

Management Board

Agency for the Cooperation of Energy
Regulators

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OUR REF **D6-5137/16IŠ**

YOUR REF **PC_2016_E_02**

DATE **19.07.2016.**

SUBJECT **PC_2016_E_02 - Consultation on the definition of capacity calculation regions**

Dear sirs,

Hrvatska elektroprivreda d.d. with its subsidiaries (HEP Group) is the national electric energy utility, which has been dealing with generation, distribution and supply of electricity for more than a century. And in the last few decades it has been dealing also with distribution and supply of heat energy and natural gas to final customers. As a Group, but particularly as a trading company we are deeply involved with the issue refers to the above stated subject.

It is of our great interest to take an active part in *Consultation on the definition of capacity calculation regions*, in particular as a major stakeholder in giving the reasoned answer to the question number 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*". In doing so and having regard to:

- A. Explanatory document to all TSOs' proposal for Capacity Calculation Regions (CCRs) in accordance with Article 15(1) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (29 October 2015) in particular:
- *Chapter 3.7 Capacity Calculation Region 6: Central Eastern Europe (CEE)* which indicates that 'The CCR CEE includes also the bidding zone borders of Croatia - Slovenia, Croatia - Hungary',
 - *Chapter 6 Special considerations regarding the CWE- CEE cooperation initiative* which envisages the implementation of common flow-based capacity calculation methodology in Central Europe
 - *ANNEX 3 Roadmap for longer term CCRs Configuration* which anticipates that the CCRs of CWE and CEE will be the first adjacent regions implementing flow based capacity calculation methodology, and thus the first CCRs obliged to submit a proposal for a common flow based capacity calculation methodology

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and having regard to:

- B. HEP d.d. throughout its subsidiary companies performs generation, trading and supply of electricity, therefore welcomes the objectives of the CACM Regulation, listed in Article 3, in particular promotion of effective competition in the generation, trading and supply of electricity;
- C. HEP d.d. with its cca 15 TWh yearly consumption and cca 12 TWh yearly generation is a company which after the EU accession, participate in the CEE market on an equal footing with other companies, and in that sense contributes to its liquidity and integration;
- D. HEP d.d. actively participates on the electricity exchanges and brokerage platforms in Germany (EPEX, SPECTRON), Slovenia (BSP yearly), Hungary (HUPX i TFS), making it e.g. the second company in respect to trading volume on BSP. The total turnover on the electricity exchanges and through brokerage platforms in the EU countries is cca 3.3 TWh yearly (cca 2 TWh – the exchanges and 1.3TWh - brokerage platforms);
- E. HEP d.d. is obliged to report the trading transactions throughout the REMIT obligation scheme. The participation on the EU exchanges and through brokerage platforms has increased trading transparency and efficiency. In order to ensure certain and transparent HEP's access to the EU exchanges and brokerage platforms it is necessary to include SI-HR and HU-HR borders in CEE region;
- F. CEE CCR uses flow-based method for the calculation of cross-border capacities (CBC) and enables efficient calculation and rational usage of CBC and access to liquid market (increased share of renewable energy sources in Croatian electric power system – fulfilled the RES obligatory aim until 2020);
- G. The logical sequence of Market Coupling on IT-SI and on AU-SI border is a Market Coupling on SI-HR and HU-HR border which is crucial for the establishment of a single EU electricity market, including the price harmonization. It is expected that the establishment of a single market should result in greater liquidity, efficiency, comparability of electricity prices, and thus in the overall social well-being.
- H. Croatian transmission system operator (HOPS) is a shareholder in JAO which already allocates cross-borders capacities for two borders in question Croatia - Slovenia, Croatia – Hungary, which we fully support and have positive experience.
- I. HOPS is involved in the CWE CEE Region Merge Project and is a signatory of Memorandum of Understanding on the development of a common CWE and CEE CCR's day-ahead flow-based capacity calculation methodology and the merger of the CEE and CWE CCR;
- J. Historically there have been tight connections with the Slovenian electric power system: HEP d.d. is a co-owner of Nuclear Power Plant Krško located in Slovenia (350 MWh/h, 3 TWh yearly – it is necessary to ensure SI-HR border capacity and access to the liquid market);
- K. In the recent years there were huge investments in cross-border grid infrastructure with Hungary (400 kV) as a precondition for making the single market possible, including also preconditions for regional balancing energy market and overall redundancy from the perspective of security of supply;

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L. Finally, the fact that a lack of cross-border flows between Hungary and Slovenia as well as a lack of significant congestions at the SLO-HR and HU-HR border makes the SLO-HR and HU-HR borders the borders with which the flows within the EU are closing;

HEP d.d. strongly supports that CEE region (or a merged region) includes the bidding zone borders between Croatia and Slovenia and between Croatia and Hungary as an impetus for the faster inclusion, in the second stage, of the Croatian borders with the non-EU countries into the CEE region thus making a precondition for the single European electricity market.

Hoping that our reasoned arguments will be sufficient for the inclusion of the bidding zone borders between Croatia and Slovenia, between Croatia and Hungary into the CEE region (or a merged region), we remain,

You're sincerely,

President of the Board
 HRVATSKA ELEKTROPRIVREDA d.d.
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Cc:

- Hrvatski operator prijenosnog sustava d.o.o.
- HEP Trgovina d.o.o.
- HEP Proizvodnja d.o.o.
- HEP Opskrba d.o.o.
- HEP d.d. EU & Regulatory Affairs Department
- HEP's Record

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