

BSP SouthPool

Regional Energy Exchange

Implicit allocation of cross-border capacity: what are the main lessons learned from Italy-Slovenia market coupling?

Backgrounds for MC

- In April 2008 BSP Regional Energy Exchange (branded BSP SouthPool) in Ljubljana (Slovenia) was founded; Borzen and ELES co-own the company in equal share.
- MC on SL-IT border implemented as of 1 January 2011.



CAO allocates Y, M and DA cross-border transfer capacities on a **market-based method**, at coordinated **explicit auctions** for the allocation of transfer capacities.



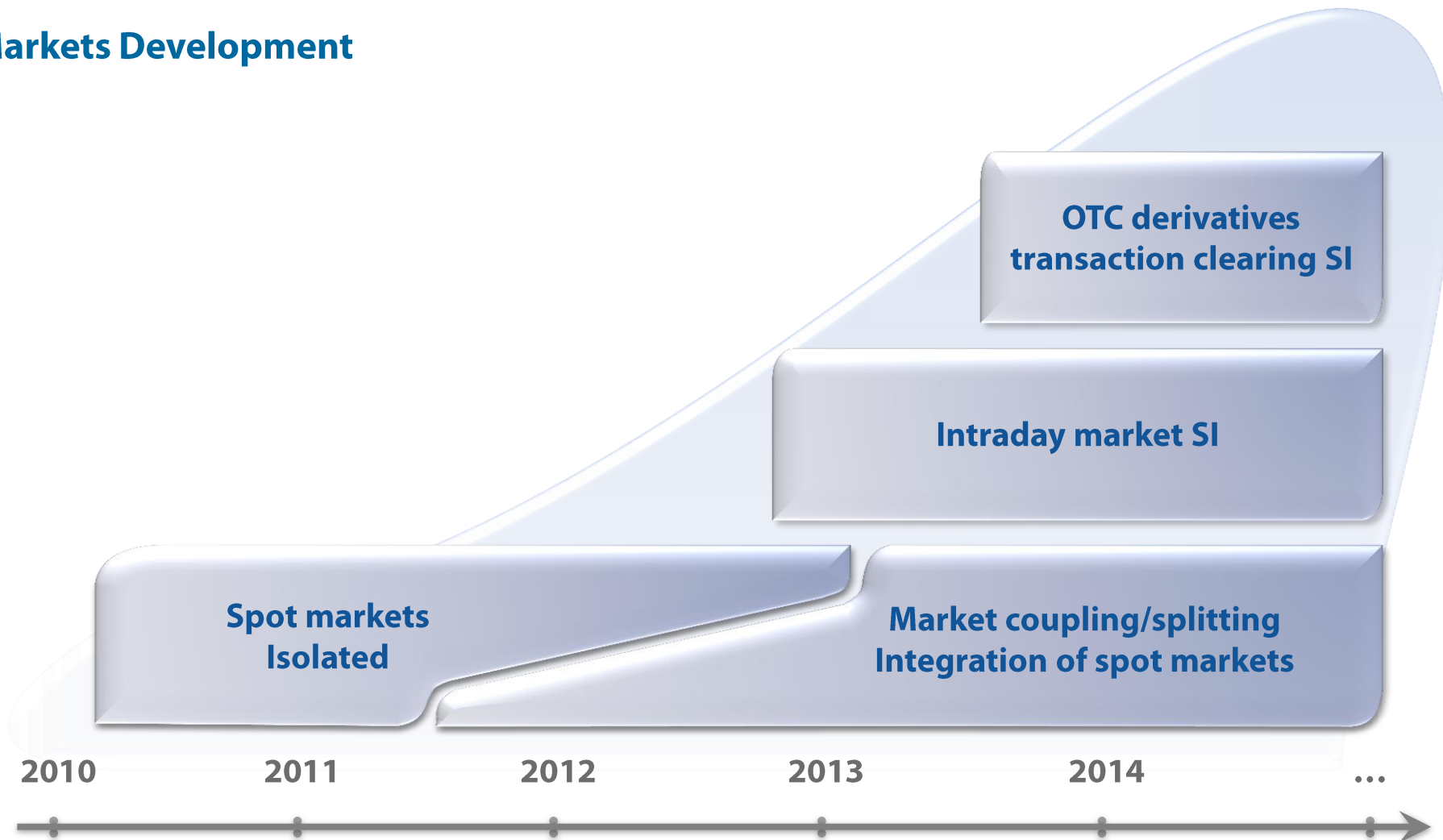
BSP and GME allocate DA cross-border transfer capacities on a **market-based method**, at **implicit auctions**.



