



**INDEPENDENT
BULGARIAN
ENERGY EXCHANGE**

**IBEX'S INVOLVEMENT IN MARKET COUPLING
BETWEEN THE COUNTRIES IN SEE REGION AND
ITS INTEGRATION INTO THE INTERNAL ENERGY
MARKET**

7th REGIONAL ENERGY CONFERENCE

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Sofia, 14th of November 2017



Agenda



Integration processes legal basis and concept for regional integration

IBEX role in the integrational organizations

Status of single day-ahead market coupling and SEE region

IBEX DAM coupling potentials

IDM coupling perspectives

Further actions for regional integration and the way forward



Integration processes legal and organizational basis

SDAC AND SIDC GOVERNING METHODOLOGIES

All NEMO methodologies and proposals submitted to all NRAs

INTERIM NEMO COMMITTEE

Entry into force Interim NEMO Committee established to coordinate and make possible the “all NEMO” tasks execution.

THIRD ENERGY PACKAGE

EU legislative for an internal European gas and electricity market

WORKING GROUPS

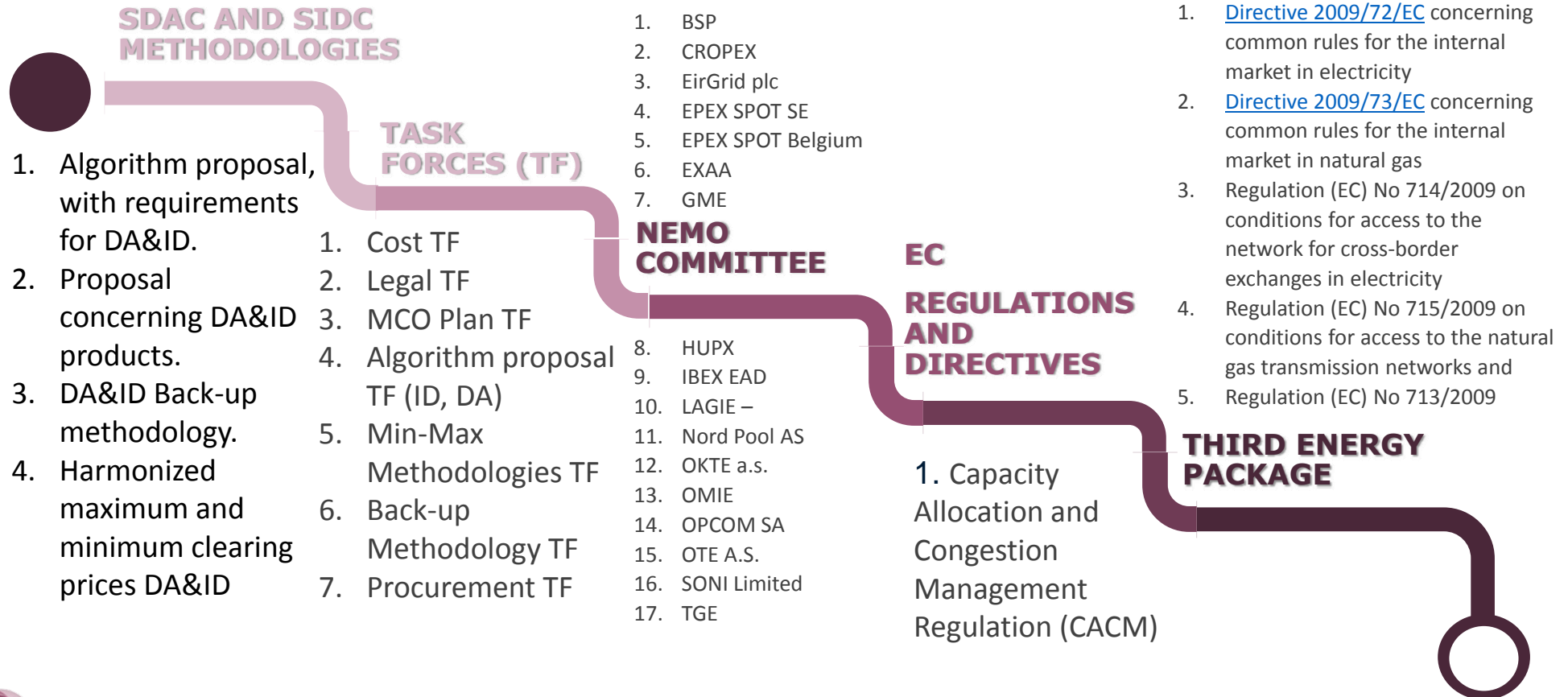
TASK FORCES

7 TF in INC established to produce the MCO plan proposal and the methodologies.

