

## Joint Declaration on Main Market Coupling Principles

### by the TSOs of the CWE and Nordic Regions

#### **1 SCOPE AND OBJECTIVES OF THE JOINT DECLARATION**

1.1 The TSOs of the CWE and Nordic regions (Amprion, Creos, Elia, EnBW TNG, Energinet.dk, Fingrid, RTE, Statnett, Svenska Kraftnät, TenneT, transpower, Vattenfall Europe Transmission) currently pursue a number of Market Coupling projects. They are committed to promoting the Internal Electricity Market (IEM) and to living up to their responsibility for efficient allocation of cross-border capacity as stipulated in European Regulation.

1.2 In order to support and accelerate the development of the IEM, the TSOs have agreed on the present Joint Declaration summarizing their common view of the main Market Coupling principles for the day-ahead markets.

1.3 This Declaration describes principles and next steps for the implementation of the coupling of the CWE and Nordic regions taking into account ongoing Market Coupling projects.

#### **2 OBJECTIVES AND GEOGRAPHICAL SCOPE OF MARKET COUPLING**

2.1 Market Coupling is a concept to make interconnection capacities available to the market in the most efficient manner. Market Coupling is a service in the public interest.

2.2 The main objectives of Market Coupling are:

- Maximisation of the total social welfare from the use of cross-border transmission capacity
- Objective, non-discriminatory and transparent allocation of capacity
- Efficient price signals

2.3 Market Coupling shall at a minimum cover the CWE and Nordic regions and shall be readily extendable to adjacent markets on equal terms.

#### **3 PREFERRED MARKET COUPLING SOLUTION**

3.1 A single price coupling mechanism across regions, creating one market region, supports the most efficient utilisation of the

interconnection capacity and ensures maximisation of the total social welfare across the regions. The TSOs of the CWE and Nordic regions pursue a price coupling of the CWE and Nordic day-ahead markets. They view price coupling as a coupling concept applicable to all of Europe.

3.2 Price coupling requires a Coordinated Matching with one single algorithm that determines net positions as well as market-clearing prices for each bidding area in the whole coupled region.

3.3 The TSOs will make the day-ahead capacity available to power exchanges which, in turn, are expected to provide the required data (market data, market rules, matching algorithms etc).

#### **4 SPECIFICATION AND GOVERNANCE OF THE MAIN MARKET COUPLING ELEMENTS**

4.1 Development of the Market Coupling includes the coupling design, the organisation and functional specification of the Coordinated Matching and of the capacity and flow (planned cross-border exchanges) calculations. Also, the auditing and reporting structure, the contractual setup as well as the main principles for sharing costs and revenues are to be established.

4.2 The TSOs of the CWE and Nordic regions agree to jointly take responsibility for the Market Coupling design, ensuring an efficient utilisation of all the day-ahead interconnector capacity across the entire market region.

4.3 Power exchanges (PXs) as the key partners shall be involved in the areas of their expertise, and their legitimate interests shall be fully respected. Governance structures should ensure that different roles and responsibilities are properly assigned (e.g., TSO-only decisions; joint decisions by TSOs and PXs; PX-only decisions; dispute resolution).

4.4 The TSOs shall seek the advice of other stakeholders as appropriate.

4.5 The TSOs intend to jointly procure the Coordinated Matching according to defined requirements. Coordinated Matching must be provided with full transparency regarding the governance, algorithmic design, the operations as well as costs, granting TSOs and regulators full insight.

4.6 The Coordinated Matching shall, inter alia, be able to accommodate network models and must take into account all market rules, product

definitions and algorithmic specifications of the involved day-ahead markets. The market rules, product definitions and algorithms need to be harmonized to the extent required to implement price coupling.

4.7 The TSOs of the CWE and Nordic regions agree to cooperate in a transparent manner with respect to the determination of capacities and scheduled flows and to shipping. They shall ensure good cooperation within and across the regions.

4.8 A flow-based approach is the conceptually preferred solution that all TSOs endeavour to ultimately implement, provided that this is beneficial for the market. In the interim phase, however, an approach based on the use of ATCs is regarded as acceptable.

## **5 WORKPLAN AND INTERACTION WITH THE CWE, EMCC, AND NORNED PROJECTS**

5.1 Parties are committed to continuing the ongoing market coupling initiatives (EMCC, CWE, NorNed) with undiminished speed and to meeting the deadlines as currently agreed. Going forward, the agreements relating to governance in these initiatives shall be reviewed in the light of the principles set out in this Declaration.

5.2 Partners agree to develop by the end of the year

- the Market Coupling Design and Organisation framework, in particular setting out the high level market design, organisation, roles, governance principles and the requirements for the Coordinated Matching
- a migration plan / road-map

5.3 In accordance with the principles as set out in this declaration, the TSOs will start a dialogue with all relevant stakeholders, including power exchanges, market parties, national regulatory authorities, and the European Commission.

5.4 A Project Organisation set up under the umbrella of the ENTSO-E Market Committee by the North-West Regional Group shall start working on these issues immediately. The Project Organisation shall report to this Group on its progress on a regular basis.