

Multi Nemo Arrangements and Decoupling FAQ

Below are responses to some of the frequently asked questions from members on the Multi NEMO Arrangements (MNAs) which will soon come into force.

What are the Multi Nemo Arrangements?

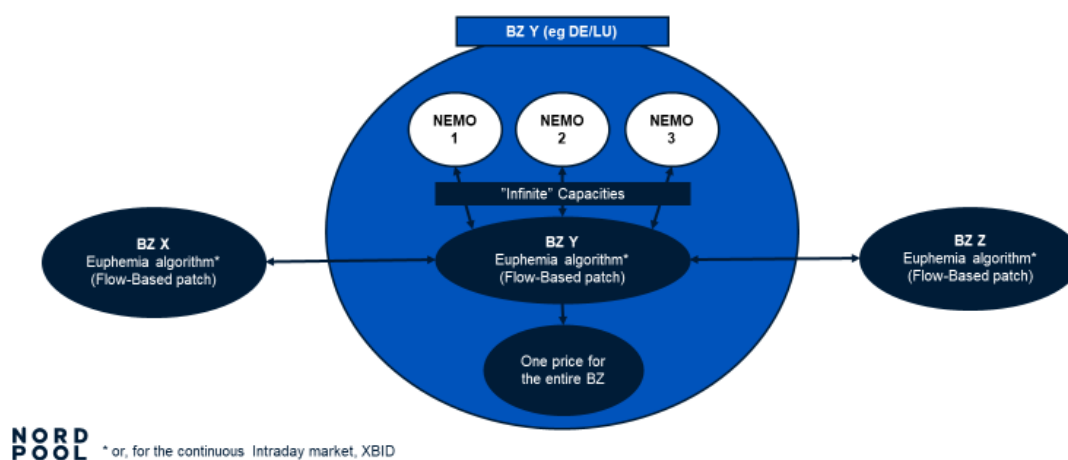
MNAs stem from the European CACM (Capacity Allocation & Congestion Management) Regulation which entered into force in August 2015. The MNAs are a legal framework that allow multiple NEMOs (Nominated Electricity Market Operators) to operate in the same Bidding Zone (BZ) in EU member states that are open to competition.

For the central and western Europe (CWE) go-live, all CWE BZs (Austria, Belgium, France, Germany/Luxembourg, the Netherlands) are open to competition.

The MNA day-ahead (DA) and intraday (ID) setup is shown below. The most important point for the MNA day-ahead auction is that market participants will get the same price for each BZ for all 24 hours of the day-ahead auction, independently of the NEMO they choose to use as their service provider.

How does a multi-NEMO set-up work for DA and ID? One price for the entire Bidding Zone (BZ)

Single Day-Ahead and Intraday Coupling



Why have the MNAs been introduced?

MNAs have been introduced as one step in enabling competition within the wholesale power exchange markets which have, until now, been predominately run by monopoly power exchanges either by law or de facto.

What are the benefits of these arrangements for market participants?

Market participants benefit through greater choice and an improvement in service offering and pricing.

Is this the first instance of multiple power exchanges operating in a single bidding zone?

No. The GB market has been operating with two NEMOs (Nord Pool and a competitor exchange) since 2014, when the north west European market coupling project first went live, before CACM and the MNAs

entered into force. So Nord Pool has long standing experience of operating markets in a multi-NEMO environment.

We are pleased to say that since 2014 there have been no instances of decoupling in GB. These successful operations paved the way for MNAs to be expanded across Europe for the benefit of all market participants.

Will the day-ahead markets operate differently after go-live?

Market participants will not see any difference from how the day-ahead auction is run today.

What happens in the event of decoupling?

The current MNA arrangements prescribe several decoupling scenarios, which are described below.

All NRAs (regulators) in Europe have given clear guidance that NEMOs must share order books (OBKs) even in the event of decoupling in the long-run.

We are working together with the European National Regulators to ensure that such guidance becomes legally binding as soon as possible.

In the meantime the decoupling scenarios set out below, will be in place.

Decoupling scenarios:

- ***CWE flow-based capacities not provided by the TSOs AND ALL CWE external borders have no capacity***: All NEMOs will calculate prices separately. However, this has not happened since the go-live of market coupling. Since the introduction of flow-Based in CWE, this would require several failures in several parties and several systems not only with CWE parties but also neighbouring TSOs. Hence this scenario is extremely unlikely to happen.
- ***All NEMOs operating in CWE Bidding Zones are unable to provide their OBKs to the common calculation process***. Under the current CWE procedures, NEMOs are tasked with calculating the prices on their own. However, this procedure would be triggered only after several failures caused by several NEMOs operating in CWE and/or by the central system having occurred in a row. This is extremely unlikely.
- ***One NEMO is not able to provide its OBK due to major technical failure***: All other NEMOs continue in common calculation and share OBKs. The failing NEMO should run an isolated auction. This instance is already included in today's coupling procedure and in GB, where two NEMOs have been in operation since 2014, where it has never occurred. However should this happen, market order books reopen in accordance with current decoupling procedures and market participants have the option to amend their orders.