

- **ELES: "Now we have the opportunity to show that BSP's liquidity has increased and that new members are joining the exchange; we should share this information and our experiences when we approach partners in the region."**
- **BSP SouthPool in year 2010**
- **New Member of BSP SouthPool is Electrade, Energy Financing Team and Elektro Gorenjska upgraded its membership with market participation**
- **Market Coupling follow up**



Further growth of trading volumes at BSP SouthPool

Market Coupling doubled trading volumes in January

In the beginning of the year 2011 BSP SouthPool recorded another increase of trading volumes. Total volume reached 69.856,322 MWh, which represents 6,5 percent of Slovenian market consumption.

In comparison with the previous month trading volume in December increased for 34.490,322 MWh.

Maximum daily volume in January reached 4.504,322 MWh on 10th January 2011, average daily volume in January reached 2.253,430 Mwh.

Maximum hourly volume in January reached 383 MWh on 10th January for the

23rd hour, average hourly volume in January reached 93,893 MWh.

Trading report December 2010 - January 2011

Total volume of concluded transactions in December 2010 reached 35.366 MWh. The average monthly price for Base reached 55,20 EUR/MWh and for Euro-peak 64,98 EUR/MWh. In December 2010 all trades were concluded on the Slovenian hourly auction.

Total volume of concluded transactions in January 2011 reached 69.856,322 MWh.

The average monthly price for Base reached 51,23 EUR/MWh and for Euro-peak 59,48 EUR/MWh. In January 2011 all trades were concluded on the Slovenian hourly auction.

There were no concluded transactions in the Serbian market in the aforementioned period.

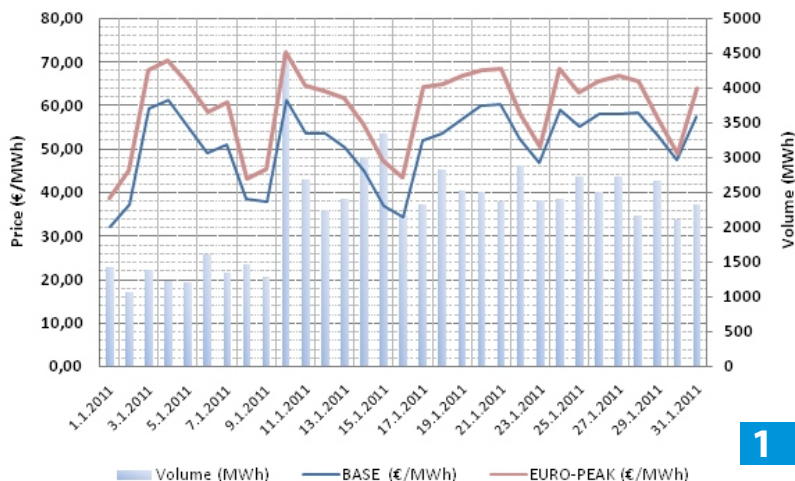
In the period from December 2010 to January 2011 all orders were entered on the Slovenian hourly auction. The volume of entered orders reached 495.717 MWh.

No transactions were submitted for clearing (OTC) in the aforementioned period.

Volume of entered orders and total trading volume on the BSP Regional Energy Exchange in the last four months



Slovenian Market Auction Prices and Volumes
Delivery Day: 01.01.2011 - 31.01.2011



Interview with
Mr. Milan Jevšenak,
M.Sc, Chairman of the
Supervisory Board
of BSP SouthPool.

Mr. Milan Jevšenak is a CEO of ELES, the transmission network system operator in Slovenia, that is a co-owner of BSP SouthPool and holds a 50% of ownership structure.



In December you became the President of the BSP SouthPool Supervisory Board. Which are the main strategic goals ELES wishes to achieve through the ownership entry in BSP?

The focus of ELES' participation as an owner is particularly coupling of the Slovenian and the Italian market, i.e. Market Coupling. As a partner in the Market Coupling process and since Slovenia had signed a memorandum with Italy on performing Market Coupling, we realised that an exchange is needed on our side in order to cooperate with the exchange on the other side of the border. Had we not entered in co-ownership of BSP we would probably have to establish an exchange ourselves. The first option was financially more favourable, as well as the most optimal solution for Slovenia. In addition, BSP exchange already had several members and regional recognition.

