



REPUBLIKA E SHQIPËRISË
ENERGY REGULATOR AUTHORITY
BOARD

DECISION

No. 40, Dated 06.03.2020

ON APPROVING THE REGULATION FOR THE REQUIREMENTS AND PROCEDURES TO DESIGNATE THE NOMINATED ELECTRICITY MARKET OPERATOR (NEMO) AS WELL AS NEMO ROLES AND RESPONSIBILITIES AND THE ELECTRICITY TRANSMISSION SYSTEM OPERATORS IN MARKET COUPLING.

Based on articles 16 and 57 of Law no. 43/2015 “On Power Sector” as amended, Council of Ministers Decision no. 322, dated 15.05.2019 “On the establishment and definition of the legal and structural form and the capital ownership of the Market Operator”, article 19, point 1, letter f and article 26 of the “Regulation on ERE Organization, Operation and Procedures” approved with ERE Board Decision No. 96, dated 17.06.2016, ERE Board, on their meeting dated 06.03.2020, after reviewing the report of Technical Directories, Protocol no. 36/2, dated 24.02.2020, on approving the Regulation for the Requirements and Procedures to designate the Nominated Electricity Market Operator (NEMO) as well as NEMO roles and responsibilities and the Electricity Transmission System Operators in market coupling,

Observed that:

- ERE Board Decision no.240, dated 23.12.2019, decided to open the procedure to approve the requirements and procedures to designate the Nominated Electricity Market Operator (NEMO) as well as NEMO roles and responsibilities and the Electricity Transmission System Operators in market coupling.
- With the official letter Protocol no. 32/62, dated 31.12.2019, the notification is published in the written media to receive the opinions and comments of the stakeholders.
- With the official letter Protocol no. 8, dated 06.01.2020 the draft Regulation for the Requirements and Procedures to designate the Nominated Electricity Market Operator (NEMO) as well as NEMO roles and responsibilities and the Electricity Transmission System Operators in market coupling is submitted to the stakeholders in order to receive their opinions.
- Following the end of the term defined to receive the opinions and comments it resulted that there are no comments or opinions from the stakeholders regarding this regulation.
- Based on Order no. 33, dated 28.01.2020, in the date 31.01.2020, was held a hearing session at ERE with the electricity market participants. In this session participated the Representatives from TSO and KESH companies, the Ministry of Infrastructure and Energy and the Competition Authority.

- To the representatives from KESH and TSO companies it was required in this session to harmonize the terms and their adaptation to other acts in force. This request is taken into consideration because it affects the improvement of the terminology used in the regulation and its harmonization with the other acts in force. Another element proposed in the hearing session was the ability to fully implement the Regulation for capacity allocation and congestion management CACM.
- Within this framework ERE provides the following assessment: The Energy Community Secretariat proposed that in this regulation shall be also provided the operation of the Nominated Electricity Market Operator (NEMO), as recommended from the Energy Community Regulatory Board (ECRB) in the meeting dated 24.04.2019, which supported the regulatory measures to support the implementation of the conditions for the Day Ahead Market Coupling in the contracting parties of the Energy Community. The Regulation for capacity allocation and congestion management (CACM) clearly defines that to enable the operation of the Day Ahead Market Coupling of the Power Sector in the Secretariat Member Countries and of the European Union, shall be defined the responsibilities of transmission system operators (TSO) and the day ahead market operators.
- In the case of our country taking into consideration the suggestion from Energy Community Secretariat, as well as following the initiated consultation process where the only comments were those expressed in the hearing session of the date 31.01.2020, it is drafted and updated the Regulation for the Requirements and Procedures to designate the Nominated Electricity Market Operator (NEMO) as well as NEMO Roles and Responsibilities and the Electricity Transmission System Operators in Market Coupling.

For all of the above mentioned, ERE Board,

Decided:

1. To approve the Regulation for the Requirements and Procedures to designate the Nominated Electricity Market Operator (NEMO) as well as NEMO roles and responsibilities and the Electricity Transmission System Operators in Market Coupling. (Attached to this decision)
2. Legal Issues Directory shall inform the stakeholders about ERE Board Decision.

This decision enters immediately into force.

For this decision may be required its review by ERE within 7 calendar days and may be complained on Tirana Administrative Court, within 30 calendar days from the publication in the Official Gazette.

