed and revised from time to time in accordance with the GB Framework Agreement;
  - f. 'GB Agreements' means the agreements entered into by Interconnector TSOs and relevant NEMOs in connection with the NWE Project, each of which became effective on 3 February 2014, including the GB Framework Agreement;
  - g. 'GB Framework Agreement' means the agreement with that title made on or about 3 February 2014 between (1) National Grid Interconnectors Limited, (2) BritNed Development Limited, (3) APX Commodities Limited and (4) Nord Pool Spot A/S as the same may be amended, terminated or replaced as described in Article 6, and to which other parties may accede pursuant to Articles 7 and 8 of this TSOs' Proposal;
  - h. 'GB-France border' means the bidding zone border between the GB bidding zone and the French bidding zone;
  - i. 'GB-Netherlands border' means the bidding zone border between the GB bidding zone and the Netherlands bidding zone;

- j. 'interconnected bidding zone' in relation to the GB bidding zone, means another bidding zone participating in single day ahead coupling which is interconnected with the GB bidding zone by an interconnector;
  - k. 'Interconnector TSO' means at any relevant time, a TSO that has been certified by the Authority in accordance with Article 3 of Regulation (EC) No 714/2009 in relation to an interconnector between the GB bidding zone and an interconnected bidding zone and 'Interconnector TSOs' shall mean all of such TSOs;
  - l. 'Intra-GB Link' means a notional link between the NEMOs within the GB bidding zone as modelled by the price coupling algorithm;
  - m. 'MCO Plan' means the plan contemplated by Article 7(3) of the CACM Regulation.
  - n. 'new interconnector' means, a relevant interconnector that is not yet participating in single day ahead price coupling as at the date of submission of this TSOs' Proposal to the Authority for approval;
  - o. 'NWE Project' means the price coupling project initiated by the Transmission System Operators and Power Exchanges, and subsequently re-named as the Multi-Regional Coupling (MRC) Project.
  - p. 'relevant bidding zone border' means a border between the GB bidding zone and an interconnected bidding zone;
  - q. 'relevant interconnector' means an interconnector on a relevant bidding zone border; and
  - r. 'relevant NEMO' means: (i) any person designated as a NEMO by the Authority to perform tasks related to single day ahead coupling in the GB bidding zone; and (ii) any person designated as a NEMO by the national regulatory authority in any other Member State to perform tasks related to single day ahead coupling in such other Member State and which is also offering day ahead trading services in the GB bidding zone, whose activities the Authority is responsible for monitoring under Article 4(5) of the CACM Regulation.
3. In this TSOs' Proposal, unless the context requires otherwise:
- a. the singular includes the plural and vice versa;
  - b. the table of contents and headings are inserted for convenience only and do not affect the interpretation of this TSOs' Proposal;
  - c. references to the words "include" and "including" shall be construed without limitation;
  - d. references to an "Article" are, unless otherwise stated, references to an Article of this TSOs' Proposal; and