CASC allocates Y, and M cross-border transfer capacities on a **market-based method**, at coordinated **explicit auctions** for the allocation of transfer capacities.



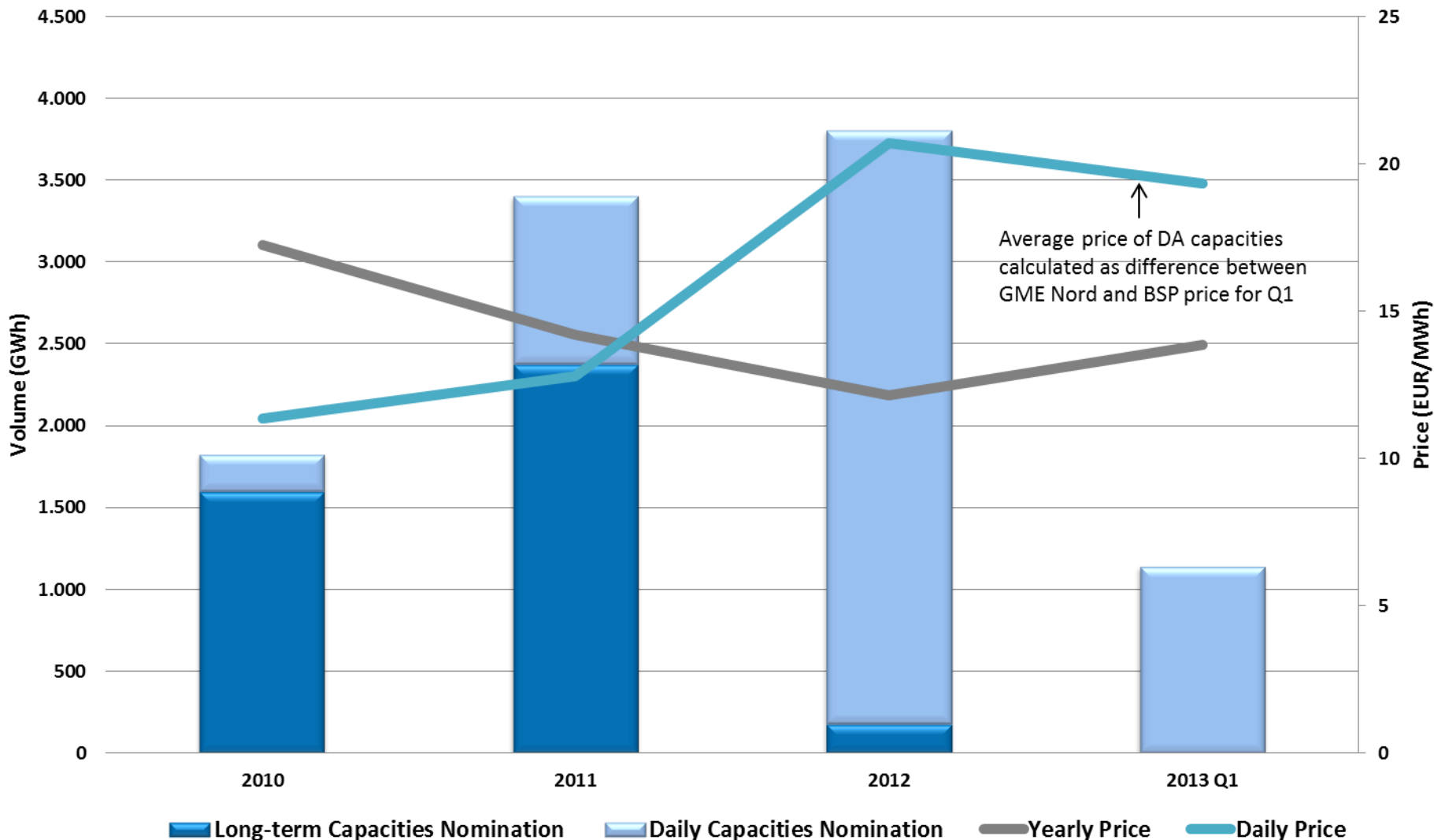
