RULE ON DESIGNATION OF THE NOMINATED ELECTRICITY MARKET OPERATOR (NEMO) FOR CARRYING OUT ACTIVITIES RELATED TO MARKET COUPLING AND JOINT MARKET OPERATION

Pristina, September 2020
The Board of Energy Regulatory Office, in line with Article 9, paragraph 1, sub-paragraph 1.7, Article 25, Article 26, paragraph 1, sub-paragraph 1.1 of the Law on Energy Regulator no. 05/L-084, Article 21 and Article 22.7 of the Law on Electricity No. 05/L-085 and based on the Recommendations of the Energy Community Regulatory Board, dated 24.04.2019, in the session held on 30.09.2020, approved:

RULE ON DESIGNATION OF NOMINATED ELECTRICITY MARKET OPERATOR (NEMO) FOR PERFORMING ACTIVITIES RELATED TO MARKET COUPLING AND JOINT MARKET OPERATION

CHAPTER I
GENERAL PROVISIONS

Article 1
Purpose and Scope

1. This Rule sets out the criteria and procedures for designation of the Nominated Electricity Market Operator (NEMO) as well as for the revocation of such designation in the Republic of Kosovo by the Regulator.

2. This Rule defines the tasks that a Nominated Electricity Market Operator in the Republic of Kosovo shall perform with regard to electricity market coupling process.

3. This Rule defines the tasks that Transmission System Operator and Market Operator of Kosovo (KOSTT) shall perform with regard to market coupling process.

Article 2
Definitions

1. The terms used in this Rule have the following meaning:

1.1. **Applicant**— refers to the legal entity which have submitted applications to become the Nominated Electricity Market Operator (NEMO).

1.2. **CACM (Regulation)** – is the “Regulation for Capacities Allocation and Congestion Management” (CACM Regulation) of EU Commission (EU) 2015/1222, of 24 July 2015 on establishing a guideline on capacity allocation and congestion management.
1.3. **Congestion income** - means the revenues received as a result of capacity allocation;

1.4. **Continuous trading matching algorithm** - means the algorithm used in intraday market coupling for matching orders and allocating cross-zonal capacities continuously;

1.5. **Party** - means the legal entity 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 parties or shipping agents;

1.6. **Day-ahead market time-frame** - means 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;

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

1.8. **Day-ahead market gate closure time** - means the point in time until which orders are accepted in the day-ahead market;

1.9. **Energy Community Regulatory Board (ECRB)** - refers to the Regulatory Board of the international organization that was formed by the Treaty establishing the Energy Community.

1.10. **Energy Regulatory Office (ERO)** – means the independent agency for the energy sector, established by the Law on Energy Regulator;

1.11. **Economic surplus for the single day-ahead or intraday market coupling** - means the sum of (i) the supplier surplus for the single day-ahead or intraday coupling for the relevant time period, (ii) the consumption 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, where supplier and customer surplus being the difference between the accepted orders and the market price per energy unit multiplied by the volume of electricity of the orders;

1.12. **Intraday market time-frame** - means 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 their delivery;

1.13. **Intraday market coupling** - means the continuous process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the intraday market;

1.14. **Intraday cross-zonal gate opening time** - means 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;
1.15. **Intraday cross-zonal gate closure time** - means the point in time where cross-zonal capacity allocation is no longer permitted for a given market time unit;

1.16. **Market Coupling Operator function** - (MCO) refers to the undertaking of matching orders from the day-ahead and intraday markets for different bidding zones and simultaneously allocating cross-zonal capacities;

1.17. **Matching** - means 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 market coupling;

1.18. **National legal monopoly** - refers to and is defined as such in the case that national law of the Party designates one sole legal entity for the provision of day-ahead and/or intraday trading services.;

1.19. **Nominated Electricity Market Operator (NEMO)** - refers to a legal entity that has been designated by ERO to perform the tasks related to day-ahead and/or intraday market coupling, according to this Rule;

