

# 2022

## Annual report of







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*Dear stakeholders,*

One more successful year in which we continued to smoothly provide service to our shareholders, service users and market participants is behind us.

During 2022 the number of registered participants has continuously grown, which is always a good mark in terms of quality of provided services and our reputability.

They year behind us resulted in highest congestion revenue so far and we look forward to witness its further increase.

SEE CAO continued to take care of needs of its end users. In that regard, based on interest expressed by market participants, in 2022 we started with provision of new service – REMIT reporting of secondary allocations.



**Ivan Bulatović**  
*Executive Director*

A stylized handwritten signature in dark ink, reading "Bulatovic".

During 2022 SEE CAOs team continued with activities within the TRINITY project, granted by European Commission as a part of EU-funded Horizon 2020 R&D programme, which aims to develop a set of solutions to improve market integration and cross-border trade in SEE region by connecting EU and non-EU countries.

In line with our aim to be complied with best European practice and to improve efficiency, productivity and satisfaction of end users, in 2022 we started with the process of ISO certification and got through this certification process for ISO 9001 (Quality Management System) and ISO 27001 (Information Security Management System) standards.

We did not neglect the social responsivity activities and assisted the organizations which are engaged in enriching lives of the vulnerable parts of our society.

I would like also to emphasize importance of performance of SEE CAO young, skilled and powerful team, which I am glad to be in front of.

Sincerely,  
Ivan Bulatovic



*Dear partners,*

I feel privileged to address you for the first time from the position of Chairman of Board of Directors of SEE CAO. As part of SEE CAO from its sole beginning, I witnessed the growth of its team, its services and achievements and I am glad that the year of 2022 was no difference, but a year marked with success, increase of operational figures and development of SEE CAO scope of services.

Our main goal which is always in the focus of all our efforts is steady and secure provision of services to our service users. We are assured in full satisfaction of registered participants and are glad that, after one more year, we can state that all operational activities, including performance of yearly, monthly and daily auctions in 2022 were fully successful with neither one contestation received nor any lapse in invoicing and settling procedures which remains our best recognition mark.

In this report we tried to summarize the activities in 2022 in a readable and contentful form and I hope that you will find important information which will give you an insight into performed tasks and activities of our team.

I will use this opportunity to give thanks to my colleagues from Board of Directors and colleagues from our local team, and to express my devotion to our further work together and progress.

Respectfully,  
Borko Aleksoski



**Borko Aleksoski**

*Chairman of Board of Directors*



**Who  
we are**





Coordinated Auction Office in South East Europe (SEE CAO) is a company dedicated to provision of adequate, reliable and efficient services to TSOs and market participants with auctions running 365 days a year.

We are owned by 8 transmission system operators (TSOs) and focused on organizing explicit allocation of long-term and daily physical transmission rights in range of SEE region.

SEE CAO's activities are conducted in accordance with the basic requirements of Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (FCA GL), having regard to Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity and Regulation (EC) 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross border exchanges in electricity which later became part of Energy Community acquis in line with the stipulations of Energy Community Treaty.

All of SEE CAO's operations comply with the principles set forth in the Energy Community Treaty which among other areas deals with, the common rules for the internal market in electricity (including harmonization of congestion management methods in SEE) and where applicable, its implementation in the national legislation of concerned countries relating to each of them.

We are glad to state that after nearly 9 years of operations our company is recognized as a trustful subject in the energy

market, which serves both service users (TSOs) on whose behalf long-term and daily physical transmission rights (PTRs) are allocated and market participants (traders) who take part in auctions organized within our platform.

At this moment, explicit auctions are conducted for yearly, monthly and daily periods on the following bidding zone borders:

1. Croatia – Bosnia and Herzegovina;
2. Bosnia and Herzegovina – Montenegro;
3. Montenegro – Albania;
4. Albania – Greece;
5. Greece – Türkiye;
6. North Macedonia – Greece;
7. Italy – Montenegro;
8. Kosovo – Albania;
9. Kosovo – Montenegro; and
10. Kosovo – North Macedonia.

In addition to auction processes, SEE CAO reports the outcome of auctions and secondary market in line with Regulation (EU) No 543/2013 on submission and publication of data in electricity markets ("Transparency Regulation") and Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT), latter being applicable for borders of its service users from EU member states.


From the beginning of 2022, SEE CAO introduced reporting of secondary allocations to ARIS (ACER REMIT Information System) as additional service in its portfolio.

We are glad that SEE CAO is seen as one-stop-shop in terms of cross-border capacity allocation in the region and is constantly oriented towards improvement of provided services and expansion of their scope if and when required and found feasible by market participants and/or service users.



*Bidding zone borders with SEE CAO auctions*



A grayscale background image of a map, likely of Paris, with a pushpin stuck into it. The pushpin is positioned in the upper-middle part of the map. The map shows various streets and landmarks, with some text like 'BOULEVARD' and 'VILLERS' visible. The overall tone is muted and professional.

