

## Successful operation of PCR solution: Power Exchanges focus on Pan-European power market

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Following a successful first two weeks of operation of the new day-ahead market coupling solution developed by the Price Coupling of Regions (PCR) initiative, the involved European Power Exchanges now look forward to cover more regions with the PCR solution. The aim is to create a single European day-ahead market.

The PCR solution went for the first time into operation on 4 February 2014 in North-Western Europe (NWE) and South-Western Europe (SWE), which account for about 75% of European electricity demand. Prices and net transfers are determined in a single calculation using the PCR Matcher-Broker (PMB) with its embedded algorithm “Euphemia”, based on the order books and available transmission capacities from the NWE and SWE regions. By allowing decentralised operations, PMB assures a high level of security.

The PCR project has been a major undertaking by the Power Exchanges involved (APX/Belpex, EPEX SPOT, GME, Nord Pool Spot, OMIE and OTE). Starting in 2009, the project has involved over 200 people from the participating Power Exchanges across Europe. The PCR project has been technically challenging given the many different markets involved, but has demonstrated what can be done with a positive spirit of co-operation.

The results of the market coupling over the first weeks have been very satisfactory. The daily average matched volume during the first week of PCR operations in NWE and SWE amounted to cleared volumes of 3.5 TWh, with an average daily value of over €200m. The delivery date 11 February saw some strong price convergence: the NWE region witnessed one hour with only two price areas. Price for all the NWE countries, except GB, was €29.45/MWh.

Plans are already well advanced for the next phases of development of market coupling using the PCR solution within other European regions.

The prices in NWE and SWE regions are now calculated in a common synchronised mode by PCR, but transmission capacity between France and Spain is still only offered via explicit auctions. The target is that this capacity will be offered via implicit allocation in PCR by May 2014, once the necessary arrangements have been put in place. The NWE and SWE regions will then be fully integrated.

The CWE region is intending to implement flow-based capacity calculation after summer 2014. The PCR solution will play a key role in enabling this.

In the CSE region the work is progressing for Italy to adopt the PCR solution by the end of 2014. The countries bordering Italy shall also be ready for the pan-European power market. Preparation of market coupling based on the PCR solution for the northern Swiss borders is as well ongoing.

In addition, within the CEE region, the “4M MC” project is underway to implement the PCR solution covering Czech Republic, Slovakia, Hungary and Romania. This will replace the existing trilateral solution in the region and facilitate future integration of CEE with NWE/SWE.

The PCR Power Exchanges are also looking at how to best facilitate market input on the operation and future development of PCR, given that individual Power Exchanges are now creating a European-wide solution. The PCR parties intend to analyse further the possible ways to combine views from stakeholders across the different markets.

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## About the partners:

**APX** is Europe's premier provider of power exchange and clearing services for the wholesale market, operating transparent platforms in the Netherlands, the United Kingdom and Belgium. APX provides exchange trading, central clearing & settlement and benchmark data and industry indices distribution services to over 160 members from more than 15 countries. Over 88 TWh was traded on APX markets in 2013, and over €9 billion in energy trades cleared by APX. **Belpex SA** is a 100% subsidiary of APX.

**The European Power Exchange EPEX SPOT SE** operates the power spot markets for Germany, France, Austria and Switzerland (Day-Ahead and Intraday). Together these countries account for more than one third of the European power consumption. EPEX SPOT is a European company (Societas Europaea) based in Paris with branches in Leipzig and Vienna. In 2013, 346 TWh were traded on EPEX SPOT's markets.

**GME** is the company which organizes and manages the wholesale electricity market in Italy under principles of neutrality, transparency, objectivity and competition. Moreover, GME is directly committed to supporting the implementation of environmental protection policies, by organising and managing Environmental Markets. Law no. 99 of 23 July 2009 also assigned GME, on an exclusive basis, with the organisation and economic management of natural-gas markets, which consist of the Platform for the trading of natural gas, the Spot Gas Market and the Gas Balancing Platform. Additionally, art. 32 of Legislative Decree no. 93 of 1 July 2011 entrusted GME with the task of managing physical forward gas markets.

**Nord Pool Spot** operates Europe's leading power markets, offering both day-ahead and intraday trading to its members. 370 companies from 20 countries trade on Nord Pool Spot's markets in the Nordic and Baltic regions, and on our UK market N2EX. In 2013 the group had a total turnover of 493 TWh traded power. Our markets are operated from offices in Oslo, Stockholm, Helsinki, Copenhagen, Tallinn and London. Nord Pool Spot strives continually to strengthen its business by working with integrity, together with members and stakeholders, to achieve excellence.

**OMIE** is a Spanish company created with the purpose of managing markets in underlying energy assets. As its main function, OMIE is the responsible of the management of the Iberian spot electricity markets, running every day the day-Ahead Market and six intraday markets encompassing all Iberian energy. In 2013, 273 TWh were traded by OMIE, of which 39TWh were traded in the intraday markets, this volume of energy represented over €12 billion.

**OTE, a.s.**, the Czech electricity and gas market operator, (OTE) is a joint stock company established in 2001. OTE provides comprehensive services to individual electricity and gas market players. OTE commenced organizing trading in the day-ahead electricity market in 2002 and the intra-day and block electricity markets in later years. OTE has been the market operator on the gas market since 2010 including operation of day-ahead gas market and intraday gas market. Continuous data processing and exchange required for the accounting and settlement of imbalance between the contractual and actual volumes of electricity and gas supplied and received are among services offered by the OTE to players in the Czech electricity and gas markets, as well as administrative procedures associated with a switch of supplier. The OTE also administers the National Register of Greenhouse Gas Emissions. OTE is the holder of the license for market operator's activities, which includes activities in the electricity and gas market in the Czech Republic.

**North-West Europe (NWE)** includes: Belgium, Denmark, Estonia, Finland, France, Germany/Austria, Great Britain, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland (via the SwePol Link), and Sweden.

**South-West Europe (SWE)** includes: France, Portugal and Spain.

**Central South Europe (CSE)** includes: France, Germany/Austria, Greece, Italy and Slovenia.

**Central Eastern Europe (CEE)** includes: Czech Republic, Germany/Austria, Hungary, Slovakia, Poland and Slovenia.