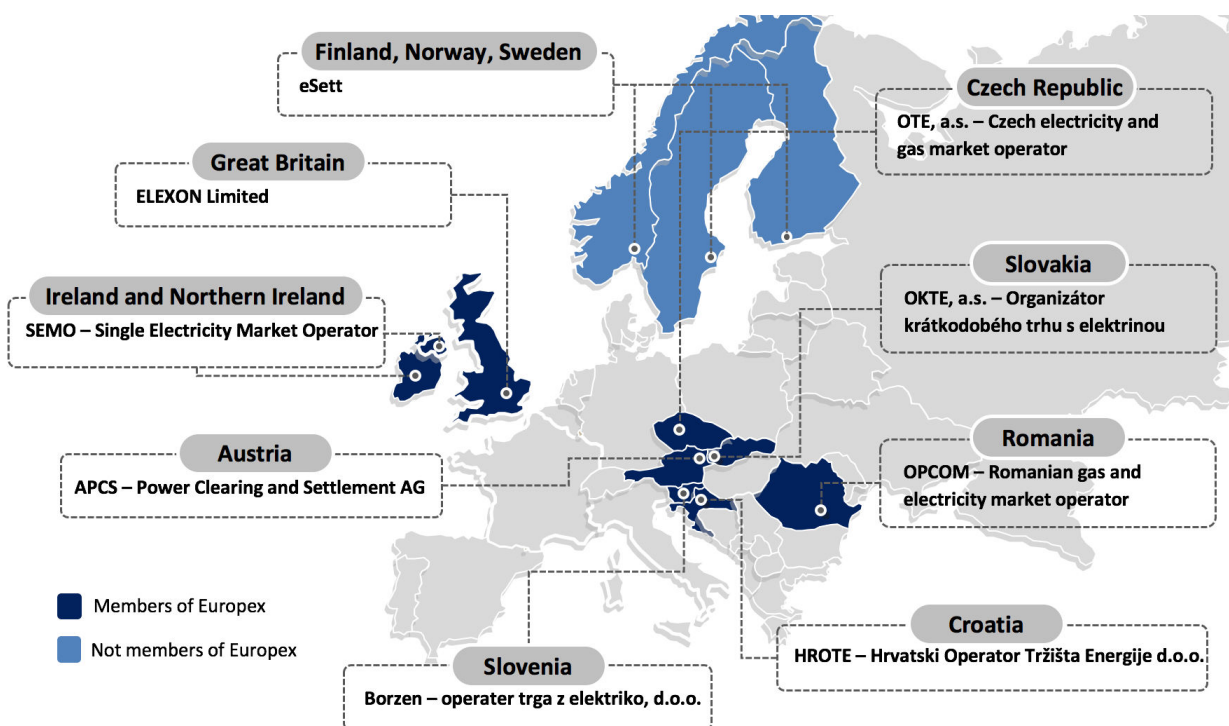


The Essential Tasks of Third Party Market Operators in the Electricity Market

Brussels, 15 November 2017 | In a number of EU Member States/EEA countries¹, certain functions related to the operation of the electricity market, which are necessary for the electricity market to work efficiently, are carried out by non-TSO² Third Parties rather than by TSOs. These Third Parties, hereafter called “**Third Party Market Operators/Facilitators**”, and the vital roles they play, are recognised in the European Network Codes and Guidelines.

The tasks performed by these Third Parties include, among others, imbalance calculation and settlement, data publication related to electricity balancing markets and issuing of the rules related to balancing markets. These tasks underpin the electricity market and represent the link between the physical exchange of electricity among market members and the financial outcomes.

Figure 1 Third Party Market Operators/Facilitators active across European markets



Source: Europex

Note: In Finland, Norway and Sweden, similar services to those described in this document are performed by eSett, which is not a member of Europex.

These Third Parties and tasks have been established across Europe over the previous two decades and represent indispensable functions in support of European electricity markets. They

¹ This document focuses on arrangements in the EU/EEA, although there are similar Third Party arrangements in certain members of the Energy Community.

