

karanovic/nikolic

SEEPEX

Serbian Experience

04/12/2017 / Miloš Vučković

- Today I will be presenting to you key facts about SEEPEX and their regional power exchange developments.
- I am coming from Karanović & Nikolić, regional legal practice, operating in the SEE region, with extensive experience in energy related legal work.
- Our regional Energy & Infrastructure Practice Group provides services to a number of clients throughout the region.



SEEPEX's ID



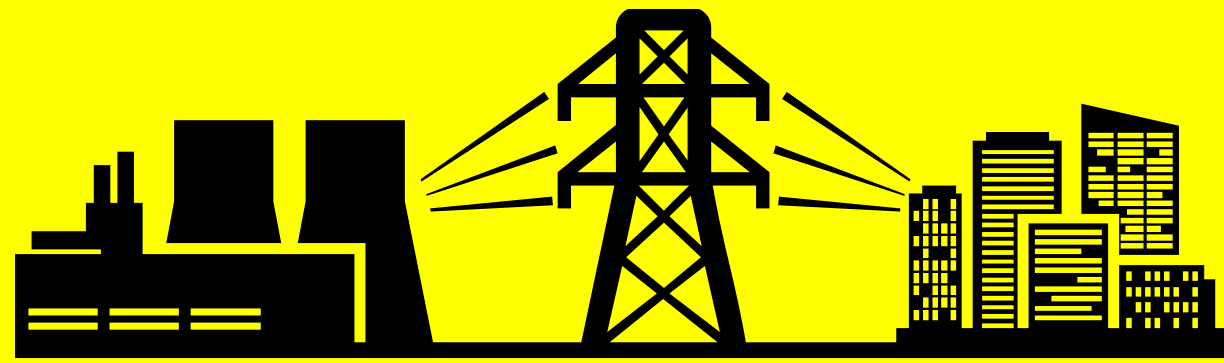
- SEEPEX is SEE power exchange operating in Serbia.
- It is operated by SEEPEX a.d., joint stock company owned by EMS, the Serbian TSO (75%) and “EPEX SPOT” S.E., European power exchange (25%)
- The exchange started its work on the 17th of February 2016, although it was initially planned to commence with their operations in 2010.

Rules and Documents

- The operations of SEEPEX and its members, as well as trade at SEEPEX, are regulated by the SEEPEX Exchange Rules.
- These Rules comprise of the following:
 - Operational Rules;
 - Code of Conduct;
 - Exchange Rules; and
 - Trading Agreement.
- In addition to the Trading Agreement, the Members are also required to enter into a:
 - Balance Agreement
 - Clearing Agreement



Purpose of SEEPEX



- The SEEPEX objective is to ensure a transparent and reliable wholesale price formation mechanism on the power market by matching supply and demand at a fair and transparent price and ensure that all transactions concluded at SEEPEX are finally delivered and paid.
- SEEPEX provides a market place where exchange members send their orders to buy or sell electricity in determined delivery areas. Its role consists in matching these orders in a transparent manner, according to public market rules which among others describe the priorities and algorithms used for the matching of orders.
- SEEPEX's role is also to strengthen the confidence which the market and the public have in the markets of SEEPEX, its pricing mechanisms and the reference character of the exchange prices.

State and Regional Context



- SEEPEX in Serbia – the only license holder for management of an organised electricity market
- Serbia as the Balkan crossroad – 8 neighbouring countries
- Spot Market Development in the Region: the WB6 context
- Serbia is ahead of neighbouring countries according to the WB6 Electricity Monitoring Re

SEEPEX Products and Trading


- Day ahead market
- Single Order as standard product
- Block order as a 2017 novelty
- No forwards at the moment
- Intra-day market is not realistic at this trading volume
- SEEPEX share on the wholesale market in 2016 between 1.29 – 3.96%
- 2016 trading in numbers:

