

EPEX SPOT Position Paper on Market Coupling reform as part of the revision of the CACM Guideline

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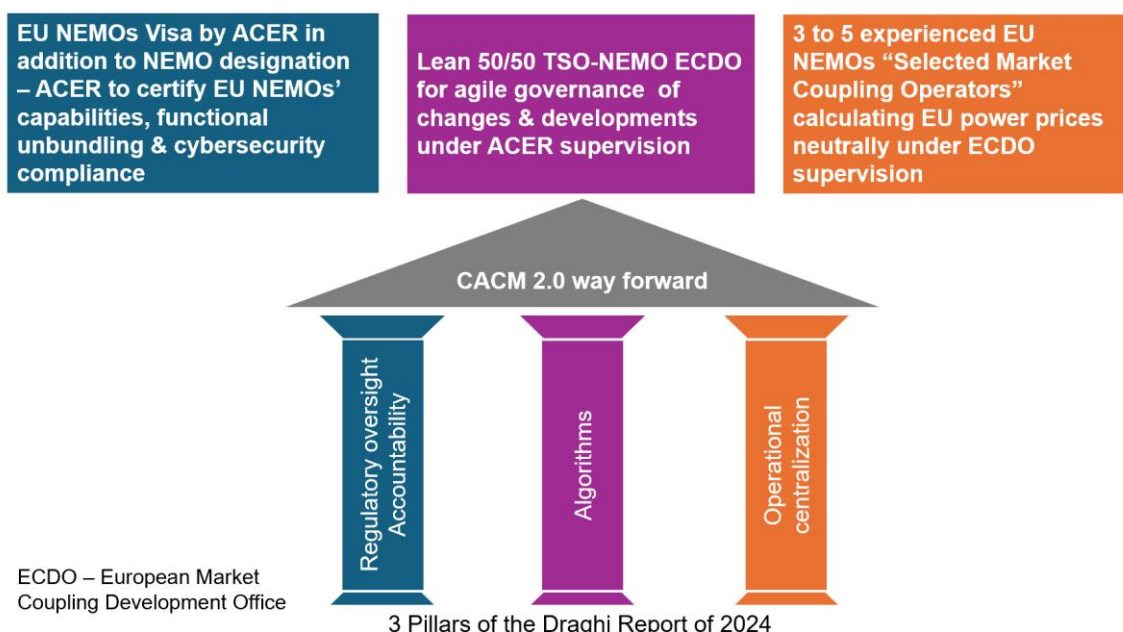
European Market Coupling’s unique success over the last 20 years provides a solid foundation, and the CACM Guideline revision is an opportunity to upgrade this framework, so it stays aligned with Europe’s fast evolving electricity systems.

This document presents the EPEX SPOT advocacy position on the ongoing **Market Coupling (MC)** reform as part of CACM Guideline framework. It outlines a modernised, efficient and accountable governance model for MC, centred on a **joint NEMO-TSO European Coupling Development Office (ECDO)**, improved operational structures, reinforced regulatory oversight, and balanced responsibilities across all stakeholders.

Executive Summary

EPEX SPOT advocates for a pragmatic, future-proof MC reform built on three priorities: (i) strengthened, harmonised and targeted oversight with additional requirements, European objectives and increased accountability, (ii) a lean and agile joint governance structure via a jointly owned TSO–NEMO European Coupling Development Office, and (iii) resilient and efficient market operations carried out by 3 to 5 EU NEMOs as **Selected Market Coupling Operators (SMCOs)**.

This approach preserves the strength of the current MC model while ensuring stability and efficiency, and at the same time makes it fit for purpose for geographical extension. It also builds on the Draghi report of 2024 which calls for a clear simplification of the many regulations applicable in Europe.



1. Pillar 1: Regulatory Oversight & Accountability

EU NEMO Visa

We propose the introduction of an **'EU NEMO Visa'** as an additional layer of regulatory oversight and accountability complementing national designation. This Visa would be granted and supervised by ACER in cooperation with National Regulatory Authorities and would cover cybersecurity compliance, conditions for a full functional unbundling within a NEMO, operational capabilities, cross-border competence and expertise in regional and national MC specifics (Capacity Calculations processes, TSO requirements, fallback procedures, etc.).

