

Mr Alberto Pototschnig,
Director
ACER

Cc Klaus-Dieter
Borchardt, Director, IEM,
DG ENER
Commission

25 July 2017

Dear Alberto,

I write on behalf of all Regulatory Authorities with regard to the all Nominated Electricity Market Operators (NEMOs) proposal for Harmonised Maximum and Minimum Clearing Prices for Single Day Ahead Coupling (HMMP DA) submitted in accordance with Article 41(1) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222).

All NEMOs submitted the HMMP DA proposal in accordance with Article 9(6)i of Regulation 2015/1222; this was received by the last Regulatory Authority on 17 February 2017.

On 24 July 2017 all Regulatory Authorities agreed to request the Agency to adopt a decision on this methodology pursuant to Article 9(12) of Regulation 2015/1222 for the following reasons.

All Regulatory Authorities consider that the proposal is not fully compliant with Regulation 2015/1222. In particular, NEMOs did not address the provision to take into account an estimation of the Value of Lost Load (VoLL). The proposed automatic mechanism could be a possible implicit reflection of the VoLL in the definition of the price limits. Nevertheless, the description of how the mechanism achieves this is not clear enough.

Therefore, all Regulatory Authorities agreed to request a better description and explanation of the criteria and the process amending the price limit automatically. Furthermore the price limits and the timescale for implementation need better justification.

On the upper price limits of 3000,-EUR/MWh Regulatory Authorities couldn't reach a unanimous position. Except ACM all Regulatory Authorities could accept the value set by NEMOs if a better justification would be provided. ACM is not able to accept any maximum limit below 5000,-EUR/MWh arguing that it will give insufficient incentive for a good functioning energy-only market. In turn several Regulatory Authorities raised strong concerns about setting a limit because in their view it is a NEMO task and Regulatory Authorities don't have a mandate to set the limits.

Regarding the effect of increasing price limits on collaterals, CREG identified this as a possible source for discrimination between market participants. CREG proposed to request NEMOs to justify and assure the proposal will not lead to undue discrimination between large and small market participants, but not all Regulatory Authorities agreed to request this information.

In adopting its decision we anticipate that the Agency will give utmost consideration on our assessment and the key elements we have identified and agreed in our position paper (annexed to this letter).

We are ready to assist the Agency to develop and adopt its decision.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Mogg', written in a cursive style.

Lord Mogg

Attachment: all regulatory authorities position (**draft** request for amendment) on the harmonised maximum and minimum clearing prices for single day ahead coupling.