



# **CROATIAN POWER EXCHANGE**

## **OVERALL PROJECT PRESENTATION**

**WORKSHOP**  
**Zagreb, 29<sup>th</sup> October 2015**

**Silvio Brkić, Director**

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## CROPEX WORKSHOP – MAIN MESSAGES

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- **CROPEX operational design finalised** (trading, clearing, settlement): details are being worked out
  - **Primary and secondary legislation adopted** or will enter into force soon (HROTE's Market Rules in force **mid November 2015**)
  - **On-going remaining EU (PCR / MRC) actions/approvals** are expected to be received **by end of November 2015**
  - **CROPEX Participant Rules, Trading Rules**: Croatian legal alignment underway
  - **CROPEX Admission process** : to start as soon subject preconditions met – **end November 2015**
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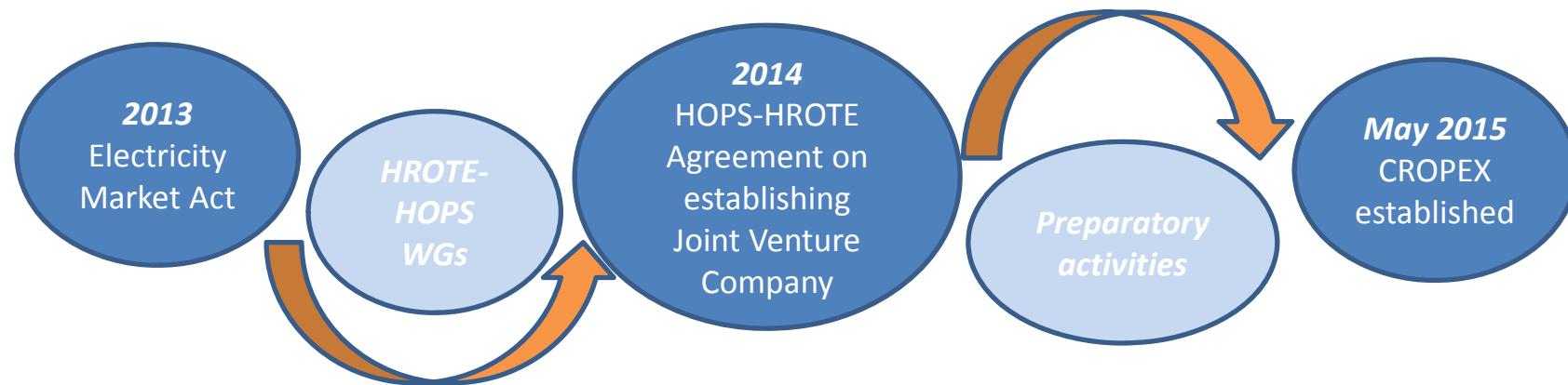
## **CROPEX AIMS TO PRESENT ...**

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- **Time-line of the project**
  - **Geographical and electric positioning**
  - **National, EU and regional SEE goals and perspectives**
  - **Primary and secondary legislation**
  - **State of play 2015:**
    - Trading, Clearing and Settlement, Admission
  - **Way forward 2015, 2016-2017**
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# CROPEX PROJECT TIME-LINE ...

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# GEOGRAPHICAL AND ELECTRICAL POSITION

