

Part I

The development of an organized electricity market in this part of Europe is gaining momentum - increase of liquidity, trade volume, transaction value and the number of participants, while new trading platforms are also being offered. An increasing number of national exchanges recognize the benefits of national market coupling, primarily in the day ahead segment.

However, some countries have not yet established electricity exchanges, although preparations for that have lasted for several years. Thus, Bosnia and Herzegovina, Albania Macedonia, Montenegro and Greece are at different stages of establishing a national energy exchanges.

On the other hand, the exchanges in Serbia (SEEPEX), Croatia (CROPEX), Slovenia (BSP), Romania (OPCOM), Hungary (HUPX) and Bulgaria (IBEX) have been operating with lower or higher liquidity for several years. SEEPEX, IBEX and CROPEX celebrated their third birthday.

The first exchange that started operating in the region is OPCOM, which was established as a branch of Transelectrica on 15 August 2000. The first operations were launched in September of the same year. In December 2001, OPCOM was licensed by the ANRE regulatory agency to perform activities of the electricity market operator.

Day ahead market (DAM) transactions began in June 2005. In the following years, new platforms, centralized green certificates markets PCCV (November 2005), bilateral agreements market through public auctions PCCB (December 2005), bilateral agreements market with continuous negotiations PCCB-NC (March 2007), greenhouse gases trade PTCE (June 2010) and intraday market id (July 2011).

Centralized markets with continuous double-entry negotiations on PC-OTC bilateral agreements were launched in March 2014.

The model of bilateral electricity contracts under the method of extended auctions PCCB-LE and continuous negotiations PCCB-PC was launched in January 2015. The new product available to market participants since March 2015 is a centralized market for universal PCSU services.

The first day of trading on the day ahead market of natural gas DAM-NG was in July 2018. HUPX was established in 2010 as a branch of MAVIR, a Hungarian transmission system operator.

The price on the Hungarian exchange is taken as a reference when establishing prices of import/export transactions with electricity in Macedonia, Montenegro and Albania.

Three electricity exchanges in the region started operating in the first two months of 2016, IBEX (Bulgaria) on 20 January, CROPEX (Croatia) on 11 February and SEEPEX (Serbia) on 17 February.

On HUPX, CROPEX and IBEX, the trading platform is day ahead (DAM) and within the day

(ID), while SEEPEX offers the option for DAM trade. IBEX also operates a centralized market for bilateral agreements.

The owners of 50% of SEEPEX shares are Elektromreza Srbije, Serbian transmission system operator, and EPEX SPOT, which covers the markets of France, Austria, the United Kingdom, the Netherlands, Belgium, Germany, Austria and Switzerland.

The first owner and founder of IBEX was Bulgarian Energy Holding (BEH). In February 2018, the Bulgarian Stock Exchange (BSE) took over IBEX from BEH for EUR 2.66 million, after the European Commission requested IBEX ownership transfer, in order to prevent the abuse of a dominant position.

In the first year, the operation of the stock exchanges neither had a significant impact on the turnover of existing, larger energy exchanges in the region (HUPX, BSP, OPCOM) nor did it affect the HUPX prices. As expected, IBEX had the largest turnover due to market size and existence of independent electricity producers.

On the other hand, CROPEX and SEEPEX were formed on relatively small and closed markets without independent producers. In addition, the share of independent suppliers/sellers in these two markets is still small.

When looking at the turnover of the six existing exchanges in South East Europe, turnover on three younger exchanges is difficult to compare with HUPX, BSP and OPCOM. IBEX prices were very unstable. On the other hand, HUPX - BSP - OPCOM as a rule have a small price range.

Electricity generation in Serbia and Croatia is dominated by the state-owned energy companies, with the exception of renewable energy sources in Croatia.

A limited number of small suppliers are present in both markets, for whom, as a rule, it is expensive and risky to participate in local exchanges. Two exchanges use different platforms, making market coupling complicated - CROPEX uses the Nordpool platform, and SEEPEX uses the EPEX platform.

The turnover on CROPEX and SEEPEX in the first year of operation was insignificant even in comparison with BSP, which has a three times lower trade volume than HUPX.

There was great instability in this respect, even the days when the daily trading volume was zero.

As expected, prices on these two exchanges are followed by HUPX prices, regardless of how unstable and small trade volume small is.

The turnover on these exchanges was mainly used to balance the local portfolio and the day ahead speculations among electricity traders. For larger contracts, traders and suppliers have turned to more liquid markets - BSP and HUPX.

Gradually, SEEPEX, CROPEX and IBEX improved liquidity, but the main trends remained unchanged. Trade volume has gradually increased.

For example, on the day ahead auction held on 28 January 2019, on the Bulgarian spot

market, for electricity delivery on 29 January, a trade volume record was set – 27,291.4 MWh, with an average load per hour of 1,137.14 MW.

This growth trend in the Bulgarian DAM market illustrates the following: in December 2018 the trade volume reached 640,265.7 MWh, which is 5.4% more than in November 2018 (607.329,9 MWh) and 48.8% more than in December 2017, according to the market operator's monthly report.

The record trade volume at CROPEX was achieved on 16 January 2019, for electricity delivery on 17 January 2019 – 22,549.1 MW. This is the highest daily volume since the beginning of CROPEX and the successful coupling with the MRC market on 19 May 2018. On the other hand, the SEEPEX record trade volume was recorded on 10 March 2019 – 13,483 MWh.

Despite the rising trend, this is well below the daily volume of OPCOM and HUPX, which in 2018 is on average 64,495.2 MWh or 54,547.5 MWh in the DAM segment.

According to the 2018 OPCOM report, the total volume of transactions reached 23,540,831 MWh. The value of the transactions amounted to EUR 1.13 billion.

The HUPX Annual Report shows that trade volumes increased by 7.16% compared to 2017, to 19,908,782.4 MWh. The transaction value was EUR 934 million.

IBEX said at the end of last year that net profit in the first nine months of 2018 increased to EUR 1.64 million, from EUR 614,000 in the same period of 2017.

Operating income of the company increased to EUR 2.56 million in the period from January to September, compared to EUR 1.33 million in the same period of 2017.

In terms of prices, according to the latest available official exchange reports, the lowest prices in February, with a drastic fall compared to the previous month, were registered at IBEX – the average base load price was 39.65 EUR per MWh, 41.2% less compared to January (67.38 EUR per MWh).

For peak load, the decline is even more dramatic, by 43.2%, to 45.78 EUR per MWh, compared to 80.66 EUR per MWh in January.

The fall in the base load price in February by 34.3% was also registered at SEEPEX, to 49.94 EUR per MWh, and 36% for peak load, to 56.03 EUR per MWh.

In January, Romania experienced problems with covering domestic demand, which also affected DAM prices. The average price for base load in February was 48.6 EUR per MWh, 35.2% less than in January.

At CROPEX, the average price in February was 49.75 EUR per MWh, compared to 69.32 EUR per MWh in January.