EC REGULATIONS AND DIRECTIVES

1222/2015 EC Regulation (CACM) established terms, goals and procedures for SDAC and SIDC.

Integration processes legal and organizational basis



Integration processes legal and organizational basis

CACM is an important step in implementing a **'Target Model'** for the design of European electricity markets.

Harmonisation

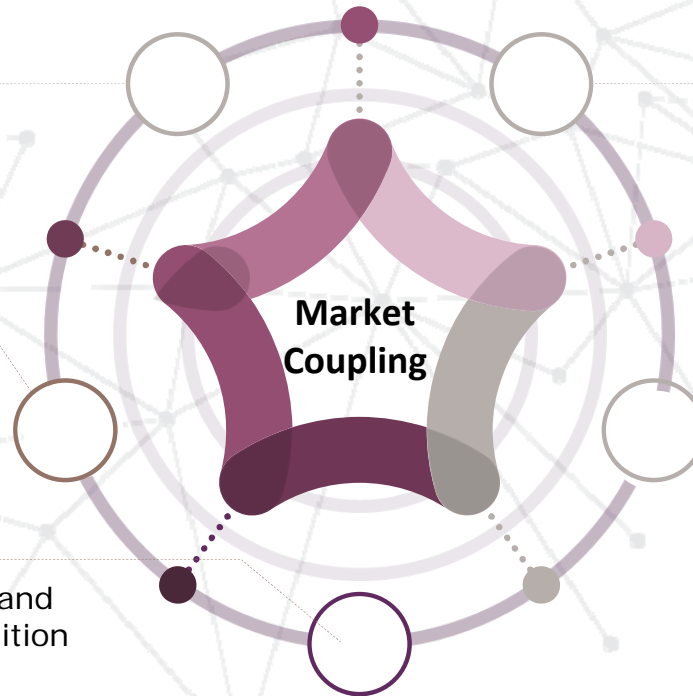
- Common rules for electricity trading

Capacity calculation

- Flow-based method

Increased liquidity

- More cross-border trade and positive effect on competition



Aggregation

- Allows for RES integration, capacity markets, security of supply and correct investment incentives

Capacity allocation

- Market coupling algorithm to match demand (orders) and supply (capacities) in a way that optimizes interconnection capacity (power flows from low to high price areas)
- Implicit auctions

Integration processes legal and organizational basis



1 CACM

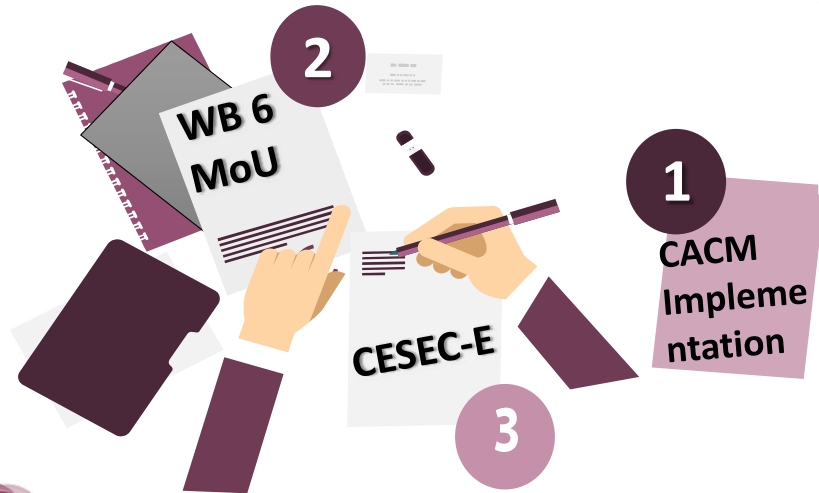
Regulation on Capacity Allocation and Congestion Management (**CACM**). Legal obligation to link SEE region to EU countries.

