



Our ref. number: MVMP-PKI-578/2016
MVMP-KVH-891/2016

Your ref. number:

Administrator: András Hazlach

Budapest, 20.07.2016.

ACER - Agency for the Cooperation of Energy Regulators

Trg republike 3, 1000 Ljubljana, Slovenia

Subject: The definition of capacity calculation regions – Consultation document

Dear ACER,

we have appreciated your invitation for consultation (PC_2016_E_2) published on 22nd June 2016 in regards of the definition of capacity calculation regions. On behalf of MVM Partner Zrt. – as a major regional market participant in regards of power trading on the CEE markets based in Hungary, Budapest – we hereby express our views to your questionnaire.

1. Do you consider both the commitment from the CWE and the CEE TSOs to cooperate towards a merger of the CWE and CEE CCRs and the MoU signed on 3 March 2016 as sufficient to ensure that the CWE and CEE regions will develop and implement a common congestion management procedure compliant with the requirements of the CACM Regulation, as well as of Regulation (EC) No 714/2009? Or should the definition of the CCRs provide for a CCR already merging the proposed CWE and CEE regions to ensure compliance with the required common congestion management procedure?

A: Market participants continuously facing challenges due to changes in market frameworks. The bitter part of the struggle is not that planned changes happen or are scheduled, but that it takes much longer than previously projected. Prolonged deadlines require revisions of planning parameters and causing diverging business and investment decisions. Discussions about CCR proposal and the CCR decision are also taking longer than expected however this should be prioritized as these are building blocks of the market design of

A handwritten signature in blue ink, appearing to be 'J. ...', is located at the bottom right of the page.

cross-zonal trading from now on until 2020 at least. Majority of the implementation deadline in CACM Regulation are bound to the definition of the CCRs. What we can see is that setting up regional cooperations and producing results are very challenging and time demanding. Clearly there are several diverging characteristics in CEE and CWE work, including circumstances and stakeholder management. Therefore we consider forcing these two regions to merge their governance, administrative procedures and all other related elements that we are not even of cannot be efficient. The plan presented in CEE&CWE TSOs MoU makes sense: do the practical part first with elaboration of the common methodology. According to our understanding it can be elaborated and implemented by being even separate CCRs. As soon as the common methodology is proven to be working (NRA approval), market gets it benefit and TSOs can start the second task, which is also second in priority, to merge the two CCRs. We would like to see some progress, and thus even possibly without the flow-based methodology, meaning NTC-based extension of Multi-Regional Coupling with implementing the bridging implicit auctions between MRC and the 4M MC. This step would certainly bring benefits to the market and gets better reference data to comparing NTC MC results to FB MC results during the external tests before go-live. We understand that TSOs have to elaborate not only the day-ahead but in the same time the intraday flow-based methodology also, however if the resources are limited we understand that the more liquid day-ahead time frame has priority to bring result at least on this time frame as soon as possible. Considering the status of XBID project which is neither capable to handle FB, pushing ID FB method has not much rational behind.

2. Do you have comments on the description of the geographical evolution of the CCRs over time, as proposed by all TSOs in Annex 3 to the Explanatory document to the CCRs Proposal?

A: We do not have any comment to this.

3. Should the CEE region (or a merged region) include the bidding zone borders between Croatia and Slovenia, between Croatia and Hungary, and between Romania and Hungary?

Yes. RO-HU border is already in the 4M MC, splitting it would be a huge step back. Without having RO-HU in SEE, Croatia as no interconnection to RO-BG-GR block. Anyhow Croatia's northern borders are indeed close to the CEE region if only EU member state SEE countries are considered. Without Serbia in the first years after CCR approval, SEE CCR would have a really challenging shape from geographical and grid point of view when including

Croatia too. From Hungarian market point of view we do prefer harmonised rules, procedures and systems across our borders as much as possible and as soon as possible.

4. Should the CEE region (or a merged region) include a bidding zone border between Germany/Luxembourg and Austria?

Yes. We see solving the loop flow issue with implementing correct bidding zone borders is the initial step to bring success also to the flow-based methodology. With incorrect bidding zone definition the theoretically envisaged advantages of the FB method cannot come therefore cannot be proven and probably no go-decision would be given on the methodology. Organizing capacity allocation on DE-AT border is the first step to see how the market will handle such splitting and we should not forget that there is still a chance that if no congestion occurs on that border the mechanism itself will allow to have no price differences between DE and AT. Although if there would have been congestion, it would be reflected in the zonal prices, this would also provide more information for further changes needed. Furthermore, having messages from V4 TSOs that loop flows are causing bigger uncertainties in V4 border capacity definition is telling us that due to this situations V4 grid could be used even more optimal by the market without the loop flows. We acknowledged ACER's Opinion and do not understand why it is not followed and implemented already.

Do you have comments on any other new element or development concerning the CCRs Proposal which occurred after the public consultation held by ENTSO-E from 24 August to 24 September 2015?

A: We do not have any comment to this.

Best regards:



Kornél Czinege

Deputy CEO, Chief Commercial Officer



András Hazlach

Director of Proprietary Trading