# **Shareholders of SEE CAO**





**Croatia**  
Croatian Transmission System  
Operator Plc.



**Bosnia and Herzegovina**  
Nezavisni operator sistema u  
Bosni i Hercegovini



**Montenegro**  
Crnogorski elektroprenosni  
sistem AD



**Albania**  
Operatori i Sistemit  
te Transmetimit



**Kosovo**  
Operator sistemi, transmissiioni  
dhe tregu Sh.A.



**Greece**  
Independent Power  
Transmission Operator



**Türkiye**  
Türkiye Elektrik  
İletim A.Ş.



**North Macedonia**  
Оператор на електропреносниот  
систем на Република Северна  
Македонија







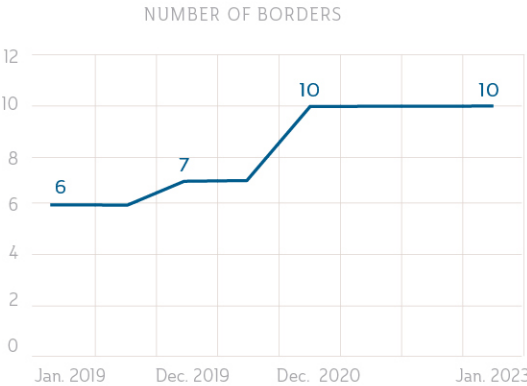
# **Highlights of 2022**



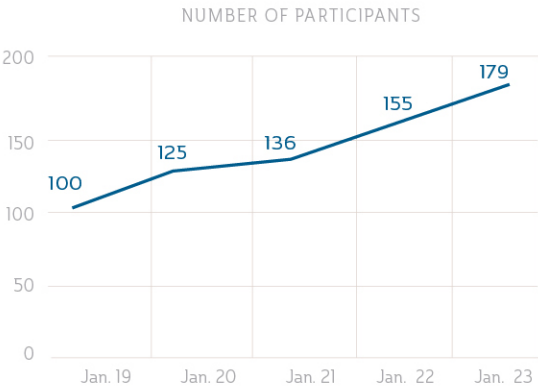
In 2022 SEE CAO has kept the continuity of smooth and high-quality results. Our priority remained to keep a close watch on overall performance in order to ensure that we deliver on our commitments to both TSOs and Market Participants.

In that sense, year 2022 was marked with numerous significant activities which were in our focus, such as:

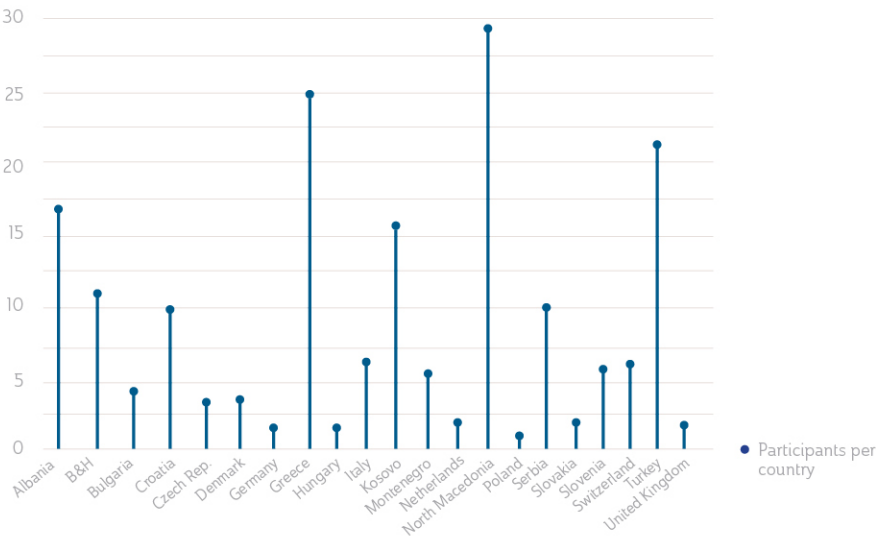
- Strengthening the IT system;
- Updating the allocation rules;
- Improving internal procedures and increasing security of operation by ISO standardization;
- Introducing new service;



Number of borders operated by SEE CAO remained unchanged (10) in 2022, but this fact didn't affect the growth of number of registered market participants. At this moment, we are proud to provide services to customers from 21 different country from all parts of Europe. In the previous year number of registered participants increased for 24, amounting 179 at the end of 2022.



SEE CAO registers constant growth of number of participants, with an exception to the year of 2017 when there was a drop in number of registered participants due to start of application of HAR and the obligation of participants to re-register their status in accordance with new rules.



By the end of 2022, SEE CAO has conducted 106 long-term auctions and 2922 daily auctions on 10 borders (20 border directions).

179 Participants

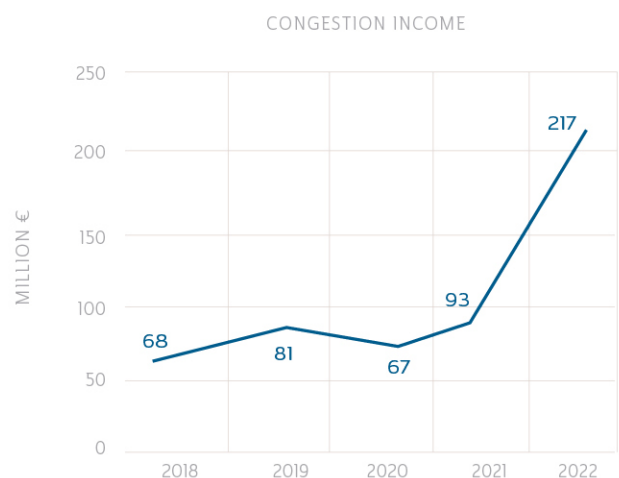
10 Borders

106 Long Term Auctions

2922 Daily Auctions



After the decline in congestion revenues in 2020, mainly attributed to the impact of COVID-19 pandemic, 2021 has brought new uncertainties on electricity markets, which has caused extremely high electricity prices but also high price differences which resulted in increase of congestion incomes. Trends of growth continued in 2022, resulting in highest congestion revenue<sup>1</sup> so far.

