

German / Austrian Bidding Zone Split

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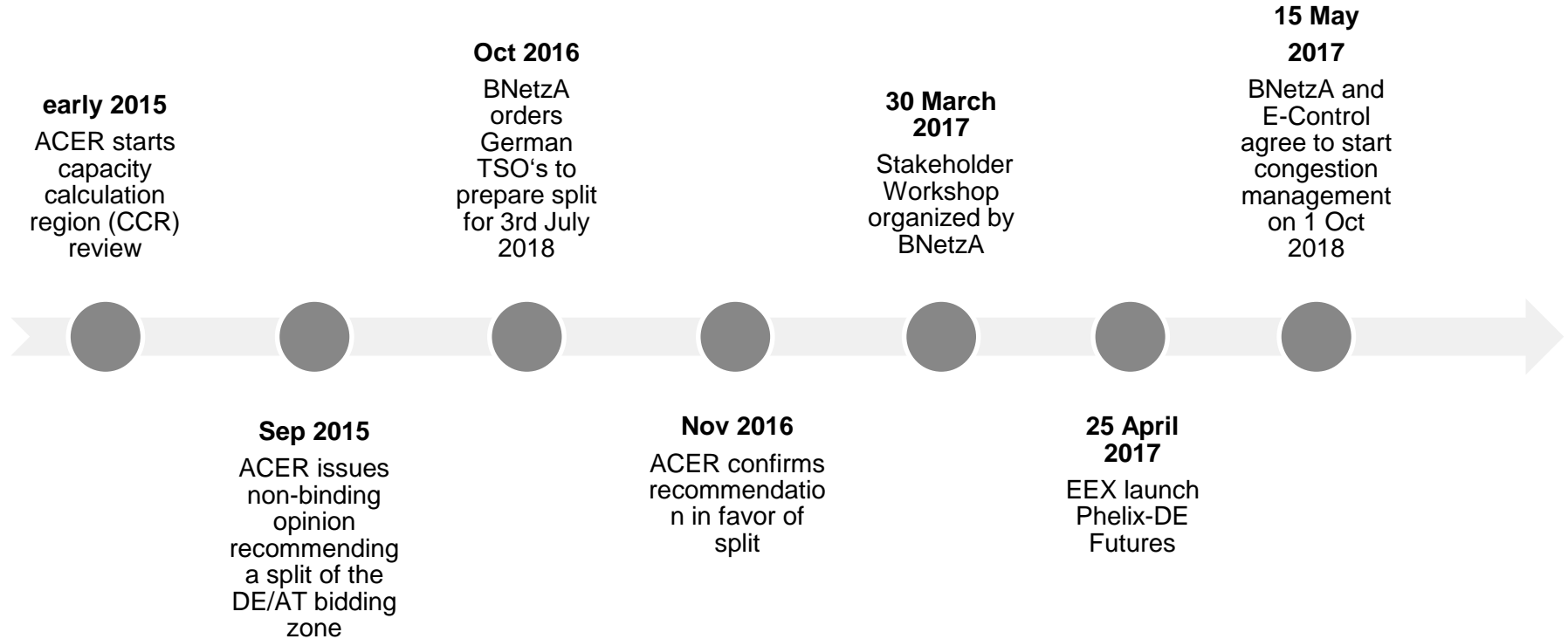
European Energy Exchange AG