Markets Development



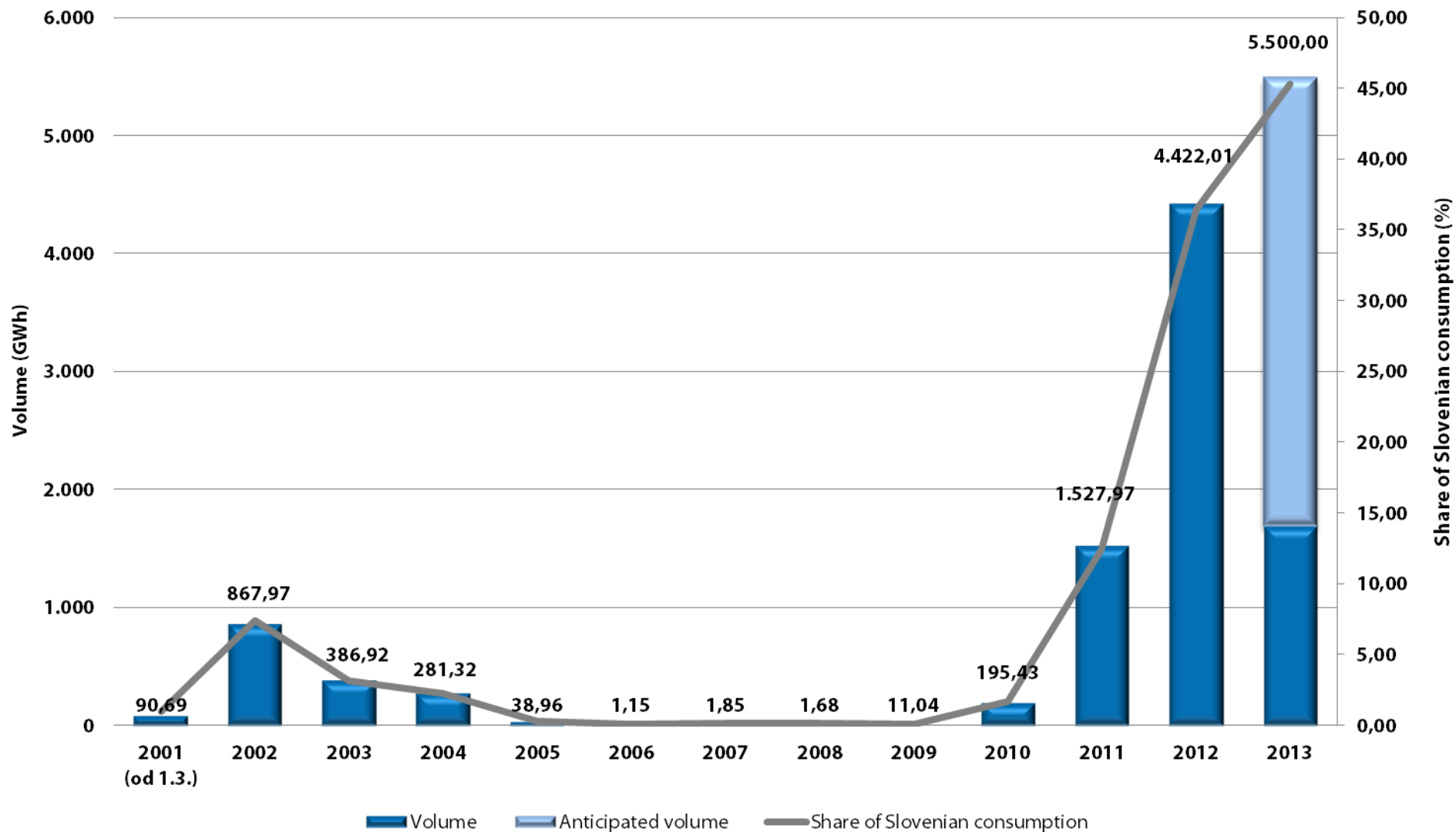
Experience learned from implicit allocation of electricity and SI-IT DA cross border capacities at BSP hourly auction