1.20. **Calculation of Net Transmission Capacity (NTC)** - is the net transmission capacity and means the capacity calculation method based on the principle of assessing and defining ex ante a maximum energy exchange between adjacent bidding zones;

1.21. **Order** - means an intention to purchase or sell energy or capacity expressed by a market participant subject to specified execution conditions;

1.22. **Market Coupling Price algorithm** - means the algorithm used in day-ahead market coupling for simultaneously matching orders and allocating cross-zonal capacities;

1.23. **Settlement** - is the completion of a transaction or of processing with the aim of discharging participants’ obligations through the transfer of respective funds and/or securities;

1.24. **Organized Electricity Market**- an institutionally organized market one day ahead the physical delivery and/or during the day of the physical delivery. Market participants submit their offers and requests for predefined and standardized electricity products for each time interval one day ahead, or during the day of physical delivery;

1.25. **Shipping agent** - means the natural or legal person with the task of transferring net positions between different parties;

1.26. **Transmission System Operator** - (TSO) means a legal entity that is responsible for the operation, maintenance, and, for the development the transmission system in a specified area.

1.27. **Transmission System Operator and Market Operator – (KOSTT)** – means the legal entity licensed by the Regulator and responsible to operate the transmission system of Kosovo.
2. Other terms used in this Rule have the meaning as the law on Energy Regulator, Law on Energy, Law on Electricity and other applicable laws of Kosovo.

Article 3

NEMOs designation and revocation of the designation

1. An application for designation of NEMO activities in the Republic of Kosovo shall be filed and submitted to ERO in written format as specified in Annex 1.a of this Rule, in one (1) original (printed copy) and one (1) electronic copy in CD.

2. The applicant shall use the form attached in Annex 1.a. of this Rule to demonstrate compliance with the criteria listed in Article 4 of this Rule and must submit the documents listed in Annex 1.b of this Rule.

3. Upon receipt of a request/application for NEMO designation, ERO shall issue a Decision for the designation of NEMO as national monopoly for day-ahead and intraday trading services within 2 [two] months from the application date.

4. In case there are several applicants to be designated as the only NEMO, ERO will designate the applicant which best meets the criteria listed in Article 4 of this Rule. The decision shall be made in a transparent and non-discriminatory manner.

5. ERO shall revoke the designation if the NEMO designated in accordance with the Decision for designation fails to maintain compliance with the criteria set in Article 4 of this Rule and is not able to restore compliance within six (6) months of being notified of such failure by Regulator.

6. ERO will publish the designation and revocation of the NEMO on its official website and will inform the ECRB.

7. ERO will approve the NEMO fees for trading in the day-ahead and intraday markets, before the start of operation as a NEMO, or specify the methodologies used to calculate them.

Article 4

NEMO designation criteria

1. An applicant shall only be designated as a NEMO if it complies with the following requirements:

1.1. it has contracted or contracts adequate resources for common, coordinated and compliant operation of single day-ahead and/or intraday coupling, including the resources necessary to fulfill 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 5;
1.2. it shall be able to ensure that market participants have open access to information regarding the NEMO tasks in accordance with Article 5 of this Rule;

1.3. it shall be cost-efficient with respect to single day-ahead and intraday market coupling and shall in its internal accounting keep separate accounts for MCO functions and other activities in order to prevent cross subsidization;

1.4. it shall have separate activity from other market participants;

1.5. it shall not use the fees in Article 3, paragraph 7 of this Rule to finance its day-ahead or intraday activities in a Party other than the one where these fees are collected;

1.6. it shall be able to treat all market participants in a non-discriminatory manner;

1.7. it shall have appropriate market surveillance arrangements in place;

1.8. it shall have in place appropriate transparency and confidentiality agreements with market participants and KOSTT;

1.9. it shall be able to provide the necessary clearing and settlement services;

1.10. it shall be able to put in place the necessary communication systems and routines for coordinating with KOSTT.

