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Bert Maes
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Ref:

Brussels, 31 March 2017

Dear Andrew,

Consultation on proposed approach to cost recovery in relation to Capacity Allocation and Congestion Management (CACM) mechanisms for electricity interconnectors

Nemo Link Limited (NLL) welcomes the opportunity to respond to the above consultation.

The adoption of CACM and the consequent designation of Nominated Electricity Market Operator's (NEMOs) has helped clarify the roles and responsibilities of the different parties involved in market coupling together with detailing the high-level charging principles that should apply to the recovery of associated costs. We also recognise it is Ofgem's role to approve the specific arrangements that subsequently apply within the GB on cost recovery aspects of CACM so understand the importance of this consultation for ensuring the GB arrangements are compliant with CACM requirements.

We provide some specific comments below relating to certain of the areas addressed in the consultation which we hope you find helpful. We also look forward to working with Ofgem further to better understand how development costs incurred by NLL to meet the requirements of CACM (and other Codes) will be treated under the regulatory framework that exists.

Recovery of CACM Development Costs

It is NLL's view that since NEMOs have the primary role in developing and maintaining the systems and processes to run both the day-ahead and intraday markets (in accordance with Article 7.2 of CACM), it therefore seems entirely appropriate that the associated costs relating to these tasks (which are to be borne by NEMO's in accordance with Article 76.1 of CACM) are subject to regulatory scrutiny and recoverable in accordance with Article 76.3 of CACM.

Nemo Link Limited

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NLL believes such cost recovery should not be via congestion revenue however, as CACM provides no basis for increasing congestion revenue to recover such costs. Furthermore, and in specific reference to the development costs associated with the Cross-Border Intraday (XBID) project, the XBID coupling does not provide any congestion income to Interconnector TSO's.

Should Ofgem wish to allow NEMOs to recover their GB-related costs via network tariffs (similar to the manner over how such costs are recovered in certain other regions) then a recovery route should be implemented directly between the NEMOs and the GBSO.

Recovery of CACM Operating Costs

Although we believe it would be helpful if further detail could be provided here, we agree with Ofgem that operational costs should be borne by the NEMOs (as the costs in question relate to matching, clearing and settling energy market transactions, which, in accordance with Article 7 of CACM are NEMO tasks). We also support the proposal that equivalent arrangements should apply to NEMOs passporting into GB as well as those designated by Ofgem.

If you require any further information about any aspect of this response, then please do not hesitate to contact me.

Yours sincerely



Bert Maes
Business Director Nemo Link