**Thermal capacities of EU cross border transmission lines  
(long-term investments into transmission grid)**



**Maximum NTC values:  
significant in both directions**

Borders	NTC values (MW)
SIHR	1500
HRSI	1400
HUHR	1200
HRHU	1000

**HR-SI + HR-HU = CEE borders**  
**HR-B&H + HR-SRB = SEE borders**

**CROPEX = Ideal hub for trading electricity**  
**CROPEX = SEE BRIDGE TO CEE and EU**



# CROATIAN, EU AND REGIONAL PERSPECTIVES



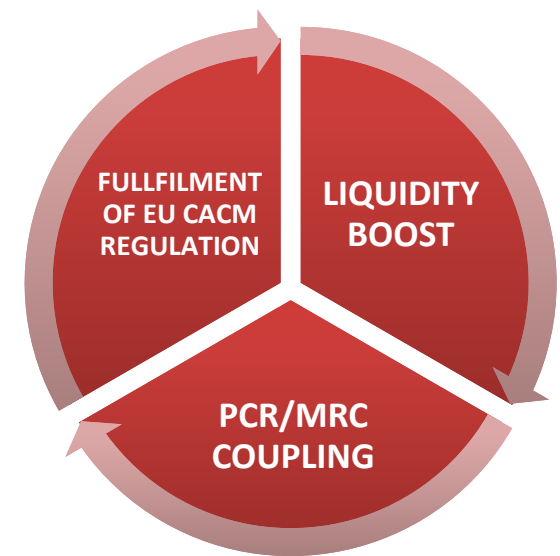
## CROATIA



## SEE REGION



## EU



## TODAY'S WHOLESALE ELECTRICITY MARKET

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- BILATERAL MARKET – electricity trading through bilateral contracts
- bilateral contracts between market participants: producers, suppliers, traders
- balancing energy contract: market participants with TSO
- 31 registered market participants:
  - 1 producer, 17 suppliers, 16 traders

## TODAY'S RETAIL ELECTRICITY MARKET

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- Customers supplied via suppliers (supply contracts)
- Market opening – 100 % from July 2008
- 17 registered suppliers (10 active)
- Around 16 % of customers changed incumbent utility supplier



## NEW MARKET MODEL: LEGISLATION

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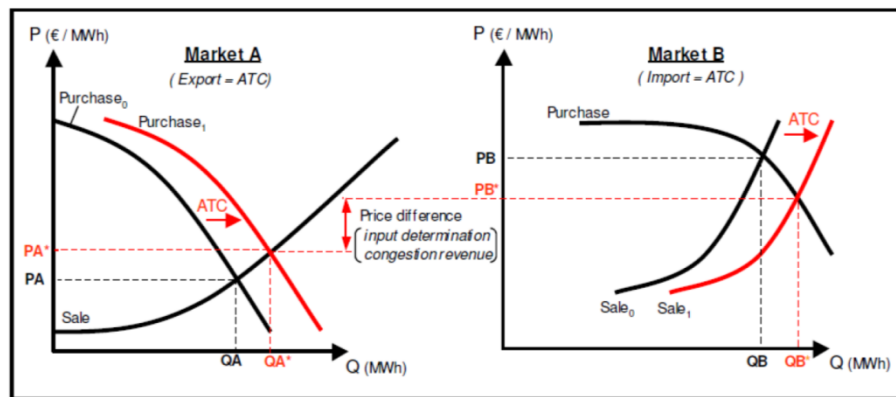
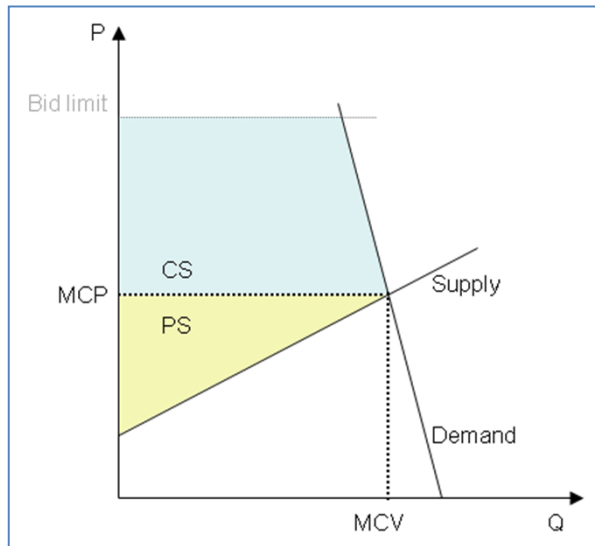
- Electricity Market Act (2013): Primary Legislation  
Amendments to the Act have been adopted in the Parliament
  - supportive to CROPEX and PXs in general
  - aligned with CACM Regulation
- New HROTE's Market Rules : Secondary Legislation  
Public Consultation ended on 21st September 2015
  - supportive to CROPEX
  - entry into force: **mid November 2015**
- Biggest news in new Market Rules:
  - Introduction of Balancing Groups Model
  - **Introduction of Power Exchange – DAM (immediate effect)**