This decision shall be published on the Official Gazette.

ERE CHAIRMAN
Petrit AHMETI

**REGULATION ON THE REQUIREMENTS AND PROCEDURES FOR
DESIGNATION OF NOMINATED ELECTRICITY MARKET OPERATOR (NEMO)
AS WELL AS THE ROLES AND RESPONSIBILITIES OF NEMO AND THE
ELETRICITY TRANSMISSION SYSTEM OPERATOR IN MARKET COUPLING**

Article 1

Scope

This regulation sets out:

- i. The conditions and procedures for designation of the Nominated Electricity Market Operator (NEMO) by ERE.
- ii. The tasks that the Nominated Electricity Market Operator (NEMO) shall perform with regards to market coupling process.
- iii. The tasks that the Transmission System Operator shall perform with regard to market coupling process.

Article 2

Definitions

“**Applicant**” shall mean the Entity which has submitted the application to be designated the Nominated Electricity Market Operator (NEMO).

“**Capacities Allocation and Congestion Management (CACM) Regulation**” shall mean the EU Commission Regulation 2015/1222 of date 24 July 2015 on establishing a guideline on capacity allocation and congestion management.

“**Congestion income**” shall mean the revenues received as a result of capacity allocation;

“**Continuous trading matching algorithm**” shall mean the algorithm used in intraday coupling for matching orders and allocating cross-zonal capacities continuously;

“**Central counter party**” shall mean the entities with the task of entering into contracts with market participants, by novation of the contracts resulting from the matching process, and of organizing the transfer of net positions resulting from capacity allocation with other central counter parties or shipping agents;

“**Day-ahead market time-frame**” shall mean the time-frame of the electricity market until the day-ahead market gate closure time, where, for each market time unit, products are traded the day prior to delivery;

“**Day-ahead coupling**” shall mean the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market;

“Intraday coupling” shall mean the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market;

“Intraday market time-frame” shall mean the time-frame of submitting the bids for the day ahead market, where for each market time unit, products are traded prior to the delivery of the traded products;

“Day-ahead market gate closure time” shall mean the point in time until which orders are accepted in the day-ahead market;

“Energy Community Regulatory Board” (ECRB) shall mean the Regulatory Board of the International Organization that is established by the Energy Community Treaty.

“Economic surplus for the single day-ahead or intraday coupling” shall mean the sum of (i) the supplier surplus for the single day-ahead or intraday coupling for the relevant time period, (ii) the consumer surplus for the single day-ahead or intraday coupling, (iii) the congestion income and (iv) other related costs and benefits where these increase economic efficiency for the relevant time period, supplier and consumer surplus being the difference between the accepted orders and the clearing price per energy unit multiplied by the volume of energy of the orders;

“Intraday market time-frame” shall mean the time-frame of the electricity market after intraday cross-zonal gate opening time and before intraday cross-zonal gate closure time, where for each market time unit, products are traded prior to the delivery of the traded products;

“Intraday cross-zonal gate opening time” shall mean the point in time when cross-zonal capacity between bidding zones is released for a given market time unit and a given bidding zone border;

“Intraday cross-zonal gate closure time” shall mean the point in time where cross-zonal capacity allocation is no longer permitted for a given market time unit;

“Market Coupling Operator function” shall mean to the undertaking of matching orders from the day-ahead and intraday markets for different bidding zones and simultaneously allocating cross-zonal capacities;

“Matching” shall mean the trading mode through which sell orders are assigned to appropriate buy orders to ensure the maximization of economic surplus for single day-ahead or intraday coupling;

“National legal monopoly” shall mean and is defined as such in the case that national law of the relevant Contracting Party designates one sole entity for the provision of day-ahead and/or intraday trading services.;

“Nominated Electricity Market Operator (NEMO)” shall mean a legal entity that has been designated by the Energy Regulator Authority to perform the task related to day-ahead and/or intraday market coupling according to this Regulation;

“Net transmission capacity calculation (NTC)” shall mean the Net Transmission Capacity defined according to the capacity calculation method based on the principle of assessing and defining ex ante a maximum energy exchange between adjacent bidding zones;

“Order” shall mean an intention to purchase or sell energy or capacity expressed by a market participant subject to specified execution conditions;

“Price coupling algorithm” shall mean the algorithm used in day-ahead coupling for simultaneously matching orders and allocating cross-zonal capacities;

“Settlement” shall mean the completion of a transaction or of processing with the aim of discharging participants’ obligations through the transfer of funds and/or securities;

“Shipping agent” shall mean the entity/entities with the task of transferring net positions between different Central Counter Parties;

“Transmission System Operator (TSO)” shall mean a legal entity that is responsible for the operation, maintenance, and development of the transmission system in a specified area according to the effective legislation.

