

CACM 2.0 Regulation review – critical issues

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Camilla Berg

General Counsel and Director European Market
Coupling Operation

**NORD
POOL**

Nord Pool at a glance

- Nord Pool offers day-ahead and intraday trading, clearing and settlement services
- More than 360 customers from 20 countries trade on Nord Pool's markets
- Operates in 16 European countries
- Service markets
- ~150 employees, 35 nationalities, offices in Oslo, Stockholm, Helsinki, Tallinn, London and Berlin



969 TWh
day-ahead



26 TWh
intraday



360
customers



MCO Governance

Central vs Decentral Operation

The establishment of a single legal entity performing the MCO tasks does not address the main challenges for the European energy market today – the war in Ukraine, the green shift, security of supply – which all require a robust performance of market coupling.

Under the existing set-up, market coupling has proven to work in a robust and reliable manner.

ACER proposal for Single MCO Entity

- **Replaces current decentralised framework with a single, pan-European entity**
 - **Centralising the MCO puts at risk implementation of ongoing projects key to paving the way to the transition to a low carbon economy**
- **Unnecessarily concentrates operational and financial risk ("too big to fail")**
 - **Centralising the MCO increases operational risk:** In the current decentralised operation, if a NEMO has a problem with the calculations, another NEMO can take over
 - **Increases-clearing & settlement costs:** Clearing and settlement of short-term physical electricity trades between NEMOs and between NEMOs and TSOs does not require financial regulation
- **Does NOT remove existing competitive distortions**
- ✓ **Current framework operated by NEMOs and TSOs must be improved but, overall, it is cost effective and robust**

ACER's arguments are baseless

(1) Development & implementation: slow, complex, costly and delayed

- QMV will speed up decision making
- But: Central MCO will not lead to harmonised MNAs (differences required by national grid operation and market set-ups, not NEMOs); nor
- Reduce the complexity of the projects that are implemented

(2) Market coupling operation: too complex, costly, risky, cumbersome

- Market Coupling Operation robust and cost effective
- The three partial decoupling events (2019, 2020, 2021) were due to local order book issues of individual NEMOs, not the MCO operation

ACER's arguments are baseless

(3) Continuity: the risk of no operating NEMO in a Member State

- Suggestion: Create commercial incentives for NEMOs operational elsewhere to act as a back-up. Cheaper than creating an MCO from scratch

(4) Algorithm ownership, ownership hinders level playing field, transparency and innovation

- SIDC: Deutsche Börse owns XBID algorithm. Does not allow NEMO co-ownership.
- SDAC: NEMO co-ownership fully open to new co-owners.
- Any NEMO (co-owning or not) and any TSO is entitled to submit a request for change (RfC) of the SDAC and SIDC algorithms' functionalities and their usage – the RfC is evaluated in accordance with the transparent, non-discriminatory principles outlined in [the CACM Algorithm Methodology](#) approved by ACER

ACER's arguments are baseless

(5) NEMO Competition: no level playing field, difficult new entry

- Not an issue of MCO governance but of power exchange competition
- Requires shared liquidity at all times (SOB final 60 min; no more “local” auctions; no more partial decouplings in SDAC)
- Being a NEMO requires specialised expertise and resources – any new entrant NEMO will have to fulfill the NEMO designation criteria and the requirements of the MNAs, will have to pass the algorithms' testing requirements and will have to sign up to the TSO's national balancing agreements

(6) Regulatory oversight and enforcement: difficult, unclear, impossible

- Not an issue of MCO governance, but of lack of clarity of key CACM provisions
- NRAs have been unable to agree on and enforce harmonised position where required (cost recovery; shared liquidity; capacity allocation at gate opening, etc)

Thank you!