## NEW ENERGY LICENSING CONDITIONS IN CROATIA

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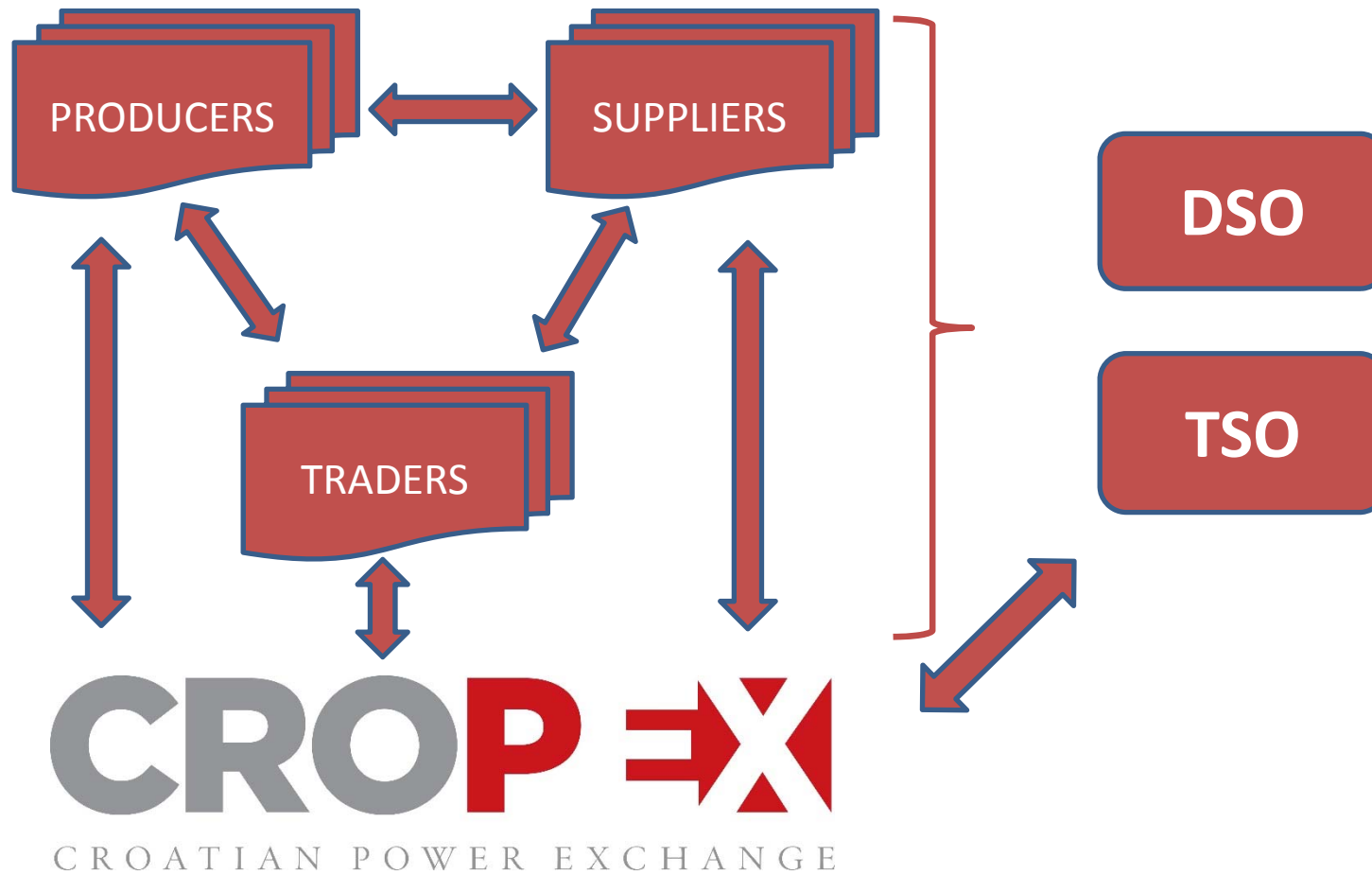
- **The latest by Ministry of Economy:**
  - New Rules on obtaining energy license were published on October 21<sup>st</sup> 2015 in OJ (144/2015)
  - the Rules will enter into force 8 days after date of publishing
- The Rules are fully in line with EU and EFET (European Federation of Energy Traders) requirements and recommendations
- **The Rules will enable EU and Energy Community traders to trade electricity in Croatia (bilateral and spot at CROPEX) without the need to register company or subsidiary for wholesale activities in Croatia**

