

Energy Regulatory Office and Regulatory Office for Network Industries announce their intention regarding hedging opportunities on the border of the Czech Republic and the Slovak Republic bidding zones in accordance with the COMMISSION REGULATION (EU) 2016/1719 establishing a framework guideline on forward capacity allocation

With regard to the COMMISSION REGULATION (EU) 2016/1719 of 26 September 2016 establishing a framework guideline on forward capacity allocation (hereinafter "FCA Regulation"), which entered into force on the twentieth day following that of its publication in the Official Journal of the European Union, i.e. on 17 October 2016, the national regulatory authorities of the Czech Republic and the Slovak Republic, namely:

Energetický regulační úřad (Energy Regulatory Office)

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and

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have agreed on a common approach, which will result in a coordinated decision on the introduction of long-term transmission rights on the border of the bidding zones of the Czech Republic and Slovak Republic.

In accordance with Article 30 (3) of FCA Regulation, national regulatory authorities of the concerned bidding zones shall carry out an assessment of the forward market whether it provides sufficient hedging opportunities against risk of price changes on the day-ahead market. Based on a preliminary assessment of the forward market, the national regulators of

the concerned bidding zones (ERO and URSO) arrived at the opinion that there are no sufficient hedging opportunities against the risk of price changes. Additionally, on the concerned bidding zones border in certain cases there is demand for transmission capacity exceeding the offer of transmission capacity (with D-2 nominations), which leads the TSOs to curtail the offered capacity to avoid exceeding the limits of cross-border electricity transmission and congesting the transmission lines.

Therefore, in view of the above, and having regard to Article 30 (1) and (2) of the FCA Regulation, the national regulatory authorities agreed that they will seek to adopt a coordinated opinion which will result in the introduction of auctions for long-term transmission rights on the Czech-Slovak border.

The national regulators also agreed that the allocation of long-term transmission rights will be conducted in accordance with FCA Regulation by means of auctioning. The products offered will be physical transmission rights with a time horizon of a year and a month. The allocation of long-term transmission rights on this border will be launched from 1 January 2019.

In Prague on ²⁴... April 2017



Ms. Alena Vitásková

Chairwoman

Energy Regulatory Office

In Bratislava on ²⁸... April 2017



Mr. Miroslav Čelinský

Vice-Chairman

Regulatory Office for Network Industries