



PRESS RELEASE

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Next steps in the Czech-Slovak-Hungarian-Polish-Romanian Market Integration

Following the Memorandum of Understanding signed on 11 July 2013, the 5M MC Steering Committee, consisting of representatives of national regulatory authorities (ERÚ, ÚRSO, HEA, URE and ANRE), transmission system operators (ČEPS, SEPS, MAVIR, PSE, and Transelectrica) and power exchanges (OTE, OKTE, HUPX, TGE, and OPCOM) from the Czech Republic, Slovakia, Hungary, Poland and Romania, discussed the next steps in market integration of the day-ahead electricity markets.

Initially, parties faced a fundamental question on market organization in the context of other integration activities and interconnected electricity markets. A public survey addressed to companies active on the five markets aimed to gather feedback on possible implication of the proposed arrangements, mainly setting of a gate closure time (GCT) for entering the bids and scope of market integration (consult the [survey questionnaire](#) here).

Based on a thorough analysis of the survey results, the national regulators (NRAs) concluded that there is no common position among the market participants in all involved markets regarding the proposed scenarios of five-market market coupling. In order not to hinder further market integration, the Steering Committee adopted the NRAs position that the market coupling project will start with 11:00 GCT and will involve the day-ahead electricity markets of the Czech Republic, Slovakia, Hungary, and Romania. Compliance with NWE (North West Europe) region will be sought as much as possible. Close cooperation among 5M Market Coupling Project partners will be ensured to contribute to future market integration. The common opinion is that coupling of the Polish market area will be implemented later in the context of the CEE FBMC (Central East Europe Flow-Based Market Coupling) initiative. In the meantime, five power exchanges will continue to cooperate on implementation of the PCR solution (Price Coupling of Regions) declared as the target model in order to be ready for the European integration.

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Background information:

HUPX – Hungarian Power Exchange Ltd.

MAVIR Ltd. established its 100% owned subsidiary, HUPX Hungarian Power Exchange Ltd., on 9th May, 2007. Having met the requirements set in Decision No. 794/2008 of the Hungarian Energy Office, MAVIR Ltd. submitted the license application documentation for the establishment and operation of the organized electricity market on 11th September, 2008 through its subsidiary, HUPX Hungarian Power Exchange Ltd. In its Decision No. 136/2009 dated 9th April, 2009, the Hungarian Energy Office issued the license for the operation of the organized electricity market for 10 years to HUPX Hungarian Power Exchange Ltd. HUPX has started its day-ahead market operation on 20th July, 2010. HUPX launched its physical futures market on 19th July, 2011.

Since start (2010 July) the total traded volume on HUPX Markets was 26 TWh. The total traded volume was 12.6 TWh in 2012, which is almost one third of the Hungarian consumption.

For more information please visit www.hupx.hu.

MAVIR – the Manager of Power

MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság [MAVIR Hungarian Independent Transmission Operator Company Ltd., MAVIR ZRt.] is a young organization with great traditions and vast experience. Tradition, experience and youth in this case are not contradictory: before the establishment of MAVIR, the National Power Dispatch Centre had been performing the technical tasks of system operation since November 1949. By creation of the integrated transmission system operator (TSO) on 1st January, 2006 the transmission system operator incorporated the Division for Network Operation from National Power Line Company Ltd. and Division for Transmission Network from Hungarian Power Companies Ltd. A highly skilled team of experts, who love their profession and pursue it on a high level have joined MAVIR ZRt., which is more than the old dispatch centre: today MAVIR ZRt.'s duties, are as follows:

- to provide for the reliable, efficient and secure operation of the Hungarian Power System including the required reserve capacities of generation and transmission;
- to supervise and augment the assets of the transmission system, to perform any renewal, maintenance and development works required for a proper and reliable supply;
- to ensure the undisturbed operation and further extension of the electricity market and access on equal terms for system users;
- to process the data received from the participants of electricity supply;
- to inform the market players as not to have unfeasible contracts;
- to harmonise the operation of the Hungarian Power System with the neighbouring systems;
- to coordinate international co-operations;
- to prepare the Network Development Strategy and to put forward proposals for the development of the generation pool.

On the basis of certification included in the Decision of Hungarian Energy Office dated of 13 March 2012, MAVIR is operating in accordance with ITO (Independent Transmission Operator) model; thereby MAVIR is the owner and operator of the transmission network within a vertically integrated electricity corporation.

For more information please visit www.mavir.hu.

MEKH (HEA)

The Hungarian Energy and Public Utility Regulatory Authority is an independent public administration body with a responsibility to annually report to the Parliament. The tasks of the Authority are specified in the Act on HEA (Act No XXII. of 2013) as well as in the Acts on electricity, district heating, natural gas supply, water public utility supply and waste management.

Concerning the extension of the CZ-SK-HU market coupling project, according to the provisions of the Acts, the main responsibilities of the Authority are the following.