# PX FUNDAMENTALS & BENEFITS



- Anonymous trading
- Transparent pricing
- Enables buyers and sellers to trade at the best prices
- Enables the Market Coupling with neighboring power exchanges
- Maximization of social welfare

## NEW MARKET MODEL



# **CROPEX – General info and activities**

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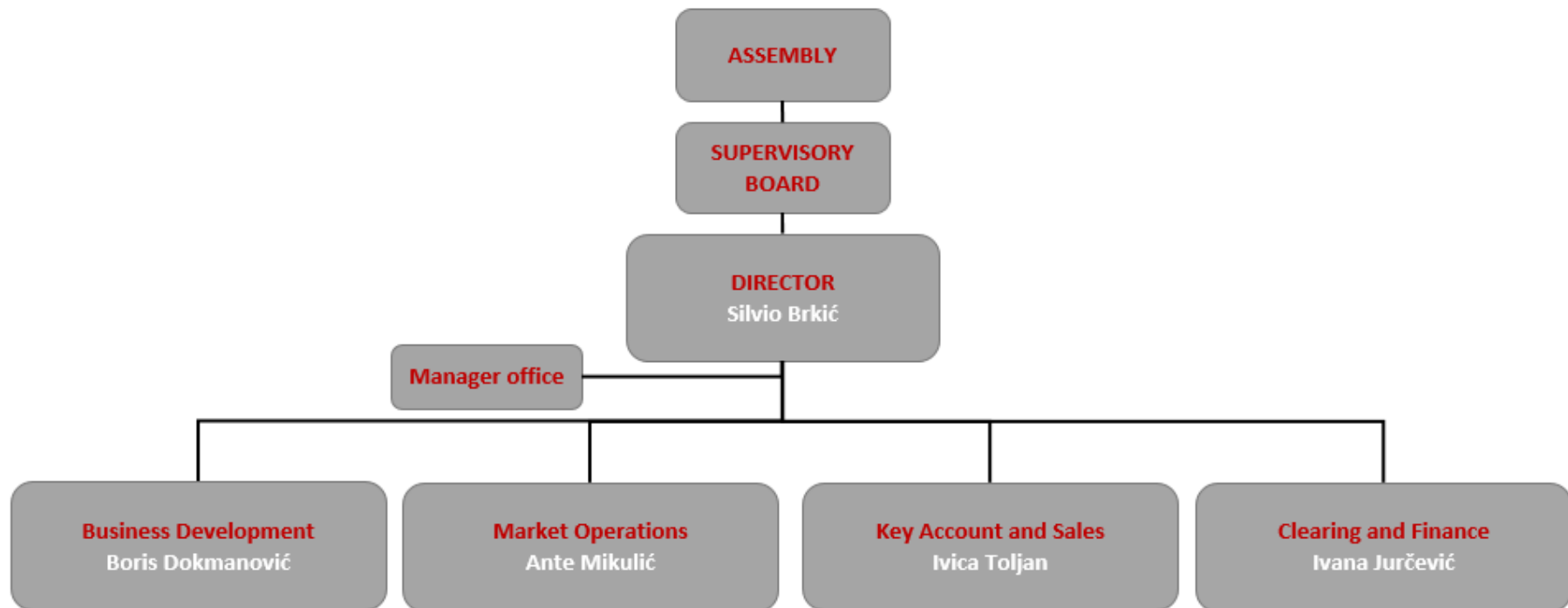
## GENERAL DATA