Article 3

NEMOs designation and revocation of the designation

1. An application for designation and operation of the Nominated Electricity Market Operator (NEMO) shall be submitted at ERE in the written format even by e-mail at ERE official website.
2. The applicant shall use the form of Annex 1.a. to demonstrate compliance with the criteria listed in Article 4 of this Regulation as well as must submit the documents listed in Annex 2 of this Regulation.
3. Upon receipt of the request/application for NEMO designation, ERE shall take the decision for the designation of the Nominated Electricity Market Operator for the day-ahead and/or intraday market within two months. ERE decision is based on the legislation in force and defines the monopoly nature of the Nominated Electricity Market Operator.
4. The designation of NEMO remains valid until incorporation of the Capacities Allocation and Congestion Management (CACM) Regulation into national legislation according to which the NEMO designation shall be confirmed according to the CACM Regulation.
5. When there are some applicants for the Nominated Electricity Market Operator (NEMO), ERE shall designate as a NEMO, the applicant which meets the criteria mentioned on article 4 of this regulation. ERE shall equally handle all the applicants and shall avoid any discrimination on this process.
6. ERE shall revoke the designation for the NEMO, if the Nominated Electricity Market Operator designated according to this regulation fails to maintain compliance with the criteria according to Article 4 and is not able to restore compliance within six months of being notified of such failure by ERE.
7. ERE shall publish the designation and revocation of NEMOs on its official website and

shall inform the ECRB.

8. ERE shall decide or approve a tariff sufficient for the Nominated Electricity Market Operator (NEMO), for day ahead and intraday trading, before the operation as the Nominated Electricity Market Operator, or ERE shall define the methodology to calculate the respective tariff.

Article 4

Nominated Electricity Market Operator (NEMO) designation criteria

1. *An applicant shall meet the following requirements to be designated as a NEMO:*
 - a. It has contracted or contracts adequate resources for common, coordinated and compliant operation of the day-ahead and/or intraday market coupling, including the necessary financial resources, the necessary information technology, technical infrastructure and operational procedures or it shall provide evidences that it is able to make these resources available within a reasonable preparatory period before the exercise of the Nominated Electricity Market Operator (NEMO) according to Article 5;
 - b. It shall be able to ensure that market participants have open access regarding the tasks of the Nominated Electricity Market Operator (NEMO) according to the definitions of Article 5;
 - c. It shall be cost-efficient regarding the day-ahead and intraday market coupling and shall keep allocated accounts for the operations of the Market Couplc Operator and other activities to prevent cross-subsidisation;
 - d. It shall have allocated activity from other market participants;
 - e. It shall not use the fees defined according to Article 3(8) to finance its day-ahead or intraday activities of a Party other than the one where these fees are collected/issued;
 - f. Shall be able to guarantee equal handling for all market participants in a non-discriminatory way;
 - g. Shall have appropriate rules and organization for market surveillance;
 - h. Shall have appropriate transparency and confidentiality agreements with market participants and the TSO;
 - i. Shall be able to provide the necessary clearing and settlement services;
 - j. Shall be able to put in place the necessary communication systems and routines to coordinate with the TSO.

Article 5

NEMO tasks

1. Nominated Electricity Market Operators shall act as market operators at the local or regional markets to perform in cooperation with the regional or local TSO the day-ahead and intraday market coupling. Their tasks shall include the receive of the orders from market participants, having overall responsibility for matching and allocating orders according to day-ahead and intraday market coupling results, to publish the prices and settling and clearing the contracts resulting from trading according to relevant participant agreements and regulations.

