



# Market coupling – the role of a PXs as market place

*BSP SouthPool, Energy Exchange*

*Trading Course on Electricity Markets and Trading,  
Podgorica, 03.10.2019*

## Ownership

**Borzen**

 **ELES**

50%

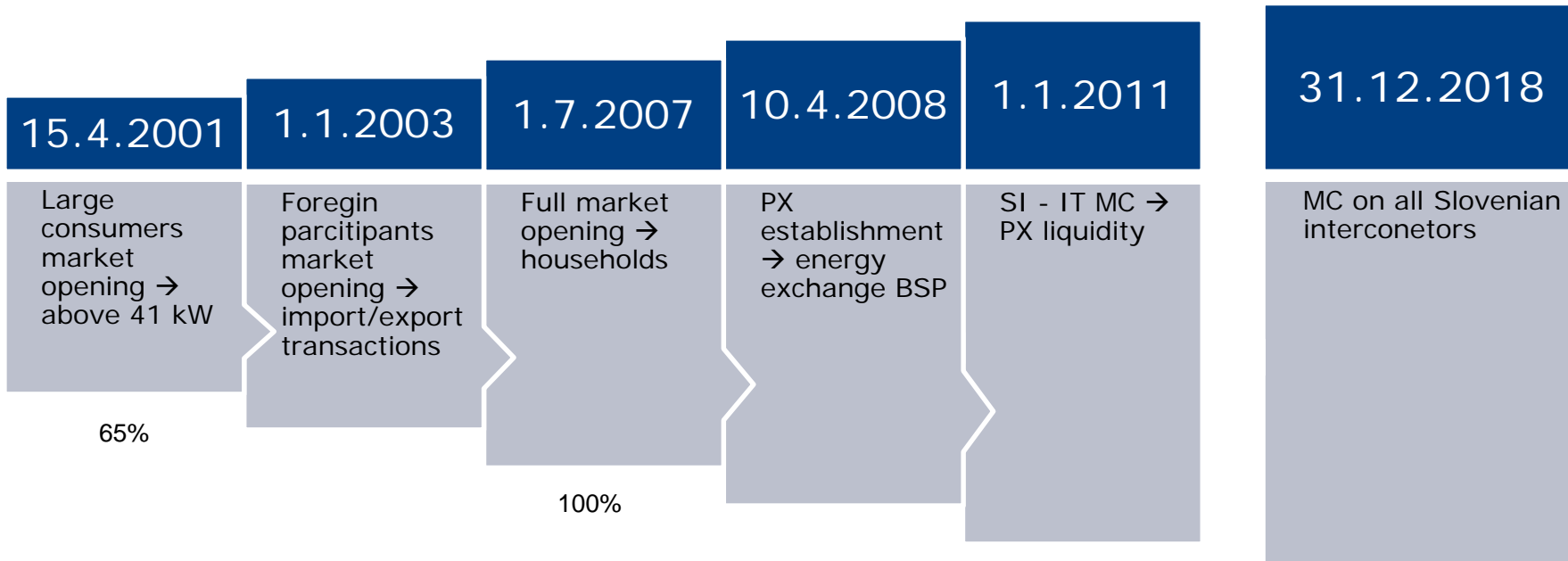
50%

Power Market  
Operator



Transmission System  
Operator

## Market opening process



### Volume of recorded contracts



### Number of customers changing supplier



## BSP at glance (2018)

**7,77**  
TWh

Total trading volume

**37**  
members

13 European countries



**468**  
million EUR

Net financial settlement



**17,81**  
million EUR

Assets



**871.535**  
EUR

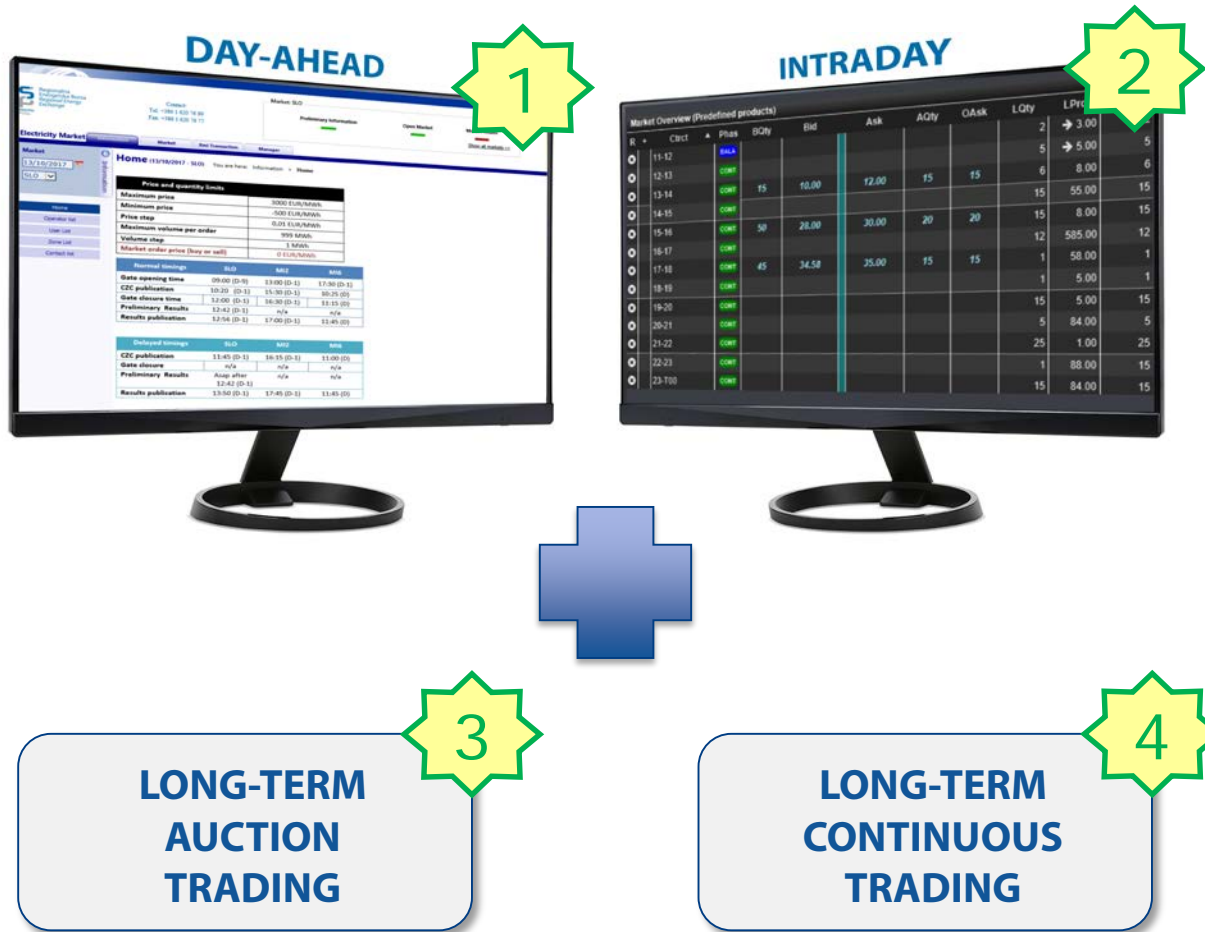
EBITDA



**7,13**  
million EUR

Equity

# BSP = *Whole spectrum of trading opportunities*



## Products



- **DA and ID Auction Trading**

- Hourly products (1-24) for DA and MI2
- Hourly products (17-24) for MI6
- Block products & negative prices for DA
- Negative prices for MI2 and MI6



- **ID Continuous Trading**

- Base (00:00-24:00);
- Peak (08:00-20:00);
- Hourly Products;
- Quarterly Products;
- User Defined Products.