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- CROATIAN POWER EXCHANGE Ltd. - established on 20<sup>th</sup> May 2014
  - Company is owned in equal shares by CROATIAN ENERGY MARKET OPERATOR Ltd. (HROTE) and CROATIAN TRANSMISSION SYSTEM OPERATOR Ltd. (HOPS)
  - CROPEX seat: ZAGREB – CROATIA
  - Web: [www.cropex.hr](http://www.cropex.hr)
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# COMPANY ORGANIZATION WITH MAIN BUSINESS FUNCTIONS

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## BUSINESS MODEL & PRODUCTS – HIGHLIGHTS

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- CROPEX is PCR serviced power exchange (serviced by Nord Pool Spot, full PCR member)
- Product Order types: single hourly orders in first phase
- Trading in EUR (EU wide practice)
- CROPEX is Central Counter Party (CCP)
- Collaterals to secure and support trading: cash deposits, bank guarantees
- VAT reverse charge mechanism applied



## CROPEX – Nord Pool Spot Cooperation

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- Scope of the cooperation:
    - Establishment of competitive Croatian day-ahead power market
    - Joining of Croatian Day Ahead Market to EU Multi-Regional Coupling of power markets (MRC) as soon as possible (CROPEX is PCR serviced PX)
    - Possibility of implementation of intraday market in the later stage
  - CROPEX and NP Spot have signed **Memorandum on Understanding**:
    - Possibility to strengthen current cooperation model with regional SEE dimension included
    - CROPEX will following signed MoU jointly support creation of SEE spot markets
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## CROPEX – STATE OF PLAY 2015 (Croatian level)

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- Trading, clearing and settlement operational design finished
- Fine-tuning activities on:

*Participant Agreements*

*Trading Rules (clearing, settlement included)*

*Trading system implementation*

*Clearing and settlement systems implementation*

- Croatian legal check and harmonization underway
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## CROPEX – STATE OF PLAY 2015 (EU level)

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- **PCR OPSCOM** approval of RfC is given
    - final approval expected on November 9<sup>th</sup> at PCR Steering Committee meeting)
  - **PCR PMO and PCR Governance** demand CROPEX to sign new Adherence Form with two new PCR Full Members
    - **this new element introduces additional delay**
  - **MRC OPSCOM** approval is expected soon
  - Strong hope that all approvals by PCR SC/MRC JSC will be received **by end of November 2015**
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# CROPEX – EU Market Coupling activities (PCR/MRC)

## Time-line & Milestones

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**PCR associate member from 2014**

**EUROPEX full member from May 2015**

**MRC Observer status (Adherence Form signed on June 19<sup>th</sup> 2015)**

**CACM EU Regulation entered into force on August 14<sup>th</sup> 2015**

**CROPEX applied for DAM & ID NEMO to HERA on October 26<sup>th</sup> 2015**

**PCR Multi Liability Agreement : underway (approval expected by end of November 2015)**

**Market coupling on HR-SI border is underway  
(NRA, TSO, PX cooperation)  
– Kick-off meeting held in September**

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## CROATIAN – SLOVENIAN PARTIES COOPERATION

### MRC coupling project on HR-SI border

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- Kick off meeting of Slovenian and Croatian Parties (NRAs, TSOs, PXs) held in Ljubljana, September 2015
  - Both NRAs requested TSOs and PXs to start up activities for MRC coupling at the border
  - Precondition to start up: Croatian parties should sent letter to lead NRA E-Control and NWE CEE FB MC JSC - underway
  - MRC JSC parties officially informed on HR-SI MRC project on October 8<sup>th</sup> 2015 in Munich
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## WAY FORWARD (DAM ,ID)

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### 2015

- **Launch of local Croatian DAM (Q4 2015) – subject to approvals received**
- **Status of Croatian NEMO (Q4 2015) – application submitted to Croatian NRA HERA**

### 2016

- **MRC DAM coupling via HR-SI border**
- **Introduction of Intraday (ID) local market in Croatia**
- **Preparation for joining EU wide ID project XBID**
- **Support development of SEE spot markets based on comfortable, integrative and partnering approach**

### 2017

- **Introductions of new trading products**
  - **Full integration into XBID project**
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**THANK YOU FOR YOUR ATTENTION.**

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