

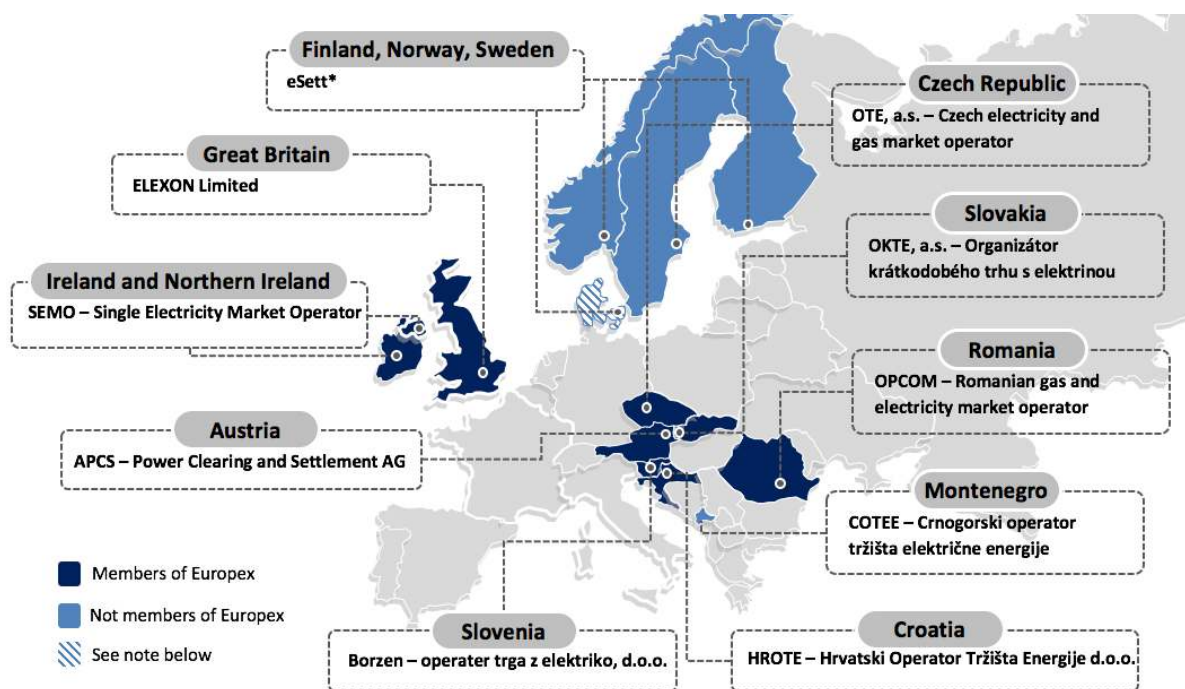
- Position paper -

## The Essential Tasks of Third Party Market Operators/Facilitators in the Electricity Market (update)

Brussels, 16 August 2018 (updated) | In a number of EU Member States/EEA countries<sup>1</sup>, 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-TSO third parties rather than by TSOs. These third parties, also called “**Third Party Market Operators/Facilitators**” or “**Delegated Operators**”, 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 participants 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. It has been announced that eSett services will extend to cover Denmark from 1 January 2019 which will be the 12<sup>th</sup> EU Member State to apply this regime.

<sup>1</sup> This document focuses on arrangements in the EU/EEA, although there are similar arrangements in certain members of the Energy Community, including Montenegro (COTEE) and Georgia (ESCO, also 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 provide expertise in their areas of responsibility and contribute to increased competition and innovation. This type of third party arrangement currently exists in eleven EU Member States: Austria, Croatia, Czech Republic, Ireland, Romania, Slovakia, Slovenia and the United Kingdom as well as Finland, Norway, 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 provides an overview of tasks commonly performed by Third Party Market Operators.

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

Task	Description
<b>Imbalance calculation</b>	Calculation of imbalance per Market Participants/Balance Responsible Parties (BRPs). It creates the basis for imbalance settlement.
<b>Imbalance settlement</b>	Settling the financial consequences of deviations of market participants from their forecasted/contracted generation or consumption.
<b>Data publication</b>	Data publication relating to electricity balancing markets and imbalance settlement etc.
<b>Balancing market rules</b>	Drafting and issuing of the rules defining balancing markets
<b>Imbalance settlement rules</b>	Drafting and issuing of the rules defining imbalance settlement (including settlement period, imbalance pricing, BRP roles, etc.)
<b>Facilitation of balancing markets</b>	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 drafting process of the Network Codes and Guidelines for the European internal electricity market. They have been actively participating in public consultations and stakeholder advisory groups, providing their technical knowhow and sharing their long experience in facilitating electricity markets.

Two of the Network Codes, namely the **Electricity Balancing Guideline** and the **Emergency & Restoration Network Code**, recognise this distinct and important role of third parties<sup>2</sup>. The Network Codes stipulate that TSOs can delegate all or part of certain tasks to a third party. Likewise, *the Member States or in some cases NRAs can 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.

<sup>2</sup> For example, Article 13 of the Guideline on Electricity Balancing sets out rules on the delegation and assignment of these tasks. They are also referred to in the Emergency & Restoration Network Code, for instance in Article 38.

## The Electricity Regulation currently under review should recognise Third Party Market Operators/Facilitators

As noted above, the existence and expertise of Third Party Market Operators/Facilitators have already been recognised in the Electricity Balancing Guideline and the Emergency & Restoration Network Code. The existence of third parties should therefore also be recognised in the currently reviewed Electricity Regulation as part of the Clean Energy for All Europeans Package to avoid unnecessary and costly changes in market arrangements that are of no benefit to the electricity consumer. Therefore, it is important to keep the term “delegated operator” under “Definitions” in Article 2ff of the Electricity Regulation and to maintain the direct reference in Article 5 (10) and other articles to the regulation.

Europex has already published several position papers on the Clean Energy Package<sup>3</sup> calling for the text to be aligned with existing arrangements. It is vital for the Electricity Regulation, and indeed other future legislation as well, to always recognise that third parties, not only TSOs, carry the functions described in this paper.

### List of Third Party Market Operators/Facilitators - members of Europex

Country	Full name
Austria	<a href="#">APCS – Power Clearing and Settlement AG</a>
Croatia	<a href="#">HROTE – Hrvatski Operator Tržišta Energije d.o.o.</a>
Czech Republic	<a href="#">OTE, a.s. – Czech electricity and gas market operator</a>
Georgia	<a href="#">ESCO – Energy Market Operator</a>
Great Britain	<a href="#">ELEXON Limited</a>
Ireland and N.I. <sup>4</sup>	<a href="#">SEMO – Single Electricity Market Operator</a>
Romania	<a href="#">OPCOM – Romanian gas and electricity market operator</a>
Slovakia	<a href="#">OKTE, a.s. – Organizátor krátkodobého trhu s elektrinou</a>
Slovenia	<a href="#">Borzen – Operater trga z elektriko, d. o. o.</a>

#### About

Europex is a not-for-profit association of European energy exchanges with 26 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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<sup>3</sup> Latest: <https://www.europex.org/position-papers/europex-recommendations-ahead-of-the-electricity-market-design-trilogues/>

<sup>4</sup> SEMO operates under a specific regime: the single Electricity Market (SEM) is the wholesale electricity market operating in the Republic of Ireland and Northern Ireland.