



# CACM: NEMO Governance

ESC Meeting

29 September 2015, Brussels

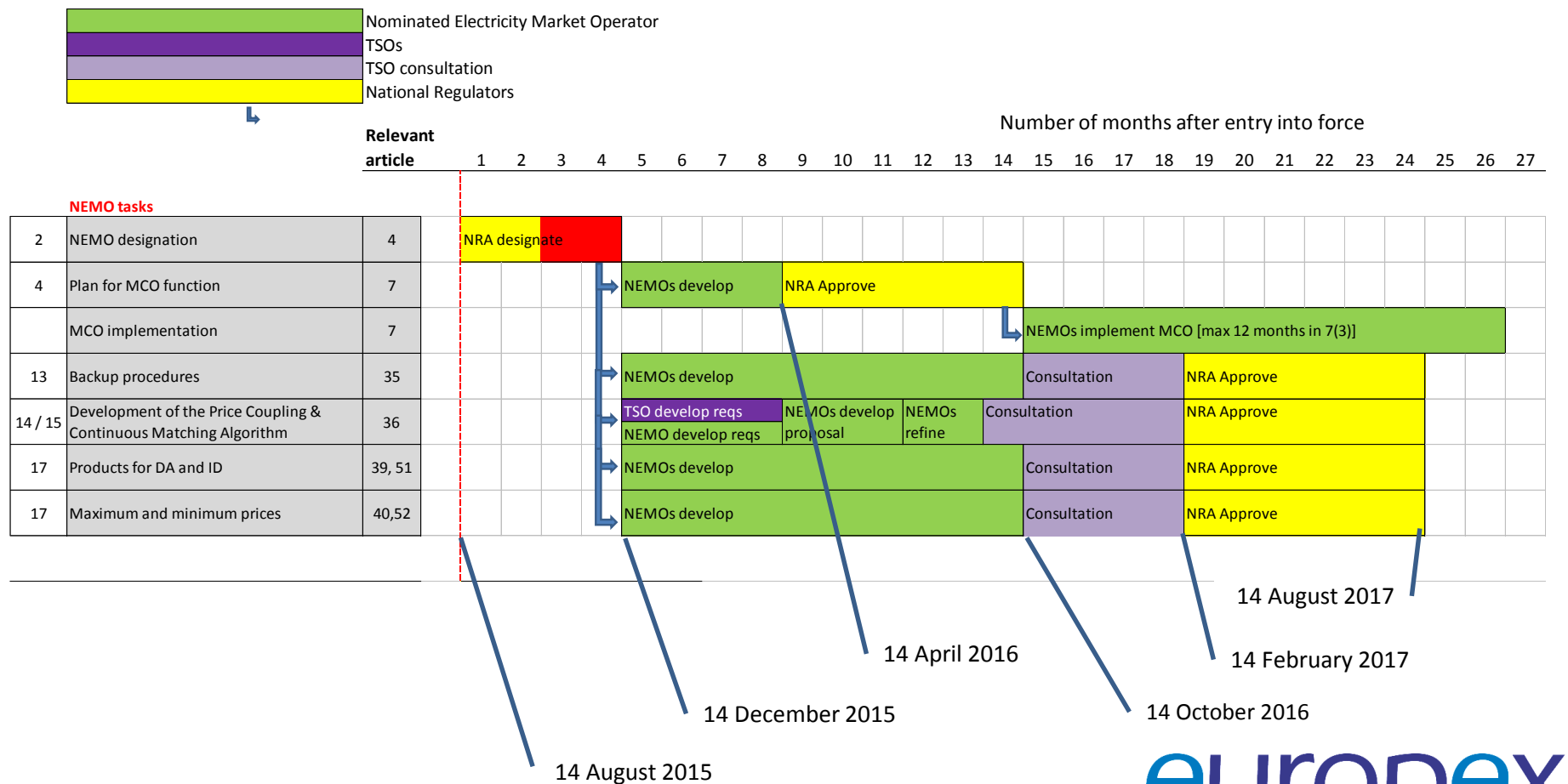
# CACM Implications

- Expectation that European DA/ID solutions will use solutions developed already in the various projects
- Requirement on member states to designate at least one NEMO
- Establishes a sequence of steps and decision-making process for the establishment of single European day-ahead and intraday coupling solutions
  - “terms and conditions or methodologies” to be developed by NEMOs and adopted by NRAs in concerned region (qualified majority voting), including:
    - Plan on joint performance of MCO functions
    - Algorithm
    - Products that can be taken into account
    - Maximum and minimum prices
    - Back-up methodology
  - TSOs and NEMOs to organise day-to-day management (NEMO-only and joint)
- Requires stakeholder consultation on draft proposals on “terms and conditions or methodologies”
  - At least 1 month consultation
  - In addition to regular stakeholder meetings
- Establishes framework for cost sharing and recovery
  - Sharing key for common costs
  - Arrangements for regional and national costs subject to approval by relevant NRA
  - All costs subject to NRAs approval
  - Starts from entry into force of CACM “without prejudice to existing solutions”

# Developing CACM Governance

1. Europex is currently facilitating a discussion between potential NEMOs regarding how joint NEMO responsibilities may be delivered/governed
  - Drafting and agreement of NEMO deliverables (“methodologies”) required by CACM, for approval by NRAs according to article 9
  - Governance principles for day-to-day management (development, operation) – “article 10” decisions
  - Could also facilitate involvement of non-MRC PXs in joint NEMO-TSO governance (currently being led by MRC parties)
2. Any proposals will need to be approved by NEMOs (not Europex), once designated
3. Likely elements of the NEMO governance:
  - NEMO Committee of all NEMOs with common rights/responsibilities applicable to all NEMOs
  - MCO service delivery/supplier management under specific contractual arrangements – e.g., PCR
  - Describe principles in “MCO Plan” – so subject to NRA approval and subsequently legally binding

# CACM provisional timeline – NEMO tasks



Source: Ofgem

# Framework Elements

## PCR



PCR PXs, supported by  
system Providers :  
Unicorn, N-side, Colt,...

## All-NEMO Committee(s)

All-NEMO Committee to  
provides a framework for all-  