CHAPTER II

TASKS AND FUNCTIONS

Article 5
NEMO tasks

1. The Nominated Electricity Market Operator (NEMO) shall act as market operator in Kosovo or regional markets to perform in cooperation with KOSTT or regional TSO the single day-ahead and intraday coupling. Its tasks shall include receiving orders from market participants, having overall responsibility for matching and allocating orders in accordance with the single day-ahead and intraday market coupling results, publishing prices and settling and clearing the contracts resulting from the trades according to relevant participant agreements and regulations.

2. With regard to single day-ahead and intraday coupling, NEMO shall in particular be responsible for the following tasks:

2.1 implementing the MCO functions set out in paragraph 3 of this Article in coordination with other NEMOs;

2.1 implementing the requirements for the single day-ahead and intraday market coupling, requirements for MCO functions and the price coupling algorithm as set and applied on EU
countries with respect to all matters related to electricity market functioning in accordance with paragraph 3 of this Article;

2.2 implementing maximum and minimum prices as set on EU level, in accordance with maximum and minimum prices set on EU or regional level;

2.3 making anonymous, such that it cannot be attributed to a single market participant, and not sharing the received order information expressed in Euro, necessary to perform the MCO functions provided for in paragraph 3 of this Article;

2.4 assessing the results calculated by the MCO functions set out in paragraph 3 of this Article, allocating the orders based on these results, validating the results as final if they are considered correct and deliver the results to TSOs, who should validate them in accordance with the allocation constraints and validated cross-zonal capacity;

2.5 informing the market participants on the results of their orders without unjustifiable delay;

2.6 acting as central counter parties for clearing and settlement of the exchange of energy resulting from single day-ahead and intraday coupling in line with the methodology developed by the EU countries;

2.7 agree and implement jointly with relevant NEMOs and TSOs back-up procedures for national or regional market operation if no results are available from the MCO functions, 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;

2.8 providing single day-ahead and intraday market coupling cost forecasts to competent regulatory authorities and 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;

2.9 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 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;

2.10 performing the role of a shipping agent if decided by the Regulator.

3. NEMO shall carry out MCO functions jointly with other NEMOs. Those functions shall include the following:
3.1 implement the algorithms, systems and procedures for single day-ahead and/or intraday 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 ERO and in close cooperation with TSOs and other NEMOs involved, that mimics the algorithms, systems, and procedures for day-ahead and/or intraday market coupling applicable in the EU as far as possible while allowing for the peculiarities of the two bidding zones;

3.2 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;

3.3 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 of Regulator and in close cooperation with TSOs and other NEMOs involved, that mimics the algorithms applicable in the EU as far as possible while allowing for the peculiarities of the two bidding zones;

3.4 validating and sending single day-ahead and intraday market coupling results to the NEMOs and TSOs.

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

Article 6

KOSTT tasks related to day-ahead and intraday market coupling

1. Once a NEMO has been designated in Kosovo according to Article 3.3 of this Rule, KOSTT should participate in the day-ahead and intraday market coupling. KOSTT shall coordinate with NEMO in ensuring efficient implementation of market coupling.

2. KOSTT should carry out the following tasks:

2.1. work closely with the TSOs from Energy Community Contracting Parties and/or EU Member States in ensuring functioning of the price coupling and continuous trading matching algorithms for all aspects related to capacity allocation as set on EU standards;

2.2. contribute in joint validation of the matching algorithms against the requirements as set on EU level;
2.3. in coordination with other TSOs perform Net Transmission Capacity (NTC) on D-2 day to support market coupling;

2.4. calculate, confirm with other TSOs and send cross zonal capacities and allocation constraints to relevant NEMOs latest 1 hour before the gate closure of the day-ahead market. If TSOs are unable to provide such input data, they shall inform the relevant NEMO and provide such input data no later than 30 min before the gate closure of day-ahead market;

2.5. verify single day-ahead market coupling results in terms of validated cross-zonal capacities and allocation constraints;

2.6. respect the results from single day-ahead and intraday market coupling calculated in accordance with paragraph2, sub-paragraph 2.5 of this Article;

2.7. establish and apply fallback procedures as appropriate for capacity allocation;

2.8. agree with other TSOs and propose the intraday market cross-zonal gate opening and intraday market cross-zonal gate closure times aligned with EU applied methodologies;

2.9. share congestion income in accordance with the methodology agreed with other relevant TSOs, aligned with EU methodologies;

2.10. where so agreed act as shipping agent transferring net positions.