The HEA



- issues and amends the licenses for the transmission system operation (MAVIR) and for the operation of the organized market (HUPX),
- approves the general terms of electric energy market (Commercial Code prepared by MAVIR, Market Rules of HUPX), as well as the business codes of the license holders,
- approves the relevant international agreements regarding market coupling,
- determines the sphere of information to be disclosed,
- investigates customer complaints.

Additional information is available on www.mekh.hu.

OTE, a.s.

OTE, a.s., the Czech electricity and gas market operator, (OTE) is a joint stock company established in 2001. OTE provides comprehensive services to individual electricity and gas market players in the Czech Republic. OTE commenced organizing trading in the day-ahead electricity market in 2002 and the intra-day and block electricity markets in later years. OTE has been the market operator on the gas market since 2010 including operation of day-ahead gas market and intraday gas market. Continuous data processing and exchange required for the accounting and settlement of imbalance between the contractual and actual volumes of electricity and gas supplied and received are among services offered by the OTE to players in the Czech electricity and gas markets, as well as administrative procedures associated with a switch of supplier. The OTE also administers the National Register of Greenhouse Gas Emissions. OTE is the holder of the license for market operator's activities, which includes activities in the electricity and gas market in the Czech Republic.

Apart from 5M MC project OTE is also fully involved in many other integration projects (i.e. PCR, XBID solution, MC CZ-SK-HU, CEE+NWE project).

Additional information is available on www.ote-cr.cz.

ČEPS, a.s.

ČEPS, a joint stock company, is the sole Czech Transmission System Operator and holds an exclusive licence to that effect granted by the Energy Regulatory Office under the Energy Act.

The Company is responsible for the maintenance and upgrading of 41 substations comprising 71 transformers, which allow electricity to be supplied from the transmission system to the distribution network, as well as 400kV lines with a total length of 3508km and 220kV lines with a total length of 1910km.

ČEPS is a member of relevant European international organisations. The Company is responsible for maintaining the balance of electricity supply and demand within the Czech power system in real time (system services) and for organising cross-border power exchanges including transits.

ČEPS has traditionally been closely involved in the creation of liberalised electricity markets both in the Czech Republic and Europe. Additional information is available on www.ceps.cz.

ERÚ

The Energy Regulatory Office ('ERÚ') was established on 1 January 2001 by Act No. 458/2000 of 28 November 2000, on the Conditions of Business and State Administration in the Energy Industries and Changes to Certain Laws ('the Energy Act') as amended, as an administrative authority for regulation in the energy sector in the Czech Republic. The ERÚ is mainly responsible for support for competition on energy market, support for the use of renewable energy resources and protection of consumer interests in the areas of energy industries, in which competition is not feasible.

Additional information is available on www.eru.cz.

OKTE, a.s.

OKTE, a.s. is the Short Term Day-Ahead Market Organizer in the Slovak Republic. OKTE, a.s. was registered as an independent legal entity on 11 August 2010. The main business of the company is regulated and selected types of services provided are subject to price regulation by Office for Regulation of Network Industries. Organization of Short Term Daily Market operates according to the Operating Order



of OKTE, a.s. The organized short term daily market allows the market participants to offer or request electricity, to increase the option of having a balanced business position before the supply/off-take a decrease the probability of having a differences between planned and real value of supply/off-take of electricity. Other responsibility of OKTE, a.s. is settlement of imbalance in the Slovak Republic. OKTE, a.s. is also the holder of the license for market operator's activities. Additional information is available on www.okte.sk.

Slovenská elektrizačná prenosová sústava, a. s.

Since 21 January 2002 the company Slovenská elektrizačná prenosová sústava, a.s. operates transmission system in the Slovak Republic as an independent legal entity. Mission of the Company is to reliably operate the transmission system, ensure dispatching control of the system, its maintenance, renewal and development so as to ensure a sustainable and quality supply of electricity to all users of the transmission system and its parallel operations with adjustment transmission systems. At the same time it is essential for the Company to adhere to transparent and non-discriminatory principles of accessing the network with a minimum impact on the environment. It is also essential to respect the requirements proceeding from the national and EU legislation, national regulatory authority's decisions, pertinent rules for operations and international co-operation within the synchronized inter-connected electricity network of EU. Additional information is available on www.sepsas.sk.

URSO

The Regulatory Office for Network Industries is a state administrative authority established in 2001.. The Office fulfils the function of the regulatory body, together with the Regulatory Board, in the electricity, gas, heating and water management sectors with the aim to create and support the competitive-like environment, to protect both the consumers and the interests of licence holders to achieve reasonable return rates on investments, and provide for reliable, economic and good quality supplies of goods and services related to regulated sectors. www.urso.gov.sk.

TGE

Towarowa Gielda Energii SA (Polish Power Exchange) was established in December 1999, and it has been active in Polish electricity market, since then. TGE was the first and so far the only power exchange to obtain a license from the Financial Supervision Commission to operate a commodity exchange in Poland. TGE is at present exclusively owned by [Warsaw Stock Exchange](http://www.wse.pl).

