

Part II - Regional cooperation

4M MC Project expansion

The most important regional coupling project for the day-ahead market, known as 4M MC, was implemented in November 2014 by merging the day-ahead markets of the Czech Republic, Slovakia, Hungary and Romania.

The goal of the project is to introduce the benefits of market integration for market participants and prepare for the implementation of the day-ahead coupling solution in accordance with the CACM regulation (capacity allocation and congestion management). This regulation sets a method for calculating how much space market participants can use on cross-border lines.

In addition, electricity market regulators in seven European countries intend to couple their spot markets, which was announced in February this year. Thus, the spot market for electricity in Romania, Hungary, Slovakia and the Czech Republic (4M MC) will be coupled with German, Austrian and Polish markets.

On 21 December last year, the ANRE, Bnetza, E-Control, ERU, HEA, URSO and URE regulatory agencies sent letters to transmission system operators and electricity market operators of nominated members requesting the launch of a project for the temporary market coupling based on NTC, between DE, AT, PL and 4M MC.

The DE, AT, PL and 4M MC project, if implemented, will aim to finalize the 4M MC cooperation within the Multi-Regional Coupling Project (MRC – a pan-European project of day-ahead coupling, currently actively covering 19 countries) and will be an important step in expanding the day-ahead market coupling, as foreseen by the European legislation. Regional coupling facilitates spot market transactions between different countries, with greater transparency and a price uniformity trend: electricity in cheaper markets will tend to be traded on higher-priced markets.

In the opinion of the regulators DE, AT, PL and 4M MC, this project will lead not only to more efficient distribution of cross-border capacities and increase of national social welfare, but will also result in price convergence, which will contribute to the formation of stable electricity prices on the regional day-ahead market, with liquidity growth.

Also, SEEPEX has recognized the project of market integration with 4M MC as its first strategic goal and, in cooperation with partners from the region of Central and Eastern Europe, the first practical steps have already been taken in this direction, SEEPEX representatives said last year. One of the key steps in achieving this goal is the signing of the Memorandum of Understanding between EPEX Spot, HUPX, Mavir, EMS and SEEPEX on the formation of a strong regional electricity exchange for Central and South-Eastern Europe, which makes this demanding project of connecting Serbia's spot market with the 4M MC market more feasible.

CROPEX-BSP

The Croatian and Slovenian exchanges, CROPEX and BSP SouthPool, coupled their DAM markets on 19 June 2018, thus joining a unique European day-ahead market through the MRC project.

Subsequently, the daily cross-border capacity for the Croatian-Slovenian border is allocated exclusively through the EU PCR for the day-ahead market, which has become a part of the coupled EU MRC.

While this project is the completion of the coupling activities of the Slovenian DAM with the neighbouring European markets, for the Croatian market, this is the first introduction of the indirect allocation of cross-border capacities on the Croatian-Slovenian border.

Trilateral project BG-RS-HR

In February this year, an initial meeting was held within the framework of a trilateral market coupling project between Bulgaria, Serbia and Croatia. The meeting was attended by all key stakeholders - ESO EAD, EMS and HOPS, IBEX, SEEPEX and CROPEX and national regulatory bodies KEVR, AERS and HERA.

"The initiative was greeted by all involved parties. A common obligation has been recognised to provide all necessary efforts and resources to ensure project feasibility and its timely implementation. The ultimate goal of this project is to implement the trilateral market coupling within the MRC, which is expected to provide long-term benefits to market participants and consumers within the current initiative," this is stated in the joint press release, published on 28 February on the market operators' website.

Intraday market coupling - the second round of the XBID project

In August 2017, OPCOM became part of the project involving cross-border coupling of the intraday market, based on the XBID technical solution.

The second round of a European intraday market coupling project, XBID, which includes Romania, Bulgaria, Hungary and Croatia, is expected for the summer of this year, this was announced by the energy exchanges included in the project in December.

Preparations are in progress, and seven countries are actively involved in the expansion of the project: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia, together with the countries involved in the first round in June - Portugal, Spain, France, Belgium, Germany, Austria, Norway, Sweden, Finland, Estonia, Lithuania and Latvia. The borders that will take part in the second round will be confirmed in the spring 2019.

Gate Opening Time (GOT) is expected to be changed to 15:00 CET, according to ACER's decision of 24 April 2018. In capacity calculation regions (CCRs) in which the capacity calculation methodology has not been approved, the date of implementation will be no later than 30 days after the approval of the National Regulatory Agency.

Through XBID, more than 6 million intraday transactions have been executed, among the countries that implemented the mechanism in June 2018, according to the data of the exchanges involved in the process.

However, it is estimated that the second round will be a real test to assess the liquidity impact of XBID, as countries with a lower starting point of liquidity will be involved. Transelectrica informed ANRE, at the end of last year, that in the regional project LIP 15 (Local Implementation Project - cooperation with transmission system operators and electricity market operators in Romania, Hungary, Croatia, Slovenia, Austria, Germany, Czech Republic), preceding the integration under the XBID project, the parties should clarify the role of key players, transmission system operators and electricity market operators in the coupling process.

Subsequently, in Romania in May 2018, the Romanian regulator ANRE appointed Transelectrica as a transfer agent on the coupled intraday market.

The regulator chose between OPCOM and Transelectrica to take over the transfer agent functions, i.e. the clearing and settlement functions.

When it comes to the coupling of the day-ahead electricity market, European regulations prescribe minimum standards for capacity allocation and congestion management, facilitating trade across the European Union and efficient use of transmission networks and increasing competition in favour of consumers.

In most EU Member States, the electricity market operator, which performs clearing and settlement functions on the coupled day-ahead markets, also has the role of a transfer agent. Under the LIP 15 project, only Hungary has an interconnection with Romania, while the role of a transfer agent for the supply area in Hungary on the coupled intraday market was given to MAVIR (Hungarian Transmission System Operator).

Introduction of futures on IBEX

The German electricity exchanges EEX and IBEX announced in December 2018 that they have signed a cooperation agreement to introduce the futures contract for electricity on the Bulgarian market in the first half of 2019, in line with the strategy of spreading the EEX market leader to the east.

Bulgaria is liberalizing its state energy systems, while IBEX, which is owned by the Bulgarian exchange BSE, aims to strengthen ties with other EU wholesale energy markets. EEX plans to introduce weekly, monthly, quarterly and annual futures contracts for base, i.e. 24-hour power supply, denominated in euros, concluded in accordance with the price calculated on the DAM market of the IBEX exchange.

Considering that EEX integrated electricity products in the Czech market PXE in mid-2017, the exchange tripled the calculated electricity amounts in Central and South-East Europe. EEX announced that Serbian and Slovenian futures contracts for electricity will begin on the same date as the Bulgarian futures are introduced.

In this regard, EEX announced last month that it would expand electricity trade to Serbia, Bulgaria and Slovenia, which will increase the volume of trade achieved in 2018 across Europe by 19%.

EEX estimates that these markets are mature enough and ready to take the next step in the market development process.

In this way EEX will be present in 20 market zones all over Europe, which will strengthen the leading position as the largest European continental electricity market.

Furthermore, IBEX announced in January that it was negotiating with all neighbouring markets. It was specified that the said negotiations include Romania, Serbia, Macedonia, Greece and Turkey.

The most significant progress in the negotiations was achieved with regard to the coupling of the day-ahead market segment with Macedonia and the intraday segment with the Romanian market.