Regarding to day-ahead and intraday market coupling, NEMO shall in particular be responsible for the following tasks:

- a. Implementation of the Market Coupling Operator operations set out in paragraph 2 in coordination with other Nominated Electricity Market Operators;
- b. Implementing the requirements for the day-ahead and intraday market coupling, requirements for the operations of the Market Coupling Operator and the price coupling algorithm as set on EU level with respect to all matters related to electricity market functioning in accordance with paragraph 2 of this Article;
- c. Implementing maximum and minimum prices as applied on EU level in accordance with maximum and minimum prices set on according to EU or regional level standards;
- d. Maintaining anonymity, that means that it cannot be connected with specific market participant as well as not to disclose the information for the received orders expressed in Euro, necessary to perform the operations of the Market Coupling Operator provided in paragraph 2 of this Article;
- e. Assessing the results calculated by the operations of the Market Coupling Operators set out in paragraph 2 of this Article, the allocation of the orders based on these results, defining the results as final if they are considered correct and submitting the results to TSO company, which shall access them in conformity with the opportunity of the available cross zonal allocation capacity;
- f. Informing the market participants on the results of their orders without unjustifiable delay;
- g. Acting as central counter parties for clearing and realizing the energy exchange resulting from day-ahead and intraday market coupling in line with the methodology drafted by the EU countries;
- h. Shall approve and implement jointly with relevant Nominated Electricity Market Operatos (NEMO) and the TSOs back-up procedures for national or regional market operation if no results are available from the operations of the Market Coupling Operators, taking account of fallback procedures agreed by the TSO. These back-up procedures shall on a national and regional level allow for the allocation of capacity in the event when coupling processes are unable to produce results;
- i. Providing single day-ahead and intraday market coupling cost forecasts and cost information set available to the Regulatory Authority (ERE) and the TSOs where NEMO costs for establishing, amending and operating single day-ahead and intraday market coupling are to be covered by the concerned TSOs' contribution;
- j. Coordinate with TSOs to establish arrangements concerning more than one NEMO within a bidding zone and perform single day-ahead and/or intraday coupling in line with the approved arrangements. These arrangements shall be in line with best practices in regard to

multiple NEMO arrangements.

These arrangements shall contain proposals for cross-zonal capacity calculation and allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs and NEMOs as well as to ensure that the relevant TSOs and NEMOs provide the necessary data (such as through using single end-point for data exchange) and financial coverage for such arrangements to allow for efficient consideration of several NEMOs in one bidding zone. These arrangements shall allow additional TSOs and NEMOs to join these arrangements in the future;

k. Performing the role of a shipping agent if decided by the Regulatory Authority (ERE).

2. Nominated Electricity Market Operators shall carry out the operations of the Market Coupling Operator MCO jointly with other Nominated Electricity Market Operators. These operations shall include:

- a. Implement the algorithms, systems and procedures for day-ahead and/or intraday market coupling as set on EU level. If market coupling between two or more bidding zones does not involve an EU Member State in the first step, a temporary solution may be agreed and implemented, subject to the approval of ERE and in close cooperation with TSOs and other NEMOs involved, that mimics the algorithms, systems, and procedures for day-ahead and/or intraday coupling applicable in the EU as far as possible while allowing for the peculiarities of the two bidding zones;
- b. Processing input data on cross-zonal capacity and allocation constraints provided in the process of coordinated capacity calculation by the TSOs or coordinated capacity calculator acting on behalf of TSOs. Such input data should be submitted to relevant NEMOs no later than one hour before the day-ahead market closing time and no later than 15min before the intraday cross-zonal gate opening time;
- c. Operating the price coupling and continuous trading matching algorithms as set by on EU level. If market coupling between two or more bidding zones does not involve an EU Member State in the first step, a temporary solution may be agreed and implemented subject to the approval by ERE. This solution is defined in close cooperation with TSOs and other NEMOs involved, that enables the algorithms applicable in the EU to be applied as it is possible while allowing for the peculiarities of the two bidding zones;
- d. Validating and sending single day-ahead and intraday market coupling results to the NEMOs and TSOs.

3. Cooperation between NEMOs shall be strictly limited to what is necessary for the efficient and secure design, implementation and operation of day-ahead and intraday market coupling. The joint performance of the Market Common Operator operations shall be based on the principle of non-discrimination and ensure that no NEMO may benefit from unjustified economic advantages through participation in MCO operations. This largely shall reflect and thus prohibit the use of proprietary information that is not available to the public by the NEMO to give it unfair advantage over existing or potential competitors or for use to maximize economic profit.

