
MNA Proposal

18^h July 2019

Elering AS/AS “Augstsprieguma tīkls”/LITGRID AB, taking into account the following:

Whereas

- (1) This is a proposal developed by Elering AS/AS “Augstsprieguma tīkls”/LITGRID AB (hereafter referred to as “Elering”/“AST”/“LITGRID”) regarding the multiple NEMOs arrangements (hereafter referred to as “MNA”) in the Estonian/Latvian/Lithuanian bidding zone. This document takes into account and aligns the work done in co-operation with other Baltic Capacity Calculation Region (hereafter referred to as “Baltic CCR”) transmission system operators (hereafter referred to as “TSOs”) for MNA.
- (2) This proposal (hereafter referred to as the “MNA Proposal”) takes into account the general principles and goals set in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims, it is necessary to develop arrangements for proving non-discriminatory access to cross-zonal capacity in cases of more than one NEMO in one bidding zone.
- (3) Article 45 and 57 of the CACM Regulation constitute the legal basis for the MNA Proposal and define specific requirements that the MNA Proposal should take into account. Article 45 of the CACM Regulation that relates to the day-ahead capacity allocation has the following content:

“1.TSOs in bidding zones where more than one NEMO is designated and/or offers trading services, or where interconnectors which are not operated by TSOs certified according to Article 3 of Regulation (EC) No 714/2009 exist, shall develop a proposal for cross-zonal capacity allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs, NEMOs and operators of interconnectors who are not certified as TSOs to ensure that the relevant NEMOs and interconnectors provide the necessary data and financial coverage for such arrangements. These arrangements must allow additional TSOs and NEMOs to join these arrangements.”

2.The proposal shall be submitted to the relevant national regulatory authorities for approval within 4 months after more than one NEMO has been designated and/or allowed to offer trading services in a bidding zone or if a new interconnector is not operated by a certified TSO. For existing interconnectors which are not operated by certified TSOs the proposal shall be submitted within four months after entry into force of this Regulation.”

Article 57 of the CACM Regulation has identical content but relates to the intraday capacity allocation.

The content of the MNA Proposal has been developed in cooperation with the Baltic CCR TSOs. The Baltic CCR TSOs have been in dialogue with relevant NEMOs during the development of the proposal.

- (4) Article 2(23), 2(26) and 2(27) of the CACM Regulation define the single day-ahead and intraday coupling:
“‘nominated electricity market operator (‘NEMO’)’ means an entity designated by the competent authority to perform tasks related to single day-ahead or single intraday coupling;”

“‘single day-ahead coupling’ means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market;”

“‘single intraday coupling’ means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market.”
- (5) Article 4(5) of the CACM Regulation states that:
“A NEMO designated in one Member State shall have the right to offer day-ahead and intraday trading services with delivery in another Member State. The trading rules in the latter Member State shall apply without the need for designation as a NEMO in that Member State. [...]”
- (6) In regards to regulatory approval, Article 9(8) of the CACM Regulation states:
“The following terms and conditions or methodologies shall be subject to individual approval by each regulatory authority or other competent authority of the Member State concerned:[...] (d) where applicable, the proposal for cross-zonal capacity allocation and other arrangements in accordance with Articles 45 and 57.[...]”
- (7) Article 9(9) of the CACM Regulation requires that the expected impact of the MNA Proposal on the objectives of the CACM Regulation is described. The impact is presented below (points (8) to (14) of this Whereas Section).
- (8) The MNA Proposal contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the CACM Regulation. In particular, the MNA Proposal serves the objectives providing non-discriminatory access to cross-zonal capacity (Article 3(j) of the CACM Regulation), creating a level playing field for NEMOs (Article 3(i) of the CACM Regulation) and respecting the need for a fair and orderly market and fair and orderly price formation (Article 3(h) of the CACM Regulation).
- (9) For the single day-ahead coupling, the objectives are met by creating a hub for each NEMO within a bidding zone. Between hubs within the bidding zone exists sufficient transmission capacity to keep hubs coupled. This approach ensures that within the bidding zone there is no limitation to access transmission capacity and that each NEMO has equal access to cross-zonal capacity as orders from all market participants in spite of which NEMO they use shall be treated equally as regards to access to cross-zonal capacity. Furthermore, this approach respects the need for a fair and orderly market and orderly price formation taking into account all orders of each NEMO equally when allocating cross-zonal capacity across bidding zones within day-ahead market coupling. In general, the proposed approach together with post-coupling arrangements creates a level playing field for NEMOs within a bidding zone as related to access to cross-zonal capacity. This is ensured also during the pre-coupling phase for day-ahead coupling, where the coordinated capacity calculator will make cross-zonal capacity available to all NEMOs for publication to the market and to carry out Market Coupling Operator (hereafter referred as to “MCO”) functions in accordance with Article 7(3) of the CACM Regulation.