2 WB 6 MoU

Western Balkan 6 MoU - targets for WB6 market coupling and cross-border balancing until mid 2018.

3 CESEC-E

Memorandum of Understanding complementing the Central and South-Eastern European Connectivity (**CESEC**) initiative with a Joint approach on electricity market, energy efficiency and renewable development



Integration processes legal and organizational basis

Joint approach for solutions

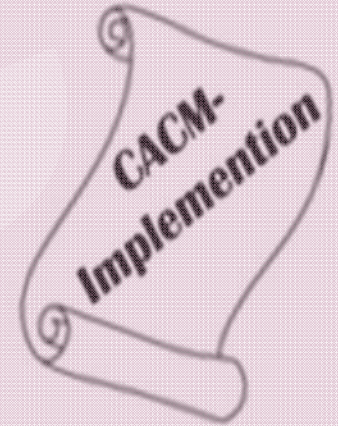
Initiatives for close coordination

Technical & political discussions

Stable regulatory framework



JOINT measures to integrate SEE markets into the EU energy market



IBEX role in the integrational organizations



MRC – full membership as from January 2016, aiming for coupling of the national DAM;



PCR – associate membership as from December 2015. Price coupling of regions is a initiative of the 7 biggest European power, owning the EUPHEMIA algorithm;



EUROPEX – membership as from February 2016. EUROPEX is the association of all the European power exchanges;



XBID – associated membership as from March 2016. XBID (Cross Border Intraday) initiated from 7 European power exchanges, and TSOs of 12 of the member states for implementation of the integrated technical solution ensuring SIDC;



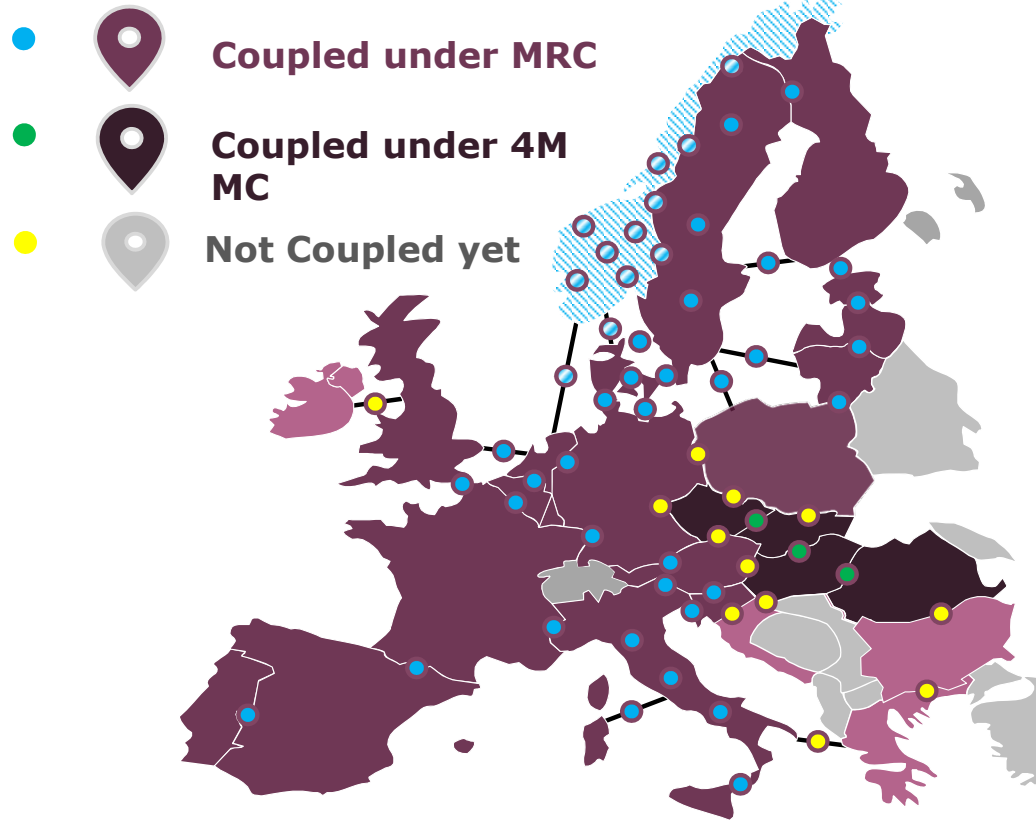
NEMO – in January 2016 IBEX was officially appointed as a Nominated Electricity Market Operator (NEMO) by the Bulgarian national regulatory authority (EWRC).