The EU NEMO Visa would also serve as a prerequisite for any **Selected Market Coupling Operator** to be eligible for that role. We consider it an important step toward to ensure a level-playing field among NEMOs by offering an incentive to finally put an end to the few remaining national NEMO monopoly exemptions. Functional unbundling of MC development tasks within NEMOs would be another requirement to obtain the EU Visa and will ensure that no conflict of interests arise when participating to MC activities.

The EU NEMO Visa should be supervised and enforced by the involved authorities. Hence, the Visa would be revoked or suspended if a NEMO repeatedly i) fails to meet the required standards and KPIs set by the ECDO (including on timely delivery of projects); ii) does not remedy identified deficiencies; or iii) creates undue risk to the functioning of the SDAC/SIDC systems. This ensures that lost performance has real regulatory consequences and incentivises continuous improvement.

2. Pillar 2: Algorithm & Assets' Ownership and Development

NEMOs – TSOs MC Development/Design and Governance Organisation – new Governance set-up

We propose the establishment of a legally grounded lean and agile European MC Development Office (ECDO), operating on a non-profit legal entity basis. The ECDO would be jointly steered and governed 50/50 by TSOs and NEMOs. The ECDO would be supervised, mandated and its management appointed by the Joint Steering Committee (JSC) of TSOs and NEMOs representing their interests.

ECDO shall be fully entrusted to steer all MC asset evolutions, MC system upgrades, and the pan-European MC projects roadmap. It would act as the single body for everyday decisions, ensuring efficiency, transparency and accountability. The set-up of the ECDO should be lean and agile and would be jointly developed by TSOs and NEMOs under a dedicated Methodology (TCM) within 6 months of entry into force of the revised CACM.

In particular, the ECDO would notify the European Commission when MC technical assets are used outside the EU and would act as the interface with key external bodies, such as the Agency for the Cooperation of Energy Regulators (ACER), the Market Coupling Consultative Group (MCCG) or the Pentalateral Coordination Group (PCG). Moreover, it would chair, steer and oversee the relevant operational working groups and task forces of TSOs and NEMOs.

It would also formally tender, mandate and oversee the 3 to 5 NEMOs Selected Market Coupling Operators performing daily MC operations for SDAC, SIDC IDAs, and SIDC continuous. Besides that, it shall bear the responsibility to publish procedures and guarantee full and updated transparency to the market.

The Joint Steering Committee would act as the single forum for strategic discussions and decisions ensuring joint and equal representation in regular meetings. In these meetings it would decide under Qualified Majority Voting (QMV), using 50-50 voting allocations between TSOs and NEMOs and with NEMOs' voting weights being based on traded volumes and number of operated Member States.

We are convinced that the ECDO is compatible with ambitious and targeted market coupling. It can master future systems evolutions and is legally sound. The only logical first exercise shall be to conduct a comprehensive impact assessment on the current MC assets, by evaluating strengths and weak points of current providers, processes, systems, and IT standards, and to compare them with targeted requirements.

Regarding asset ownership, should a future tender be launched for renewed MC systems, ownership, management or licensing of those new assets could then be held by the ECDO. We believe that ownership of assets is not an end in itself: providers for strategic components of the algorithm or systems within the MC landscape may not be willing to sell and prefer the model of licensing or SaaS (Software as a Service) to remain naturally incentivised to keep investing in such assets. For existing assets, the ECDO TCM will define specifically the contractual arrangements that should be put in place with the existing owners to ensure that the ECDO can execute its tasks.

Combining the Joint Steering Committee with the ECDO as non-profit entity provides a simplified and faster decision-making framework with a single forum that can prepare, align and execute decisions efficiently. The ECDO's non-profit structure ensures that the sole focus remains delivering a reliable, future-proof, and customer oriented MC framework.

Admission, participation and exit rules shall be clearly defined for the non-profit entity; especially, if a participating party decides or is required to leave for statutory reasons, continuity of service must always be guaranteed. The entity must ensure that operational obligations are fulfilled until rights and obligations can be safely transferred, and that governance balance and neutrality are preserved.