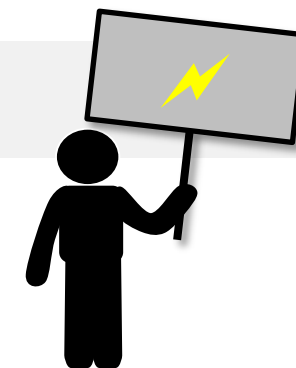
Base price MAX (day)	63,14 €/MWh
Peak price MAX (day)	75,72 €/MWh
Average price (month)	34,75 €/MWh
Price MAX (hourly)	93,63 €/MWh
Base volume MAX (day)	7177,0 MWh
Base volume SUM (year)	533270,1 MWh
Average monthly volume (year)	1676,95 MWh
Volume MAX (hourly)	441,7 MWh

SEEPEX key figures in 2016

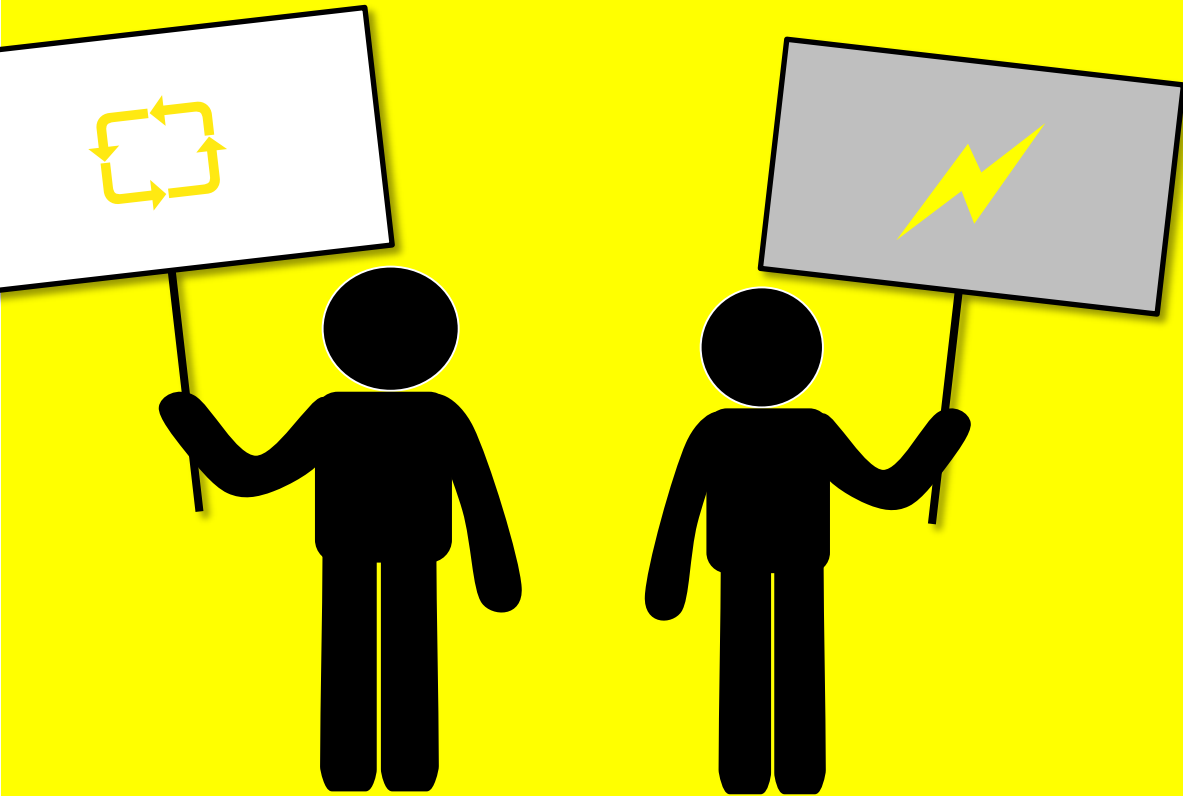
*source: SEEPEX annual report 2016

SEEPEX Members

	SI	GEN-I		RS	MVM Partner Serbia d.o.o. Beograd
	CH	Energy Financing Team AG		DE	Statkraft Markets GmbH
	SI	Interenergo d.o.o.		RS	EMS A.D. Beograd
	RS	JP Elektroprivreda Srbije Beograd		SI	Holding Slovenske Elektrarne d.o.o.
	RO	Tinmar Energy SA		BA	ERS (Elektroprivreda Republike Srpske)
	CZ	Alpiq Energy SE		SI	Petrol d.d. Ljubljana
	HR	HEP d.d.		DK	Neas Energy A/S



SEEPEX Members



Who can be a SEEPEX member?