2.11. perform the role of shipping agent if decided by the Regulator.

CHAPTER III

TRANSITIONAL AND FINAL PROVISIONS
Article 7
Designation Term

The designation of a NEMO according to Article 3 of this Rule remains valid until incorporation of the CACM Regulation into primary legislation of Kosovo following which the NEMO designation shall be confirmed according to the rules of the CACM Regulation.

Article 8
Amendment

1. The Regulator is entitled to change or modify any provision of this Rule.

2. Procedure for amendment or modification of this Rule will be the same as for its approval.

Article 9
Interpretation

If there is uncertainty about the provisions of this Rule, the Regulator’s Board will issue explanatory information.

Article 10
Entry into force

This Rule enters into force in the day of adoption by the Regulator’s Board and will be published on the official website of the Regulator.

ERO Board,

_______________________
Arsim Janova, Acting-Chairman

_______________________
Besim Sejfijaj, Member

_______________________
Selman Hoti, Member

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Izet Rushiti, Member
Annex 1.a

Sample application form

1. Information on the legal entity:
   a) Name of applicant: [insert name of entity]
   b) Address of applicant: [insert the address of the applicant]

2. Contact information for applicant
   a) Name of contact person: [insert name of contact person]
   b) Position of contact person: [insert the position held by contact person]
   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 [name of contracting party] for single day-ahead and/or intraday market coupling:
   [Entity] is applying for the designation as NEMO in Kosovo 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:
   [If applicable, 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: [Delete as appropriate]
   [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:
      [Delete as appropriate] Yes/No
   b) Is the entire or parts of the application confidential:
      [Delete as appropriate] 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.
   c) 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 Nominated Electricity Market Operator (NEMO) and certify that the submitted information and documents as part of this application are true, correct, and include all relevant information known to [entity] in order for ERO to assess [entity's] application.

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

List of documents submitted as part of this application:

[List 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 para. 1 subpar. 1.1:
The applicant has contracted or contracts adequate resources for common, coordinated and compliant operation of single day-ahead and/or joint market, 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.

Interpretation of meaning:

Applicants must include information pertaining to:

- Having sufficient 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;

- 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 coupling;

- Having the needed operational arrangements and contractual arrangements with NEMOs, TSOs and other relevant market participants as well as contingency plans for emergency cases, that demonstrate how the NEMO will deliver on its assigned tasks:

Necessary documents for proof:
Accordingly, the applicant is expected to 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 project current and next year income and consist as it pertains to the NEMO tasks and consist of:
   a. Balance sheet;
   b. Profit-loss statement;
   c. Analysis of the capital;
   d. Clear statement of assumptions underlying projections;
   e. A sensitivity analysis of the projections given changes to assumptions;
f. A clear breakdown of how the applicant intends to finance the operation including details of any guarantees given to the applicant.

5. A Business Plan as pertaining to its NEMO task that includes:
   
a. Detailed operational breakdown including core processes;
   
b. Clear description and explanation of how it will operate single day-ahead and/or intraday coupling, including organizational chart;
   
c. Organizational structure including the staff - Human Resources per operation and in particular relating to IT service provisions;
   
d. Code of conduct and compliance programme;
   
e. Intention, nature, and scope of assigning of task to be executed by third parties and the procedure which the applicants intend to employ to assure provision of services from third parties;
   
f. Detailed exposition of the technical and IT system intended to be used and the operational reliability of said system;
   
g. The applicant shall present the measures through which it intends to identify and manage or avoid any conflict of interests;
   
h. Detailed exposition of the plan on how the applicant intends to cooperate with other NEMOs and TSOs and assurances that any agreement will be in place no later than 2 months after being approved as designated NEMO;
   
i. Detailed exposition as relating to process in place to identifying and managing risks and appropriate contingency planning.