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

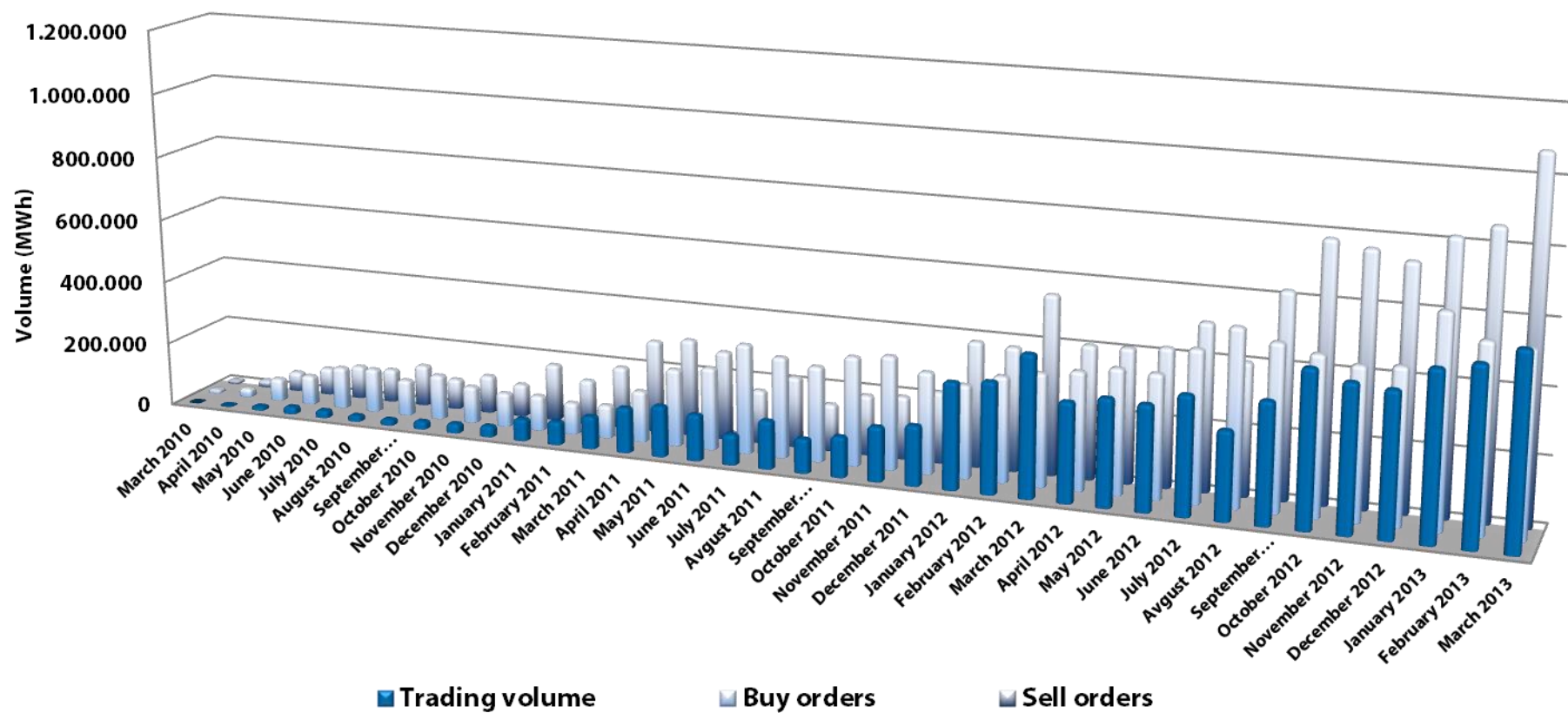
Capacities nomination from Slovenia to Italy with capacities prices in the period from 2010 to 31.03.2013