- e. any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

### **Article 3**

#### **Cross-Zonal Capacity Arrangements**

1. Each Interconnector TSO shall enter into agreement from time to time with a relevant NEMO, or any person designated as a NEMO by the national regulatory authority in any other Member State to perform day ahead trading activities in an interconnected bidding zone, in relation to each of its relevant interconnectors for the purposes of one or more of the following:
  - a. submitting to the price coupling algorithm the day ahead cross zonal capacity and allocation constraints in accordance with Article 46 of the CACM Regulation;
  - b. delivering the single day ahead coupling results to the applicable Interconnector TSO in accordance with Article 48(1) of the CACM Regulation
  - c. acknowledgement of the NEMO task of counter-party for the exchange of energy between bidding zones in respect of the single day ahead coupling process in accordance with Article 68(3) of the CACM Regulation;
  - d. undertaking the activity of shipping in respect of the single day ahead coupling process in accordance with Article 68 of the CACM Regulation; and
  - e. (save as otherwise agreed with the applicable Interconnector TSO) collecting all congestion incomes arising from the single day ahead coupling process and transferring such incomes to the applicable Interconnector TSO in accordance with Article 68(7) and 68(8) of the CACM Regulation.
2. The arrangements in place as at the date of the Authority's approval of this TSOs' Proposal for undertaking any one or more of the activities described in paragraph 1 of this Article 3 in relation to the existing interconnectors on the GB-France border and on the GB-Netherlands border (each an "Existing Arrangement") shall, subject to Article 6, continue in full force and effect in accordance with the contractual terms pertaining to such Existing Arrangements, but shall be subject to amendment as necessary based on all regulations in force and on any relevant decisions made by regulatory or other competent authorities prior to or following the Authority's approval of this TSOs' Proposal.
3. For the purposes of entering into an agreement for the performance of the activities described in paragraph 1 of this Article 3, in any case where such agreement:
  - a. is intended to replace an Existing Arrangement or any agreement made pursuant to this paragraph 3 on its expiry or termination; or

- b. relates to the performance of one or more activities described in paragraph 1 of this Article 3 in circumstances where such activity has not already been made the subject of any agreement;

the relevant interconnector TSO shall invite each relevant NEMO to make a proposal for undertaking any one or more of the activities described in such invitation, albeit on the understanding that any such proposal shall not include fees for processes that are defined as NEMO obligations within the CACM Regulation unless and until required by a binding decision of the Authority. Each relevant NEMO shall be invited on the same basis (and with reference to the same activities) as every other relevant NEMO. For the avoidance of doubt, all agreements entered into pursuant to this Article 3 shall be substantially in the standard form(s) referenced in Article 6.

4. Under the CACM Regulation Article 7(1g) NEMOs shall be responsible for acting as central counter parties for clearing and settlement for the exchange of energy between bidding zones. This TSOs' Proposal does not contain a proposal on cross-border clearing and settlement arrangements that is subject to approval by the Authority under Article 77(2) of the CACM Regulation, such arrangements to be proposed separately by the relevant NEMOs.
5. When requesting terms from relevant NEMOs in accordance with paragraph 3 of this Article 3, Interconnector TSOs shall ensure a transparent process for entering into such an agreement with a relevant NEMO, for example by providing a list of relevant criteria which may be taken into consideration including the following:
  - a. Congestion income payment arrangements;
  - b. Technical solutions;
  - c. Terms for associated services (for example market coupling results validation);
  - d. Any specific contractual terms.

In coming to a decision on the acceptance of terms from a relevant NEMO, Interconnector TSOs shall objectively assess and review the suitability of the terms offered by each relevant NEMO with reference to the applicable criteria.

6. In the event that a dispute arises between an Interconnector TSO and a relevant NEMO in connection with an offer made pursuant to paragraph 3 of this Article 3, the parties to such dispute shall attempt in good faith to resolve it within thirty (30) calendar days of one party to the dispute notifying the other. If no agreement is reached or no response received within such period then either party may refer the matter to a third party arbitrator and, on such a reference, the dispute shall be determined by order made either by the arbitrator or, if the Authority thinks fit, by an order made by the Authority. Each party to such a dispute shall bear its own costs in connection with the dispute irrespective of the outcome.