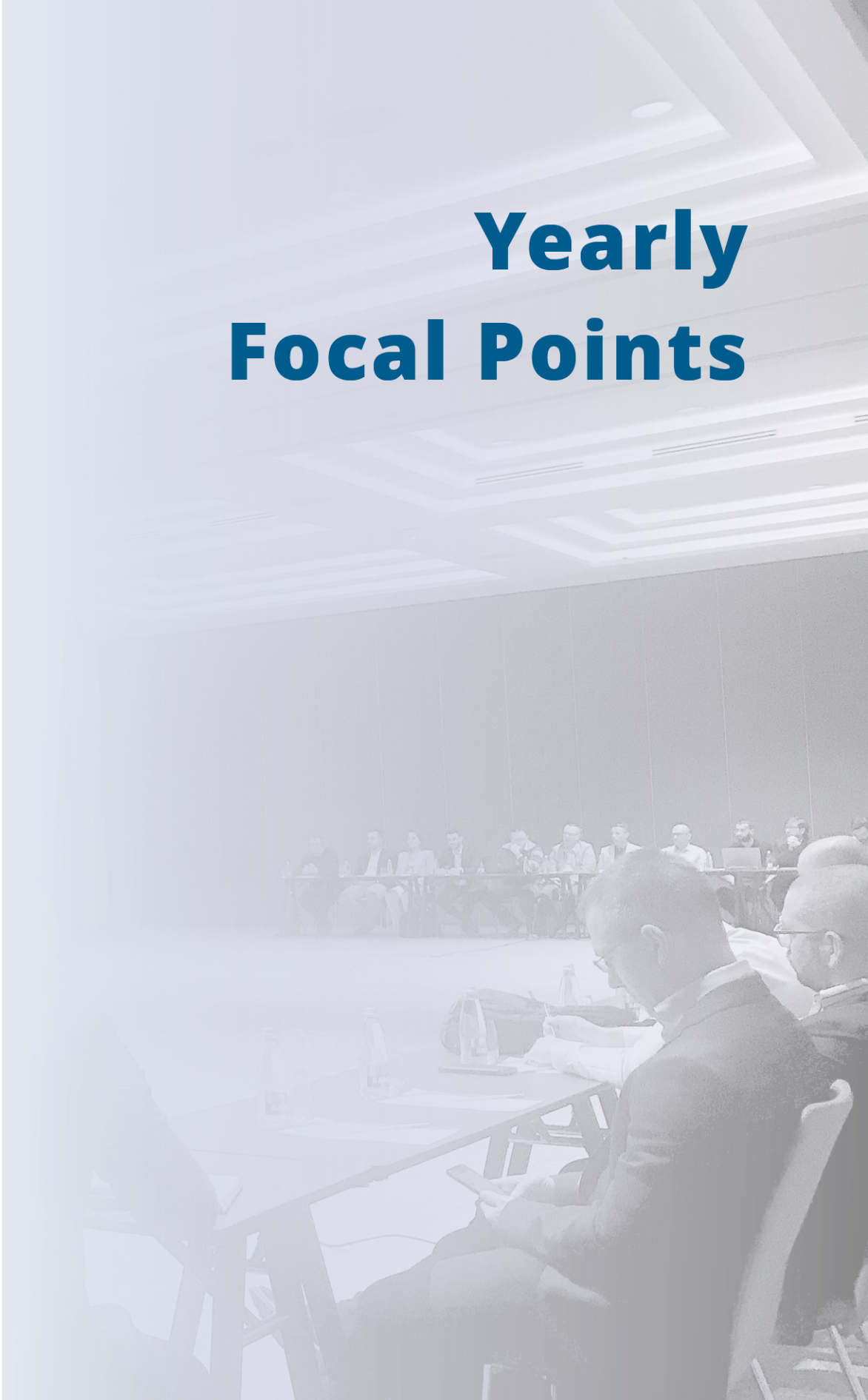


SEE CAO takes care on needs of its end users. In that regard, based on interest expressed by market participants, in 2022 SEE CAO has introduced new service – REMIT reporting of secondary allocations.

During 2022 SEE CAO team has continued with activities within TRINITY, project granted by European Commission as a part of EU-funded Horizon 2020 R&D programme, which aims to develop a set of solutions to improve market integration and cross-border trade in SEE region by connecting EU and non-EU countries. After development of module for explicit intraday auctions as a backup for intraday market coupling, in 2022 SEE CAO has successfully completed demonstration activities, by simulating “shadow” auctions in both, hourly and 15-minutes resolution.

<sup>1</sup> Congestion revenue figures available on SEE CAO website and ENTSO-E Transparency Platform.