NEMO tasks (development and  
implementation of CACM  
methodologies,  
communications, etc)

Potentially a single Committee,  
or one each for ID and DA

PCR and XBID continue to be  
responsible for delivery and  
operation and act as “service  
providers” to all NEMOs (may  
imply different approaches in  
XBID vs PCR given more  
centralised MCO)

Various contractual structures  
possible

## XBID



XBID PXs, supported by  
system providers  
(expected): DBAG, Colt,...

# Tentative proposals (1)

Issue	Proposals
Need to maintain effective control over market coupling arrangements	<ol style="list-style-type: none"><li>1. Overall coordination on common NEMO responsibilities by a “NEMO Committee”</li><li>2. Delegated management bodies responsible for operational issues with limited participation (e.g., base on existing PCR SC)</li><li>3. Effective management of change under change control procedures (also TSOs)</li></ol>
Need for timely, fair and robust decision making procedures	<ol style="list-style-type: none"><li>4. Operational decisions by unanimity (liabilities)</li><li>5. NEMO Committee as escalation body</li><li>6. NEMO Committee decisions by consensus; QMV if not possible</li><li>7. NEMO Committee decisions may be challenged via art 9 Methodology amendment process</li><li>8. Clear separation of NEMO and TSO responsibilities, based on CACM roles</li><li>9. TSOs and NEMOs decide on common issues (e.g., MRC) as two separate voting classes (QMV for NEMOs)</li></ol>

# Tentative proposals (2)

Issue	Proposals
Preference to establish practical Governance approach and avoid that small amendments go through Art 9 procedure	<ul style="list-style-type: none"><li>10. Keep Methodologies at fairly high level of principles, so avoiding need to change methodology for technical changes</li><li>11. Establish in the Methodologies a more pragmatic process by which they can be amended (e.g., only requiring full stakeholder consultation at ESC request)</li><li>12. Art 9 methodology and consultation processes exist as formal backup</li></ul>
Difficult to develop new governance arrangements among such a large, diverse group	<ul style="list-style-type: none"><li>13. Build on existing governance and contractual arrangements to extent possible (i.e., PCR, MRC, XBID)</li><li>14. Adopt mechanisms established in CACM (e.g., definition of QMV in art 9 can be used for NEMO Committee decision making)</li><li>15. Align DA and ID as much as possible</li></ul>