- (10) For the intraday timeframe, the objectives are met with single intraday coupling as there is no need for specific arrangements for pre-coupling or matching phase in case of several NEMOs within a bidding zone. The shared order book will accommodate all orders from all bidding zones and all NEMOs and the capacity management module shall ensure that cross-border capacity is allocated accordingly to each order coming from the shared order book.
- (11) Regarding the objective of ensuring fair and non-discriminatory treatment of TSOs and NEMOs (Article 3(e) of the CACM Regulation), the financial and settlement arrangements proposed by this MNA Proposal ensure that TSOs and NEMOs are treated in a fair and non-discriminatory way.
- (12) The arrangements proposed in this MNA Proposal serve the objective of optimising the allocation of cross-zonal capacity in accordance with Article 3(d) of the CACM Regulation as the arrangements lay down a common approach across the Baltic CCR countries for several NEMOs. By this coordination the Baltic CCR TSOs ensure compatible arrangements and their application across the Baltic CCR region and with the neighbouring CCR as TSOs active in Baltic CCR are also members of neighbouring CCRs. Like the single day-ahead and intraday coupling solutions, these complementary arrangements ensure optimal use of the transmission infrastructure (Article 3(b) of the CACM Regulation).
- (13) Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), the arrangements proposed in this MNA Proposal shall be the basis for market coupling in the most transparent way. With regard to the arrangements, reliability and transparency is ensured as data is provided allowing for all NEMOs to access this data and by following the verification process to ensure that correct data is used.
- (14) In conclusion, the MNA Proposal facilitates implicit market coupling and contributes to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.

SUBMITS THE FOLLOWING MNA PROPOSAL TO ESTONIAN COMPETITION AUTHORITY (KONKURENTSIAMET)/THE PUBLIC UTILITIES COMMISSION/THE NATIONAL COMMISSION FOR ENERGY CONTROL AND PRICES AS THE NATIONAL REGULATORY AUTHORITY IN ESTONIA/LATVIA/LITHUANIA:

Article 1 **Subject matter and scope**

Arrangements described in this MNA Proposal concerning more than one NEMO in one bidding zone are in accordance with Articles 45 and 57 of the CACM Regulation.

Article 2 **Definitions and interpretation**

1. For the purposes of this MNA Proposal, the terms used shall have the meaning of the definitions included in Article 2 of the CACM Regulation and Regulation (EC) No 714/2009 and Regulation (EC) No 543/2013.

2. In addition, in this MNA Proposal, the following terms shall have the meaning below:
 - a) “Hub” means a place where a given NEMO collects the bids from its respective participants;
 - b) “Pre-coupling” means procedures before MCO functions are executed for single day-ahead and intraday coupling; and
 - c) “Post-coupling” means procedures after MCO functions have been executed for single day-ahead and intraday coupling
3. In this MNA Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the headings are inserted for convenience only and do not affect the interpretation of this proposal; and
 - c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3 **Application of this proposal**

This MNA Proposal applies to Pre-coupling and Post-coupling arrangements, which shall give more than one NEMO in one bidding zone access to cross-zonal capacity in the day-ahead and intraday timeframe in the Estonian/Latvian/Lithuanian bidding zone, when single day-ahead and intraday coupling are implemented.