Article 6

TSO tasks related to day-ahead and intraday market coupling

1. Once the Nominated Electricity Market Operator has been designated according to this regulation, the TSO should participate in the day-ahead and intraday market coupling. TSOs shall coordinate with NEMOs to ensure efficient implementation of market coupling.

2. The duties that TSO shall realize:

- a. Work closely with the TSOs from Energy Community Contracting Parties and/or EU Member States in ensuring the functioning of the price coupling and continuous trading matching algorithms for all aspects related to capacity allocation as set on EU level;
- b. Shall contribute for the joint approval of the matching algorithms to the requirements as set on EU level;
- c. In coordination with other TSOs shall perform **Net Transfer Capacity** (NTC) based capacity calculation in D-2 to support market coupling;
- d. Shall calculate, in cooperation with other TSOs cross zonal capacities and allocation constraints to relevant NEMOs not later than 1 hour before the gate closure of the day-ahead market. If TSO is unable to provide such input data within the deadline, shall inform the relevant NEMO and provide such input data no later than 30 min before the gate closure of day-ahead market;
- e. Shall control day-ahead market coupling results in terms of cross-zonal capacities;
- f. Shall respect the results of the day-ahead and intraday market coupling calculated in accordance with paragraph (e) of this Article;
- g. Establish and operate fallback procedures as appropriate for capacity allocation;
- h. Shall agree with other TSOs and propose the intraday cross-zonal gate opening and intraday cross-zonal gate closure times aligned with the methodologies approved at EU.
- i. Shall share congestion income according to the approved methodology with respective TSO-s according to EU methodologies;
- j. Where so agreed, shall act shipping agents transferring net positions.
- k. Performing the role of a shipping agent if decided by ERE

Annex 1.a

Sample Application Form

1. Legal Information for applicant on the legal entity:

- a) **Name of application entity:** [insert name of entity]
- b) **Address of applicant:** [insert address at which the application is registered]

2. Contact information for application

- a) **Name of contact person:** [insert name of contact person]
- b) **Position of contact person:** [insert the position held by contact person in the applicant]
- c) **Contact person phone number:** [insert phone number of contact person]
- d) **Contact person email address:** [insert email address of contact person]
- e) **Contact person postal address:** [insert postal address of contact person]

3. Statement of whether the applicant is applying for designation as NEMO for single day-ahead and/or intraday market coupling:

The Entity is applying for the designation as Electricity Market Operator to operate in the day-ahead and intraday market coupling.

If more than one Bidding zone exists indicate for which bidding zone the application is for:

[If applicable, insert for which bidding zone the application is intended for]

4. Has the applicant entity applied for NEMO designation in any other party and if yes in which party/bidding zone:

[Insert name of party & bidding zone for which the entity has applied for]

Has any application been rejected, if yes in which party and for what reason:

[Insert party and reason]

5. Statement whether the entity is active as a legal monopoly in another market:

[Entity] is not active as a legal monopoly in another market

[Entity] is active a legal monopoly in [insert market].

6. Statement of whether all or part of the application is confidential, the reasons why, and which section:

a) **Does the application contain confidential information:**

b) Yes/No

c) **Is the entire or parts of the application confidential:**

The Entire/ Parts of the application are confidential.

If only parts of the application is confidential please highlight these in the text where they appear.

d) **Justification for confidentiality:**

[Insert justification for confidentiality]

7. Signature and statement to the correctness of the information submitted:

I [insert name], am authorized to submit the application for the designation as NEMO and certify that the submitted information and documents as part of this application are true, correct, and include all relevant information known by the [entity] in order ERE to assess the [entity's] application.

[Signature, name of authorized signatory and position, place and date]

List of documents submitted as part of this application:

[List of documents]

Annex 1.b

Interpretation of Article 4 and the associated support documents to be submitted pursuant to it, taking into account best practice examples from EU Member States

Criteria set forth in Article 4.1.a:

It has contracted or contracts adequate resources for common, coordinated and compliant operation of single day-ahead and/or intraday market 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 operations as a NEMO.