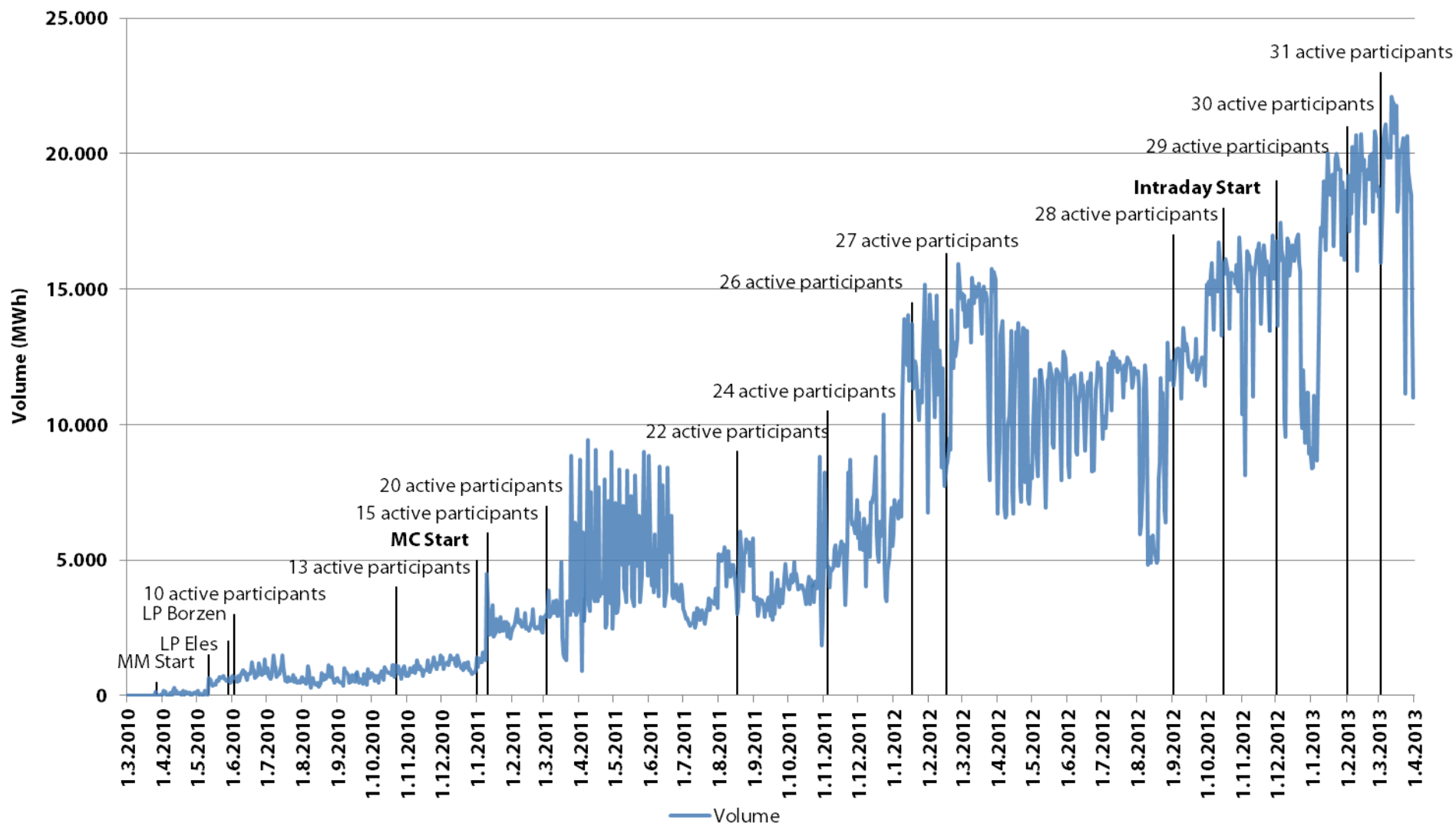
Traded volume and its share of Slovenian consumption