Article 4 **Single day-ahead coupling arrangements**

1. Each NEMO offering services in Estonia/Latvia/Lithuania shall be a full member of single day-ahead coupling, having signed the relevant all TSOs and all NEMOs agreement and implement the single day-ahead coupling process in accordance with the CACM Regulation.
2. There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the operating hubs in a bidding zone.

Article 5 **Pre-coupling arrangements for single day-ahead coupling**

1. The relevant coordinated capacity calculator established in accordance with Article 27(2) (hereafter referred to as “CCC”) shall be responsible for providing the cross-zonal capacities (hereafter referred to as “CZC”) and allocation constraints (hereafter referred to as “AC”) for the Estonian/Latvian/Lithuanian bidding zone borders to the relevant NEMOs in accordance with Article 46(1) of the CACM Regulation to ensure the publication of CZCs and ACs.
2. For capacity allocation in accordance with Article 30(3) of the CACM Regulation the CCC shall make available the CZCs and ACs to all relevant NEMOs for the purpose of processing in accordance with Article 7(2)(b) of CACM Regulation. The provided CZCs and ACs is a part of the MCO functions that has to be carried out jointly with all NEMOs.
3. The relevant NEMOs shall be responsible for the necessary arrangements between them in order to process the information. Format and timing for sending of the CZCs and ACs to the MCO functions shall follow the corresponding single day-ahead coupling and/or NEMO procedures.

4. The CCC shall validate that the correct CZCs and ACs are used as input for the calculations by the MCO functions. The MCO functions shall provide relevant information back to the CCC to ensure that the CCC can make this validation.
5. Each NEMO offering services in the Estonian/Latvian/Lithuanian bidding zone shall submit the orders to perform the MCO functions in accordance with Article 47 of the CACM Regulation.

Article 6

Delivery and validation of single day-ahead results

Each NEMO offering services in the Estonian/Latvian/Lithuanian bidding zone shall deliver the single day-ahead coupling results to Elering/AST/LITGRID and the CCC in accordance with Article 48 of the CACM Regulation. Elering/AST/LITGRID is responsible for verifying that the results have been calculated in accordance with the validated CZCs and ACs. Each NEMO offering services in the Estonian/Latvian/Lithuanian bidding zone shall verify that the results have been calculated based on the orders of the concerned NEMO.

Article 7

Post-coupling arrangements for single day-ahead coupling

1. In accordance with Article 7(1) of CACM Regulation, the NEMOs shall be responsible for acting as central counter parties (hereafter referred to as “CCP”) for clearing and settlement of the exchange of energy in accordance with Article 68(1) of CACM Regulation.
2. Each CCP shall clear and settle the contracts which result from the day-head trading between its market participants. The CCP shall provide based on the information on the single day-ahead coupling results of the hub nominations to Elering/AST/LITGRID. The hub nominations shall consist of information related to market participants trade with the relevant NEMO/CCP as well as nomination towards CCPs/SA in other NEMO hubs within the same bidding zone. In the case that NEMOs/CCPs are acting as SA nominations shall consist of information related to cross-border nominations.
3. The CCPs acting in the Estonian/Latvian/Lithuanian bidding zone shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner in accordance with Art. 77(2) CACM.
4. Each NEMO or appointed CCP offering services in the Estonian/Latvian/Lithuanian bidding zone shall be a balance responsible party in Estonia/Latvia/Lithuania. They shall comply with terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party for CCP nominations within Estonian/Latvian/Lithuanian bidding zone and Shipping Agent (hereafter referred to as “SA”) nominations with its respective market participants, inter-NEMOs/CCP nominations on relevant Cross-zonal exchanges with Estonian/Latvian/Lithuanian bidding zone in the case that NEMOs/CCPs are acting as SA.
5. In accordance with Article 68(3) and 68(6) of the CACM Regulation NEMOs or appointed CCPs shall act as counter party to each other for the exchange of energy between bidding zones with regard to the financial rights and obligations arising from these energy exchanges. A shipping agent may act as a counter party between different central counter parties for the exchange of energy, if the parties concerned conclude a specific agreement to that effect.