INC – Committee, organized by all the NEMOs aiming at the execution of all the tasks related with the coupling of the day ahead and the intraday markets in Europe in compliance with the provisions of the EC Regulation 1222/2015 (CACM).

WB6 initiative – The initiative supported by the European Community, aiming the inclusion of the west Balkan's countries that are not EU members to the European target model for SDAC and SIDC, by adopting the respective legislative framework.

Status of single day-ahead market coupling



Today:

80% of borders coupled

46 borders coupled in a single coupling

3 borders coupled separately

12 borders still waiting for coupling

Final goal:

EU-wide day-ahead market coupling with implicit auctions

*ACER Monitoring report 2016

SEE regional integration

Capacity calculation region 11: South East Europe (SEE)

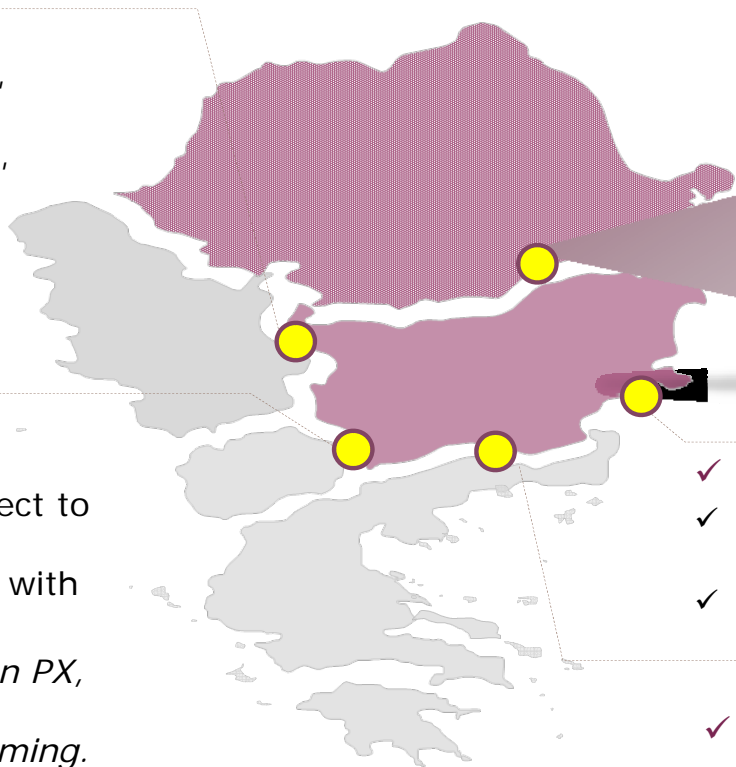


IBEX DAM coupling potentials

Other coupling potentials?

- ✓ **Serbia** have already a DAM (since 17.02.2016), but not an EU member,
- ✓ Energy Package adopted,
- ✓ Relevant regulatory framework (e.g. CACM) not adopted.

- ✓ **Macedonia** – non EU member, the coupling potential is only a subject to **medium term investigation** process with a prerequisites:
 - *Functioning Macedonian PX, in line with the PCR procedures and MRC timing.*



Bulgarian PX is operating in isolated mode, as part of MRC from 19.01.2016.

