



To all interested parties

## Invitation for applications to be designated as a NEMO in Denmark

### *Background*

20 May 2019

Commission Regulation (EU) 2015/1222 of 24 July 2015 ("CACM") demands that each Member State electrically connected to a bidding zone in another Member State shall ensure that one or more nominated electricity market operators ("NEMOs") are designated by four months after the entry into force of this Regulation to perform the single day-ahead and / or intraday coupling (Art. 4.1).

A nominated electricity market operator means an entity designated by the competent authority to perform tasks related to single day-ahead or single intraday coupling.

The Danish Utility Regulator ("DUR") is the designating authority in the two Danish bidding zones Western Denmark ("DK1") and Eastern Denmark ("DK2").

On 27 October 2015 DUR (at that time named Danish Energy Regulatory Authority) designated a NEMO according to CACM. Article 4(2) of CACM states that the designation has a term of 4 years and therefore expires on 27 October 2019.

For this reason, DUR is launching this invitation for interested applicants to be designated as NEMO in Denmark.

### *Process*

The designation process will include the following steps and deadlines:

- Formal applications to be sent to DUR no later than 27 July 2019.
- After the application deadline and until September 2019 DUR will process the applications and if necessary invite applicants to provide additional information at meetings. DUR will prepare a draft decision for NEMO designation(s).
- Public consultation of the draft decision(s) in September 2019.
- Finalization of the decision(s) at the latest 27 October 2019

Interested parties are welcome to contact Søren Søndergaard (slrs@forsyningstilsynet.dk) and Malene Alempiew (mua@forsyningstilsynet.dk) to discuss draft applications before the application deadline 27 July 2019.

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*Designation criteria and application material*

The relevant criteria for the designation as a NEMO in a member state are described in Article 6 of CACM. DUR provides comments to the different criteria and its understanding of these in Annex I.

DUR wants to underline the importance of applications to provide all relevant background material that documents the applicant's fulfillment of the criteria. Specific explanations of how and where the provided material demonstrates the fulfillment of each specific criterion must be included.

Best regards,

Søren Søndergaard  
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## Annex I: Necessary information for applications

### 1) General Information

- State the legal name and details of the entity applying to be designated a NEMO in Denmark
- State for which market coupling(s) you apply as a NEMO: Day-ahead and/or Intraday
- State for which bidding zones you apply: DK1 and/or DK2
- State if the company has applied for designation as a NEMO in other Member States and state in which.
- State if the company already is designated as a NEMO in other Member States or has been refused designation. Provide the relevant decisions.
- State whether the applicant is a legal national monopoly in any other Member State.
- Clearly identify information in the application and the submitted documentation considered confidential. State a brief explanation of the confidential character of the information including description of the interests that are to be prejudiced if the information is disclosed.

### 2) Information on the designation criteria

DUR wants to underline the importance of applications to provide all relevant background material that documents the applicant's fulfillment of the criteria. Specific explanations of how and where the provided material demonstrates the fulfillment of each specific criterion must be included.

#### **CACM Designation Criteria Article 6.1.(a):**

*it has contracted or contracts adequate resources for common, coordinated and compliant operation of single day-ahead coupling and/or single intraday coupling, including the resources necessary to fulfil the NEMO functions, financial resources, the necessary information technology, technical infrastructure and operational procedures or it shall provide proof that it is able to make these resources available within a reasonable preparatory period before taking up its tasks in accordance with Article 7;*

Applications must include evidence of

- adequate capitalization and financial security to cover its activities and risk exposure in order to operate efficient, reliable, and stable single day ahead and/or intraday coupling.
- necessary user platforms and interfaces, including necessary information technology, technical equipment, and or contractual service level agreements, together with contingency plans, to operate efficient, reliable, and stable single day ahead and/or intraday coupling.
- operational arrangements, including contractual arrangements with participants, NEMOs, and TSOs, together with contingency plans, demonstrating how it will deliver the NEMO

tasks. In particular, candidates applying for day ahead and /or intraday coupling must demonstrate they have or will enter into operational and contractual arrangements that allow more than one NEMO to operate day ahead and / or intraday coupling, as required by Articles 45 and 57 of CACM.

DUR expects as a minimum the following documentation. The applicant shall ensure to include all information that is relevant for the evaluation of the criteria fulfillment.