Interpretation of meaning:

Applicants must include information pertaining to:

- Having sufficient capitalisation and financial security to cover its activities and risk exposure in order to operate efficient, reliable, and stable single day-ahead and/or intraday market coupling;
- Having the necessary user platforms and interfaces, including necessary information technology (software), technical equipment (hardware & infrastructure), and/or contractual service level agreements for the provision of these services, together with contingency plans, to operate efficient, reliable, and stable single day-ahead and/or intraday market coupling;
- Having the necessary operational and contractual arrangements with Nominated Electricity Market Operators (NEMOs), Transmission System Operators (TSOs) and other relevant market participants as well as plans for emergency cases, that demonstrate how the NEMO shall comply with the respective obligations:
 - They must include the obligation that the applicant has or shall sign the operational and contractual arrangements required where there is more than one NEMO operating in a bidding zone;
 - Also shall include the evidence that there are made the foresees that enable to the new Transmission System Operators and the Nominated Electricity Market Operators (NEMOs) to sign the same arrangements.

Necessary documentation as an evidence:

Accordingly, the applicant shall submit the following supporting documents:

1. Certification of registration;
2. Evidence of sufficient understanding of relevant legislation;
3. The latest audited annual report;

4. Financial plan that projects current and next year incomes and consist as it pertains to the NEMO tasks and consist of:
 - a. Balance sheet;
 - b. Profit-loss statement and the comprehensive Incomes;
 - c. Statement of Capital Amendments;
 - d. Clear statement of assumptions used as the basis of the planifications;
 - e. Study analysis of the amendments provision issued according to the given assumptions;
 - f. A clear analysis of the way the applicant plans to finance the operation including details of any guarantees given to the applicants that are intended to be used.
5. A Business Plan regarding its tasks as a Nominated Electricity Market Operator (NEMO) that includes:
 - a) A detailed operational analysis where are included the main processes of the NEMO;
 - b) Clear description and explanation of how will operate the single day-ahead and /or intraday coupling, including organisational chart;
 - c) Organisational structure including the HR staffing per operation and in particular relating to IT service provisions;
 - d) Code of conduct and compliance programme;
 - e) Intention, nature, and scope of assigning the task to be executed by third parties and the procedure which the applicants intend to employ to assure delivery of the third party;
 - f) Detailed exposition of the technical and IT system intended to be used and the operational reliability of the system in question;
 - g) The applicant shall submit the measures to identify, manage and avoid any conflict of interests;
 - h) Detailed explanation of the plan how the applicant intends to cooperate with other NEMOs and TSOs and shall document that any agreement for this purpose shall be effective not later than 2 months after being approved as designated NEMO; Detailed explanation regarding the process of identifying and managing the risks and appropriate planning of managing the emergencies.

Criteria set forth in Article 4.1.b:

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

Interpretation of meaning:

The Applicant shall demonstrate and assure that they shall be able to openly publish information and data (i.e. agreements, methodologies, rules, processes, and data) as required and this access shall be available on equal basis to all market participants.

Necessary document for proof:

Accordingly, the applicant is expected to submit the following supporting documents:

1. A clear communication strategy that includes:
 - a. Description and prove of where and how market participants will be able to access information;
 - b. Process for data publication;
 - c. Description of emergency planning and the guarantee that this information is available for all market participants.

Criteria set forth in Article 4.1.c:

The coupling of the day-ahead and intraday market shall be cost efficient and shall keep allocated accounts for the operations of the Market Coupling Operator and other activities in order to prevent cross-subsidisation.

Interpretation of meaning:

The applicant shall include evidence that they have allocated accounts for the MCO operations and other NEMO activities, and shall make a clear analysis of all NEMO costs.

This shall enable ERE to define the level ascertaining to what degree the provision of services is cost-effective. This can be done either through comparison with other applications, if more than one application was submitted, or through approaching other NRAs who are or have in the past designated NEMOs.

Necessary document for proof:

Accordingly, the applicant is expected to submit the following supporting documents:

1. Clear description and explanation of accounting processes that will allow the applicant to identify and allocate MCO and NEMO costs;
2. Clear description and explanation of allocated accounts that will be used for the Market Coupling Operator and the Nominated Electricity Market Operator (NEMO) costs;
3. Clear description of processes to report a clear analysis of all its NEMO costs, including MCO costs;
4. A comparison of the applicant's costs regarding the respective EU examples with allocated costs for the Nominated Electricity Market Operator (NEMO) and the costs of the Market Coupling Operator.

