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Date: 31 January 2018

Dear colleague,

**Decision on the amended all NEMOs' proposals for the price coupling and continuous trading matching algorithms, day ahead products, intraday products and back-up methodology**

On 13 November 2017, we<sup>1</sup> received the following amended proposals prepared by all Nominated Electricity Market Operators (NEMOs), in accordance with Articles 36(3), 37(5), 40(1) and 53(1) of the guideline on Capacity Allocation and Congestion Management (the CACM Regulation):<sup>2</sup>

- price coupling algorithm and continuous trading matching algorithm ('the algorithm proposal')
- products that can be taken into account by NEMOs in single day-ahead process ('the day ahead products proposal')
- products that can be taken into account by NEMOs in intraday coupling process ('the intraday products proposal')
- back-up methodology ('the back-up proposal')

The amended proposals were submitted to us by the two NEMOs designated in Great Britain (GB), EPEX SPOT SE and Nord Pool AS.

This letter sets out our decision to approve the day ahead products, intraday products and back-up proposals, pursuant to Article 9(12) of the CACM Regulation, and request the Agency for the Cooperation of Energy Regulators (Agency) to adopt a decision on the algorithm proposal. This letter outlines the necessary next steps.

**Background**

GB NEMOs first submitted the proposals to us on 14 February 2017. We reviewed the proposals in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009, and our statutory duties and obligations. In making our decisions we considered the justification provided, simultaneously with the submission of

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<sup>1</sup> 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.

<sup>2</sup> [Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management](#) The CACM Regulation came into force 14 August 2015. It 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, to lower prices for consumers and support secure and sustainable supply.

the proposals, for the inclusion or exclusion of views resulting from the stakeholder consultation undertaken by NEMOs.<sup>3</sup> We also consulted GB stakeholders about these proposals through the Joint European Stakeholder Group.<sup>4</sup>

Following consultation with all Regulatory Authorities, we requested that GB NEMOs amend the proposals and re-submit them to us, pursuant to Article 9(12) of the CACM Regulation. The requested amendments were set out in the respective all Regulatory Authority agreements, published as annexes to our decision<sup>5</sup>.

The amended proposals, dated 13 November 2017, were received by the last Regulatory Authority on 1 December 2017. CACM Regulation requires all Regulatory Authorities to consult and closely coordinate with each other in order to reach agreement and make decisions within two months following receipt of submissions of the last Regulatory Authority concerned. A decision on these amended proposals is therefore required by each Regulatory Authority by 1 February 2018.

## **Our decisions**

We have reviewed the proposals submitted to us in line with the requirements of the CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009, and our statutory duties and obligations. As required by Article 9(1) of the CACM Regulation, we have consulted, and closely cooperated and coordinated with other Regulatory Authorities in order to reach agreement on these proposals.

### *Day ahead products, intraday products and backup proposals*

We are comfortable that the revised day ahead products, intraday products and backup proposals address the amendment requests detailed in the all Regulatory Authority agreements.

At the meeting of Energy Regulator Forum on 23 January 2018, all Regulatory Authorities found agreements on the proposals for the back up methodology, the day ahead products and the intraday products. These agreements, which are attached as annexes to this decision letter, explain why all Regulatory Authorities regard the revisions made by NEMOs as sufficient, and constitute the reasons for our decisions.

We hereby adopt the following decisions to:

- Approve the methodology for the day ahead products in line with the all Regulatory Authority agreement annexed to this letter;
- Approve the methodology for intraday products in line with the all Regulatory Authority agreement annexed to this letter;
- Approve the backup methodology in line with the all Regulatory Authority agreement annexed to this letter.

### *Algorithm proposal*

Having reviewed the amended algorithm proposal, Regulatory Authorities concluded that they were not in a position to approve the proposal. For that reason, on 26 January 2018, Regulatory Authorities agreed to request the Agency to adopt a decision on the algorithm proposal, pursuant to Article 9(12) of the CACM Regulation.

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<sup>3</sup> <http://www.europex.org/external-consultations/all-nemos-consultation/>

<sup>4</sup> More information about JESG is available here: <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/European-network-code/Joint-European-Stakeholder-Group/>

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/decision-all-nemos-proposals-price-coupling-and-continuous-trading-matching-algorithms-products-harmonised-minimum-and-maximum-clearing-prices-and-back-methodology>

We hereby adopt the decision to:

- Request the Agency to adopt a binding decision on the algorithm proposal in line with the all Regulatory Authority agreement annexed to this letter.

#### *Decision not to undertake an Impact Assessment*

We have not undertaken an Impact Assessment for these proposals as the proposals merely relate to the parameters and processes necessary for the implementation of the single day ahead and intraday market coupling, which constitutes the objective of the CACM Regulation and was as such already subject to an impact assessment. Moreover, the proposals in themselves do not constitute a significant change to the existing GB requirements and arrangements. Accordingly, we consider that an impact assessment is unnecessary.

#### **Next steps**

##### *Methodologies for the day ahead products, intraday products and back-up*

In accordance with these decisions, the methodologies for day ahead products, intraday and back up will take effect in GB from 1 February 2018. GB NEMOs must publish the approved methodologies on the internet in line with Article 9(14) of the CACM Regulation and must meet the implementation deadlines set out in the methodologies.

##### *Algorithm proposal*

In accordance with Article 9(12) of the CACM Regulation, all Regulatory Authorities request that the Agency adopts a decision concerning algorithm proposal within six months of this decision.

If you have any queries regarding the information contained within this letter, or the all Regulatory Authority agreements in the annexes, please contact Marcelo Torres at [marcelo.torres@ofgem.gov.uk](mailto:marcelo.torres@ofgem.gov.uk)

Yours faithfully,

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