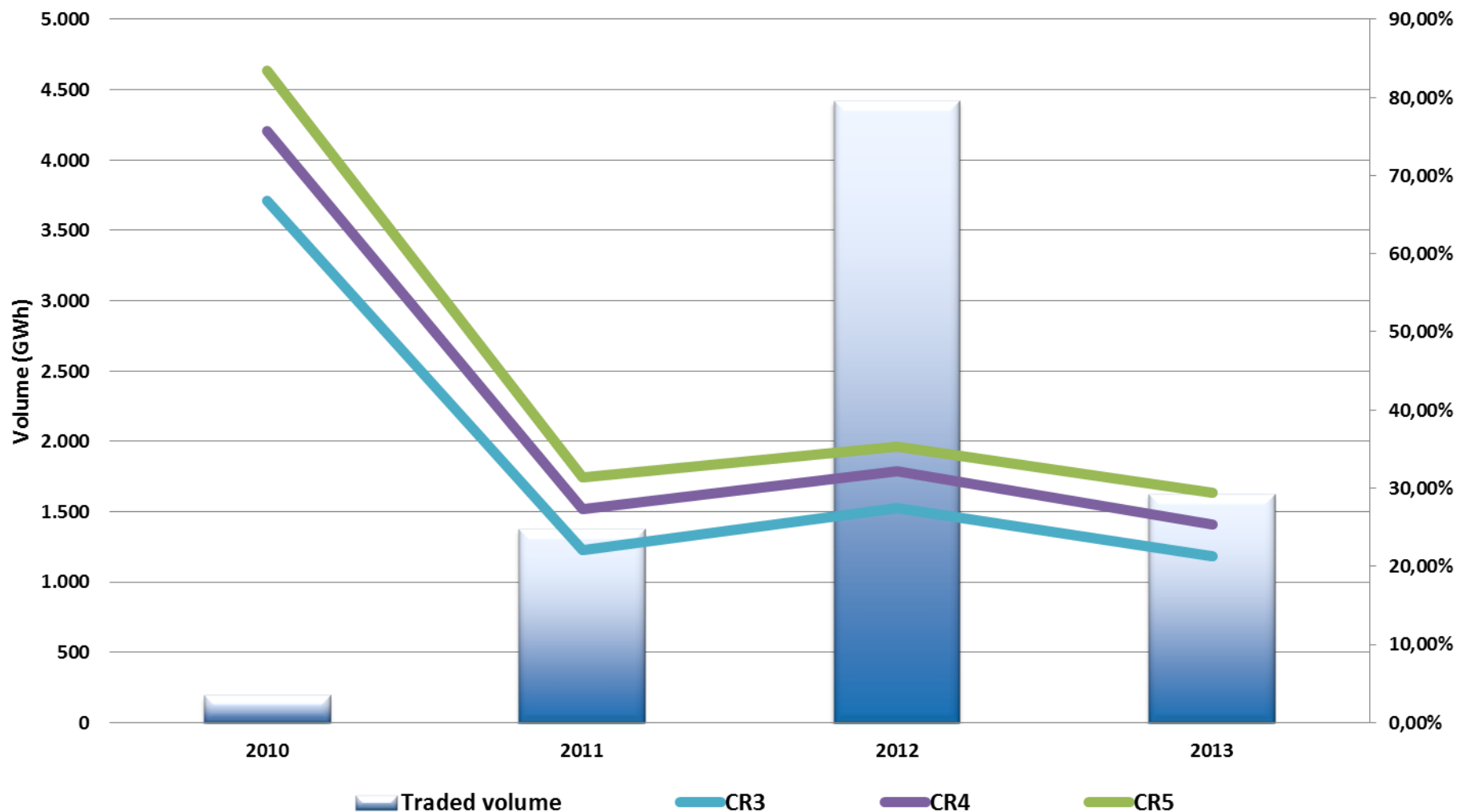
Volume of entered orders and total traded volume at the Slovenian DA market