# Yearly Focal Points







## ● JANUARY

New service – REMIT reporting of secondary allocations;

## ● FEBRUARY

Compliance with updated labor regulation in Montenegro;

## MAY ●

Meeting of working group for update of allocation rules – finalization of update proposal;

Start of ISO Standardization process (ISO 9001, ISO 27001)

## JUNE ●

27th Athens Electricity Forum

## JULY ●

Public consultation for update of allocation rules;

## NOVEMBER ●

Traders workshop;

Completion of ISO Standardization (ISO 9001, ISO 27001)

## ● SEPTEMBER

TRINITY – start of demonstration activities;

## DECEMBER ●

Adoption of network codes (including FCA) on EnC level;



# Technical Report





Providing an unobstructed business flow has always been a challenge from technical standpoint. There are plenty of different aspects which should be considered in all times, which could potentially affect everyday operation.

Since the very first day of its operation, SEE CAO was growing an environment, a business culture where success and satisfaction of our customers was being set as the main goal. With such approach and, with complete commitment of our team, we have managed to provide flawless service to all related customers.

## IT infrastructure

Behind successful operation there is a strong infrastructure. Today, that is a main prerequisite for starting and maintaining any business.

The core and primary asset of SEE CAO operation is Damas Auction Tool, a software solution necessary for conducting cross border capacity allocation. Whole system is run by a sophisticated hardware hosted in modern data centre located in Podgorica, Montenegro. Being implemented in line with the latest best practices, the solution fully satisfies high demanding requirements of cross border capacity allocation, in terms of reliability and security. In last period, focus primarily shifted towards security, since IT world was occasionally being shaken up by various attempts of breaches into the core systems of companies, starting from middle sized ones and then all the way up to the top, to the biggest. Here in SEE CAO, we made sure that our infrastructure is up to date with the latest recommendations from IT security sector, securing our core business from the danger which comes from the “outside”.

Damas itself is a web oriented application, a platform available to its customers 24/7, in charge of conducting complete business flow starting with organization and execution of long-term and daily auctions, followed by secondary market and risk management, and finally finishing with statistics, reporting and data publishing.

New version of Damas has been recognized as one of the most advanced solutions available on the current market and is entirely suitable for ongoing, as well as future needs of SEE CAO. Upgraded software covers all auction office market-related processes with advanced system security and support of a wide range of interfaces (FTP, SFTP, ECP, email, Web services). It is constantly being upgraded and fine-tuned, whether if it is a deployment of new feature or optimization of an existing one. It is an open cycle with the goal to achieve the state of the software where bare minimum of issues can occur and where the usage of Damas is a pleasant and straightforward experience for anyone.

Investments in IT infrastructure are inevitable for retaining smooth functioning of the system and quality of services provided by any company, especially having in mind the continuous and tremendous development of information technologies. SEE CAO is no different, and we will give our best to keep up with latest IT requirements dictated by business development.

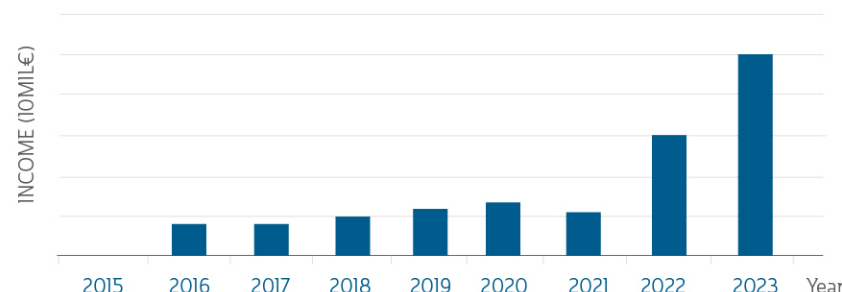
## Auctions

During 2022 SEE CAO has successfully conducted following auctions:

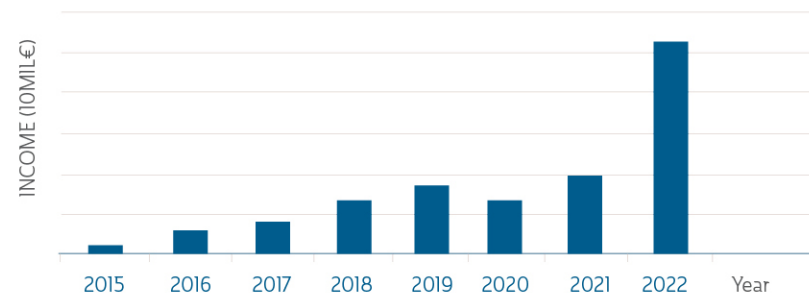
- Yearly auction for 2023;
- 12 monthly auctions;
- 365 daily auctions.

Trends of high volatility on electricity market continued in 2022, which caused not only high prices but also high price differences what resulted with record high prices of cross-zonal capacities. Congestion revenues<sup>2</sup> generated during 2022 on all three timeframes (yearly, monthly and daily) were significantly higher in comparison to 2021. Below graphs display congestion revenue from yearly, monthly and daily auctions:

Revenues from Yearly auctions



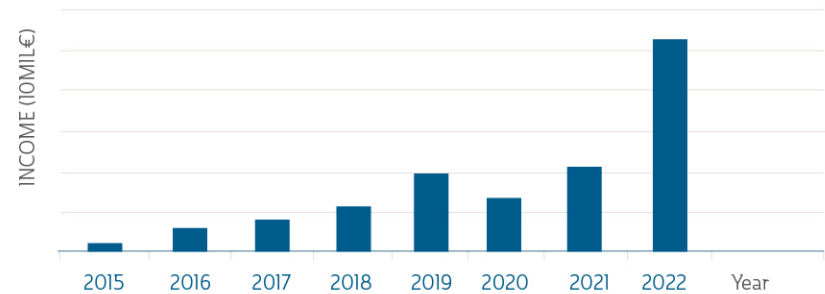
Revenues from Monthly auctions



<sup>2</sup> Congestion revenue figures available on SEE CAO website and ENTSO-E Transparency Platform.



