SEEPEX
Serbian Experience

04/12/2017 / Miloš Vučković
- Today I will be presenting to you key facts about SEEPEX and their regional power exchange developments.

- I am coming from Karanović & Nikolić, regional legal practice, operating in the SEE region, with extensive experience in energy related legal work.

- Our regional Energy & Infrastructure Practice Group provides services to a number of clients throughout the region.
SEEPEX’s ID

— SEEPEX is SEE power exchange operating in Serbia.

— It is operated by SEEPEX a.d., joint stock company owned by EMS, the Serbian TSO (75%) and “EPEX SPOT” S.E., European power exchange (25%)

— The exchange started its work on the 17th of February 2016, although it was initially planned to commence with their operations in 2010.
Rules and Documents

— The operations of SEEPEX and its members, as well as trade at SEEPEX, are regulated by the SEEPEX Exchange Rules.

— These Rules comprise of the following:
  ▪ Operational Rules;
  ▪ Code of Conduct;
  ▪ Exchange Rules; and
  ▪ Trading Agreement.

— In addition to the Trading Agreement, the Members are also required to enter into a:
  ▪ Balance Agreement
  ▪ Clearing Agreement
Purpose of SEEPEX

— The SEEPEX objective is to ensure a transparent and reliable wholesale price formation mechanism on the power market by matching supply and demand at a fair and transparent price and ensure that all transactions concluded at SEEPEX are finally delivered and paid.

— SEEPEX provides a market place where exchange members send their orders to buy or sell electricity in determined delivery areas. Its role consists in matching these orders in a transparent manner, according to public market rules which among others describe the priorities and algorithms used for the matching of orders.

— SEEPEX’s role is also to strengthen the confidence which the market and the public have in the markets of SEEPEX, its pricing mechanisms and the reference character of the exchange prices.

*source: web page of SEEPEX*
State and Regional Context

- SEEPEX in Serbia – the only license holder for management of an organised electricity market
- Serbia as the Balkan crossroad – 8 neighbouring countries
- Spot Market Development in the Region: the WB6 context
- Serbia is ahead of neighbouring countries according to the WB6 Electricity Monitoring Re
**SEEPEX Products and Trading**

- Day ahead market
- Single Order as standard product
- Block order as a 2017 novelty
- No forwards at the moment
- Intra-day market is not realistic at this trading volume
- SEEPEX share on the wholesale market in 2016 between 1.29 – 3.96%
- 2016 trading in numbers:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base price MAX (day)</td>
<td>63,14 €/MWh</td>
</tr>
<tr>
<td>Peak price MAX (day)</td>
<td>75,72 €/MWh</td>
</tr>
<tr>
<td>Average price (month)</td>
<td>34,75 €/MWh</td>
</tr>
<tr>
<td>Price MAX (hourly)</td>
<td>93,63 €/MWh</td>
</tr>
<tr>
<td>Base volume MAX (day)</td>
<td>7177,0 MWh</td>
</tr>
<tr>
<td>Base volume SUM (year)</td>
<td>533270,1 MWh</td>
</tr>
<tr>
<td>Average monthly volume (year)</td>
<td>1676,95 MWh</td>
</tr>
<tr>
<td>Volume MAX (hourly)</td>
<td>441,7 MWh</td>
</tr>
</tbody>
</table>

SEEPEX key figures in 2016

*source: SEEPEX annual report 2016*
**SEEPEX Members**

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
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<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>SI</td>
<td>GEN-I</td>
<td>RS</td>
<td>MVM Partner Serbia d.o.o. Beograd</td>
</tr>
<tr>
<td>CH</td>
<td>Energy Financing Team AG</td>
<td>DE</td>
<td>Statkraft Markets GmbH</td>
</tr>
<tr>
<td>SI</td>
<td>Interenergo d.o.o.</td>
<td>RS</td>
<td>EMS A.D. Beograd</td>
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<tr>
<td>RS</td>
<td>JP Elektroprivreda Srbije Beograd</td>
<td>SI</td>
<td>Holding Slovenske Elektrarne d.o.o.</td>
</tr>
<tr>
<td>RO</td>
<td>Tinmar Energy SA</td>
<td>BA</td>
<td>ERS (Elektroprivreda Republike Srpske)</td>
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<tr>
<td>CZ</td>
<td>Alpiq Energy SE</td>
<td>SI</td>
<td>Petrol d.d. Ljubljana</td>
</tr>
<tr>
<td>HR</td>
<td>HEP d.d.</td>
<td>DK</td>
<td>Neas Energy A/S</td>
</tr>
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</table>
SEEPEX Members

Who can be a SEEPEX member?

- Foreign companies allowed / however a wholesale license for non domestic companies is a precondition
- Domestic companies need either a wholesale licence, supply licence or a licence for electricity production
- Endusers (industrial), TSO and DSO allowed to participate as well
- Balance agreement with TSO as a condition
- Members can trade on behalf of third parties
- Market maker and the role of EPS
- European Commodity Clearing AG (ECC)
- ECC steps between the buyer and seller, assuming counterparty risk
- ECC performs all activities encompassing the daily balancing of profit and losses, the daily calculation of collateral requirements and the final physical and financial settlement
- ECC relies on infrastructure of international banks operating as Clearing Members
- Companies that trade on SEEPEX markets must be admitted as Non-Clearing Members and/or Clearing-Members by ECC.
- The role of KELER CCP
SEEPEX’s Development to Date

The first two years / legal and operational obstacles

Extensive cooperation with Ministries, Customs administration and Tax authority in Serbia

Legal and operational issues successfully resolved: VAT & Customs

SEEPEX against the conservative regulations in Serbia, reservations of state agencies
Obstacles for Further Growth

- Size of Serbian market
- Need for volume increase
- New products: forwards, block transactions
- New members
SEEPEX and the Market Coupling

- 4MMC Coupling process – what is the problem?
- Coupling initiatives with Montenegro, Bulgaria
- Obligations under the WB 6 Initiative
- Cooperation with neighbouring countries and the broader European context - implementation of a road map for regional day-ahead market integration in Western Balkans.
Conclusions for the Future

− The role of EPS on the local market - 98% market share
− No suppliers on the exchange
− Need for further, structural change of the market
− Alternative approaches such as virtual PP (France) or regulatory measures (Scandinavia)
− Full liberalisation + growth of SEEPEX = increase of competition and consumer benefits
− Promising novelties: Croatian HEP to supply two Serbian cities for public lightning
− The potential of further regional development
Thank you