ELES needs an exchange in any case if we wish to perform implicit allocation of capacities that we used to allocate explicitly and are today being allocated on our behalf by auction offices, such as CASC for the Slovenian-Italian border or CAO for the Slovenian-Austrian border. Transmission capacities are of extreme importance since they contribute to quite a large income.

Without this income our business results would have been negative. This income is therefore very important for us; however, in accordance with the European legislation and directives it can only be used for increasing transmission capacities needed for international trading. Since ELES gives these capacities to someone else for allocation, we believe we should also have control over that. Following the ownership entry examples of CASC and CAO we have thus joined the BSP ownership via capital increase.

The liquidity of the exchange on the Slovenian market recently increased significantly. Which are the key measures for improvements in the future?

A short while ago we held a BSP Supervisory Board meeting at which we examined the plan for this year, which will soon be confirmed. This year the exchange's operating profit will be around a positive zero since we cannot allow an operating loss for this exchange.

We are aware of the small size of the market which makes the exchange very limited and it will be difficult to achieve big positive effects. However, this can be achieved with the right attitude, engagement of the maximum possible number of exchange members and by

increasing turnover. In the last few months major shifts occurred compared to trading on the exchange from when it was first established. A bigger turnover is what is enabling the exchange to survive only through its own work. Our goal is to bring BSP exchange to a point where it can operate independently and is no longer dependent on its "parents".

With regard to development projects in the region and BSP SouthPool's presence in the Serbian and Macedonian market, what are in your opinion the possibilities of future development and an increase in BSP SouthPool's liquidity in the said markets?

We all know the markets of SE Europe are very demanding. Since transmission capacities are very important for System Operators, it is understandable that they wish to have control over their allocation. That is why the Slovenian exchange ownership model can be used as a model for other markets. Now we have the opportunity to show that BSP's liquidity has increased and that new members are joining the exchange; we should share this information and our experiences when we approach partners in the region. At the Supervisory Board meeting we discussed our aim to try to convince the Serbian operator to

do the same in the Serbian market and to act similarly in Macedonia. The processes will be run in a way that no losses at BSP occur.

Clearly it is easier to work and introduce a model abroad if you have sufficient support from home and if your model is showing positive results. This was not the case in the past. I believe we now have a good opportunity that is worth taking advantage of.

With regard to its function as the Transmission System Operator, ELES is at the junction of three regions. How does this affect your work and how do you see the convergence of the three regional solutions?

This is a very complex issue and we are actually caught in the draught. Currently we are going through a transitional period in which all markets differ from each other. We have one set of rules at CASC, another set at CAO and there are plans to establish a third Allocation Office, but not much good will has been shown for that so far. Nevertheless some positive shifts have occurred in this region lately and they show us that this region will come to life shortly.

In the current situation there are slightly different rules on every border, but they all converge in a similar direction. An important step was made on the Croatian border where coordinated auctions for capacity allocation were introduced on 1st January 2011. We have come to an agreement to introduce similar methods on this border as those in place on the Austrian or Italian border. With this we are following the goals of the EC which has been intensively promoting the process of

establishing the common rules on the EU level and thereby reducing trade barriers. In the end this will mean less work for everyone. Also for us since at the moment special rules have to be issued annually for each of these borders.

ELES recently successfully increased the work-load on key investments in the transmission network, which ensures a high level of systemic safety also in the future. Which are ELES' current main projects?

Recently, we have seriously started working on some of our projects, even those that have been agreed quite a while ago. One of such projects is the Beričevo-Krško project; although this project does not have a direct influence on traders, it does affect the operational security of the power system and ensures the elimination of limitations, occurring during repairs and maintenance, which directly affect the electricity market.

Another investment that was finished last year was the phase shifting transformer Divača. This investment was finished one year ahead of schedule and with lower costs than those planned. It is an important project since ELES, through a lot of work and commitment of its employees, has gained additional capacities on the Italian border. Thereby we have opened access to the Italian market and given our traders a possibility for better participation. By increasing capacities the capacity prices were also reduced, which I think has had a favourable effect on the growth of the exchange with Italy. It is my goal to further increase these capacities and thereby improve access to the Italian market even further.

Recently we were able to strengthen the Primorska network and thereby establish better conditions for the operation of PHPP Avče; the latter pump water to be used for the energy generation at times of low energy prices and generates energy when the prices are higher. In the future we are planning to upgrade the network with smart devices that will enable additional optimisation of transmission system and reduction of losses; all this is a part of our final goal – the lowest possible energy prices for our end-users.

