



Department
of Energy &
Climate Change

Mark Copley
Associate Partner
Markets
9 Millbank
London
SW1P 3GE
Ofgem

**Department of Energy & Climate
Change**

3 Whitehall Place,
London SW1A 2AW
T: 0300 068 6080
M: 07920 591202
E: Rachel.crisp@decc.gsi.gov.uk
www.decc.gov.uk

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**RE: Implementation of the European electricity Capacity Allocation and
Congestion Management (CACM) Guideline**

Further to our discussions at the recent ENC Implementation Steering Group, I am writing to set out my view of the next steps for the implementation of CACM now that the text has been agreed.

Firstly though I would like to extend my thanks to you and your team for the thorough work that has already been done in both shaping the final CACM guideline and in ensuring that GB is in an excellent position to press ahead with the implementation. The CACM code makes significant changes to cross-border trading arrangements and places responsibilities on a range of parties but I am confident that through Ofgem's leadership, expert analysis, and close working with a wide range of stakeholders, we and the affected parties have a clear view of the work that is required now and in the future to implement CACM.

With regard to the issue of GB's multiple Transmission System Operators (TSO), Article 1(3) the text allows Member States to provide that the responsibility for complying with the obligations in CACM is assigned to one or more TSOs where not all TSOs have the relevant function. I understand that your team has been working with the GB TSOs over recent months to identify the relevant obligations for each. It is our view that the most appropriate route for providing for the obligations to be assigned is for Ofgem to finalise this analysis with the TSOs then make changes to the TSOs' licences to reflect the agreed assignment of obligations. We believe that the informal consultation already undertaken, the discussion of the issue at the Joint European Steering Group (JESG) that I understand will be held in the New Year, and the formal consultation associated with changes to licences will together provide sufficient stakeholder engagement for this process.

I would like to turn now to the second of the initial implementation steps which we discussed, the designation of Nominated Electricity Market Operators (NEMOs) as set out in Articles 4 to 7 of CACM. Once again I would like to thank your team for Ofgem's analysis and sustained work with stakeholders, particularly the GB power exchanges

which I understand are likely to seek designation as NEMOs. Article 4(3) of CACM states that "*unless otherwise provided by Member States, regulatory authorities shall be the designating authority*". I am writing to confirm that we do not intend to advise Ministers to provide for another arrangement so Ofgem will be the designating authority in GB. I would like to also thank you for setting out at a high level Ofgem's approach to the designation process and for sharing Ofgem's Open letter on CACM and NEMO designation with my team.

As we discussed, creating a regulatory framework to give Ofgem appropriate enforcement powers with regard to NEMO functions is likely require regulations and I am assured that my team is already working with yours on the analysis and planning that will be needed for us to develop advice for Ministers on this.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Crisp', with a long horizontal line extending to the right.

Rachel Crisp
Head of Energy Markets and Consumers