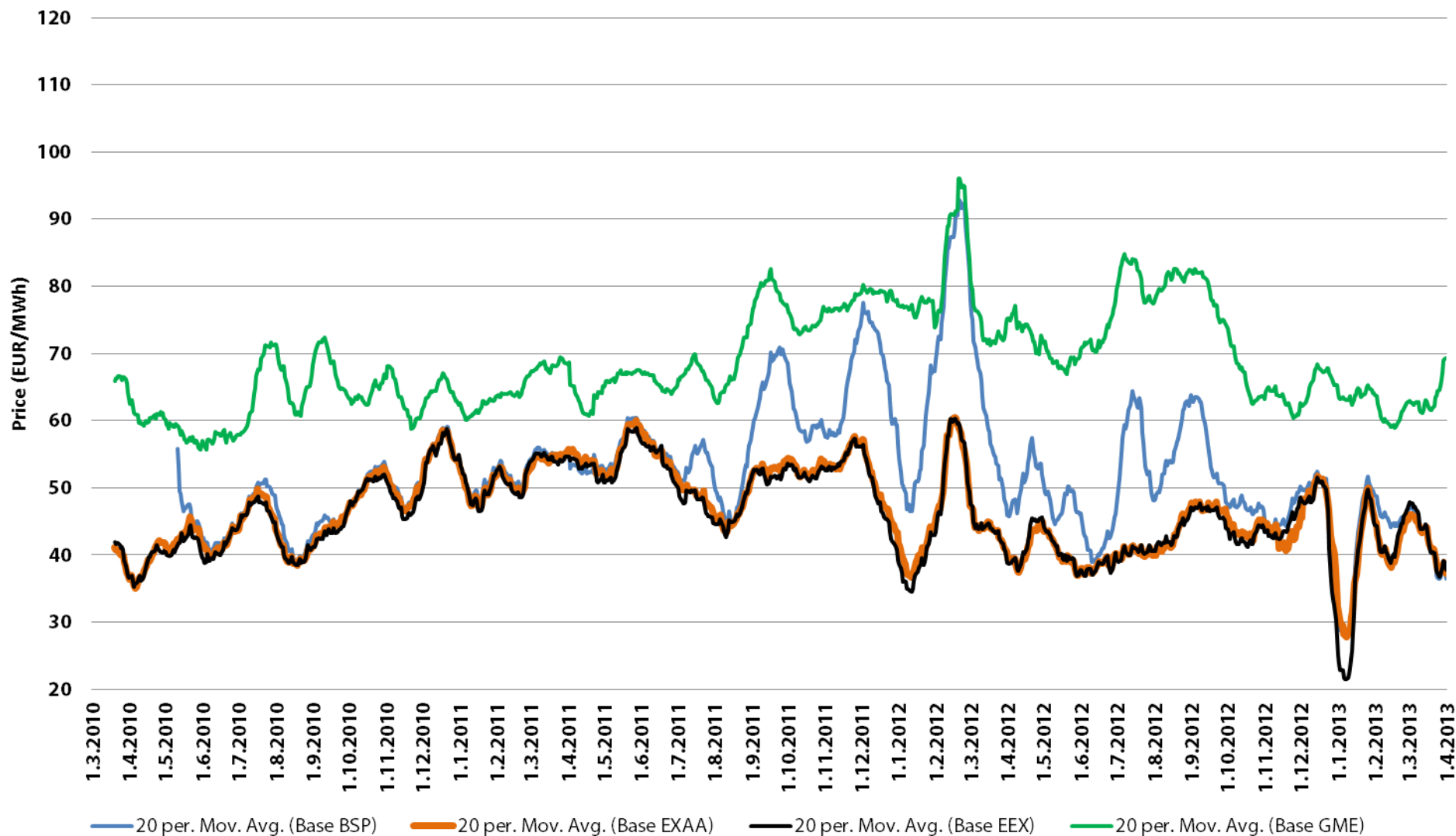
Traded volume and number of active participants