We have also increased work on overhead power line connection with Hungary where the first activities started between 12 and 15 years ago when the first construction agreements were signed. The Hungarian side built an overhead power line extending to the Slovenian border in 2000, but in Slovenia agreements were often annexed and completion dates postponed. At the moment a national spatial plan that was submitted to the Ministry of the Environment and Spatial planning by the Ministry of Economy is being adopted. Due to the long period of decision-making, changes in legislation and consequent amendments, the progress of the project is time consuming. Its realisation is thereby threatened and the possibilities for grid connection of other projects, such as the planned PHPP Kozjak, JEK 2 and some other, are impaired. In order to speed up and to try to finish the project within deadlines and to execute it for the general well, ELES recently appointed a new project manager who proved himself in the Divača phase shifting transformer project.

BSP SouthPool in year 2010

Trading Report: growth of liquidity on Slovenian day-ahead market

Total volume of concluded transactions in the 2010 reached 195.433 MWh of which 120 MWh was concluded in continuous trading and 195.311 MWh was concluded in auction trading. Maximum volumes of concluded transactions reached 35.366 MWh in December; average monthly volume of concluded transactions reached 16.286 MWh. There were no concluded transactions in the Serbian market in the aforementioned period.

The total volume of entered orders reached 1,79 TWh until the end of December 2010. Maximum volume of entered orders reached 241.659 MWh in August; average monthly volume of entered orders reached 149.201 MWh.



New sessions' times at auction trading, Market Makers and Liquidity Providers

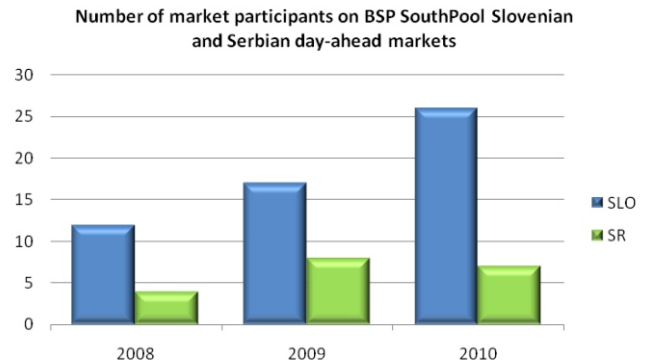
In order to adjust BSP SouthPool Slovenian day-ahead market session' times to other trading activities on Slovenian electricity market, BSP SouthPool introduced new sessions' times. With 15th March 2010 sessions' times on the Slovenian day-ahead market were changed.

Based on new changes in place HSE and GEN-I were first two market participants extending their market participation contract with market maker agreement, thereby insuring basic liquidity at auction trading market segment. Furthermore ELES decided to buy part of the energy to cover its grid-losses on BSP SouthPool, and Borzen decided to sell part of the energy from the Centre for RES/CHP support on BSP SouthPool. ELES and Borzen formalized their activities at BSP SouthPool by extending their market participation contract with liquidity provider agreement.

Members: 10 new market participants at BSP SouthPool markets

In 2010 one company has decided not to prolong its membership and respective market participations on Slovenian and Serbian BSP SouthPool markets. On the other hand 2 companies have decided to upgrade its exchange membership with market participation on Slovenian market, 7 companies entered into exchange membership together with respective market participations for Slovenian market and 1 company entered into exchange membership without any market participations.

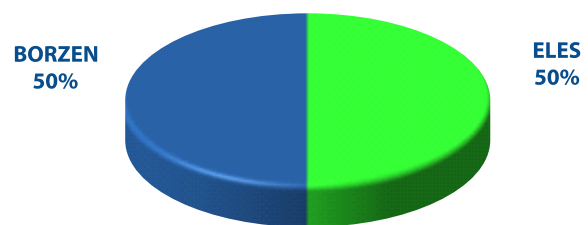
Hence at the end of 2010 there were 39 members at BSP SouthPool from 32 companies, of which 26 participated on Slovenian market and 7 participated on Serbian market. The remaining 6 members have not participated in any BSP SouthPool market.



Ownership: change of ownership structure

In August 2010 Borzen, Power Market Operator, LL C acquired 66% share in BSP Regional Energy Exchange LL C from Eurex Frankfurt AG and became a sole owner of the company. In December 2010 ELES d.o.o. acquired 50% share in BSP Regional Energy Exchange LL C from Borzen, Power Market Operator, LL C.