Revenues from Daily auctions

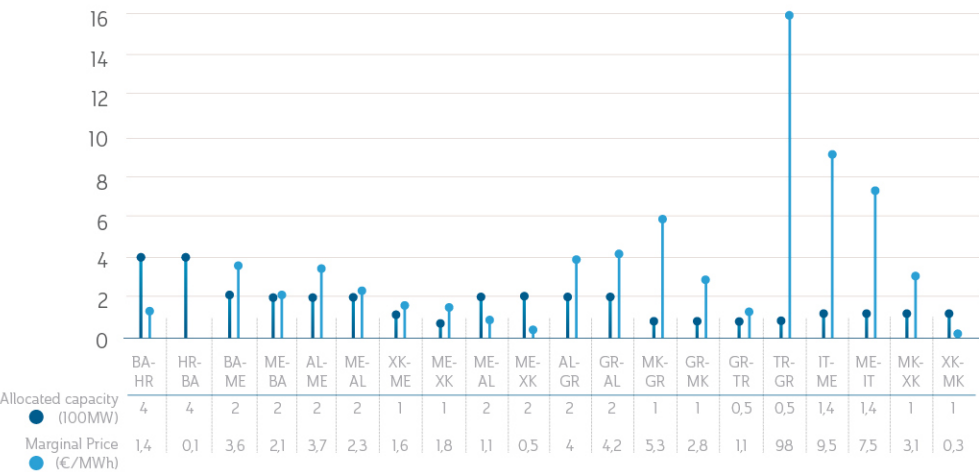


# Collaterals

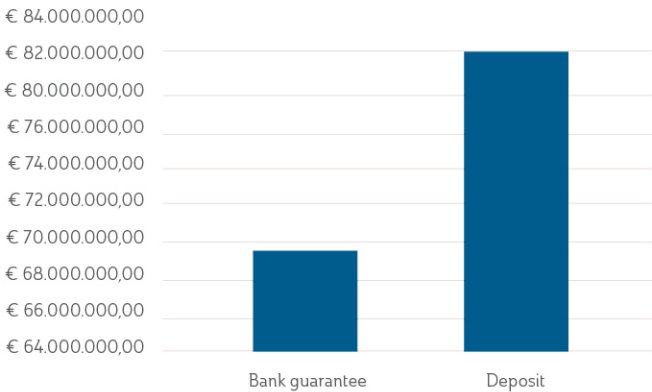
In order to be able to participate in auctions organized by SEE CAO, our customers, registered participants, need to provide a risk management instrument, i.e. collateral. Collaterals can be in a form of cash deposit or bank guarantee. Their standard templates are defined in Financial terms. At the end of 2022, total funds provided as collateral for participation in auctions exceeded 154 million €.

Yearly auctions for 2023 were completed with following results:

Results of Yearly Auction 2023



Risk management instruments



# Transparency and Reporting





# Transparency and Reporting

## “Transparency Regulation”

SEE CAO was one of the first data providers who started reporting of following explicit allocation set of data to ENTSO-E Transparency Platform as of 5 January 2015 on behalf of its service users:

- Yearly offered cross-zonal capacity;
- Monthly offered cross-zonal capacity;
- D-1 offered cross-zonal capacity (NTC);
- Explicit allocation - the capacity, requested by the market;
- Explicit allocation - the capacity allocated to the market;
- Explicit allocation - the price of the capacity;
- Explicit allocation - the auction revenue per border between Bidding Zones;
- Total Capacity Already Allocated;
- Transfer capacities allocated between Bidding Zones in Member States and third countries;
- Configuration of transmission capacity allocation.

It is important to note that reporting to ENTSO-E Transparency Platform has significantly contributed to the enhancement of the transparency in the SEE region.

## REMIT

By entering into force of REMIT on 25 October 2011 enacted by European Parliament and the Council and in particular the Commission implementing Regulation (EU) No 1348/2014 among other stakeholders also TSOs from EU Member States became obliged to report the transactions regarding capacity allocation to the Agency for the Cooperation of Energy Regulators (ACER), starting from 7 April 2016. With aim of providing service of mandatory reporting to its service users from EU Member States, SEE CAO has been registered at ACER as Registered Reporting Mechanism in 2016 and from this date regularly reports data to ACER REMIT Information System (ARIS).

In the name of Greek TSO IPTO, Croatian HOPS and Italian TERNA, SEE CAO reports the below listed transactions from primary allocation (for the borders HR-BA, GR-AL, GR-TR, GR-MK, ME-IT):

- Offers/bids;
- Capacity Allocation time series (Yearly, Monthly, Daily);
- Auction results; and
- No-Bids auction time series.

The remaining borders can easily be reported from Damas Auction Tool once it becomes mandatory for the non-EU countries.