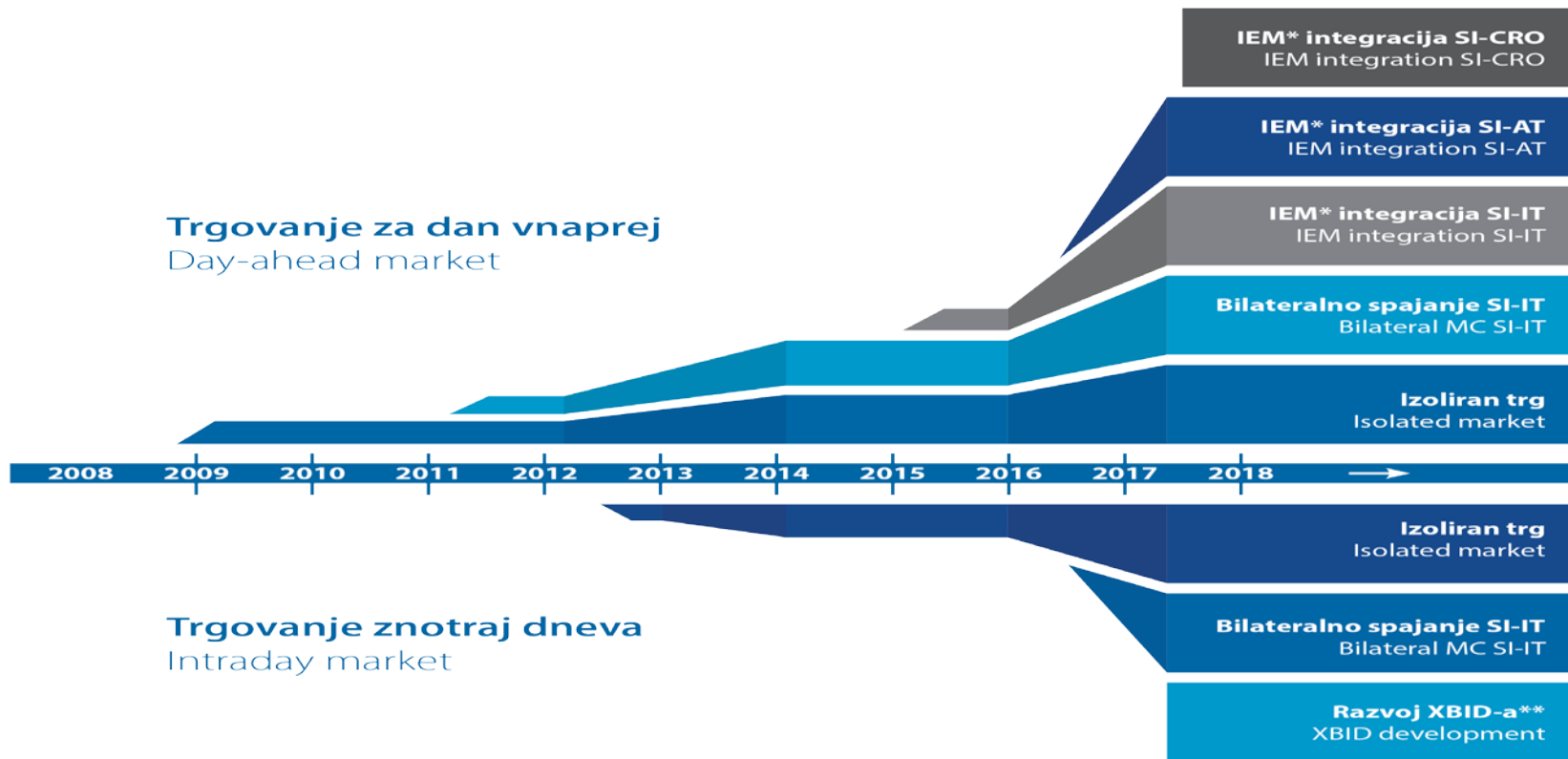
- **Long-term Auction Trading with Physical Futures Products**



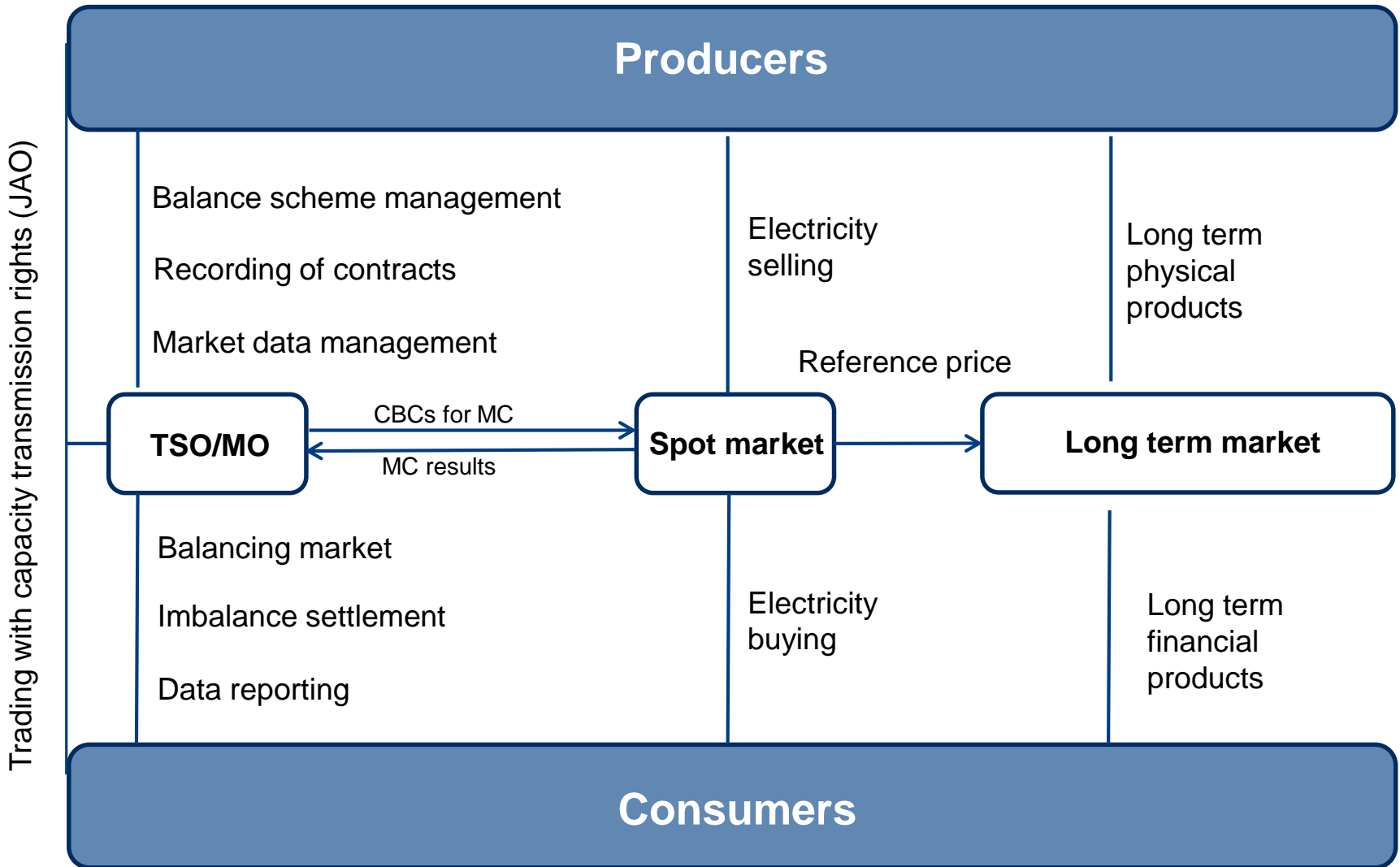
- **Long-term Continuous Trading with Financial Futures Products**