#### **Article 4**



### **Intra-GB Arrangements**

1. For the purposes of Article 7(1)(j) of the CACM Regulation, the relevant NEMOs shall ensure that, (i) at all times, the price coupling algorithm reflects all Intra-GB Links; (ii) (otherwise than following a decoupling event as set out in decoupling procedures should data for the GB bidding zone not be included in the day ahead price coupling process for the relevant day or the day ahead price coupling process does not operate on that day) sufficient volumes of day ahead Intra-GB capacity are submitted to the price coupling algorithm in respect of any Intra-GB Link each day to avoid any constraint on the matching of relevant NEMOs' order books; and (iii) validate the price coupling algorithm results associated with the Intra-GB Links.
2. For the purposes of Article 7(1)(j) of the CACM Regulation, the relevant NEMOs shall ensure that, at all times, the financial rights and obligations arising from the matching of day ahead orders across any Intra-GB Link shall be cleared and settled between the relevant NEMOs on an efficient basis.
3. For the purposes of Article 7(1)(j) of the CACM Regulation, the relevant NEMOs shall jointly devise a process for obtaining and communicating between themselves a GBP-Euro exchange rate to be used for converting the currency of all GB orders (regardless of which relevant NEMO they are associated with) from GB pounds sterling into Euros prior to their submission to the price coupling algorithm, and from Euros into GB pounds sterling following receipt of the day ahead market coupling results. Such process when agreed between the relevant NEMOs shall be included within the GB Agreed Procedures.
4. For the purposes of Articles 7(1)(j) and 8(2)(d) of the CACM Regulation, the relevant NEMOs and the Interconnector TSOs that are each party to the GB Agreements shall comply with the GB Agreed Procedures.
5. Arrangements for the allocation of capacity associated with the Intra-GB Link shall be governed by the GB Framework Agreement or any successor or replacement agreement.
6. The processes by which the relevant NEMOs shall perform the pre and post-coupling tasks necessary for the allocation of intra-GB capacity shall be defined in the GB Agreed Procedures.
7. In parallel to those arrangements described under Article 3, paragraph 4 above in the context of cross-border flows, NEMOs shall establish cross-clearing and settlement arrangements to facilitate and support the appropriate intra-GB flows.

### **Article 5**

#### **Decoupling and Fallback Arrangements**

1. Fallback procedures shall be initiated in accordance with Article 50 of the CACM Regulation.

2. In the event of failure of the day ahead price coupling algorithm to complete single day ahead coupling within the necessary timescales there are a number of decoupling scenarios, such as full decoupling (where there are no allocation results for any bidding zone border), or partial decoupling (where only some bidding zone borders have a capacity allocation result).
3. The processes to be followed in the event of decoupling of the GB Bidding Zone from neighbouring bidding zones shall be set out in the GB Agreed Procedures, which relevant NEMOs shall publish on their respective websites.

## **Article 6**

### **Implementation and timescales**

1. Following the approval of this TSOs' Proposal by the Authority, the Interconnector TSOs shall, in consultation with the relevant NEMOs, propose such standard form agreements (the "Proposed Terms") as they consider appropriate to: i) reflect the respective roles and obligations of the Interconnector TSOs and relevant NEMOs as set out in the CACM Regulation in relation to the single day ahead coupling process; and ii) describe the performance of inter-dependant activities as may be necessary to enable the relevant NEMOs and the Interconnector TSOs to fulfil the requirements of this TSOs' Proposal and their respective obligations in Articles 7.1(j) and 8.2(d) of the CACM Regulation. The Proposed Terms shall be limited in scope to those matters required to implement this TSOs' Proposal and shall substantially be applied to Existing Arrangements whose term extends beyond the date set out within paragraph 3 below, and to agreements required following expiry of Existing Arrangements.
2. TSOs shall publish the generic Proposed Terms when finalised, taking into account any confidentiality restrictions.
3. The relevant NEMOs and the Interconnector TSOs that are each party to the GB Agreements shall cooperate together to amend the Existing Arrangements to incorporate the Proposed Terms as soon as reasonably practicable and, in any event, by no later than the earlier of:
  - a. twelve (12) months following the approval of this TSOs' Proposal; or
  - b. the effective date of revised agreements as required by the MCO Plan.
4. In the event that a dispute arises between an Interconnector TSO and a relevant NEMO in connection with any of the Proposed Terms, the parties to such dispute shall attempt in good faith to resolve it within thirty (30) calendar days of one party to the dispute notifying the other. If no agreement is reached or no response received within such period then either party may refer the matter to a third party arbitrator and, on such a reference, the dispute shall be determined by order made either by the arbitrator or, if the Authority thinks fit, by an order made by the Authority. Each party to such a

dispute shall bear its own costs in connection with the dispute irrespective of the outcome.