6. The shipping agent or CCPs shall collect the congestion income and distribute it to the relevant TSOs in accordance with Article 68(7) and 68(8) CACM.

Article 8 **Day-ahead bidding zone clearing price**

1. Each NEMO offering services in Estonia/Latvia/Lithuania for single day-ahead coupling shall allow its orders to be used for calculating and publishing unique clearing price for the Estonian/Latvian/Lithuanian bidding zone. This applies as well for the fallback situation in accordance with relevant fallback procedures to be approved in accordance with Article 9(7)(e) of the CACM regulation.
2. Each NEMO offering services in Estonia/Latvia/Lithuania for single day-ahead coupling shall allow its orders to be used under conditions set in paragraph 8 (1) for calculating and publishing one unconstrained reference price for each market time unit.

Article 9 **Change of bidding zone configurations**

Each NEMO offering services in Estonia/Latvia/Lithuania for single day-ahead coupling shall be able to implement a change of bidding zone configuration in accordance with Article 32 and 33 of the CACM Regulation in its procedures no later than four weeks after the request for a change has been received.

Article 10 **Single intraday coupling arrangements**

1. Each NEMO offering services in Estonia/Latvia/Lithuania shall be a full member of single intraday coupling, having signed the relevant all TSOs and all NEMOs agreement and implement the single intraday coupling process in accordance with the CACM Regulation.
2. There shall be one hub for each NEMO per bidding zone and each hub shall be connected to the order book of the concerned NEMO. There shall be no limitations as to how many transactions can take place between the operating hubs in a bidding zone.

Article 11 **Pre-coupling arrangements for single intraday coupling**

1. The CCC shall provide CZCs and ACs for the Estonian/Latvian/Lithuanian bidding zone borders to the capacity management module (hereafter referred to as “CMM”) in accordance with Article 58 of the CACM Regulation and MCO Function.
2. Each NEMO offering services in the Estonian/Latvian/Lithuanian bidding zone shall submit the orders for a given market time unit for single matching immediately after the orders have been received from the market participants in accordance with Article 59(5) of the CACM Regulation.

Article 12 **Delivery of single intraday results**

1. Each NEMO offering services in the Estonian/Latvian/Lithuanian bidding zone shall deliver the single intraday coupling results to Elering/AST/LITGRID and the CCC in accordance with Article 60 of the CACM Regulation.
2. The results shall include for each NEMO/CCP and each market time unit net positions for Estonian/Latvian/Lithuanian bidding zone and net scheduled flow for each bidding zone border.

Article 13 **Post-coupling arrangements for single intraday coupling**

1. In accordance with Article 7(1) of CACM Regulation the NEMOs shall be responsible for acting as CCP for clearing and settlement of the exchange of energy in accordance with Article 68(1) of CACM Regulation.
2. Each CCP shall clear and settle the contracts, which result from the intraday trading between its market participants. The CCP shall provide based on the information on the single intraday coupling results of hub nominations to Elering/AST/LITGRID. The hub nominations shall consist of information related to market participant's trade with the NEMO/CCP as well as nomination towards CCPs/SA in other NEMO/CCP hubs within the same bidding zone. In the case that NEMOs/CCPs are acting as SA nominations shall consist of and information related to cross-border nominations.
3. The CCPs acting in the Estonian/Latvian/Lithuanian bidding zone shall agree on clearing and settlement arrangements between them. The clearing and settlement shall be done in an efficient manner in accordance with Article 77(2) CACM.
4. Each NEMO or appointed CCP offering services in the Estonian/Latvian/Lithuanian bidding zone shall be a balance responsible party in Estonia/Latvia/Lithuania. They shall comply with the terms and conditions set for balancing and imbalance settlement and conclude relevant agreements to act as balance responsible party for CCP nominations with its respective market participants, inter-NEMO/CCP nominations within Estonian/Latvian/Lithuanian bidding zone and SA nominations on relevant Cross-zonal exchanges with Estonian/Latvian/Lithuanian bidding zone in the case that NEMOs/CCPs are acting as SA.
5. In accordance with Article 68(3) and 68(6) of the CACM Regulation NEMOs or appointed CCPs shall act as counter party to each other for the exchange of energy between bidding zones with regard to the financial rights and obligations arising from these energy exchanges. A shipping agent may act as a counter party between different central counter parties for the exchange of energy, if the parties concerned conclude a specific agreement to that effect.