WHY BG NOT TAKE PART IN 4MMC?

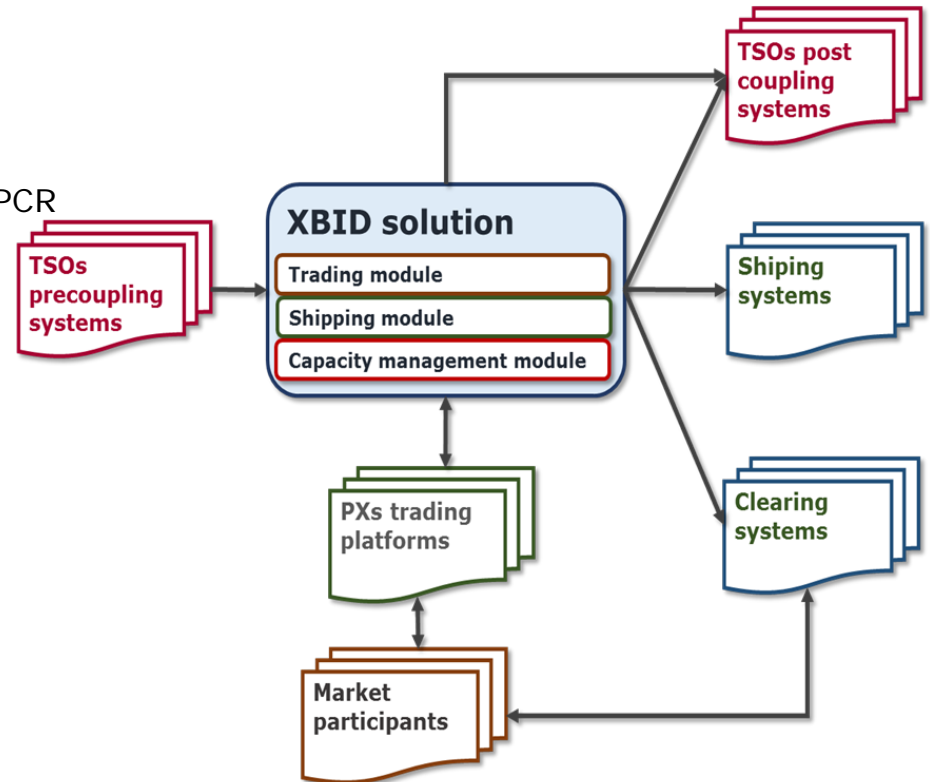
4MMC (Romania, Hungary, Czech, Slovakia) is running a local market coupling that have formally started the process of becoming part of MRC (where Bulgaria is already a part) at latest 2019;

- ✓ **Turkey** DAM being operational since 2011.
- ✓ Not EU member, but synchronised through ENTSO-e.
- ✓ Market coupling to Turkey could be investigated, but similarly to Serbia, the perspective is rather medium to long term.
- ✓ **Greece** – EU member, no PX market, part of the IBWT (Italian borders working table) coupling project with deadline 2020;

IDM coupling perspectives

XBID local projects, IBEX planned Go-live and principles

- ✓ Planned **Go-live – Q1 2018**;
- ✓ Cross zonal trading in continuous;
- ✓ Based on the technical solution set-up of different than PCR
- ✓ Already 15 local implementation projects,