ETCSEE Prague, 14 June 2017



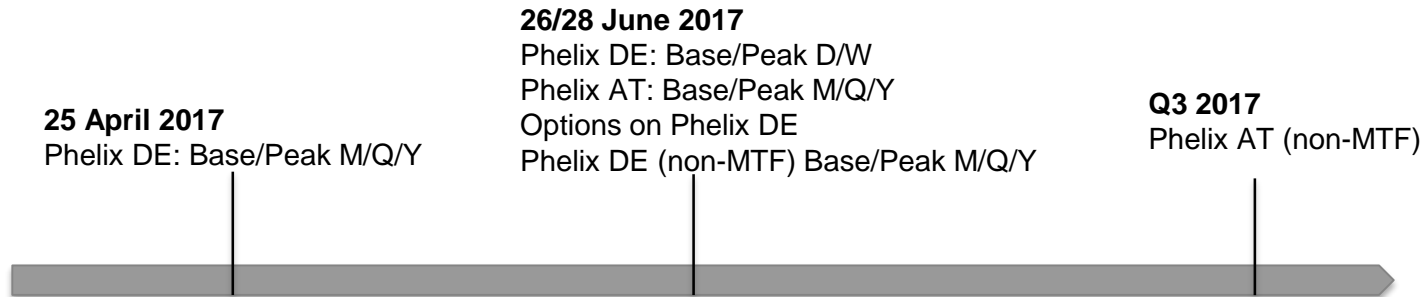
The Bigger Picture

Regulatory Background

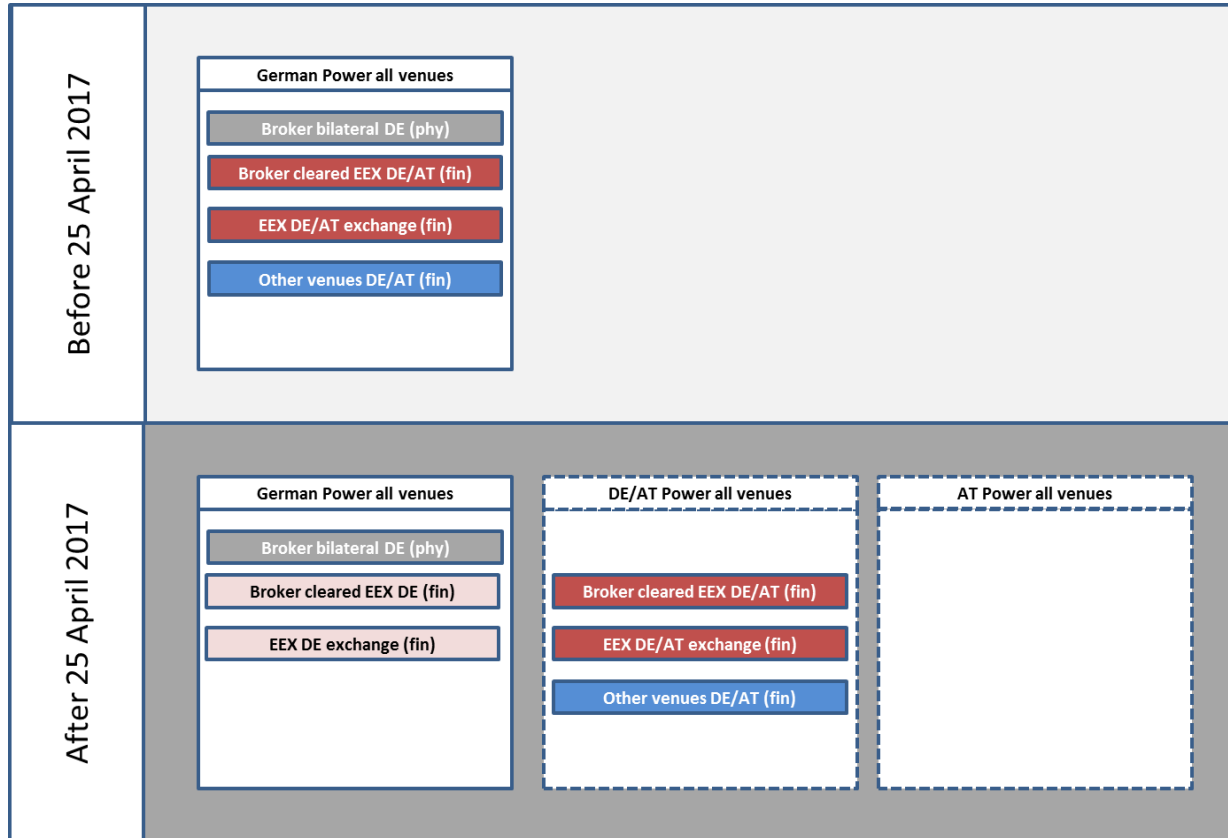


Impact on Phelix Product Suite

- Following the BNetzA order in October 2016, members have advised that EEX should list national future contracts besides the existing DE/AT futures in order to avoid basis risks
- Until end of March 2017 still skepticism in the market whether the split would really happen. There was no transparency about the timeline of the split and the legal firmness of the BNetzA order
- BNetzA stakeholder workshop on 30 March 2017 together with TSOs of neighbouring countries, exchanges, trading associations. BNetzA clearly stated that the decision is 'irreversible' and that the split will happen. Members requested EEX to urgently list national contracts.