Data Transparency & Intellectual Property Rights

A market coupling dataset aggregated at bidding zone level (prices, net positions, traded volumes, allocated capacities, flows, etc.) should be published on ENTSO-E's Transparency Platform for free usage. NEMOs are still entitled to use and commercialise these market coupling data and to package

them within more sophisticated offering (including real time, indices, etc.) with the aim to offer more elaborated or qualitative services around data that are of great value for certain users.

Besides that, TSOs and NEMOs shall draft a TCM to define the data that needs to be shared among them freely.

3. Pillar 3: Operational centralisation

MC Operations: 3 – 5 European NEMOs as Selected Market Coupling Operators

Daily MC operations should continue to be performed by NEMOs with a proven track-record, certified capabilities and fulfilling the highest cyber security standards. At least 3 and up to 5 experienced EU NEMOs would be designated as **Selected Market Coupling Operators** by the ECDO. These entities must pass a selection process to demonstrate operational expertise and track record as well as a strong European footprint beyond national interests. The selection process should be conducted via a tender launched by the ECDO and based on clear European-interest criteria, such as operating across multiple Capacity Calculation Regions (minimum 2) and Member States (minimum 4), experience in both SDAC and SIDC operations (including 24/7 operations) and being a holder of the new EU NEMO Visa (see Pillar 1 above).

The NEMOs Selected as Market Coupling Operators would be mandated and supervised by the ECDO. They would interface three to five fixed operational centres across Europe, ensuring full redundancy (technical and human) and high cybersecurity standards. Daily KPIs and operational data should be transparently reported to the ECDO and relevant authorities, enabling a strong performance-based monitoring.

4. Complementary Proposals

Product Methodologies

We consider that the trading product TCM is best developed under NEMOs' leadership, **in close consultation with TSOs and market participants**. It is important that the final responsibility for trading product design remains with NEMOs to safeguard neutrality.

Other TCMs, explicitly including those linked to the market coupling algorithms, shall be brought under joint NEMO–TSO governance within the ECDO framework. This model preserves market neutrality and maintains trust within the market functioning. TSOs will naturally be consulted whenever system impacts or operational constraints are involved, ensuring that their expertise is fully reflected.

Clearing and Financial Settlement

EPEX SPOT supports the continuity of the current structure of all clearing and financial settlement frameworks. The current decentralised model with integrated client- and cross-CCP collateral management has proven to be fundable, resilient and secure: no financial default and effective risk containment during the 2022 energy crisis. Further harmonisation of the contractual framework (payment standards, minimum risk management, etc.) between NEMOs should be strived, preserving interoperability and ensuring robust cross-border settlement functionality. ECDO shall file regular reporting on the progress to ACER.

Minimum risk management requirements for clearing and financial settlement between NEMOs and market parties should also be part of the designation criteria to prevent a “race to the bottom” and systemic risk from contagion. Financial market regulators should be included in a principles-based and customised risk management framework for power spot markets. Harmonisation on standards is welcomed and could be based on such as IOSCO principles.

Costs and Cost Recovery

EPEX SPOT proposes a cost effective agile ECDO which includes a harmonised 50/50 cost sharing model between NEMOs and TSOs combined with harmonised recovery principles across Europe. A dedicated TCM shall enshrine these harmonised recovery principles. This model should apply across EU Member States, ensuring predictability, efficiency and equitable burden-sharing. This approach would reduce administrative complexity while supporting incentive-based regulation.

In order not to disincentivise market participants and to make them leave SIDC/SDAC for OTC trading, a fair proportion of cost-recovery through network tariffs remains the preferred option. This mechanism shall enable ambitious plan to develop further market coupling algorithms.

Functional unbundling required by the EU Visa will ensure increased transparency on costs incurred. The costs for operational performance reported by the Selected MCOs are borne by the ECDO.

5. Conclusion

The lean ECDO centred governance model, combined with strengthened oversight, operational excellence and transparent cost and data frameworks, provides a realistic, efficient and future-proof path for the revised CACM Regulation which could be swiftly implemented.

EPEX SPOT stands ready to work with EU institutions, NRAs, TSOs, NEMOs and other stakeholders to deliver an efficient, resilient and innovation-friendly Market Coupling framework for the decade ahead.