From beginning of 2022, upon interest expressed by market participants, SEE CAO has started provision of new service – reporting of secondary allocations in line with REMIT. For this purpose, a new module within DAMAS Auction Tool is activated, which enables reporting of transactions related to secondary allocations (return and transfer) on behalf of interested registered participants. During 2022, this service was provided to 18 registered participants.



A grayscale photograph of a business meeting. Three people are seated around a light-colored table. In the center, a bald man with a beard, wearing a suit and tie, sits with his hand on his chin, looking towards the right. To his left, a woman with long hair is smiling and looking at him. In the foreground, a man is seen from the side, focused on his laptop. Another laptop is visible on the right side of the table. The background is a plain, light-colored wall.

# **Business Organization and SEE CAO's team**

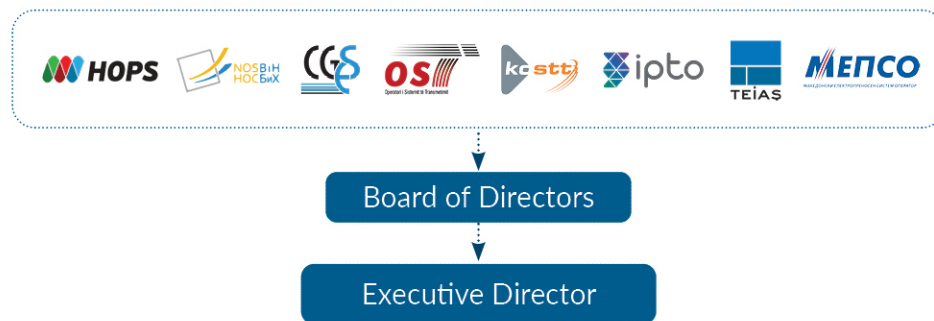




SEE CAO shareholders structure

## Business Organization

Organization of SEE CAO as limited liability company registered in Montenegro governed by the Assembly of SEE CAO's eight shareholders, Board of Directors consisted of members nominated by each shareholder and Executive Director.



The Assembly of shareholders is the highest body in the company's organization, and the shareholders of SEE CAO, according to the rules set out in Articles of Association, organize the governance structure and agree on levels of decision making.

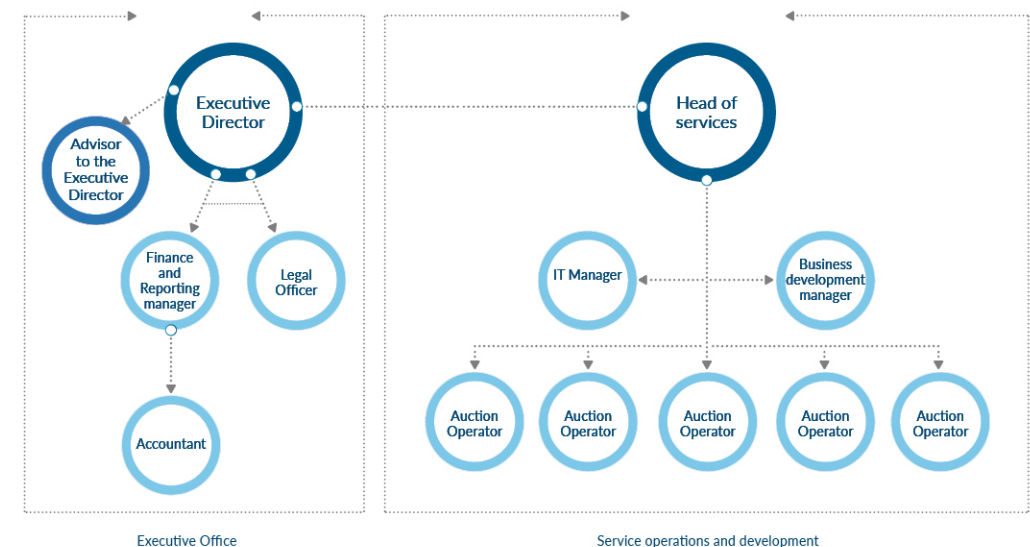
The Board of Directors, headed by its Chairman, is a collective body which governs the company and supervise its business activities, all in accordance with applicable regulations, enacted internal rules and legal requirements of Montenegro.

The Executive Director organizes all business activities of the company, represents and acts for the company within the limits of his authority and enforces decisions made by the Board of Directors.

Communication of Executive Office and Board of Directors is of an essence for work, perspective and development of SEE CAO. We manage to keep this connection successful by frequent organization of meetings, established reporting procedures and constant communication.

## Our Team

SEE CAO employees are covering management, operational, financial and legal positions.



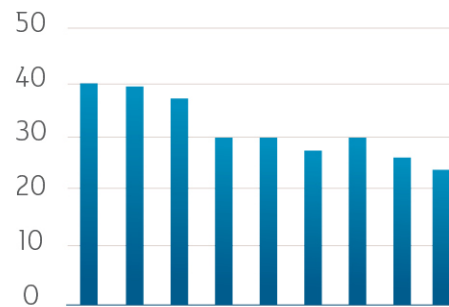
Systematization chart

Our team is young, energetic, focused, dedicated and efficient at what it does. As a close-knit group we strive for enriching our capabilities, continuous professional development, teamwork, and collaboration.