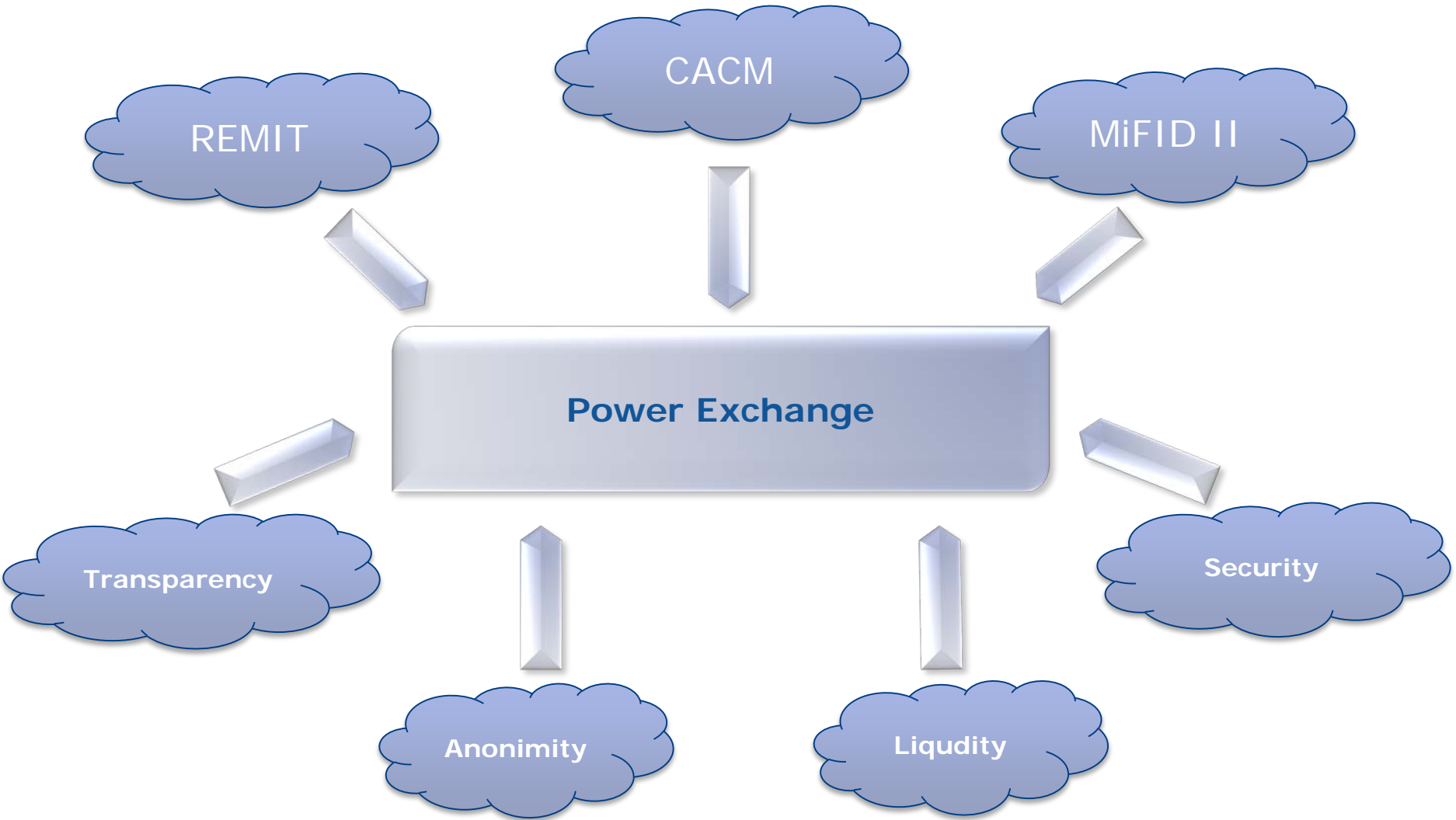
## Markets development



\*IEM = Itegriran evropski trg  
 \*\*XBID = Čezmejno trgovanje znotraj dneva







## Single Day Ahead Coupling - status

2013 – several regions

2014 – 4th February  
MC NWE region

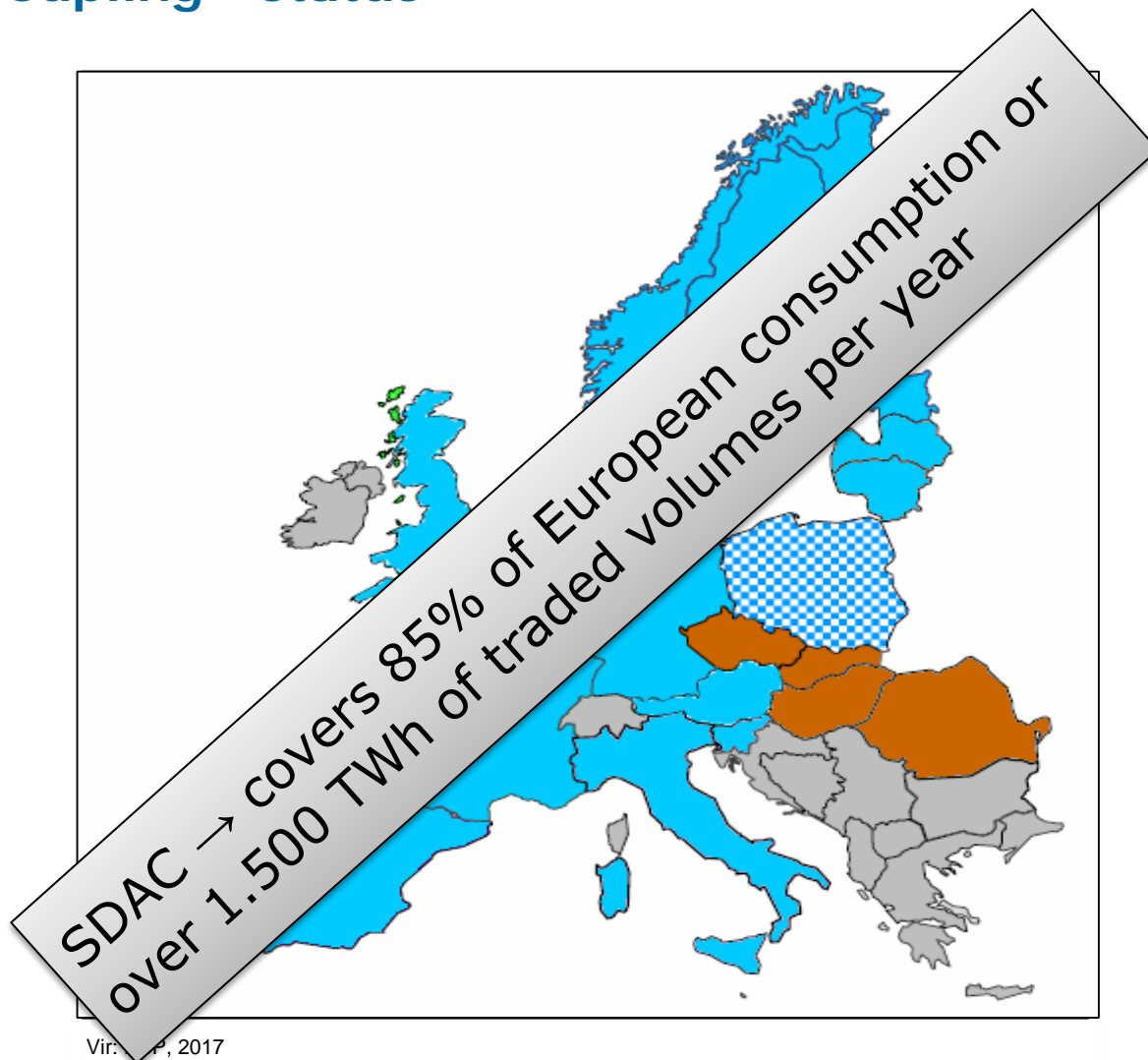
2014 – 14th May  
MC NWE+SWE region →  
MRC

