

Nominated Electricity Market Operators - Monitoring and enforcement powers

Department for Energy and Climate Change

**RPC rating: confirmed as a non-qualifying regulatory
provision**

Description of proposal

The proposal will amend the Electricity Act 1989 to allow Ofgem to apply its existing enforcement powers to the regulation of nominated electricity market operators (NEMOs). As part of the third EU Energy package, day-ahead and intra-day wholesale electricity markets across Europe will be coupled and operated by NEMOs. Market coupling is a process by which multiple markets are integrated in order to price cross-border trades efficiently, whilst maintaining the independence of each market. The proposal will allow Ofgem to regulate NEMOs, therefore allowing it to meet its minimum requirements under EU legislation as the National Regulatory Authority for the GB energy industry.

Impacts of proposal

As NEMOs in the UK are likely to be organisations that are within the scope of Ofgem's existing regulation of wholesale energy markets, the Department expects that the cost of regulation to NEMOs will be negligible. The Department also expects that it will be able to regulate the NEMOs using existing, publicly available data. Ofgem expects that its own costs will also be negligible.

Quality of submission

The Department has provided sufficient information to support the assessment of the proposal as not going beyond the minimum EU requirements.

The NQRP confirmation request would have benefitted from a more detailed description of market coupling.

The NQRP confirmation request implies that the NEMOs are likely to be organisations that are within the scope of Ofgem's existing regulation of wholesale energy markets. However, the NQRP confirmation request would have benefitted from providing more evidence that this will be the case. Despite this, the assumption

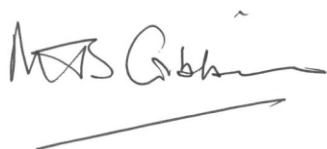
appears to be reasonable and, therefore, so does the assumption that the costs are expected to be negligible.

Departmental assessment

Classification	Non-qualifying regulatory provision (EU)
Equivalent annual net cost to business (EANCB)	Not applicable (fast track non-qualifying regulatory provision)

RPC assessment

Classification	Non-qualifying regulatory provision (EU)
Small and micro business assessment	Not required (fast track low-cost regulation)



Michael Gibbons CBE, Chairman