

Florence Forum

NEMOs and TSOs presentation on CACM 2.0



For Florence Forum

10 June 2022

Background:

CACM 2.0 Amendment Advocacy Report

By NEMO Committee & ENTSO-E, available [here](#)

NEMO Committee's feedback to Annex 3 of ACER's recommendation

By NEMO Committee, available [here](#)

NEMO Committee's reply to EC consultation on the revision of CACM

By NEMO Committee, available [here](#)

NEMOs & TSOs evolutionary proposal

Problem identification is incorrect in many aspects

Legal assessment of the establishment of a Single Legal Entity

Action:

"All NEMOs and TSOs have decided to go beyond advocacy and to start **implementing**, on a voluntary basis, some of the most relevant building blocks of **their proposals for the CACM review: joint Qualified Majority Vote**, which will speed up decision making and avoid escalation to authorities, and the **creation of a Consultative Group with stakeholders.**"

- ✓ **Creation of the Market Coupling Steering Committee:** First meeting on 2nd-3rd February 2022
- ✓ **Joint QMV:** To be applied as of September 2022
- ✓ **Market Coupling Consultative Group:** First meeting took place on 7th June 2022
- ✓ **NEMOs and TSOs are continuously working on further improvements of Joint Governance**

NEMOs and ENTSO-E call on the EC and the Member States and EU COM - DG ENER to:

**CACM 2.0:
Fit for safe and
stable electrification
and decarbonisation**

Consider the evolutionary proposal proposed by NEMOs and TSOs as a more secure way to ensure the evolution and stability of market operation.

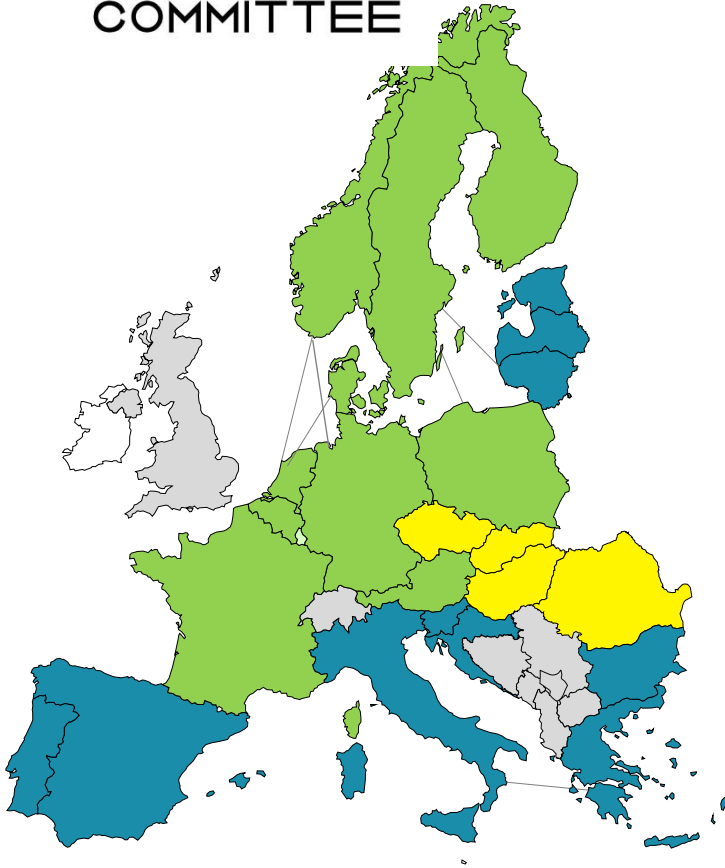
Review the justification provided for the creation of a single MCO entity in light of NEMOs comments to Annex 3 of ACER's recommendation.

Consider the risks associated to the creation of a single MCO entity together with the objectives of current CACM, including operational security.

Keep in mind high level principles like **subsidiarity, proportionality, boundaries of Implementing Acts and coherency with Regulation 2019/943.**

Status quo of CCPs/Shipping & potential next steps:

- **ACER/EC claim** (e.g., via CACM 2.0 consultations) that today's **CCP/Shipping arrangements** in DA/ID are inefficient, not robust, costly and are a **barrier of entry** for (new) NEMOs.
- **All NEMOs and TSOs advocate** in the CACM 2.0 EC public consultation to establish "**standard clauses**" for cross clearing/shipping.
 - **Cross clearing:** NEMOs consider that the approval of **standard clauses** related to cross clearing among NEMOs, via the approval of a dedicated methodology, would represent a powerful tool to significantly reduce negotiation complexities, costs and risks for barriers to entry of new entrant NEMOs.
- All NEMOs and potentially TSOs (delegated as shipping agents by NEMOs) are planning to go beyond advocacy and to **start drafting**, on a voluntary basis prior to entry into force of CACM 2.0, "**standard clauses**" (**template**) for cross clearing/shipping as an important building block of their evolutionary proposal during the CACM 2.0 consultations.



Multiple NEMO Arrangement (MNA) - CCRs "CWE", Nordic, Hansa, Baltic (only Nord Pool is active at the time of writing)

TSOs as Shippers – former 4MMC

Single NEMO – CCRs SWE, Italy North, GRIT, Core

- Italy North & GRIT = GME, BSP, Henex
- SWE = EPEX/OMIE

Critical review of ACER's proposal on CCPs/Shipping:

Centralisation to MCO entity(ies) → complex to establish, while the costs and risks of such an entity have not been properly assessed by ACER (NEMO view) + multiple downsides:

1. High transition costs (unnecessary financial burden) – MCO interface for each NEMO and each BZ border;
2. **Single point of failure** (going directly against principles of ACER) – both technical and financial failure possible (risk of default). If materialised – decoupling of whole EU could happen.
3. **Imposition of CCP business model** (NEMOs forced to establish a homogenous business model to fit ACER's view) – current model has several differences (some NEMOs are CCP, some not; there are different financial regulatory requirements) which will need to be unified;
4. **Legal and regulatory complexities** (potential introduction of the regulatory framework and authorities of the financial sector) – MCO will need to be compliant with regulations in each MS.
5. **Operational Setup** (lengthy establishment of interfaces between the LSE and the respective NEMO/CCP/TSO)
6. **VAT impact** (depending on the MCO entity's seat this may lead to major pre-financing requirements for single CCPs based on existing EU VAT legislation, would result in a non-level playing field for NEMOs/CCPs and create major uncertainties upfront)

In contrast, the joint NEMO-TSO proposal is far less complex than MCO as central shipper

- ✓ **Faster** = can be delivered quickly mostly via change of existing contracts
- ✓ **Cheaper** = no need for MCO to become BRP in each BZ and no need to establish interface between each NEMO and MCO for clearing and settlement
- ✓ **Can accommodate** local specificities
- ✓ **Keep possibility** of Shipping Agent (SA), where proven to be efficient

Last but not least, this proposal would ensure that the conditions set would not be discriminatory and in line with CACM goals, as the main principles provided therein would be endorsed and approved in advance by all NRAs.

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