Criteria set forth in Article 4.1.d:

The applicant shall have an adequate level of business allocation from other market participants.

Interpretation of meaning:

Applications must include evidence of a sufficient business allocation to the extent that any associated business is not able to use NEMO and MCO information that are not open to the public for their unfair advantage. This shall mean that the application shall include, for transparency, any potential conflict of interest arising due to ownership by or association with market participants.

The applicant shall not share information accidentally or intentionally to favour a market participant which may be the owner of or is associated with the applicant. Moreover, where the applicant has potential conflict of interest, the applicant shall submit the process and the mechanism to ensure sufficient allocation and the elimination of the conflict of interest.

Necessary document for proof:

Accordingly, the applicant is expected to submit the following supporting documents:

1. Clear description and explanation of the applicant's structure including, the composition of its management board or other governing bodies, directors as well as, if it is applicable, their interest in the market apart from their relation with the applicant;
2. Information regarding possible other business of the applicant other than day-ahead and intraday market services;
3. Statement whether the applicant is cooperating with other parties and if yes what activities are undertaking with these parties;
4. A complete overview of all institutions with operational dependence of other market participants;
5. Information regarding the composition and identity of direct and indirect owners, other related legal parties, parent companies, and subsidiaries;
6. In case the shareholders, other related legal parties, parent companies, or subsidiaries are market participants, it shall be explained of how the applicant has organized business allocation and the elimination of conflict of interest.

Criteria set forth in Article 4.1.e:

The applicant if designated as a national legal monopoly for day-ahead and intraday market services at a Contracting Party, shall not use the fees defined in Article 5(1) to finance its day-ahead or intraday market activities at another Contracting Party other than the one where these fees are collected.

Interpretation of meaning:

The applicant if designated as a national monopoly, include documentation that evidences that there are allocated accounts for services provided as a national legal monopoly for day-ahead and intraday market services from any other activities.

Necessary document for proof:

The applicant is expected to submit the following supporting documents:

1. Clear description and explanation of its accounting processes for any legal monopoly activities.

Criteria set forth in Article 4.1.f:

The applicant shall be able to handle all market participants in the same and non-discriminatory way.

Interpretation of meaning:

Applications shall submit evidences/proves that they shall handle all market participants in the same and non-discriminatory way. This shall include the procedures which enable new market participants to be allowed to enter in the same agreements as they applied for existing market participants.

Necessary document for proof:

The applicant shall submit the following supporting documents:

1. Detailed explanation of the processes for market coupling participants and shall use the applicant's services that shall not allow discrimination of market participants;
2. The market rules that shall apply for all market participants to ensure non-discrimination in the market;
3. Internal procedures shall be written as well as the operational, contractual arrangements, and services to market participants shall not be discriminatory.

Criteria set forth in Article 4.1.g:

The applicant shall have appropriate mechanisms and agreements for the realization of market surveillance.

Interpretation of meaning:

The applicants shall evidence that they have or will implement a training programme and the monitoring procedures which shall permit the applicants to identify and report any potential issues regarding the wholesale energy market integrity as well as the associated transparency and non-discrimination principles.

Necessary document for proof:

The applicant shall submit the following supporting documents:

1. Detailed interpretation of the training programmes including:
 - a. If the directors and the employees have or will have knowledge of market surveillance agreements;
 - b. If the directors and employees are or shall be aware of possible market surveillance issues, e.g. REMIT Regulation on Wholesale Energy Market Integrity and Transparency); REMIT issues;
 - c. If the directors and employees are aware of their responsibilities to report any

possible market surveillance issues.

2. Clear and detailed interpretation as well as explanation of its monitoring schemes and the processes regarding:
 - a. collection of the data;
 - b. monitoring the trading activities;
 - c. identifies possible cases;
 - d. assesses and investigate possible cases;
 - e. escalated assessment of the internal possible issues cooperating with the respective authorities;
 - f. defining whom of the applicants shall keep the main responsibility for these processes and whether shall be established a special unit for this purpose.