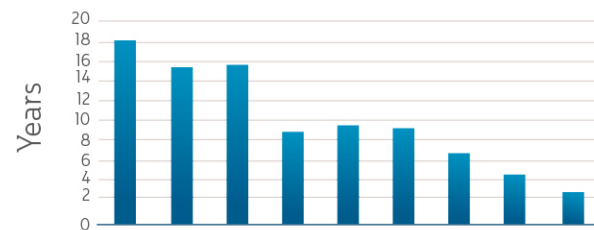


# Compliance

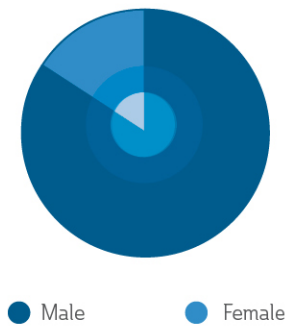
Employees age



Work experience



Gender



We are dedicated not to disclose any information important to parties involved in the auction process which is why all information related to technical, financial and legal processes are performed within the office, without any outsource of work.

Employees are acting as a “front-office” towards the traders and service users and as such provide reliable, compact, and efficiently organized service, which is our strongest attribute and value.



A culture of compliance is fundamental to protect our company values and our reputation in the market.

SEE CAO obeys all national regulatory, corporate and financial laws, as well as recommendations of key authorities within the Montenegrin state governance, by which we aim to generate value for our company.

For certain areas, our company's policy is even more strict than it is required by national laws, which is why one of the "big four" audit companies revises our financial reports on a yearly level, despite the facts that by the rule of national laws we are not obliged to engage auditors for the reports. Regardless of this, we do it by choice since our sole objective is complete and absolute compliance.

Conforming to normative guidelines, applicable rules and operative work within a structured information system seek our continued attention. Only in this way we may comply with extensive set of rules covering accounting, corporate governance, labour, tax, finance, operations, data protection and corruption.

Executive office discusses all important aspects of interim and durable performance on weekly meetings attended by representatives of all departments within the company. All procurements are performed in line with internal rulebooks and we pay extreme attention to selection of our suppliers. Professionalism and high performance qualities of our suppliers is important to us and we strive to build good and lasting relations.

# Creating a risk-aware culture for success



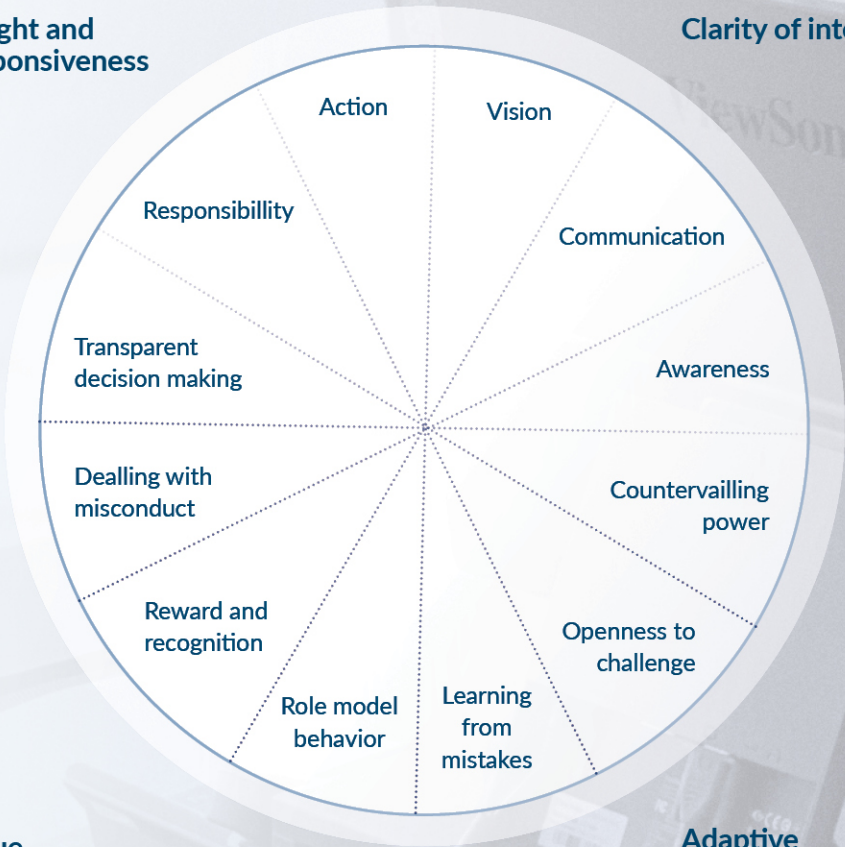


Risk management and risk culture are key factors of success of all operational teams, since avoidance of risk is truly the responsibility of everyone in the organization.

We encourage the team to have a daily focus on safety and risk in the jobs that they do, or in the situations that they come across. It is important to cherish the foundation of values, knowledge, beliefs, understanding and communication of the risks associated to our objectives in order to achieve most quality performance.

Insight and responsiveness

Clarity of intent



Value system

Adaptive organisation



A man in a suit is sitting at a desk in an office, working on a computer. He is looking at the monitor and has his hand on the mouse. The desk is cluttered with various items including a keyboard, a notebook, a pen, a cup, and a telephone. There are other computer monitors and desks visible in the background, suggesting a busy office environment. The text "Development of Business Processes" is overlaid on the right side of the image in a bold, blue font.