## **Article 7**

### **Additional NEMOs**

1. The relevant NEMOs shall cooperate with each other and with other NEMOs participating in the single day ahead coupling process to accommodate any person becoming a relevant NEMO in relation to:
  - a. the development and operation of the price coupling algorithm to ensure that the requirements of Article 4(1) continue to be met; and
  - b. the establishment of efficient clearing and settlement arrangements in respect of all Intra-GB Links.
2. If at any time an additional person becomes a relevant NEMO, that person shall accede to the GB Framework Agreement or any successor or replacement agreement. In order to facilitate the accession of a new relevant NEMO to the GB Agreements (which for the avoidance of doubt includes the GB Framework Agreement and the GB Agreed Procedures) the new relevant NEMO shall, prior to acceding to the GB Agreements, be afforded access to such agreements (and associated procedures) in their entirety provided that it enters into a confidentiality agreement with the existing parties.
3. The relevant NEMOs and the Interconnector TSOs that are each party to the GB Agreements shall cooperate with each other in amending the GB Agreed Procedures as necessary to accommodate an additional relevant NEMO.

## **Article 8**

### **Additional Interconnectors**

1. In preparation for participation in the single day ahead coupling process which follows the approval of this TSOs' Proposal by the Authority, an Interconnector TSO shall in respect of any new interconnector:
  - a. enter into an arrangement with a relevant NEMO, or any person designated as a NEMO by the national regulatory authority in any other Member State to perform day ahead trading activities in an interconnected bidding zone, for establishing the necessary systems interfaces and performance of one or more of the activities (as required) referred to in paragraph 1 of Article 3; and
  - b. propose reasonable terms based on which it will become a party to the GB Framework Agreement or equivalent or any successor

agreement thereto for the purposes of facilitating the Intra-GB arrangements<sup>1</sup>.

2. For the purposes of paragraph 1, an Interconnector TSO may issue a request to the relevant NEMOs for the offer of proposals in accordance with paragraph 3 of Article 3.
3. The relevant NEMOs shall cooperate with each other and with other NEMOs participating in the single day ahead coupling process to accommodate a new interconnector in the single day ahead coupling process in relation to the development of the price coupling algorithm and the establishment of efficient clearing and settlement arrangements.
4. The relevant NEMOs and the Interconnector TSOs shall cooperate with each other in amending the GB Agreed Procedures and the GB Framework Agreement as necessary to accommodate a new interconnector TSO.
5. In order to facilitate the accession of a new Interconnector TSO to the GB Agreements (which for the avoidance of doubt includes the GB Framework Agreement and the GB Agreed Procedures) the interconnector party holding the interconnector licence for such new interconnector shall, prior to acceding to the GB Agreements, be afforded access to such agreements (and associated procedures) in their entirety provided that it enters into a confidentiality agreement with the existing parties.
6. In the event that a dispute arises between an Interconnector TSO in respect of a new interconnector and the existing parties to the GB Framework Agreement in connection with any of the proposed terms pursuant to Article 8 paragraph 1(b), the parties to such dispute shall attempt in good faith to resolve it within thirty (30) calendar days of one party to the dispute notifying the other. If no agreement is reached or no response received within such period then either party may refer the matter to a third party arbitrator and, on such a reference, the dispute shall be determined by order made either by the arbitrator or, if the Authority thinks fit, by an order made by the Authority. Each party to such a dispute shall bear its own costs in connection with the dispute irrespective of the outcome.

## **Article 9**

### **Costs**

1. No costs relating to the performance by NEMOs of their regulated activities within the single day ahead coupling process shall be borne by Interconnector TSOs unless and until required by a binding decision of the Authority.

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<sup>1</sup> Facilitating the Intra-GB arrangements currently entails compliance with and participation in the development of the GB Agreed Procedures.