Criteria set forth in Article 4.1.h:

The applicant shall have in place appropriate mechanisms and agreements for the transparency and confidentiality with market participants and the Transmission System Operators.

Interpretation of meaning:

Applicants shall demonstrate that they have or will implement or sign together with the relevant market participants and the Transmission System Operators agreements that include transparency and confidentiality of all involved parties.

Necessary document for proof:

The applicant is expected to submit the supporting documents as follows:

1. Detailed interpretation of the approach how the applicant shall access, approve and implement the agreements regarding transparency and the confidentialities with the current and future participants of the market and Transmission System Operators.
2. Shall submit any existing agreement that is under implementation.

Criteria set forth in Article 4.1.i:

The applicant shall be able to provide settlement services

Interpretation of meaning:

The applicant shall certify that they are contracting or have contracted an entity that is capable to provide:

- Sufficient capital and financial security, accompanied to the procedures to ensure satisfied guarantee for the settlements, necessary to settle and liquidate the energy exchange procedures resulting from the day ahead market coupling and or intraday market coupling.
- Technical, operational and contractual Agreements for settling and liquidating the energy exchange resulting from the day ahead and or intraday market. Specifically, the applications which apply day ahead and/or intraday market coupling shall certify that they have signed or shall sign operational/contractual agreements which permit more than one Nominated Electricity Market Operator (NEMO) to operate in the day ahead

and/or intraday market.

Necessary document for proof:

The applicant shall submit the supporting documents as follows:

1. Detailed interpretation of the operation costs and collateral requirements as well as their maintenance;
2. Clear description and explanation of the processes to decide which guarantees are necessary for the settlement (liquidation);
3. Risk assessment and a study analysis performed to demonstrate the risk management in continuation;
4. Clear description and explanation of the approach how the applicant shall plan and realize the payment and the settlement, including:
 - a. The rules that shall be applied;
 - b. The requirements of the participants,
 - c. The processes and the payment and the settlement of the obligations, including those with other Nominated Electricity Market Operators and Transmission System Operators.
5. Clear description and explanation of necessary contractual agreements to ensure that the settlement and liquidation processes, including NEMO and other TSO-s and the confirmation that the operational and contractual agreements that permit or enable the NEMO and other TSO-s to operate in day ahead and intra-day market coupling.

Criteria set forth on Article 4.1.i:

The applicant shall be able to set the necessary communication systems and the coordination practices with the Transmission System Operators

Interpretation of meaning:

The applicant shall certify that they are able to decide for the necessary communication, technical systems and the agreements to coordinate with Transmission System Operators.

Necessary document for proof:

According to the situation, the applicant shall submit the supporting documents as follows:

1. Description and explanation of the communication approach with the Transmission System Operators; including the ownership agreements and the contractual agreements to set into operation and service this equipment;
2. Description and explanation of the agreements for emergency situations and risk management planning.

3. Respective TSO document where it is confirmed the acceptance of the description and required above explanation and TSO confirmation that this software and hardware approach are accepted for the TSO.

Criteria set forth in Article 4.2:

The applicant shall be able to set the necessary communication systems and the coordination practices with the Transmission System Operators

Intepretation of meaning:

The applicant shall certify that they are able to decide for the necessary communication, technical systems and the respective agreements to coordinate with Transmission System Operators.

Necessary document for proof:

The applicant shall submit the supporting documents as follows:

1. Description and explanation of the communication approach with the Transmission System Operators; including the ownership agreements and the contractual agreements to set into operation and service this equipment;
2. Description and explanation of the agreements for emergency situations and risk management planning.
3. Respective TSO document where it is confirmed the acceptance of the description and required above explanation and TSO confirmation that this software and hardware approach are accepted for the TSO.

Criteria set forth in Article 4.2:

The applicant shall be able to set the necessary communication systems and the coordination practices with the Transmission System Operators

Interpretation of meaning:

The applicant shall certify that they are able to decide for the necessary communication, technical systems and the respective agreements to coordinate with Transmission System Operators.

Necessary document for proof:

The applicant shall submit the supporting documents as follows:

1. Description and explanation of the communication approach with the Transmission System Operators; including the ownership agreements and the contractual agreements to set into operation and service this equipment;
2. Description and explanation of the agreements for emergency situations and risk management planning.