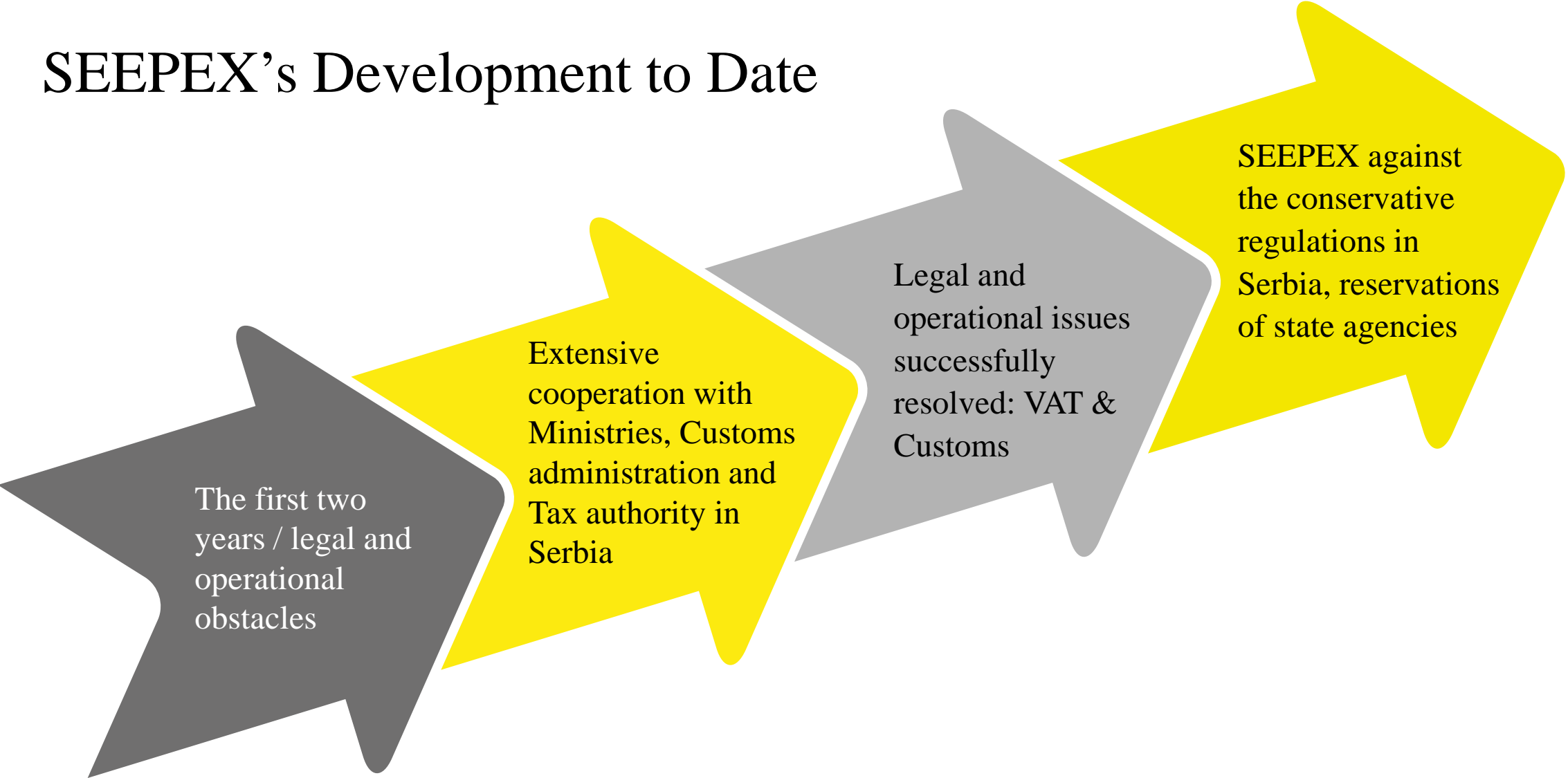
- Foreign companies allowed / however a wholesale license for non domestic companies is a precondition
- Domestic companies need either a wholesale licence, supply licence or a licence for electricity production
- Endusers (industrial), TSO and DSO allowed to participate as well
- Balance agreement with TSO as a condition
- Members can trade on behalf of third parties
- Market maker and the role of EPS