Criteria set forth in Article 4 para. 1 subpar. 1.2:
It shall be able to ensure that market participants have open access to information regarding the NEMO tasks in accordance with Article 5

Interpretation of meaning:
The applicant must demonstrate and assure that they will be able to openly publish information and data (i.e. arrangements, methodologies, rules, procedures, and data) as required and that this access will 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 proof of where and how market participants will be able to access information;
   
b. Process for data publication;
c. Description of contingency planning and guarantee that this information is available to all market participants.

Criteria set forth in Article 4 para. 1 subpar. 1.3:
It shall be cost-efficient with respect to single day-ahead and intraday market coupling and shall in its internal accounting keep separate accounts for Market Coupling Operator (MCO) functions and other activities in order to prevent cross subsidization.

Interpretation of meaning:
The applicant must include evidence that they have separate accounts for the Market Coupling Operator (MCO) functions and other Nominated Electricity Market Operator (NEMO) activities, and shall report a clear breakdown of all their NEMO costs. This shall allow ERO to ascertain to what degree the provision of services is cost-effective. This can be done either through comparison with other applicants, if more than one application was submitted, or through cooperation with other National Regulatory Authorities who have designated NEMOs in the past.

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 separate MCO and NEMO costs;
2. Clear description and explanation of separate accounts that will be used for MCO and NEMO costs;
3. Clear description of processes to report a clear breakdown of all its NEMO costs, including MCO costs;
4. A comparison of the applicants costs, relative to EU examples, broken down by each NEMO and MCO cost.

Criteria set forth in Article 4 para. 1 subpar. 1.4:
The applicant shall have an adequate level of business separation from other market participants.

Interpretation of meaning:
The applicant must include evidence of a sufficient business separation to the extent that any associated business is not able to use NEMO and MCO information that is not privy to the public to their unfair advantage. This includes that the applicant should include, for transparency, any potential conflict of interest arising due to ownership by or association with market participants. That is, the applicant should not be in a position where information can be accidentally or intentionally shared to favour a market participant that is an owner of or associated with the applicant. Moreover, should the applicant have potential conflict of interest, the applicant should demonstrate a process and mechanism to assure sufficient separation.

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 board or other governing bodies and directors as well as, if it is applicable, their interest in the market apart from their association with the applicant;
2. Information regarding possible other business by the applicant than day-ahead and intraday trading services;
3. Statement regarding whether the applicant is active in other parties and if yes what activities the entity is undertaking in these parties;
4. A complete overview of all operational dependencies of other market participants;
5. Information concerning the makeup and identity of direct and indirect owners, other related legal parties, parent companies, and subsidiaries;
6. In case shareholders, other related legal parties, parent companies, or subsidiaries are market participants, an explanation of how the applicant has organized business separation and eliminated the conflict of interest.

Criteria set forth in Article 4 para. 1 subpar. 1.5:
If designated as a national legal monopoly for day-ahead and intraday trading services in a Contracting Party, it shall not use the fees in Article 5(1) to finance its day-ahead or intraday activities in a Contracting Party other than the one where these fees are collected.

Interpretation of meaning:
The applicant must, if being designated a national monopoly, include documentation that demonstrates separate accounting for services provided as a national legal monopoly for day-ahead and intraday trading services from any other activities.

Necessary document for proof:
Accordingly, the applicant is expected to submit the following supporting documents:

Criteria set forth in Article 4 para. 1 subpar. 1.6:
The applicant shall be able to treat all market participants in fair and non-discriminatory manner.

Interpretation of meaning:
The applicant will need to demonstrate evidence that they can and will treat all market participants in fair and non-discriminatory manner. This shall include procedures that allow for new market entries to be allowed to enter in the same agreements as they apply to existing market participants.

