

European Coupling of Single Intra-Day Market (SIDC IM) - OTE's first experience from operation

The success of the operation of coupled intra-day market in Czech Republic has been confirmed by first fourteen days of operation.

On 19th November 2019, the company OTE, a.s., (market operator, OTE), according to the Commission Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM) in a position of nominated electricity market operator (NEMO), joined successfully the European Single Intraday Coupling of electricity markets (SIDC, formerly referred to as XBID), in the frame of the 2nd wave implementation. OTE has been hugely cooperating with the Czech transmission system operator (TSO), company ČEPS, a.s., on the implementation of this European project.

"The results of the first 14 days of operation have positively exceeded our expectations," says Jakub Šrom, Head of the Market Department. Second go-live of the single intraday coupling (SIDC, formerly also known as XBID) has expanded the continuous trading of electricity across the following countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia. They have joined the existing countries already operating the SIDC: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, The Netherlands, Portugal, Spain and Sweden. Already in the first hours of the interconnected market the frequency of trades exceeded the expected results. As stated in the press release dated 20 November 2019, more than 1,000 were closed in the first 2 hours of cross-border trading on the day of delivery on 20 November 2019 with a total volume of about 1,400 MWh. During the night there were trades between the Czech Republic and countries such as Germany, Finland, Spain, Estonia, Croatia and others.

The market coupling of the day-ahead and intra-day market, as required by the CACM Regulation, leads to the removal of barriers to cross-border trading and supports one of the fundamental principles on which European cooperation is based, ensuring the free movement of goods, persons and services. The energy market segmented into national markets, although physically interconnected, is inefficient and trading on such market bears greater risks for traders, thus appears to be more expensive. While the interconnection of electricity markets is primarily intended to facilitate trading and reduce losses from inefficient use of cross-border capacities, the overall impact seems to be much wider. For traders, by unifying business rules, market coupling makes it easier to enter various European markets and expand their business opportunities. For TSOs, the market coupling increases the efficiency of the use of cross-border profiles. As for the final customer, the launch of a single electricity market brings increased security in electricity supply as well as benefits resulting from a wider choice of supplier through increased competition in individual markets. In the overall context, this leads to pressure on the unregulated component of the electricity price for the final customer.

During the first 14 days of cross-border trading, 162,666 MWh was traded on IM, which is approximately 30 percent of the volumes traded in 2018 (approximately 550,170 MWh was traded on IM in 2018). Out of this volumes, 105 816 MWh was exported, 51 420 MWh imported and 4 391 MWh traded internally. The launch of single intraday market resulted in

a tenfold increase in concluded trades from an average of less than 400 trades per day to less than 4,000 trades per day. On average almost 500 trades are closed on IM per hour.

This marks an important step in market integration and international cooperation, which has confirmed the market operator as a full and reliable partner in such a demanding international project involving many European countries.