Clearing



- European Commodity Clearing AG (ECC)
- ECC steps between the buyer and seller, assuming counterparty risk
- ECC performs all activities encompassing the daily balancing of profit and losses, the daily calculation of collateral requirements and the final physical and financial settlement
- ECC relies on infrastructure of international banks operating as Clearing Members
- Companies that trade on SEEPEX markets must be admitted as Non-Clearing Members and/or Clearing-Members by ECC.
- The role of KELER CCP

SEPEX's Development to Date



The first two years / legal and operational obstacles

Extensive cooperation with Ministries, Customs administration and Tax authority in Serbia

Legal and operational issues successfully resolved: VAT & Customs

SEPEX against the conservative regulations in Serbia, reservations of state agencies

Obstacles for Further Growth

- Size of Serbian market
- Need for volume increase
- New products: forwards, block transactions
- New members



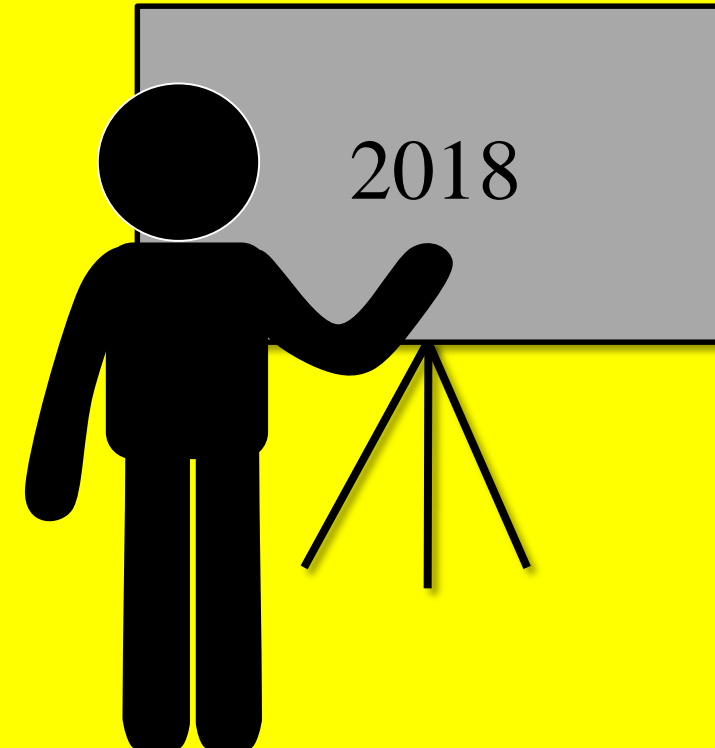
SEEPEX and the Market Coupling



- 4MMC Coupling process – what is the problem?
- Coupling initiatives with Montenegro, Bulgaria
- Obligations under the WB 6 Initiative
- Cooperation with neighbouring countries and the broader European context - implementation of a road map for regional day-ahead market integration in Western Balkans.

Conclusions for the Future

- The role of EPS on the local market - 98% market share
- No suppliers on the exchange
- Need for further, structural change of the market
- Alternative approaches such as virtual PP (France) or regulatory measures (Scandinavia)
- Full liberalisation + growth of SEEPEX = increase of competition and consumer benefits
- Promising novelties: Croatian HEP to supply two Serbian cities for public lighting
- The potential of further regional development



karanovic/nikolic

Thank you