Necessary document for proof:
Accordingly, the applicant is expected to submit the following supporting documents:
1. Detailed exposition of the procedures for market participants to join and use the applicant’s services that shall not allow for discrimination of market participants;
2. The market rules that will be applied to all market participants to ensure non-discrimination;
3. Internal procedures that shall be written such that operational arrangements, contractual arrangements, and services to market participants are not discriminatory.

Criteria set forth in Article 4 para. 1 subpar. 1.7:
It shall have appropriate rules and organization for market surveillance.

**Interpretation of meaning:**
Applicants will need to demonstrate that they have or will implement a training programme and monitoring procedures that should allow the applicants to identify and report any potential issues relating to the wholesale energy market integrity and the associated transparency and non-discrimination principles.

**Necessary document for proof:**

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

1. Detailed exposition of training programme including:
   a. That management and employees have or will have knowledge of market surveillance arrangements;
   b. That management and employees are or will be aware of possible market surveillance issues, e.g. REMIT issues;
   c. That management and employees are aware of their responsibilities to report possible market surveillance issues.

2. Clear and detailed exposition and explanation of its monitoring schemes and procedures related to:
   a. retain data;
   b. monitor trading activities;
   c. identify possible cases;
   d. assess and investigate possible cases;
   e. escalated assessment of potential cases internally and in line with the relevant authorities;
   f. determine who within the entity will take primary responsibility for these procedures and whether for this purpose a new unit will be established.

**Criteria set forth in Article 4 para.1 subpar. 1.8:**

It shall have in place appropriate transparency and confidentiality agreements with market participants and the TSOs

**Interpretation of meaning:**
Applicants will need to demonstrate that they have or will implement or rather enter with the relevant market participants and TSOs into agreements that cover transparency and confidentiality of all involved parties.

**Necessary document for proof:**
Accordingly, the applicant is expected to submit the following supporting documents:

1. Detailed exposition of how the applicant will assess, agree, and implement transparency and confidentiality agreements with current and future market stakeholders and TSOs;

2. Submit any existing agreements that are applicable.

Criteria set forth in Article 4 para.1 subpar. 1.9:
It shall be able to provide the necessary clearing and settlement services.

Interpretation of meaning:
Applicants shall need to demonstrate that they have or will contact an entity which is able to provide:
- Adequate capitalization 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 market coupling.
- The technical, operational and contractual arrangements to clear and settle exchange of energy resulting from single day-ahead and/or intraday market coupling. In particular, candidates applying for day-ahead and/or intraday market coupling must demonstrate they have or will enter into operational and contractual arrangements that allow more than one NEMO to operate the joint day-ahead and/or intraday market.

Necessary document for proof:
Accordingly, the applicant is expected to submit the following supporting documents:

1. Detailed exposition of operating costs and collateral requirements and holding;

2. Clear description and explanation of processes to establish what guarantees are needed for settlement;

3. Risk assessment and sensitivity analysis undertaken to demonstrate ongoing adequacy;

4. Clear description and explanation of how the applicant plans to clear and settle, including:
   a. The applicable rules;
   b. Member requirements,
   c. Processes for clearing and settlement, including with other NEMOs and TSOs.

5. Clear description and explanation of the contractual arrangements necessary to deliver the clearing and settlement processes, including with other NEMOs and TSOs, and confirmation for the operation and contractual arrangements that allow or will allow other NEMOs and TSOs to operate day-ahead and/or intraday market coupling.

Criteria set forth in Article 4 para.1 subpar. 1.10:
The applicant shall be able to put in place the necessary communication systems and practices for coordinating with KOSTT;
Interpretation of meaning:
Applicants shall need to provide evidence that they are capable of putting in place the necessary communication and technical systems and agreements for coordinating with KOSTT.

Necessary document for proof:
Accordingly, the applicant is expected to submit the following supporting documents:
1. Description and explanation of how it will communicate with TSOs, including ownership and contractual arrangements for operating and servicing this equipment;
2. Description and explanation of contingency arrangements and risk management;
3. A document from the relevant TSO confirming their acceptance of the above requested description and explanation and their confirmation that this approach, software, and hardware is compatible for the TSO.