Concentration rate of traded volume for first 3/4/5 market participants in the period from 2010 to 31.3.2013



BSP prices for DA Base product versus neighboring PX DA Base product prices



Overcoming the Market Fragmentation

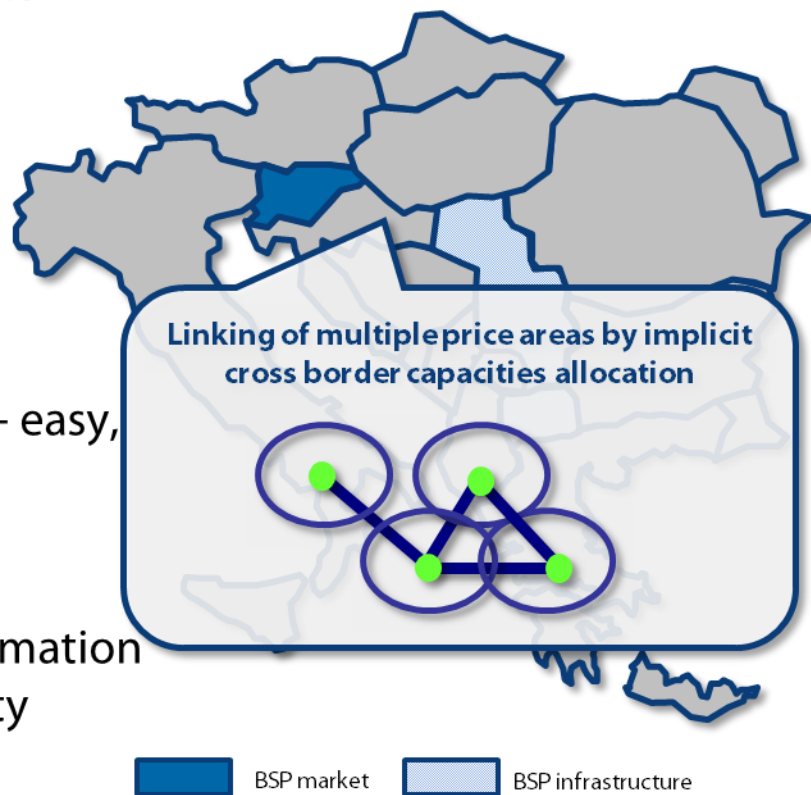
- BSP has committed to promote effective implicit allocation of cross-border capacity
- With all relevant stakeholders (Regulators, TSOs, PX) - involvement in the region-wide implicit market coupling

Development Stage I.

- Region-wide price formation - initially multiple national markets price formation
- Removing obstacles to trade across the region - easy, transparent and non-discriminatory access to the market, standardization of products etc.

Development Stage II.

- Market coupling – integrated regional price formation
- Implicit allocation of DA interconnector capacity



Anže Predovnik

Acting General Manager

BSP Regional Energy Exchange

Dunajska 156, SI-1000 Ljubljana

T +386 1 620 76 71

anze.predovnik@bsp-southpool.com

www.bsp-southpool.com