Ownership Shares



Market coupling on the Italian-Slovenian border

In 2010 BSP SouthPool, GME (the Italian PX), ELES (the Slovenian TSO), Terna (the Italian TSO), and Borzen (the Slovenian MO) realized the project of the establishment of the market coupling on the Slovenian-Italian border. With the introduction of the market coupling as of 31st December 2010, using the implicit method of allocation for the daily cross-border capacity on the Slovenian-Italian border, growth of liquidity on the BSP SouthPool Slovenian Electricity day-ahead market is expected. This is the first project of its kind in this part of the Europe and represents an upgrade from the previous explicit mechanisms for allocating cross-border transmission capacity.

Fair presentation: E-world

The most important public event where BSP regularly presented itself is the annual E-World fair in Essen, Germany. We have been actively presenting ourselves at the fair since 2007 (the first time as Borzen). Regional energy exchange BSP SouthPool presented itself in Essen also in 2010. The E-world is known as one of most important energy fairs in Europe.

Market Coupling follow up – December 2010

Pentalateral Agreement approved by AEEG (Resolution ARG/elt 243/10, of 16th December 2010) and AGEN-RS (Approval n. 141-5/2010-16/EE-03, of 15th December 2010) was signed by BSP SouthPool (the Slovenian PX), GME (the Italian PX), ELES (the Slovenian TSO), Terna (the Italian TSO), and Borzen (the Slovenian Market Operator), on 22nd December 2010.

The Pentalateral Agreement defines the procedures for the management of the Market Coupling on the Slovenian–Italian border (hereinafter: SI-IT MC). Its signature rounds up the contractual framework related to SI-IT MC.

In the respect of SI-IT MC BSP SouthPool successfully launched new trading system Market Coupling Software (MCS) on 31st December 2010. Simulation of MCS with BSP SouthPool members was performed with real-time data during December.

Training Course

At the proposal of Faculty of Electrical Engineering BSP SouthPool organized the educational course "BSP SouthPool Slovenian Electricity Market" for the senior students. Educational course was tailor made and based on the expressed interest of the students. In addition to theoretical lessons, students also acquired practical knowledge about BSP SouthPool operations and about state of the art trading systems.

New Member of BSP SouthPool is Electrade, Energy Financing Team and Elektro Gorenjska upgraded its membership on BSP SouthPool with market and clearing participations on Slovenian market

In December Electrade S.p.A. became a member of BSP SouthPool

Electrade became 32nd company group that entered into membership at BSP SouthPool and will actively participate in Slovenian electricity day-ahead market.

BSP regional energy exchange members are: Alpiq Energy, B.E.K. Group, Borzen, Danske commodities, Edelweiss, Electrabel, Electrade, Elektro Slovenija, Edison Trading, EGL, Elektro Gorenjska, Elektro Celje, Elektro Ljubljana, Elektro Maribor, Elektro Primorska, Elektro prodaja, E.ON Energy Trading, Enel Trading, Energy financing team, EVN Trading South East Europe, Ezpada, Gen-I, Holding Slovenske elektrarne, IMC Energy Trading, Interenergo, Petrol energetika, Repower Trading, Rudnap Group, Statkraft Markets, Termoelektrarna toplotna Ljubljana, Tradition Financial Services (TFS) and Verbund.

Mid December Energy Financing Team AD decided to upgrade its membership on BSP SouthPool with market and clearing participations

The company will henceforth – as the 27th participant of the Slovenian electricity day-ahead market – actively participate in Slovenian market.

Beginning of January Elektro Gorenjska LLC decided to upgrade its membership on BSP SouthPool with market and clearing participations

The company will henceforth – as the 28th participant of the Slovenian electricity day-ahead market – actively participate in Slovenian market.

The newsletter is published
by BSP Regional Energy Exchange LLC.
Editor in Chief
Gorazd Ažman
Completed in January 2011, No 15/2011

Address: BSP Regional Energy Exchange LLC,
Dunajska 128a, SI-1000 Ljubljana, Slovenia
Telephone number: + 386 1 620 76 76
Fax number: + 386 1 620 76 77
Website: www.bsp-southpool.com
E-mail: info@bsp-southpool.com

Copyright © 2008 – BSP d.o.o. - All rights reserved



BSP Regional Energy Exchange

Your energy choice.