# **Development of Business Processes**



We believe that good organization of tasks among the team is vital for business to thrive long term. In SEE CAO a great number of internal processes is regulated and that helps our team to keep the work structured, control activities and have a clear picture of ongoing activities in all times.

The new version of Auction Tool has introduced the improvements in electronic data exchange in regards to supported data formats and flexibility in terms of communication. At the same time, it ensured the smooth and transparent transition for all involved parties and created firm basis for future system extension and possible introduction of new services. In that light, several system improvements, including one new service (REMIT reporting of secondary allocations) were introduced in 2022.

During 2022 we have continued active participation in TRINITY project, which gave us the opportunity to be a part of this very important EU project and share our knowledge and practise with colleagues from all Europe also having positive impact in our financial figures.

Together with experts from our TSOs we completed the work on update of allocation rules and decreased the gap between EU HAR and existing SEE CAO allocation rules, resulting in several significant updates, most important being introduction of dedicated business account as improvement of settlement procedure between market participants and SEE CAO.

# Financial Aspects of Business

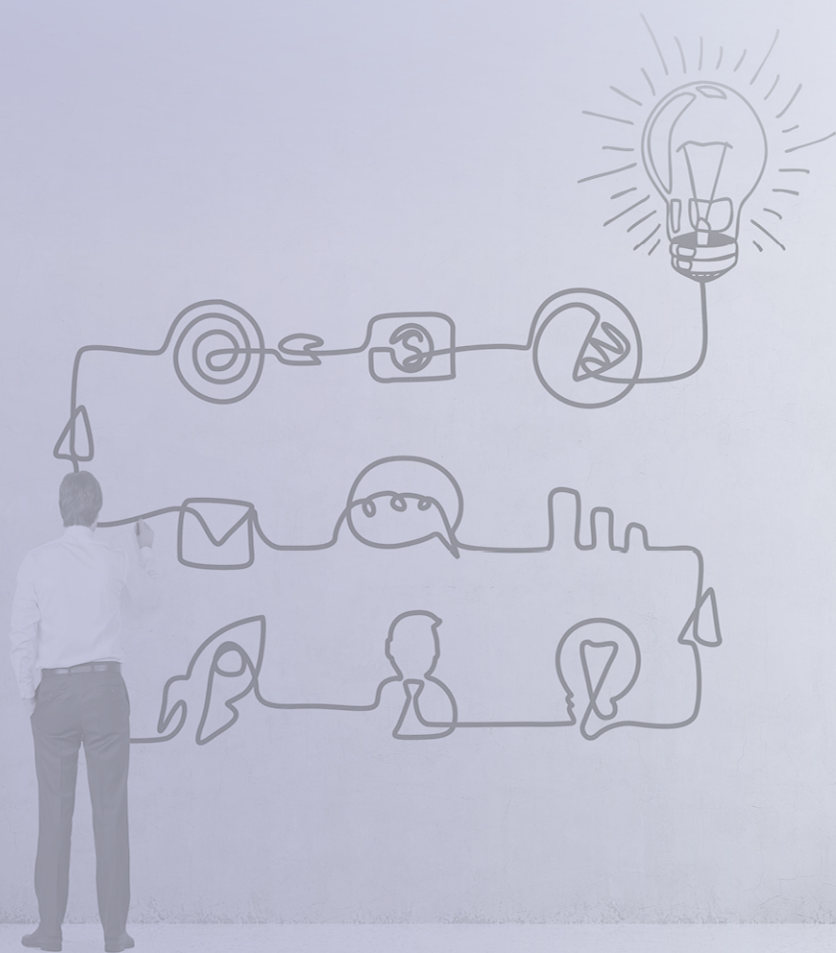
SEE CAO's financial stability is ensured by regular monthly revenues (inflows) for services provided to their users.

The annual budget is approved by the Board of Directors and is a guarantee of quality and stability of company's business.

During the previous business year, all collection of revenues was performed in accordance with planned dynamics, while the company was settling its obligations in accordance with the maturity dates. When designing the budget, particular attention is given to investments plans, both in terms of timely depreciation of existing fixed assets and in further development of modern software solutions.

Every year financial statements of the company are subject of review and appraisal by one of the reputable external audit companies. The financial statements for 2022 have been audited by BDO International and have been assessed as true and objective in accordance with the accounting rules of Montenegro.

All financial processes within the company are constantly monitored by our financial staff and group of financial experts from our shareholding TSOs, which gives us comfort of having dual checks of company's financial receivables and obligations.





# Social Responsibility

We are thankful that for one more year we were in a position to help organizations which take care and put their will and effort in helping and enriching lives of the vulnerable parts of our society.

At the end of the year SEE CAO met representatives of public institution "Komanski Most" and provided the organization with a donation for which we hope that was helpful to this institution.

During this occasion SEE CAO got more familiar with the work of personnel of this organization and struggles they deal with in order to please interests of persons with disabilities and provide conditions for their full and active inclusion in all areas of social life.

We believe that sometimes it takes one small act of kindness to create ripple effect that will make all the difference and truly see the possibility to be helpful to others not as a duty, but as a privilege.



## End note

At the end, let us express our satisfaction with the fact that all planned activities for 2022 have been realized to satisfaction of all included parties. We are motivated to remain focused on the growth and to face all the challenges on the path of our development.

We appreciate you taking the time to read our report and see 2022 from our perspective.

SEE CAO, March 2023