2014 – 19th November  
3M MC → 4M MC

2015 – 24th February  
MC MRC+CSE region

End 2020 – CORE FBMC  
– implementation phase

? – SEE – design phase

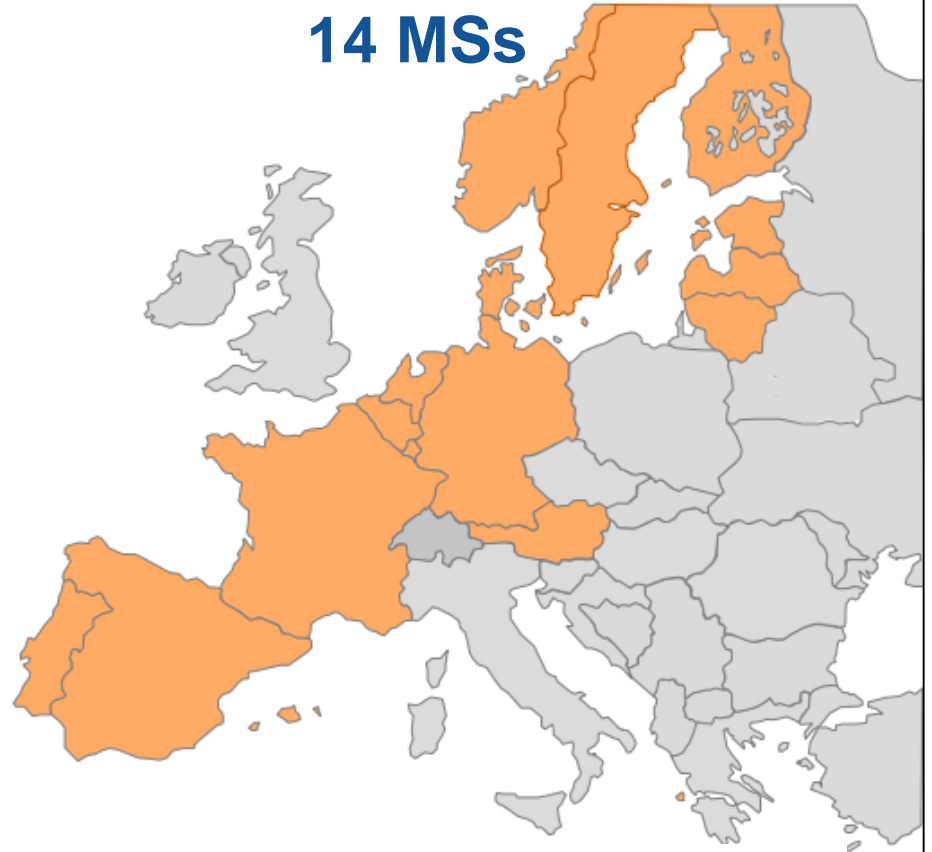


## Single IntraDay Coupling – XBID

## 1<sup>st</sup> Wave Go-Live

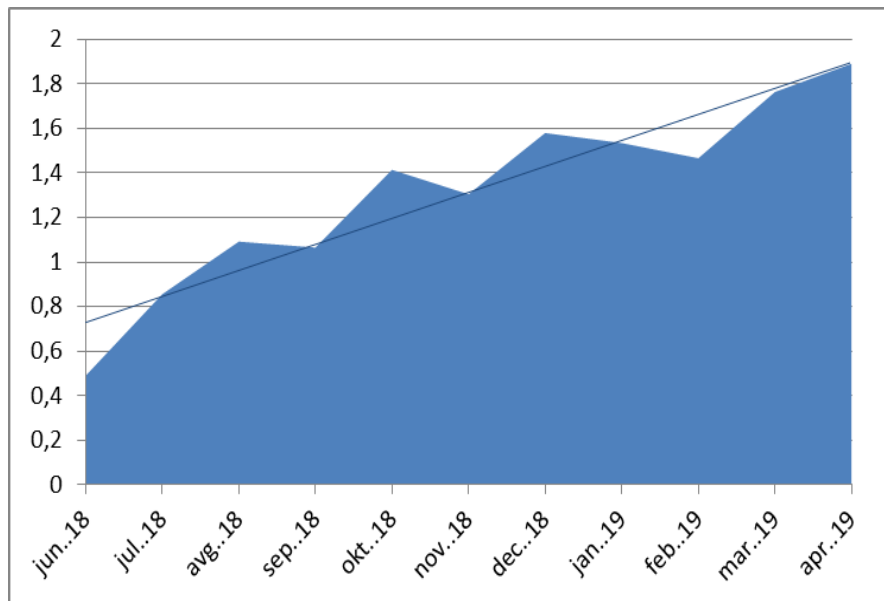
14 MSs

Delivery areas coupled at first go-live
50Hertz Transmission GmbH
Amprion
Austria
Denmark West
Denmark East
Estonia
Elia System Operator
Finland
Finland-Russia Exchange Area
Lithuania
Latvia
Morocco Delivery Area
Netherlands
Norway 1-5
Portugal Delivery Area
France
Sweden 1-4
Spain Delivery Area
TransnetBW GmbH
TenneT TSO GmbH



## XBID – 1st Go-Live observations

A significant increase in volumes and total number of trades since XBID go-live on 12th June 2018