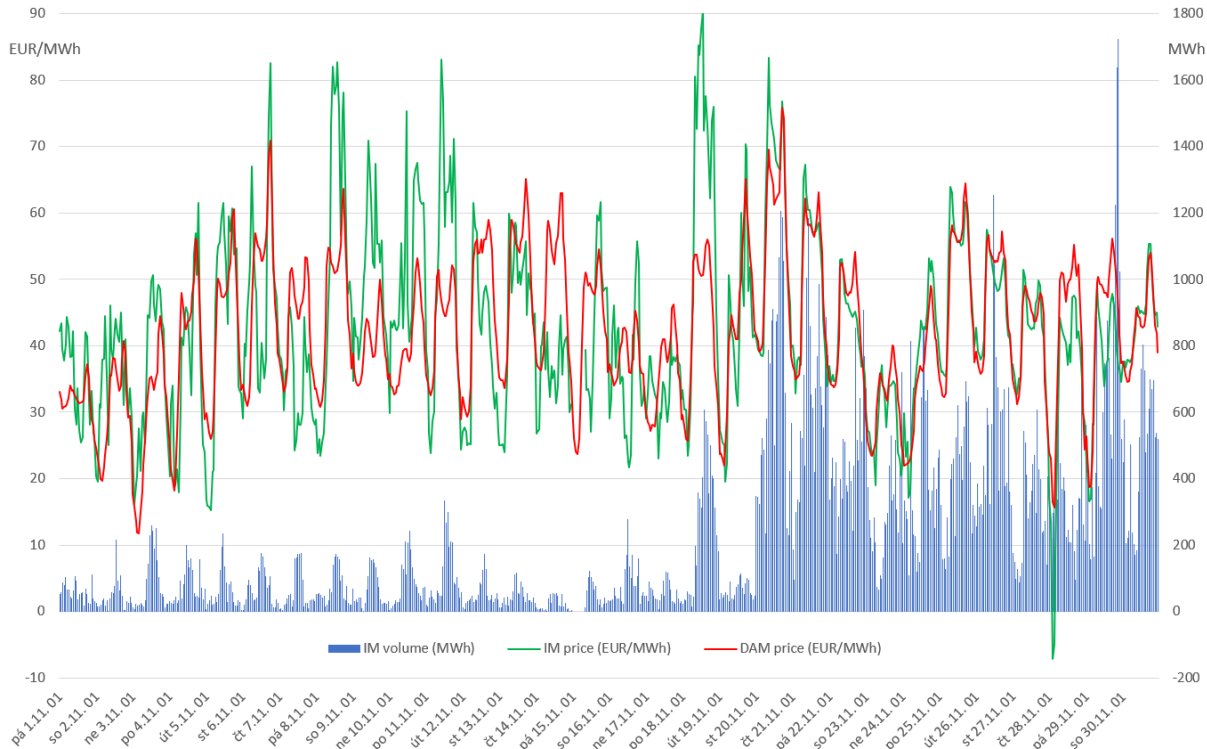


Figure 1: Correlation of prices on the day-ahead and intra-day electricity markets (in this particular case it can be observed that since the date of the second wave go-live, 19th November, there has been a high correlation between the day-ahead and intra-day markets, including increased stability and predictability of market behavior, however depending on transmission capacity availability).

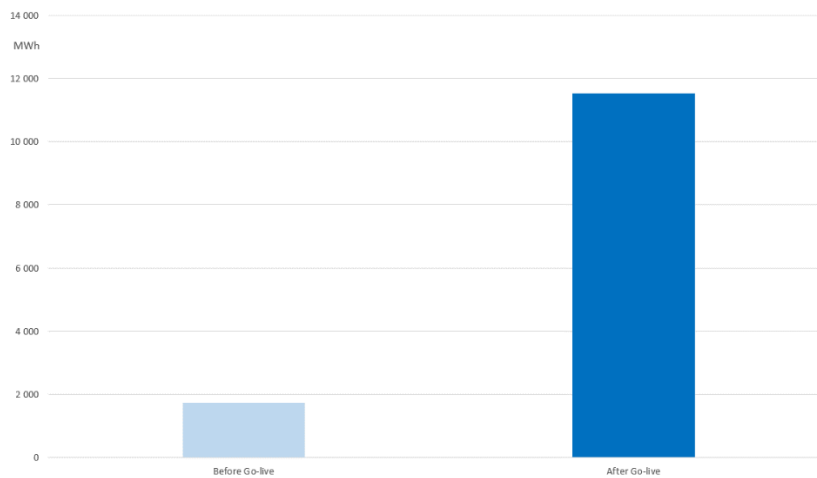


Figure 2: Comparison of average daily volumes (average daily volumes traded before and after launch of SIDC IM).

