

CZ-SK-HU Market Coupling Project



Mission and Vision

Background

Progressive interlinking and enlargement of the European local or regional electricity markets are considered by the EU bodies as an essential step towards the achievement of the European IEM whose completion is set for the end of the year 2014 by the European Council¹. The coupling of Czech, Slovak and Hungarian market areas should contribute to future market integration towards the European IEM and improve coordination of joint progress in market integration of the Parties. Therefore the Czech, Slovak and Hungarian Transmission System Operators (ČEPS, SEPS, MAVIR) and Power Exchanges (OTE, OKTE, HUPX) on the request from National Regulatory Authorities (ERU, URSO, MEH) started an integration process² that should lead to successful interconnection of the Czech, Slovak and Hungarian day-ahead spot markets based on Single Price Market Coupling principle. The project CZ-SK-HU Market Coupling has officially started 29th June in Budapest where parties to the project (TSOs and PXs) with presence of NRAs adopted the project goal to couple the markets by second quarter 2012.



The parties to the project acknowledge that European stakeholders recognise³⁴ the market coupling solution applied in CWE and foreseen NWE Region as a prosperous model for future congestion management method to be applied in the IEM. The Parties believe that by applying the already implemented implicit auctioning solution their approach complies with the *Single*

¹Conclusions on Energy, European Council 4th February 2011

²Memorandum of Understanding Cooperation Leading to Creating a Functional, Interconnected and Integrated European Internal Electricity Market signed 30th May 2011

³ NWE DA project is a pilot project

⁴ COSMOS algorithm has been selected by the PXs in the PCR project

European Model and with the ongoing market integration and development of the coordinated congestion management as required by the regulators and European Commission.

The Parties to the project take the agreed arrangement as a logical interim step before the subsequent integration with the CWE/NWE region as a major step towards to the complete and integrated IEM. Therefore, upon their accomplishment of the coupling, the Parties to MoU have an intention to initiate a further step towards an integration of markets in the CEE and CWE/NWE regions by the end of 2012⁵.

The project

The project organization aims to reach efficient coordination of work between PXs and TSOs in order to achieve successfully in time the goal – interconnected markets. The project team consists of three working groups managed by a Project Management group and supervised by a Steering Group that acts as a project sponsor and a last resort decision maker. The project structure respects roles and responsibilities of the parties in the envisaged Market Coupling solution. The project is fully transparent towards NRAs since they can participate in any WG meeting and are members of the Steering Group.

The solution for coupling of the markets strives to be compliant with current and future legislation and leading MC initiatives in EU. The Project Parties have selected to be fully compliant

with the CWE solution, which sets the foundation principles for the future NWE MC project. Therefore, the CZ-SK-HU project strives to be compatible using same principles, communication interfaces or data formats as in the CWE region. A major step forward was a decision to implement COSMOS as the algorithm to calculate daily market results. This algorithm is able to embrace all different constraints and product types that exist on CZ, SK and HU markets. Moreover, it allows for simple extension for new market areas or products. The TSOs have agreed to follow current common coordinated capacity assessment, to create a unique communication interface to the MC algorithm, and to harmonize with the TSO Common System implemented in the CWE region.

The project team endeavor to make the daily process of MC compatible with CWE MC. Its compatibility with NWE DA project is revised constantly.

A step towards the IEM

Coupling of Czech, Slovak and Hungarian electricity markets represents an important milestone for the market participants on the electricity market. Stakeholders of the project aspire to create a

Goals of the Project

- Increase the security of supply
- Provide harmonised, transparent and low-cost approach in cross-border capacity allocation to market participants based on Single Price Coupling principle and compliant with the EU target model
- Contribute to the IEM creation
- Improve efficiency of use of cross-border capacity
- Prepare for connection to the CWE/NWE region
- Implement a solution compatible with flow-based capacity calculation method.

⁵ As suggested by ACER in its Draft Cross-Regional road map for Day-Ahead Market Coupling

reliable, liquid, transparent and competitive electricity market based on agreed and shared principles within EU. The project would like to agree on a standardized procedure of connection with the CWE/NWE region that would set up a transparent and clear process of enlargement. This should allow establishing an open and efficient framework that would enable simple extension towards other market areas.

We expect other stakeholders to join the initiative. That is why the project is open to any market area that would like to participate.

How to join the project

- Send a letter of intent to Mr. Zoltán Medveczki⁶, the Project Manager of the CZ-SK-HU project, signed commonly by a respective:
 - National Regulatory Agency
 - TSO
 - Power Exchange
- After receiving the letter, the Steering Group will prepare during the following meeting next steps and initiate negotiations with the new market area representatives.

The project team will regularly issue a status report on latest progress and achievements and inform all relevant stakeholders.

⁶ HUPX, Zrt. Graphisoft Park – Building C, H-1031 Budapest, Hungary, Záhony utca 7.
medveczki@hupx.hu