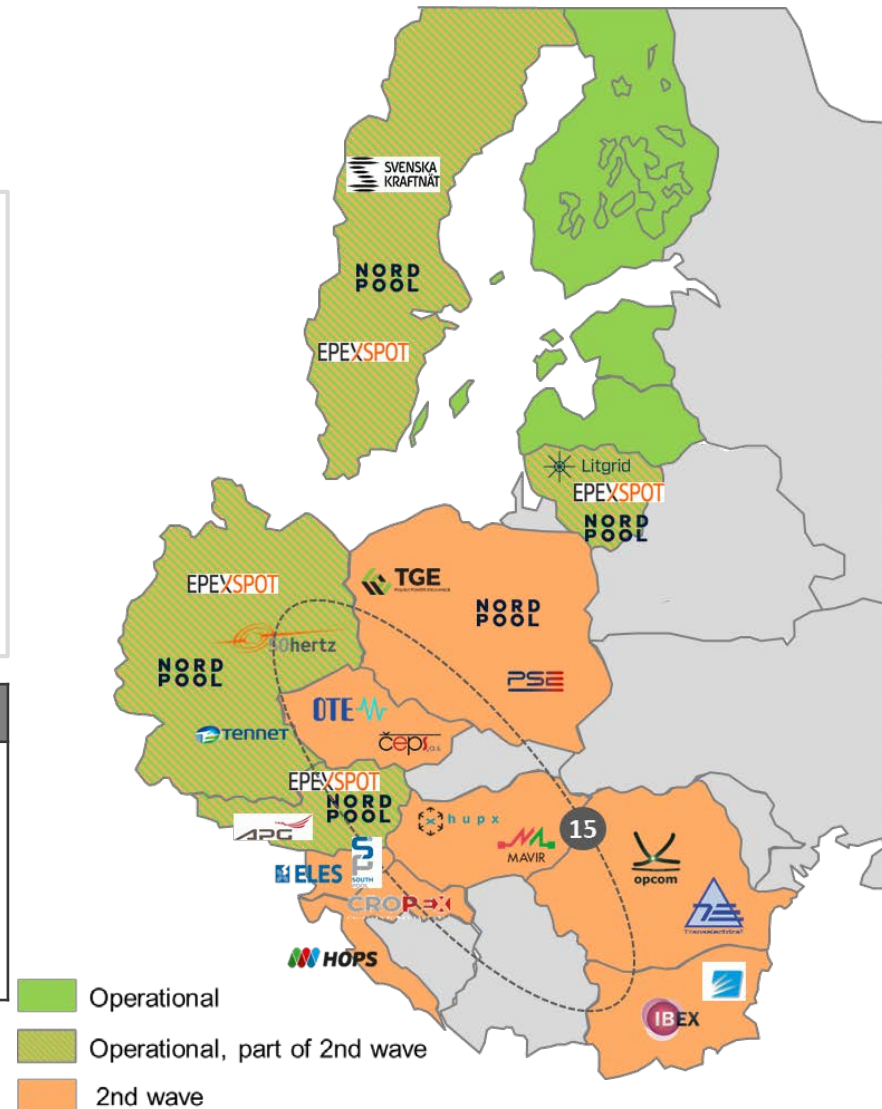
Month	In Million trades / month
Jun 2018	0.490
Jul 2018	0.856
Aug 2018	1.092
Sep 2018	1.065
Oct 2018	1.414
Nov 2018	1.304
Dec 2018	1.579
Jan 2019	1.534
Feb 2019	1.466
Mar 2019	1.763
Apr 2019	1.890

## Single IntraDay Coupling – XBID

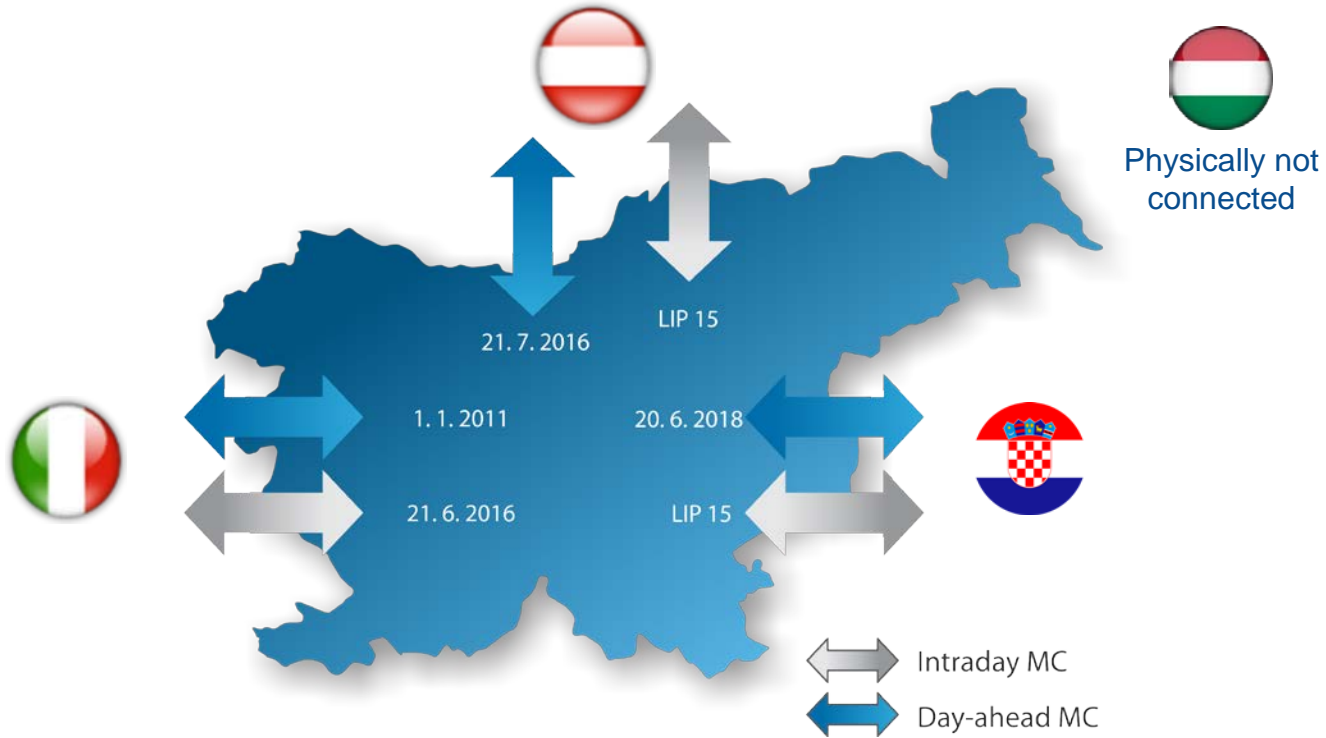
### 2<sup>nd</sup> Wave Go-Live

- Go-Live Scheduled prior to end of 2019
- 7 MSs – Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania & Slovenia (subject to successful testing)

LIP	Participants
<div style="background-color: black; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">15</div>	<p><b>NEMOs:</b> BSP, Cropex, EPEX, HUPX, IBEX, Nord Pool, OPCOM, OTE</p> <p><b>TSOs:</b> 50Hertz, APG, CEPS, ELES, ESO, HOPS, MAVIR, PSE, Transelectrica, TTG</p>