- a. Authenticated reporting (e.g. through a chartered accountant):
  - Operating costs, capital and debt
  - Contingency reserves, borrowing facilities, and any parent company guarantees
  - Insurance and liabilities
  - Other activities impacting on costs and liabilities
- b. Clear description and evidence of risk assessment and sensitivity analysis undertaken to demonstrate current and ongoing financial adequacy.
- c. Clear explanation and description of technical systems, how they work, ownership and / or contractual and service level agreements for operation and servicing of single day ahead and / or intraday coupling.
- d. Clear explanation of risk planning, testing, monitoring, mitigation, reporting, and contingency plans to ensure technical system performance.
- e. Clear description and explanation of how it will operate single day ahead and / or intraday coupling, including organizational chart, whether any functions will be delivered internally or outsourced, and explanation of contingency plans and risk planning.
- f. Clear demonstration and confirmation these technical systems, processes, and contractual arrangements allow or will allow other NEMOs and TSOs to operate day ahead and / or intraday coupling.
- g. Documentation that the necessary IT- and communication routines between the applicant and the Danish TSO Energinet are in place in order to perform the NEMO functions.

**CACM Designation Criteria Article: 6.1.(b):**

*it shall be able to ensure that market participants have open access to information regarding the NEMO tasks in accordance with Article 7*

Applications must include evidence that it is able to ensure market participants have open access to the arrangements, methodologies, rules, processes, and data required to be made public by the CACM Regulation.

<p><b>CACM Designation Criteria Article: 6.1.(c):</b></p> <p><i>it shall be cost-efficient with respect to single day-ahead and intraday coupling and shall in their internal accounting keep separate accounts for MCO functions and other activities in order to prevent cross-subsidisation</i></p>
<p>Applications must include evidence that they have separate accounts for the MCO functions and other activities, and can report a clear breakdown of all their NEMO costs.</p>
<p><b>CACM Designation Criteria Article: 6.1.(d):</b></p> <p><i>it shall have an adequate level of business separation from other market participants</i></p>
<p>Applications must include evidence of adequate business separation that includes a clear description of their corporate structure. Provide detailed information on the company's ownership structure and (full or part-) ownerships of other power exchanges or market participants.</p>
<p><b>CACM Designation Criteria Article: 6.1.(e):</b></p> <p><i>if designated as a national legal monopoly for day-ahead and intraday trading services in a Member State, it shall not use the fees in Article 5(1) to finance its day-ahead or intraday activities in a Member State other than the one where these fees are collected;</i></p>
<p>Applications must include evidence that they have separate accounts for services provided as a national legal monopoly in any Member State to prevent cross-subsidisation.</p>
<p><b>CACM Designation Criteria Article: 6.1.(f):</b></p> <p><i>it shall be able to treat all market participants in a non-discriminatory way</i></p>
<p>Applications must include evidence that they are able to treat all market participants in a non-discriminatory way The evidence must include description of processes for market participants to join and use their services and description of internal processes for making sure operational arrangements, contractual arrangements, and services to market participants are non-discriminatory.</p>
<p><b>CACM Designation Criteria Article: 6.1.(g):</b></p> <p><i>it shall have appropriate market surveillance arrangements in place;</i></p>
<p>Applications must include evidence of training and monitoring procedures to identify and report any potential issues consistent with the requirements of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT).</p>

<p><b>CACM Designation Criteria Article: 6.1.(h):</b></p> <p><i>it shall have in place appropriate transparency and confidentiality agreements with market participants and the TSOs;</i></p>
<p>Applications must include evidence of appropriate transparency and confidentiality agreements with market participants and TSOs including description of relevant processes to assess what transparency and confidentiality agreements are required.</p>
<p><b>CACM Designation Criteria Article: 6.1.(i):</b></p> <p><i>it shall be able to provide the necessary clearing and settlement services.</i></p>
<p>Applications must include evidence that they have, or have contracted an entity which is able to provide: a. adequate capitalisation and financial security, together with procedures in place to ensure satisfactory guarantees for settlements, necessary to clear and settle exchange of energy resulting from single day ahead and/or intraday coupling. b. the technical, operational and contractual arrangements to clear and settle exchange of energy resulting from single day ahead and/or intraday coupling. In particular, candidates applying for day ahead and / or intraday coupling must demonstrate they have or will enter into operational and contractual arrangements that allow more than one NEMO to operate day ahead and / or intraday coupling, as required by Articles 45 and 57 of the CACM Regulation, as with DUR's understanding of criteria 6.1.(a).</p>
<p><b>CACM Designation Criteria Article: 6.1.(j):</b></p> <p><i>it shall be able to put in place the necessary communication systems and routines for coordinating with the TSOs of the Member State.</i></p>
<p>Applications must include evidence of information and technical equipment and/or contractual service level agreements together with contingency plans for communicating with Energinet.</p>
<p><b>CACM Designation Criteria Article 6.2:</b></p> <p><i>The designation criteria set out in paragraph 1 shall be applied in such a way that competition between NEMOs is organised in a fair and non-discriminatory manner.</i></p>
<p>Applications must demonstrate that any contractual arrangements with other NEMOs and TSOs allow additional NEMOs to operate single day ahead and intraday coupling in the Danish bidding zone(s).</p>