² TSO means Transmission System Operator.

provide expertise in their areas of responsibility, hence increasing competition and innovation. This type of third party arrangement is present in eight EU Member States or areas. This includes Austria, Croatia, Czech Republic, Great Britain, Ireland and Northern Ireland, Romania, Slovakia and Slovenia (n.b. not counting the aforementioned arrangements in Finland, Norway and Sweden).

Tasks of Third Party Market Operators/Facilitators

The tasks which are undertaken by these Third Parties can vary depending on the Member State. Table 1 gives an overview of tasks commonly performed by Third Party Market Operators/Facilitators).

Table 1 Tasks commonly undertaken by Third Party Market Operators/Facilitators

Task	Description
Imbalance calculation	Calculation of imbalance per Market Participants/Balance Responsible Parties (BRPs). It creates the basis for imbalance settlement.
Imbalance settlement	Settling the financial consequences of deviations of market participants from their forecasted/contracted generation or consumption.
Data publication	Data publication relating to electricity balancing markets and imbalance settlement etc.
Balancing market rules	Drafting and issuing of the rules defining balancing markets
Imbalance settlement rules	Drafting and issuing of the rules defining imbalance settlement (including settlement period, imbalance pricing, BRP roles, etc.)
Facilitation of balancing markets	Facilitating balancing markets and operation of exchange of the balancing energy

European Network Codes and Guidelines already recognise Third Parties

Third Party Market Operators/Facilitators have been playing an active role throughout the process of drafting the Network Codes for the European internal electricity market. By providing their knowhow and benefit of their long experience gained in the field of electricity markets they have been actively participating in the public consultations and stakeholder advisory groups.

Two of the Network Codes the **Electricity Balancing Guideline** and the **Emergency & Restoration Network Code** (at this moment both validated by Member States) recognise this important role of Third Parties³. The Network Codes stipulate that *the Member States should be able to assign tasks and obligations to a third party*.

Furthermore, the Network Codes explain that even though such assignment should be limited to tasks and obligations executed at national level (such as imbalance calculation and settlement) *the limitations to the assignment should not lead to unnecessary changes to the existing national arrangements*. This last statement is particularly important since any changes to the national arrangements would have broader institutional and financial implications.

³ For example, in Art. 1, para. 2 of the Guideline on Electricity Balancing.

EU electricity market legislation (including the Clean Energy Package) should recognise Third Party Market Operators/Facilitators

As noted above, the existence and expertise of Third Party Market Operators/Facilitators has already been recognised in the legal drafting of the Electricity Balancing Guideline and the Emergency & Restoration Network Code. The existence of third parties should also be recognised in future EU electricity legislation to avoid unnecessary and costly changes in market arrangements that are of no benefit to the electricity consumer.

In this respect, we would like to stress the fact that the Clean Energy Package draft Electricity Regulation and Directive and the revised Council text currently fail to recognise existing arrangements where a non-TSO third party is assigned for such services. Europex has already published several position papers on the Clean Energy Package⁴ calling for the text to be aligned with existing arrangements. It is vital for the Clean Energy Package text, and indeed future legislation, to always recognise that Third Parties, not only TSOs, carry the functions described in this paper.

List of Third Party Market Operators/Facilitator members of Europex

Austria	<u>APCS – Power Clearing and Settlement AG</u>
Croatia	<u>HROTE – Hrvatski Operator Tržišta Energije d.o.o.</u>
Czech Republic	<u>OTE, a.s. – Czech electricity and gas market operator</u>
Great Britain	<u>ELEXON Limited</u>
Ireland and N.I.	<u>SEMO – Single Electricity Market Operator</u>
Romania	<u>OPCOM – Romanian gas and electricity market operator</u>
Slovakia	<u>OKTE, a.s. – Organizátor krátkodobého trhu s elektrinou</u>
Slovenia	<u>Borzen – Operater trga z elektriko, d. o. o.</u>

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About

Europex is a not-for-profit association of European energy exchanges with 27 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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⁴ See for example <http://www.europex.org/position-papers/europex-amendment-proposals-to-the-recasts-of-the-electricity-regulation-and-the-electricity-directive/>