



Department
of Energy &
Climate Change



Department of
**Enterprise, Trade
and Investment**

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To
Designated GB NEMOs
copy to JESG

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Dear Colleague,

Following our recent consultation, this letter sets out the DECC and DETI decision on voting arrangements for Nominated Electricity Market Operator (NEMO) under Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM).

We have received comments from each of the UK's designated NEMOs. We appreciate the time respondents gave to considering these proposals and the suggested methodologies for measuring volumes of transacted electricity. Respondents were broadly supportive of the majority of our proposed approach. However, one respondent had concerns over the proposal to allocate a baseline proportion of the UK vote to each NEMO.

The CACM text is open on the question of allocating national voting rights between multiple NEMOs. The only stipulation is that the Member States must take account of the volumes of electricity transacted in the previous financial year. We do not consider that this means the allocation of voting rights must be entirely determined on that basis.

It is important that smaller players and new market entrants are encouraged to engage in these processes but we agree that the approach taken should not act as an incentive for NEMOs to seek designation in the UK to access greater voting rights. Given the current market conditions, we believe that allocating the first 24% of the UK vote equally between designated NEMOs strikes the correct balance between supporting participation and preventing undesirable incentives. Currently, with three participants, each will receive 8%.

The remaining balance of the vote (76%) will be allocated to NEMOs on the basis of electricity transacted. This will be calculated separately for the day-ahead and intra-day periods for votes on matters related to those periods. Where a matter is not exclusively

related to one period or the other, this element will be calculated on the basis of the total electricity transacted in both the day-ahead and intra-day periods.

In GB, relevant volumes of transacted electricity for the day-ahead and intra-day periods will be calculated on the basis of the total of buy and sell volumes in the relevant period, divided by two, as a proportion of the GB total. The GB total for each period will equal the sum of the volumes reported to DECC by GB NEMOs. These calculations will be made on the basis of the previous calendar year (Jan – Dec) to align with the approach taken in other Member States.

Due to the nature of the market in Northern Ireland¹, it is not currently possible to calculate an equivalent measure of electricity transacted. As suggested in response to the consultation, until a suitable measure of transacted electricity is available, the variable proportion of the vote allocated to SONI Ltd (the designated NEMO in Northern Ireland) will use the proportion of UK population based in Northern Ireland as a proxy. Considering available census data, the population of Northern Ireland is approximately equal to 3% of the total UK population².

The method for allocating the UK vote to NEMOs is summarised in the following table:

	Day-ahead (DA)	Intra-day (ID)	Overarching or non-specific issues
SONI Ltd	8%+3%	8%+3%	8%+3%
APX Commodities Limited	8% + [73*(DA volume transacted / total GB DA volume)]	8% + [73*(ID volume transacted / total GB ID volume)]	8% + [73*(total DA and ID volume transacted / total GB DA and ID volume)]
Nord Pool	8% + [73*(DA volume transacted / total GB DA volume)]	8% + [73*(ID volume transacted / total GB ID volume)]	8% + [73*(total DA and ID volume transacted / total GB DA and ID volume)]

So that the allocation of the UK vote can be calculated, GB NEMOs are to provide DECC with their locally matched buy and sell volumes (excluding any transactions that are cross-border or between power exchanges) relevant to the day-ahead and intra-day periods, transacted between 1st January and 31st December 2015 by 3 pm today. DECC will then inform all NEMOs of their respective share of the UK vote during 2016. In subsequent years, GB NEMOs are to provide volume data for the previous Jan-Dec as soon as is practical. DECC will then provide an updated share of the vote for use in that year.

¹ The Northern Ireland market is integrated with that of the Republic of Ireland

²2014 data shows the NI population making up roughly 2.8% of UK population. This has been rounded up to 3%.

www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29

We intend to revisit the methodology for calculating relevant volumes of transacted electricity once market coupling through CACM has been achieved and data on coupled volumes becomes available. This is likely to be a year after the implementation of CACM. In addition to this, DECC and DETI will act jointly to amend the mechanism to address other changes in circumstance or any issues that arise. Where possible, we will give notice of any changes and appropriate opportunities for interested parties to comment.

Yours Faithfully,

Joe Parsons, DECC

Bill Stevenson, DETI