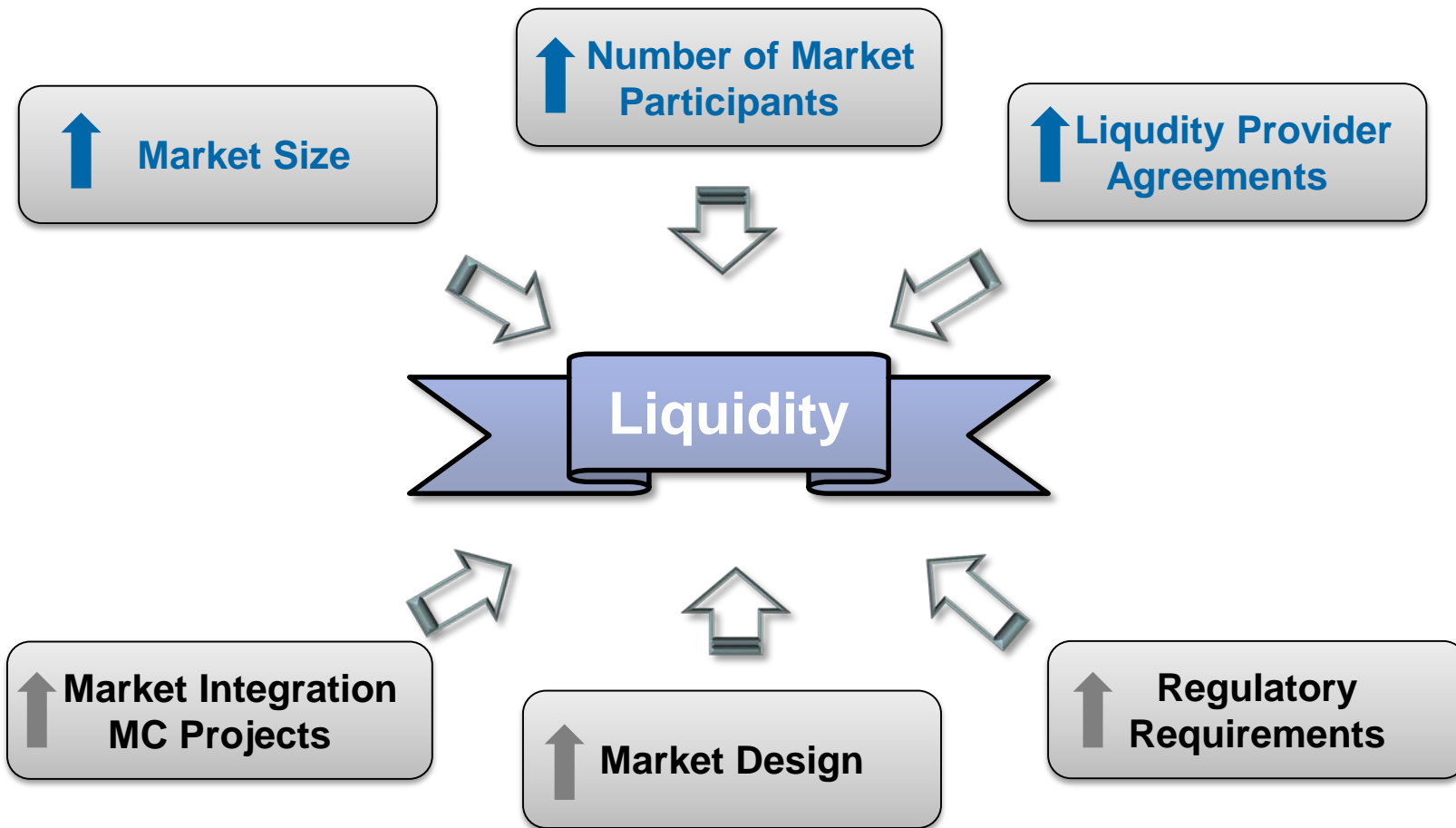


## Market Coupling in Slovenia



What next?

## Main drivers behind liquidity growth



## Main elements of market design in Europe

- Coordinated explicit auctions for long term CBCs
- DA GCT at 12:00; results publication at 12:52
- ID GOT at D-1 15:00; ID GCT D H-1
- European clearing and settlement cycle
  - XB Clearing in Euro
  - Payment cycle T+1 or T+2
- Regulatory changes
  - Legislation supporting bilateral trading and trading on PX
  - VAT Reverse Charge Mechanism
  - Abolishment of duties/fees for cross-border trading with electricity
- 365/24/7 trading

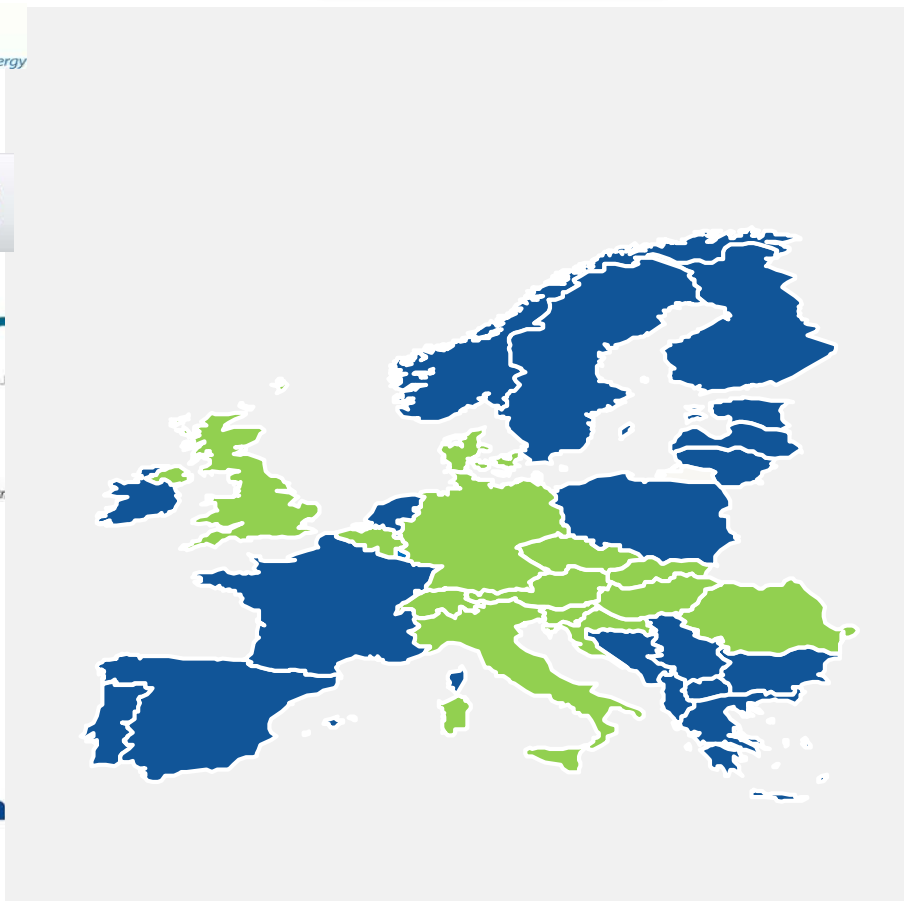


## Experiences learned from implicit allocation of electricity CBCs

- Removed risks (and additional costs) of trading transmission capacity and energy separately → one-step process;
- Maximizes utilization of allocated interconnection capacity → priority on interconnectors based on price difference between domestic and neighboring markets;
- Allows all spot market participants to benefit from cross-border access → increased number of market participants /reduced market concentration;
- Increases market depth and traded volumes especially → encourages liquidity share between coupled markets;
- Enabled formatting of market price indices → reliable price indices;
- Markets really merge into one single market when there is enough capacity → areas merge at that moment.