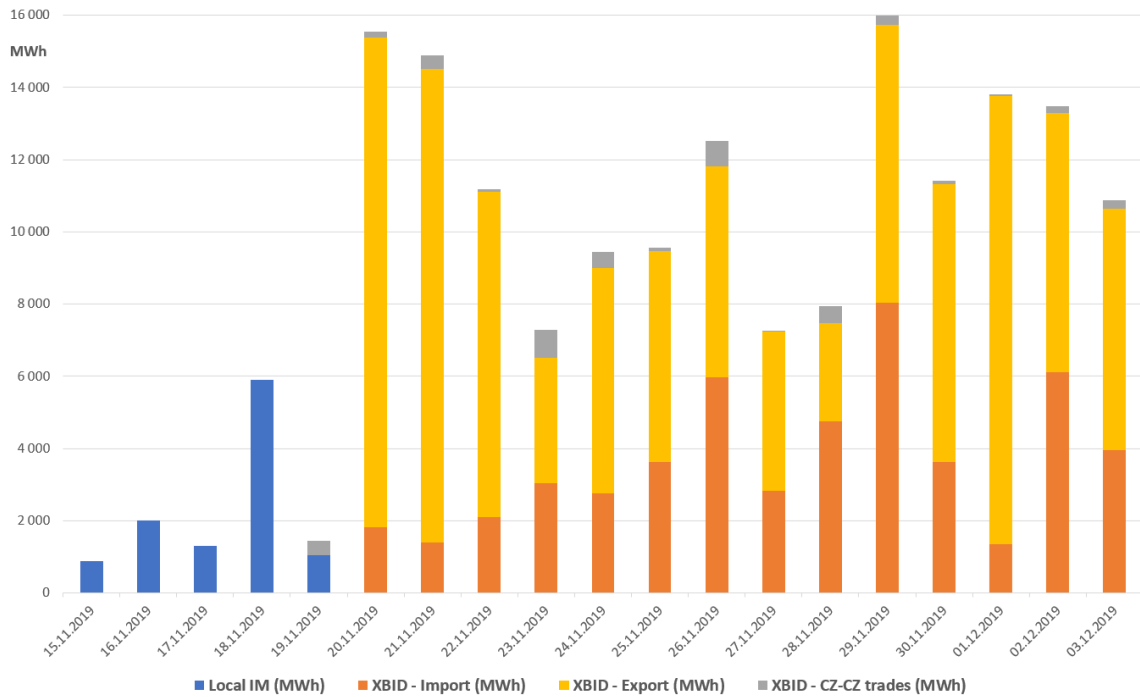


Figure 3: Development of trading with a differentiation of the place of delivery (the chart shows trading volumes on particular days). Blue bars show internal trades within the Czech Republic concluded before joining the SIDC, gray bars indicate the volumes traded nationally under XBID, yellow is the volumes exported under IM, and orange is the volumes of imported electricity.

Trades were concluded not only with neighboring countries such as Austria or Germany, but through the whole SIDC, with all 20 SIDC cooperated countries. The least volumes has been traded with Latvia (47 MWh in 17 trades) and the most trades were concluded with Germany (approx. 120,000 MWh in approx. 40,000 trades).