TGE plays a key role in the process of liberalisation of the electricity and gas markets in Poland. Since December 2010 TGE and Nord Pool Spot have been successfully operating the day-ahead market coupling on Swe-Pol Link cable connecting Sweden and Poland. The gas trading platform was inaugurated by TGE in December 2012.

Currently TGE runs the following markets:

- Day – Ahead Market and Intraday Electricity Markets
- Electricity Forward Market with physical delivery
- Property Rights Market (RES and CHP certificates of origin)
- Emission Allowance Market (spot only)
- Gas markets: spot and forward with physical delivery

The liquidity of TGE markets increases: in 2012 the volume of traded electricity was 19,1 TWh on day-ahead market and 112,9 TWh on forward market with physical delivery. Additional information is available on www.tge.pl.

PSE S.A.

PSE is a power transmission system operator in Poland and is a company of crucial importance to the national economy, which has been entered into the register of enterprises of special significance for the economy and defense. The core business activity of the Company involves the provision of services of electricity transmission network in accordance with the required criteria for secure operation of the Polish



Power System and abiding to objective and transparent principles that ensure equal treatment of parties, as well as with due respect to the natural environment.

The main objectives of the PSE S.A. activity are:

- providing electricity transmission services and ensuring secure and cost-effective operation of the Polish Power System whilst meeting the conditions of synchronous operation with other European systems,
- ensuring the necessary development of the domestic transmission grid and cross-border interconnections,
- making transmission capacity available on market based methods for cross-border exchange purposes, creating the technical infrastructure for the operation of the domestic wholesale electricity market.

Additional information is available on www.pse.pl.

URE

The President of the Energy Regulatory Office is the central body of state administration nominated on the basis of an act of 10 April 1997 Energy Law, for the realization of tasks in the scope of fuel and energy management control as well as promotion of competition.

The duties and competence of the ERO President are strictly connected with the state policy in terms of energy, i.e. economic conditions of energy enterprises operations, ideas of market operations, as well as requirements coming from the obligation of adjusting Polish law to the European Union law. The activities undertaken by independent regulatory body are addressed at fulfilling the aim given by the legislator, and heading towards the creation of balanced economic growth of the country, ensuring energy security, economical and rational use of fuels and energy, development of competition, fighting with negative effects of natural monopolies, taking into consideration environmental protection, obligations resulting from international agreements as well as balancing the interests of energy enterprises and consumers of fuels and energy.

OPCOM SA

The Romanian Power Market Operator - Opcom SA was established in 2000 as a joint stock company and subsidiary of CNTEE Transelectrica SA. The responsibilities derive from its role as organizer and administrator of the centralized electricity markets and settlement operator in the wholesale electricity market according to in force ANRE regulations and Conditions of the License no. 407. Main activities deployed by Opcom: spot trading of the electricity in the day-ahead market (DAM) and intraday market (IDM); term contracting through the centralized market for electricity bilateral contracts (CMBC and CMBC-CN); environmental certificates trading on the green certificates market as well as on the trading platform for greenhouse gases emission certificates; settlement of the transactions concluded on Day-Ahead Market, Intraday Market and Centralized Green Certificates Market; settlement of the electricity transactions concluded on the Balancing Market organized by CNTEE Transelectrica SA and the Imbalances of the Balancing Responsible Parties; market surveillance and reporting to ANRE; providing relevant information to market participants, mass-media and general public. OPCOM was nominated to organize the gas market in Romania.

Additional information is available on www.opcom.ro.

Transelectrica

Transelectrica was founded by the Government Ordinance No. 627/July, 31, 2000 further to unbundling the former Romanian Electricity Authority (CONEL).

Transelectrica is the Romanian Transmission and System Operator (TSO) which plays a key role in the Romanian electricity market.



It manages and operates the electricity transmission system and provides the electricity exchanges between the central and eastern European countries as an ENTSO-E member (European Network of Transmission and System Operators for Electricity).

Transelectrica is responsible for electricity transmission, system and market operation, grid and market infrastructure development ensuring the security of the Romanian power system. It also serves as the main link between electricity supply and demand, matching all the times power generation with demand.

Since 29 August 2006, Transelectrica is listed to the Bucharest Stock Exchange.

Mission: Transelectrica ensures the Romanian Power System (RPS) reliable and stable operation at quality standards, while providing the national electricity transmission network under transparent, non-discriminatory and fair conditions to all market participants; www.transelectrica.ro.

ANRE

Romanian Energy Regulatory Authority was established in 1999. It is organised as an autonomous administrative authority with legal personality and own patrimony, under Parliamentary control, entirely self-financed and independent as regards its decision-making process, organisation and functioning. ANRE issues, approves and monitors the implementation of the national-wide binding regulatory framework required for the proper functioning of the electricity, heat and natural gas sectors and markets in terms of efficiency, competition, transparency and consumer protection. The responsibilities and competences of ANRE are stipulated by Electricity and Gas Law no. 123/2012. Additional information is available on ANRE's website: www.anre.ro.