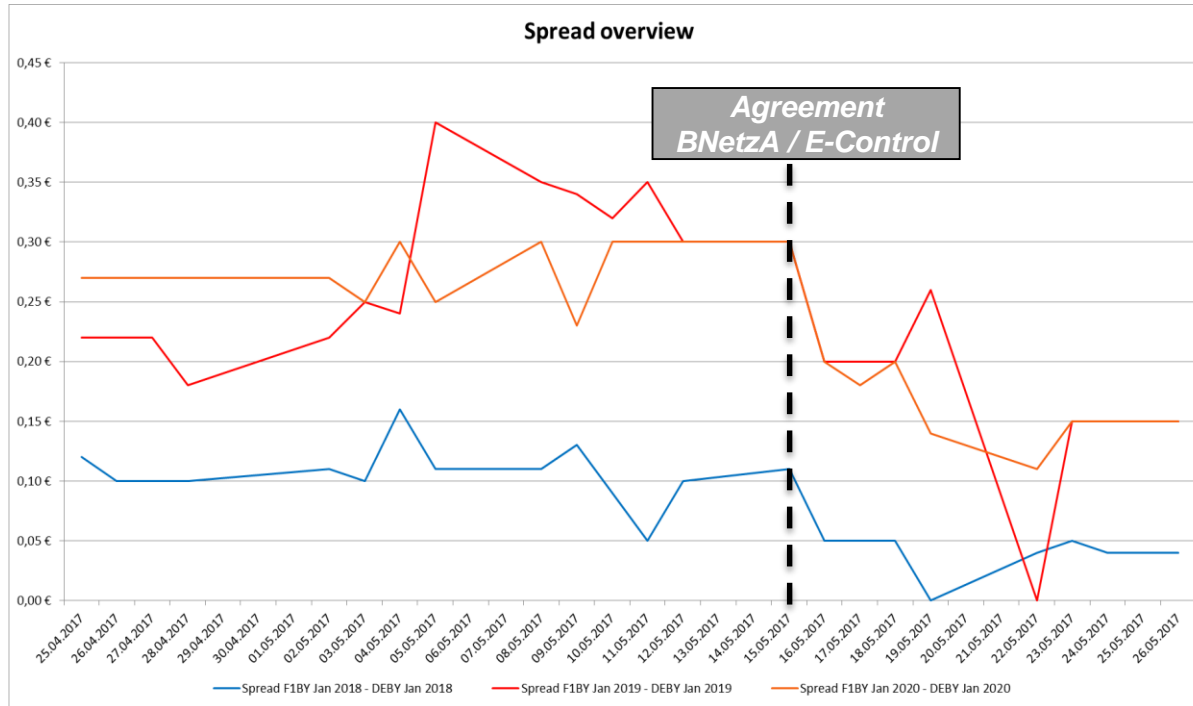


Changes to Product Integration on Trayport Screens



Market Reactions

Spread Phelix-DE/AT vs Phelix-DE



- Agreement between German BNetzA and Austrian E-Control reached on **15 May 2017** on the start date of congestion management on the DE-AT border by 1 October 2018
- Same day BNetzA and E-Control agreed to maintain **4.9GW long-term capacity** between DE and AT

CSEE TSO's view on the BNetzA / E-Control agreement

“Transmission system operators of the Czech Republic, Hungary, Poland, Slovak Republic and Romania **are surprised by these behind the curtain developments** around the implementation of common framework for congestion management at the Austrian-German border.”

“The current agreement between Bundesnetzagentur and Austrian E-Control has **failed to provide a level playing field for trading in Central Europe** and to bring an end to long lasting preference of Austrian-German energy trade at the expense of neighbouring European Member States, including their transmission system operators“

“**Setting unilaterally and without any coordination with the affected CEE/Core TSOs** the minimal long-term cross-border capacity at 4.9 GW questions the whole coordination process and, contrary to statements of both regulatory authorities, **will keep the current status quo with limited relieve for neighbouring grids**, especially Czech and Polish transmission systems.”

Calculation of Phelix-DE/AT Index after the split of the combined bidding zone

Facts

- Following the split of the German/Austrian market area on 1 October 2018, the Day-Ahead auction for the combined market area will no longer be carried out.
- The underlying for Phelix DE/AT Futures ceases to exist in its current setup
- Instead, under the framework of European market coupling EPEX Spot will then operate two separate auctions for both Germany and Austria.

Options

- EEX has been looking into different scenarios how to calculate the Phelix DE/AT after the split
 - DE/AT “shadow auction”, based on DE and AT order books
 - Volume-weighted average of national DE and AT prices
 - Fixed ratio of DE and AT prices
- All of the three scenarios will only yield an approximation of the situation before the bidding zone split

Calculation of the Phelix-DE/AT index as 9:1 (DE:AT)

- The EEX Exchange Council has adopted the calculation methodology of the Phelix DE/AT index in its meeting on 7 June 2017
- Beginning with the introduction of congestion management on the German-Austrian border, Phelix-DE/AT will be calculated as a weighted average of the hourly prices for Germany (P_{DE}) and Austria (P_{AT}) as determined by EPEX SPOT.
- The weighting of DE:AT will be set to **9:1**, such that the Phelix-DE/AT for every hour of the respective delivery period will be calculated as $\frac{1}{10}(9P_{DE} + P_{AT})$.
- This weighting is based on domestic generation and consumption data as published by ENTSO-E and will be reviewed on an annual basis
- This weighted average fulfills client demand to have a simple and transparent calculation methodology

Volumes and Next Steps

Volumes Phelix-DE Futures

Until 6 June 2017, a total volume of 10 TWh has been traded by 60+ participants.

Next Steps

Products to be launched on **26 June 2017**:

- DE Base and Peak Days and Week Futures
- AT Base and Peak Month, Quarter, Year Futures
- DE Base and Peak Month, Quarter, Year Futures (non-MTF)

Products to be launched on **28 June 2017**:

- DE Options

Thank you

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