Article 14 **Financial arrangements**

1. According to Article 45 and 57 of the CACM Regulation, relevant NEMOs offering services in the single day-ahead and intraday coupling shall provide the necessary financial coverage for the arrangements concerning more than one NEMO in one bidding zone.
2. Costs shall be assessed by relevant NRAs according to Article 75 of the CACM regulation. Costs arising from the arrangements concerning more than one NEMO in one bidding zone of this MNA proposal, which are not covered by Articles 77 and 78 of the CACM Regulation shall be shared and recovered by national arrangements approved by NRA. Common and regional costs, where appropriate, arising from the arrangements concerning this MNA proposal shall be shared in accordance with Article 80(3) and 80 (4) of the CACM Regulation.

Article 15
Publication and implementation of MNA Proposal

1. Elering/AST/LITGRID shall publish the MNA without undue delay after Estonian Competition Authority (Konkurentsiamet)/the Public Utilities Commission/the National Commission for Energy Control and Prices as the national regulatory authority has approved the MNA Proposal.
2. Necessary changes, procedures and requirements to accommodate multiple NEMOs in the bidding zones of Estonia, Latvia and Lithuania in line with the Baltic MNA Proposal shall be set in the Baltic MNA operational agreement to be concluded between Elering/AST/LITGRID and NEMOs securing the operations of day-ahead and intraday market coupling from the NEMOs side in multiple NEMOs environment in the bidding zones of Estonia, Latvia and Lithuania. Elering/AST/LITGRID shall publish the abovementioned operational agreement except the information that is considered as confidential on their websites. Operational status of a NEMO in the bidding zones of Estonia, Latvia and Lithuania will be approved by Elering/AST/Litgrid according to the technical requirements provided in the Baltic MNA operational agreement.
3. Implementation of the MNA Proposal for single day-ahead coupling will be according to the following milestones:
 - a) the establishment of the CCC in accordance with Article 27(2) of the CACM Regulation in the relevant CCR;
 - b) the implementation of the MCO function for single day-ahead market coupling by the relevant NEMOs in accordance with Article 7(3) of the CACM Regulation;
 - c) implementation of the fallback procedures in accordance with Article 44 of the CACM Regulation in the relevant CCR; and
 - d) implementation of clearing and settlement arrangements in accordance with Article 68 of the CACM Regulation.
4. Implementation of the MNA Proposal for single intraday coupling will be according to the following milestones:
 - a) the establishment of the CCC in accordance with Article 27(2) of the CACM Regulation in the relevant CCR;
 - b) the implementation of the MCO function for single intraday coupling by the relevant NEMOs, in accordance with Article 7(3) of the CACM Regulation; and
 - c) implementation of clearing and settlement arrangements in accordance with Article 68 of the CACM Regulation.

Article 16
Language

The reference language for this MNA Proposal shall be English. For the avoidance of doubt, where Elering/AST/LITGRID needs to translate this MNA Proposal into Estonian/Latvian/Lithuanian, in the event of inconsistencies between the English version published by Elering/AST/LITGRID in accordance with Article 9(14) of the CACM Regulation and any version in Estonian/Latvian/Lithuanian, Elering/AST/LITGRID shall, in accordance with national legislation, provide Estonian Competition Authority (Konkurentsiamet)/the Public Utilities Commission/the National Commission for Energy Control and Prices as the relevant national regulatory authority with an updated translation of the MNA Proposal.