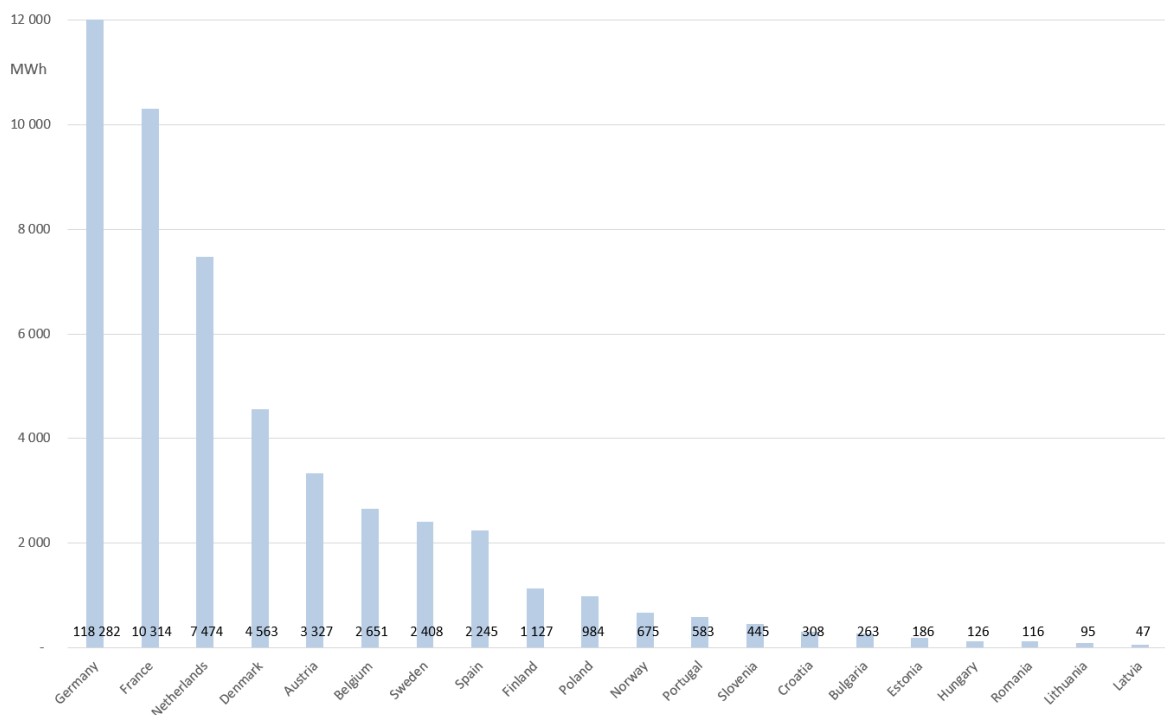


Figure 4: Traded volumes between CZ and particular countries of SIDC

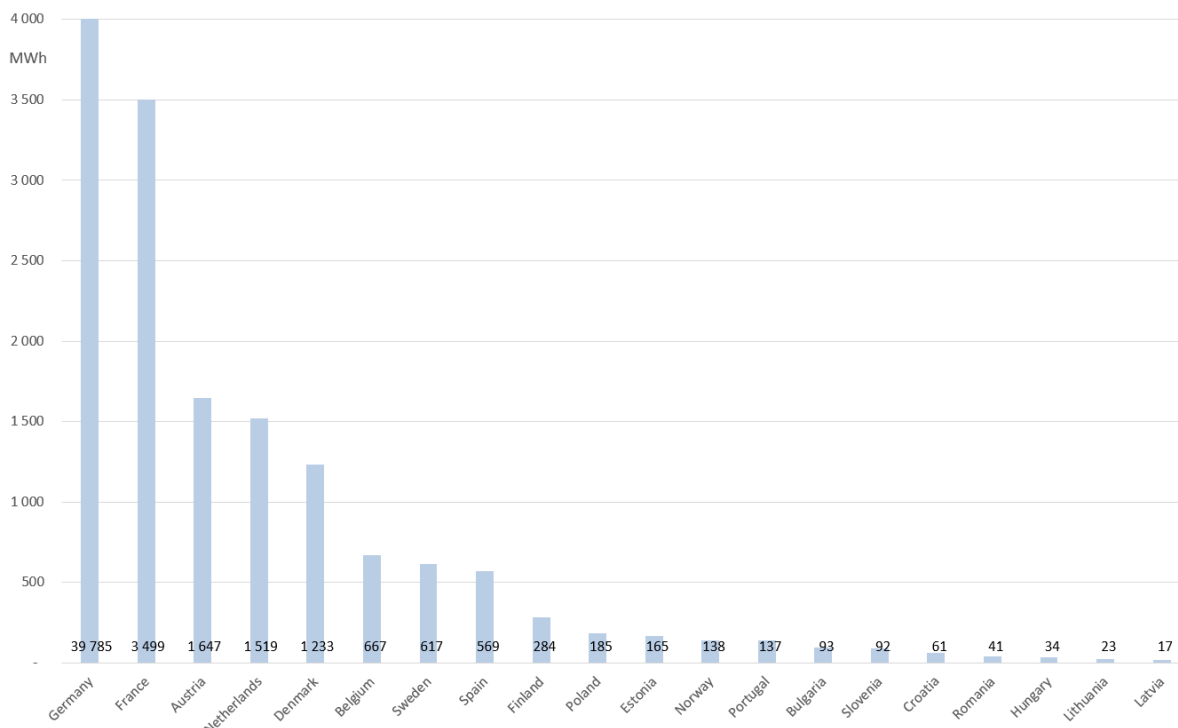


Figure 5: Number of trades between CZ and particular countries of SIDC

OTE, a.s.

Stock company OTE, a.s., (OTE) operates the electricity market in the Czech Republic since 2001 and the gas market since 2010. OTE provides comprehensive services to individual electricity and gas market participants. Since 2002 OTE organizes trading on day-ahead and later on intraday and block electricity markets and since 2010 also on the intraday gas market. OTE also provides electricity and gas market participants with continuous processing and exchange of data, information used for clearing and financial settlement of imbalances between the contractual and actual values of supply and consumption of electricity and gas and administers the supplier change of both commodities. Simultaneously OTE manages the Czech Emission Trading Registry (greenhouse gas emitting allowances). Since 1 January 2013 OTE is responsible for the administration of the system for payment of Renewable Energy Sources subsidies.

OTE is according to §20a of Act no. 458/2000 Coll., on business conditions and the performance of state administration in the energy sectors and amending certain laws (Energy Act), as amended, the licensee for the market operation which includes the electricity and the gas market in the Czech Republic.

OTE is established by the ERO as a Nominated Electricity Market Operator (NEMO), which will provide a coupling of day-ahead and intraday markets. On 7 October 2015 market operator also launched reporting of business data from OTE's short-term markets to the database of the Agency for the Cooperation of Energy Regulators (ACER) for market participants.

More information can be found at www.ote-cr.cz.