

Michela Beltracchi, Nord Pool Spot;
Wolfram Vogel, APX Commodities Ltd.

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Date: 14 October 2016

Dear Ms. Beltracchi, Dear Mr. Vogel,

**Request for amendment to the Market Coupling Operator Plan (MCO Plan)
submitted by all Nominated Electricity Market Operators (NEMOs)**

On 14th April 2016, we¹ received a plan developed by all NEMOs setting out how the Market Coupling Operator (MCO) functions will be jointly set up and performed, in accordance with Article 7(3) of the guideline on Capacity Allocation and Congestion Management (CACM)². The plan was submitted to us by the two NEMOs designated in Great Britain (GB), APX Commodities Ltd and Nord Pool Spot³.

This letter sets out our decision to request an amendment to the plan and outlines the necessary next steps that must be taken.

Background

CACM is a central component of the internal electricity market, as set out in the EU Third Energy Package⁴. CACM, which came into force on 14 August 2015, aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade, through market coupling in the day-ahead and intraday timeframes. Market coupling should make sure power is produced where it is most efficient and used where it is most valued. This should lower prices for consumers and support secure and sustainable supply.

In order to achieve this, CACM establishes new entities, NEMOs, to operate single day-ahead and intraday market coupling, in cooperation with TSOs. CACM requires NEMOs and TSOs to work together to develop the terms, conditions and methodologies needed to implement CACM. These are approved by National Regulatory Authorities (NRAs) within fixed timescales that are set out in CACM.

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

² [Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management](#)

³ <https://www.ofgem.gov.uk/publications-and-updates/final-decisions-applications-apx-and-nps-be-designated-nominated-electricity-market-operators-great-britain>

⁴ The EU Third Energy Package is a suite of legislation that includes Directive 2009/72/EC of 13 July 2009 concerning common rules for the internal energy market in electricity and repealing Directive 2003/54/EC and Regulation (EC) 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003.

The first proposal that all NEMOs were required to develop collectively was the MCO Plan. In more detail, in accordance with CACM Article 7(3), all NEMOs are required submit to all NRAs and the Agency for the Cooperation of Energy Regulators a plan that sets out how they will jointly set up and perform the MCO functions⁵, including necessary draft agreements between NEMOs and with third parties. That plan is required to include a detailed description and the proposed timescale for implementation, which shall not be longer than 12 months, and a description of the expected impact of other terms and conditions or methodologies on the establishment and performance of the MCO functions.

CACM requires⁶ the competent NRAs to approve or request an amendment to the plan within six months following receipt of the MCO Plan by the last NRA concerned⁷. Where unanimous decision is required for the agreement on terms, conditions, and methodologies among all NRAs, as is the case for the MCO Plan, NRAs have established a forum known as the Energy Regulators' Forum (ERF) to facilitate this.

Our Decision

We have reviewed the proposal submitted to us in line with the requirements of CACM, the wider objectives of the Regulation (EC) 714/2009, and our statutory duties and obligations.

In making our decision we consulted with stakeholders. We received one response to our consultation, from National Grid Interconnectors Ltd (NGIC)⁸. NGIC's response related to costs for pre- and post- coupling activities. It also referred to the recovery of the costs involved in the organisation and operation of the intraday MCO function.

As required by the Article 9(10) of the CACM, we cooperated closely with other NRAs in order to reach a common position on the MCO plan. The all NRA position paper, agreed at ERF on 13th September 2016, is detailed in the annex to this letter and constitutes the reasons for our decision.

We hereby request that the amendments that are set out in the all NRA position paper are made to the all NEMO proposal for the MCO Plan.

Next Steps

In accordance with CACM Article 9(12), please make the amendments necessary to address the points set out in the all NRA position paper and resubmit the proposals to us and to the Agency by 15 December 2016.

If you have any queries regarding the information contained within this letter or the annex please contact marcelo.torres@ofgem.gov.uk

Yours sincerely,

Mark Copley
Associate Partner, Wholesale Markets

⁵ The MCO functions are set out in CACM Article 7(2).

⁶ CACM Article 9(10)

⁷ As confirmed by the Agency for the Cooperation of Energy Regulators, the last NRA received the proposal on the 15th of April 2016.

⁸ The consultation letter and NGIC's reply can be found here: <https://www.ofgem.gov.uk/publications-and-updates/consultation-market-coupling-operator-plan-proposed-all-nominated-electricity-market-operators>