PRESS RELEASE
11 September 2012

Successful start of the Czech-Slovak-Hungarian Day-ahead Electricity Market Coupling on 11 September 2012

On 11th September 2012 market coupling was successfully launched to handle the allocation of the daily cross-border electricity and transmission capacities in and between the Czech, Slovak, Hungarian market areas through price coupling mechanism. This method allows simultaneous use of the order books of the three countries' day-ahead electricity markets including available daily cross-border capacities on both Czech-Slovak and Slovak-Hungarian borders. The current two-step process on the Slovak-Hungarian border – daily explicit cross-border capacity auctions followed by the power trading on local exchanges – therefore will be replaced by the simpler and more efficient process called market coupling. The main advantage of the new mechanism is the higher efficiency of utilisation of cross-border capacities resulting from the implicit allocation system and the one-step approach. The better utilisation of cross-border capacities and the ease of daily export-import possibilities will ensure better portfolio optimization opportunities. The three coupled markets together represent a scale of volume that altogether creates higher security of supply, higher liquidity and thus less price volatility on the coupled organized markets. The market coupling results are published on the website of the power exchanges.

Following the Memorandum of Understanding (MoU) (signed by the Czech, Slovak and Hungarian PXs, TSOs and national energy regulators on 30 May 2011) the project was adopted by local power exchanges (OTE, OKTE and HUPX) and transmission system operators (CEPS, SEPS and MAVIR) on the basis of the institutional support given by the ministries and national energy regulators (ERU, URSO and MEH). The introduced implicit allocation uses the price coupling mechanism compatible with the algorithm used in the Central Western European region, and Parties are ready to follow their cooperation on implementation of implicit flow-based allocation of the Central Eastern Europe region (CEE) and the North West Europe region (NWE) as next steps to create one European single electricity market.

Involved parties are happy to announce that the implicit allocation by means of the market coupling mechanism ran smoothly without incidents on the first day, all standard processes were functioning as planned.

The ERU, URSO and MEH jointly stated: We are very pleased by the promising start of the Market Coupling between Czech Republic, Slovakia and Hungary. We are working on the goal of successfully extending the fruitful cooperation between the three countries to other projects in connection with the integration of the CEE electricity markets in order to achieve the final goal of having a single European electricity market by 2014.

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Background information:

HUPX Magyar Szervezett Villamosenergia-piac ZRt.

MAVIR Ltd. established its subsidiary, HUPX Hungarian Power Exchange Ltd., on 9th May 2007 with a registered capital of 20 million Hungarian Forints. The most important task of the project company was to complete the preparatory works for the establishment of the organized electricity market. HUPX Ltd. prepared the documents required for the license application submission, and entered into negotiations regarding the IT support of the trading system.
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.
After a long consultation process, 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. 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

MEH (HEO)

The Hungarian Energy Office is a national public administration body with independent powers and competence, acting under Government control and under the supervision of the Minister of National Development. The tasks of the Office are specified in the act on natural gas supply, as well as in the acts on electricity, district heating and water public utility supply.. Concerning the CZ-SK-HU market coupling project, according to the provisions of the acts, the main responsibilities of the Office are the followings:

- 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
- determines the sphere of information to be disclosed,
- investigates customer complaints.

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

ČEPS, a.s.

ČEPS, as a holder of an electricity transmission licence issued by the Energy Regulatory Office in accordance with the Energy Act, is the sole Czech Transmission System Operator. The Company is responsible for the maintenance and upgrading of 41 substations comprising 71 transformers allowing electricity to be supplied from the transmission system to the distribution grid, as well as of 400kV lines with a total length of 3008km and 220kV lines with a total length of 1349km. ČEPS is a member of relevant European international organisations. The Company is responsible for maintaining the national balance of electricity supply and demand in real time (system services) and for organising cross-border power exchanges including transits. ČEPS has traditionally been involved in the creation of liberalised electricity markets both within 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 accredited by the Ministry of Economy of 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 deviation 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.
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.

RONI

The Regulatory Office for Network Industries is a state administrative authority established by the Act No. 276/2001 on Regulation in Network Industries. The Office fulfils the function of the regulatory body, together with the Board of Regulation, 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.