## INCREASED NUMBER OF MARKET PARTICIPANTS

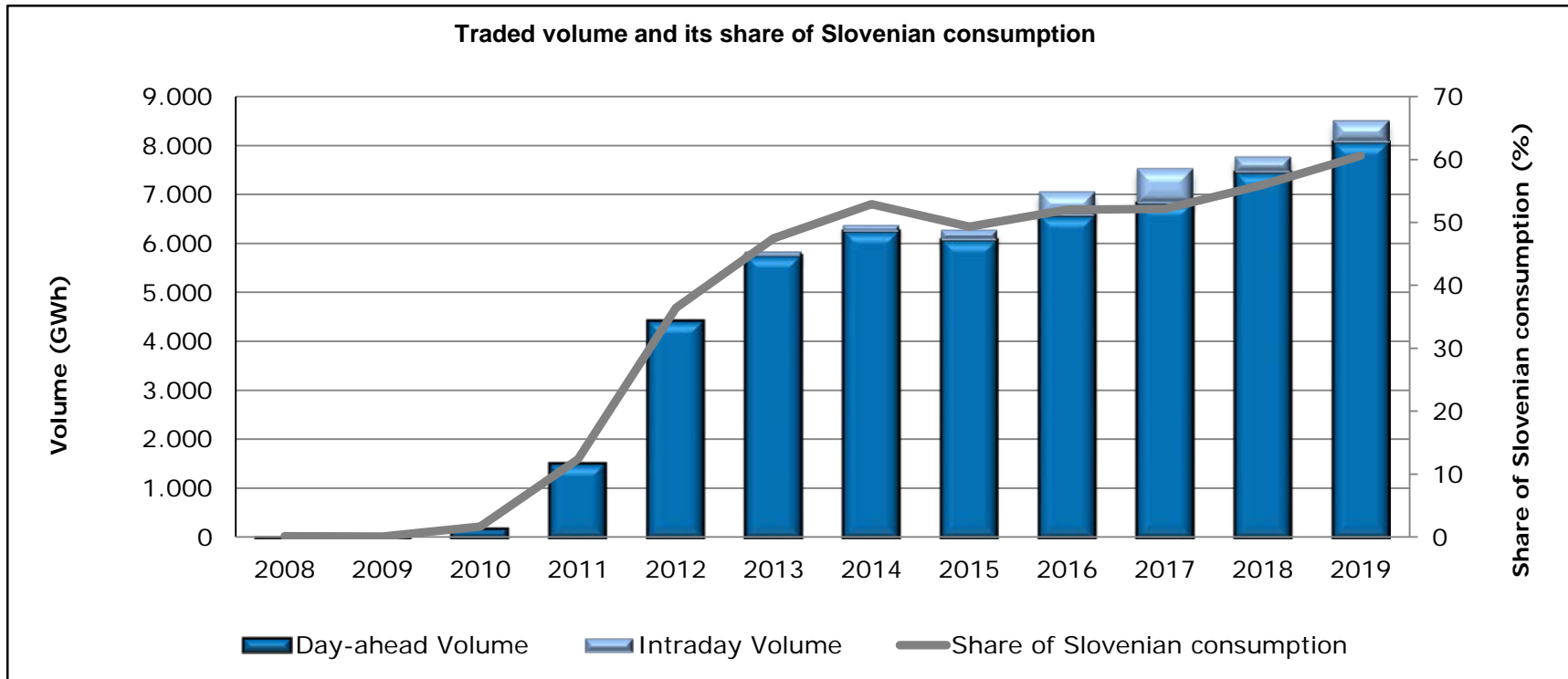
37 members  
13 countries



## Experience obtained from introduction of MC on SI-IT border

### INCREASED LIQUIDITY

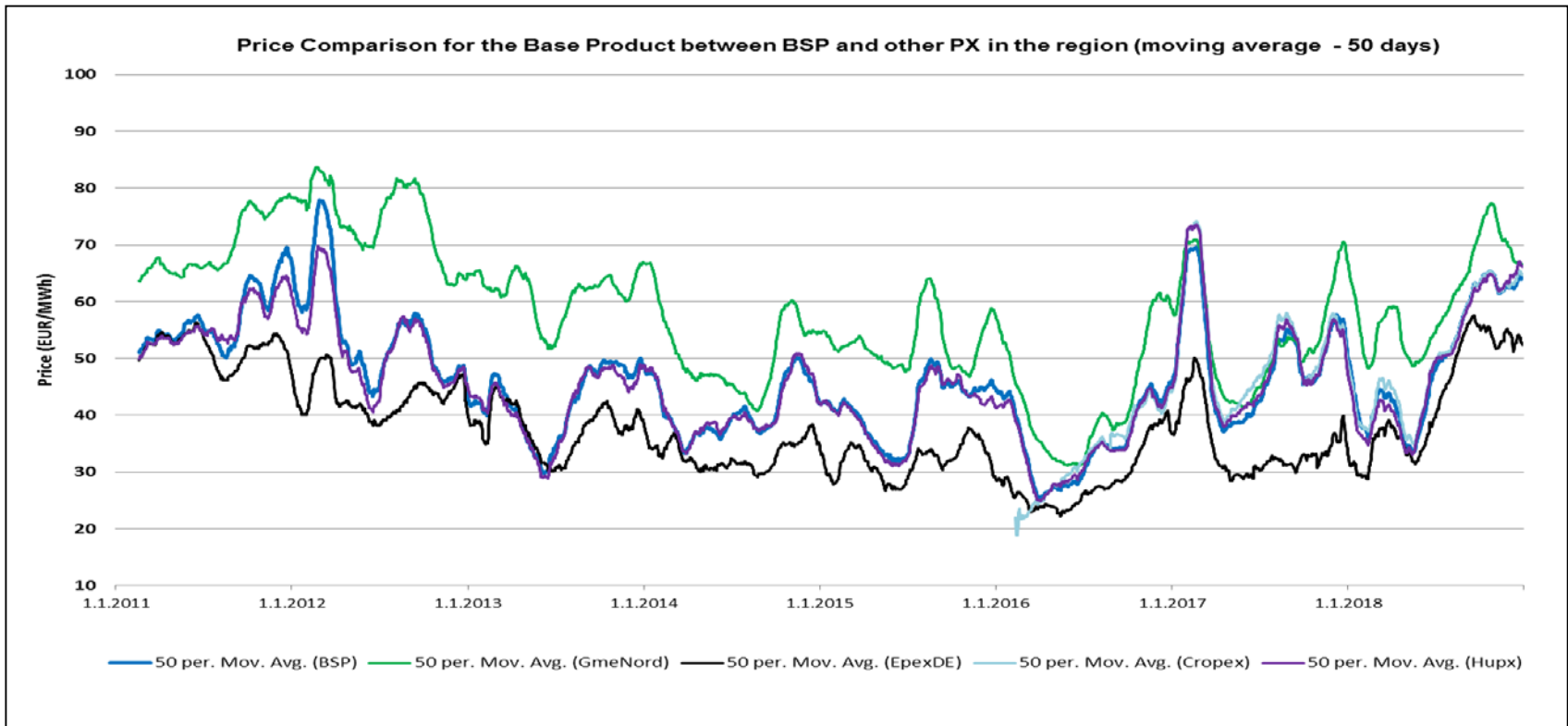
Increases market depth and traded volumes especially on SI DA market → encourages liquidity share between coupled markets