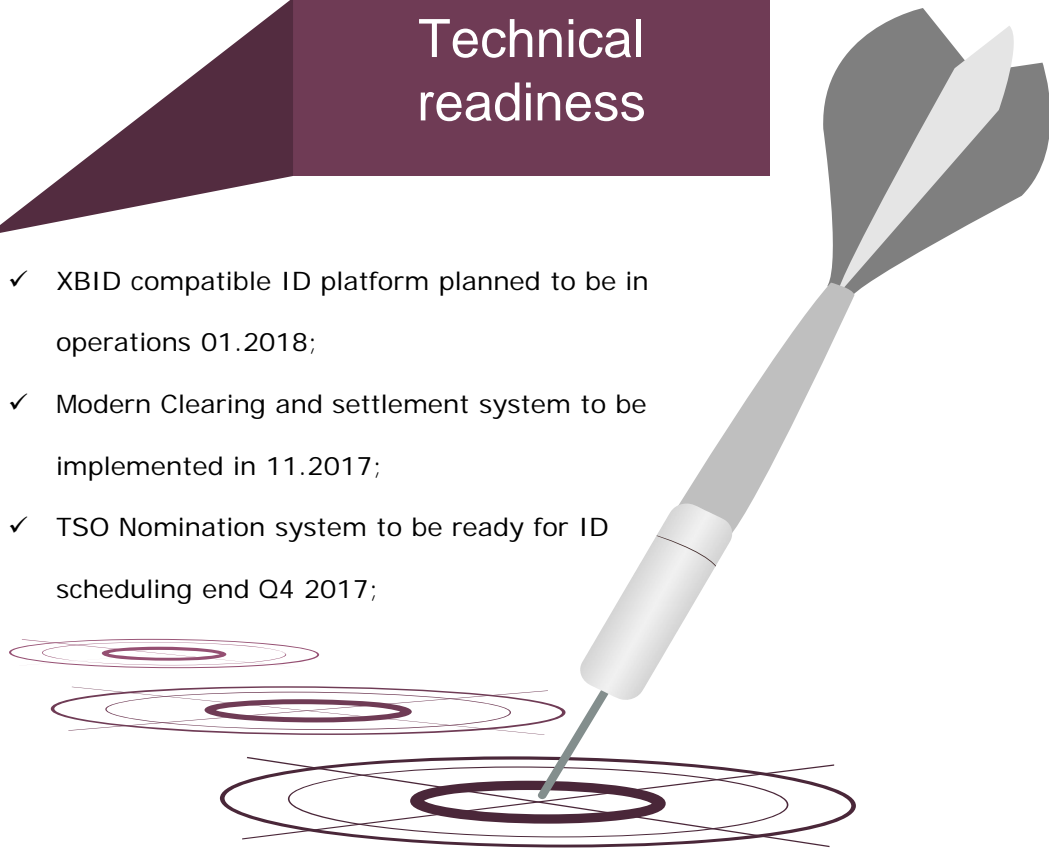
IDM coupling perspectives

Potential issues

- ✓ **Market Rules** amendments approval by EWRC;
- ✓ No **TSO – TSO cross border arrangements** for ID trading;
- ✓ No **available capacity** allocated ID;
- ✓ No relation between the **balancing and DAM prices**;
- ✓ No introduction of the **CfDs** and consequently no **RES producers** on the market;
- ✓ Transmission and access tariffs applied on the export will block the market coupling.

Technical readiness

- ✓ XBID compatible ID platform planned to be in operations 01.2018;
- ✓ Modern Clearing and settlement system to be implemented in 11.2017;
- ✓ TSO Nomination system to be ready for ID scheduling end Q4 2017;



Further actions



2018

DAM market coupling project in development. IDM market in operations.



2019

DAM coupling on one or two borders. Project for IDM coupling in implementation.



2020

DAM coupling on four borders and ID coupling through XBID on BG-RO border. Potential for GAS market introduction.



2021

IBEX as a part of the single EU market – competition between PXs, no legal monopoly for NEMO designation, primarily price competition.



2022

IBEX – regional benchmark for power prices and leader in innovations!

The way forward?



- ✓ **Clear rules: National commitment for incorporating similar legislation harmonized with the EU target model;**
- ✓ **Functioning market based balancing mechanisms;**
- ✓ **Functioning national day-ahead markets in line with MRC governance model;**
- ✓ **Same gate closure time (12.00 CET);**
- ✓ **REMIT and transparency;**
- ✓ **Coordinated x-border allocations;**
- ✓ **Removal of Import and Export fees.**



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Thank you for your attention!
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November 14th, 2017, Inter Expo Center, Vitosha Hall, Sofia