## Experience obtained from introduction of MC on SI-IT border

### RELIABLE SIPX INDEX

Enabled formatting of regionally recognized SI DA market price indices → reliable price indices



## Specific experiences obtained from introduction of MC on SI borders

PX	TRADED VOLUME (in TWh)		Δ (in %)	MEMBERS (in No. Mem)		Δ (in No. Mem)
SI-IT	0,195 (2010)	6,248 (2014)	<b>3.200</b>	26 (2010)	48 (2014)	<b>+22</b>
SI-AT (*)	5,931	7,013	<b>18</b>	39	37	<b>-2</b>
SI-HR (**)	7,195	7,608	<b>6</b>	37	36	<b>-1</b>

\*1.7.2015-30.6.2016 vs 1.7.2016-30.6.2017

\*\* 1.7.2017-30.6.2018 vs 1.7.2018-30.6.2019

	PRICE SPREADS (in €)		Δ  (in €)		PRICE CONVERGENCE (in %)		Δ (in %)
SI-IT	61,98 (GME 2010)	70,01 (GME 2011)	14,65	12,81	0,01 (BSP=GME 2010)	20,08 (BSP=GME 2011)	<b>20,07</b>
	47,33 (BSP 2010)	57,20 (BSP 2011)					
SI-AT (*)	29,02 (EPEX)	34,21 (EPEX)	9,41	10,18	4,39 (BSP=EPEX)	34,92 (BSP=EPEX)	<b>30,53</b>
	38,43 (BSP)	44,39 (BSP)					
SI-HR (**)	47,17 (CROPEX)	56,16 (CROPEX)	1,18	0,20	3,05 (BSP=CROPEX)	99,00 (BSP=CROPEX)	<b>95,95</b>
	45,99 (BSP)	55,96 (BSP)					

\*1.7.2015-30.6.2016 vs 1.7.2016-30.6.2017

\*\* 1.7.2017-30.6.2018 vs 1.7.2018-30.6.2019

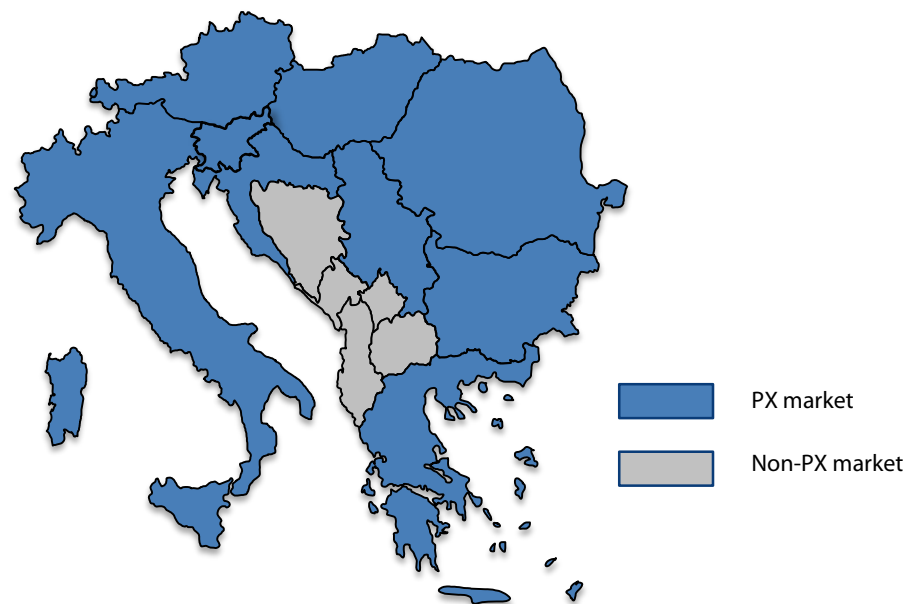
## Regional PX liquidity in 2018

Markets in the region with operating PX and sufficient market depth for formation of DA price indices

PX	VOLUME (in TWh)	CONSUMPTION (in TWh)	SHARE (in %)
GME	295,56	322,22	92%
EXAA	6,58	7,14	9%
BSP	7,77	14,37	52%
HUPX	19,91	42,50	47%
OPCOM	23,54	57,93	41%
HENEX*	51,58	51,58	100%
CROPEX	2,10	18,18	12%
SEEPEX	2,32	39,09	6%
IBEX	6,06	34,06	18%

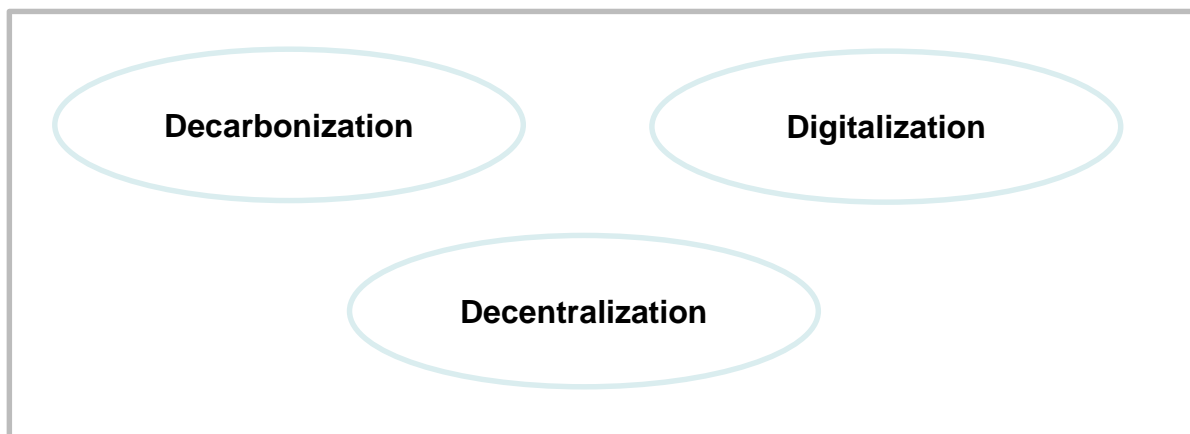
\*Mandatory Pool

Source: PX Annual Reports/webpage and ENTSO-E Factsheet



## Upcoming challenges

- *CACM implementation*
  - *Finalization of pan-European electricity market in line with Capacity Allocation and Congestion Management Guideline and other Network Codes*
  - *Implementation of CACM on the markets out of current geographical scope of SDAC and SIDC*
- *Implementation of Clean Energy Package requirements → 3 Ds*



Direct impact on PXs – i.e. introduction of 15 minute products

# Thank you for attention!

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We keep you well informed!

