

Month-ahead trading strategy presentation for SEE | October 2023

Date: 28.08.2023 (HU-DE Futures price difference for October 2023 = 11.5 EUR/MWh)

- Consumption in HU+SEE region will be a little bit lower than in October 2022 (500 MW in night hours and 500-1000 MW lower in sunny hours). Also Consumption will be much lower than in July 2023.
- There are no much grounds to assume higher gas fired power generation and significantly higher hydro power generation than it was the case in October 2022. Additional factor which could reduce hydro power generation in October 2023 is an opportunity cost of water in reservoirs since November futures are 30 EUR/MWh higher than October futures.

- The main bullish reasons for long HU vs. short DE trading strategy are:
 - Coal fired power generation will be 1500 MW lower than last year in October and in Greece potentially additional 400 MW lower.
 - The HU+SEE region will need to import more energy than in October last year in order to settle below Italian market, but imports of the region in October 2022 were already very high and it was very difficult for HU+SEE region to achieve such high imports in Flow Based Market Coupling at low HU-DE spread.
 - Poland is much bigger importer from Flow Based Market Coupling this year than it was the case last year. Polish imports this year consume transmission grid resources much more than last year which makes it more difficult for HU+SEE region to achieve high imports in Flow Based Market Coupling. This is one of the main reasons why it does not appear to be realistic that HU+SEE region can import 4000 MW in hours 19-24.

- October 2023 should have been very comfortable for HUPX because consumption was extremely low and lignite fired power generation was extremely high. However, it was far from comfortable for HUPX. HUPX settled 41 EUR/MWh above German market and 16 EUR/MWh above French market. Hungary and SEE region imported on average 3050 MW from Core region while exporting to Italy only 170 MW on average.

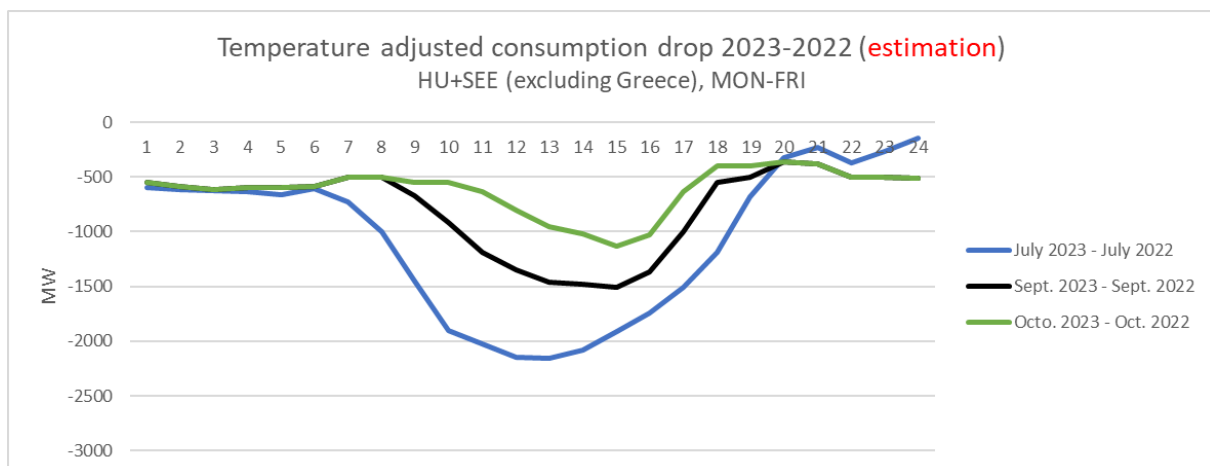
- HUPX settlement in Flow Based Market Coupling in October 2023 will not be less stressed than it was last year since HU+SEE region will need high imports and Polish market as well will need high imports.

It is advised to make long position in Hungary for October 2023, in spread with short position on German or Italian markets.

Consumption in October 2023

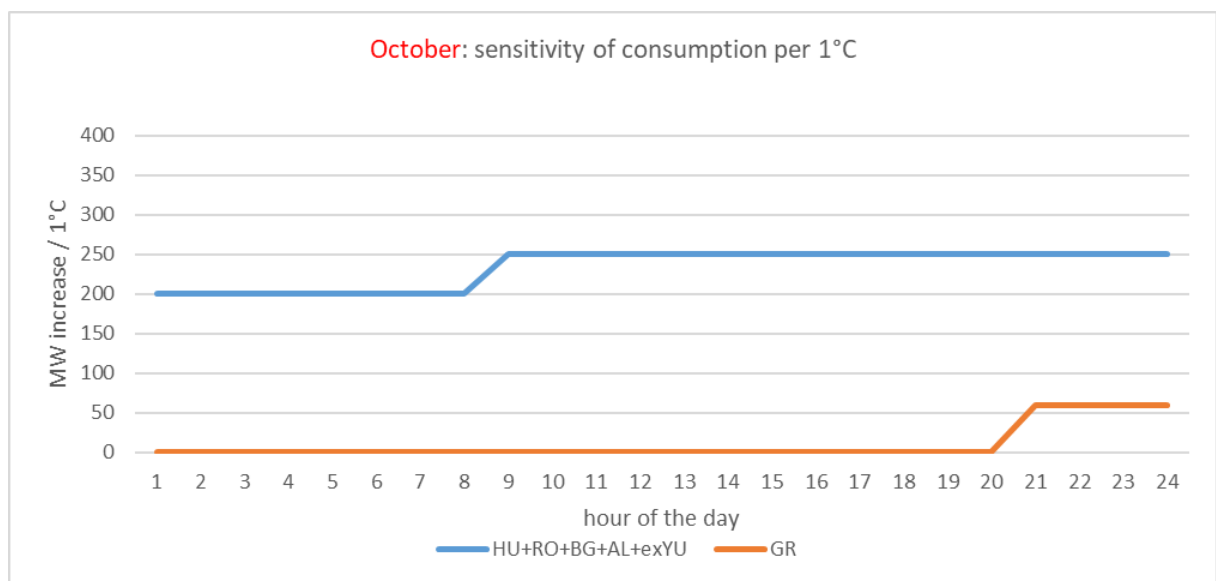
Consumption drop is caused by the increase of solar generation on the distribution grid level which is reported in Entso-e data together with consumption, but also by around 500 MW structural loss of consumption.

Consumption drop in sunny hours in October 2023 against October 2022 will be much lower than consumption drop in July 2023 against July 2022 because solar generation on distribution grid level is lower in October than in July.

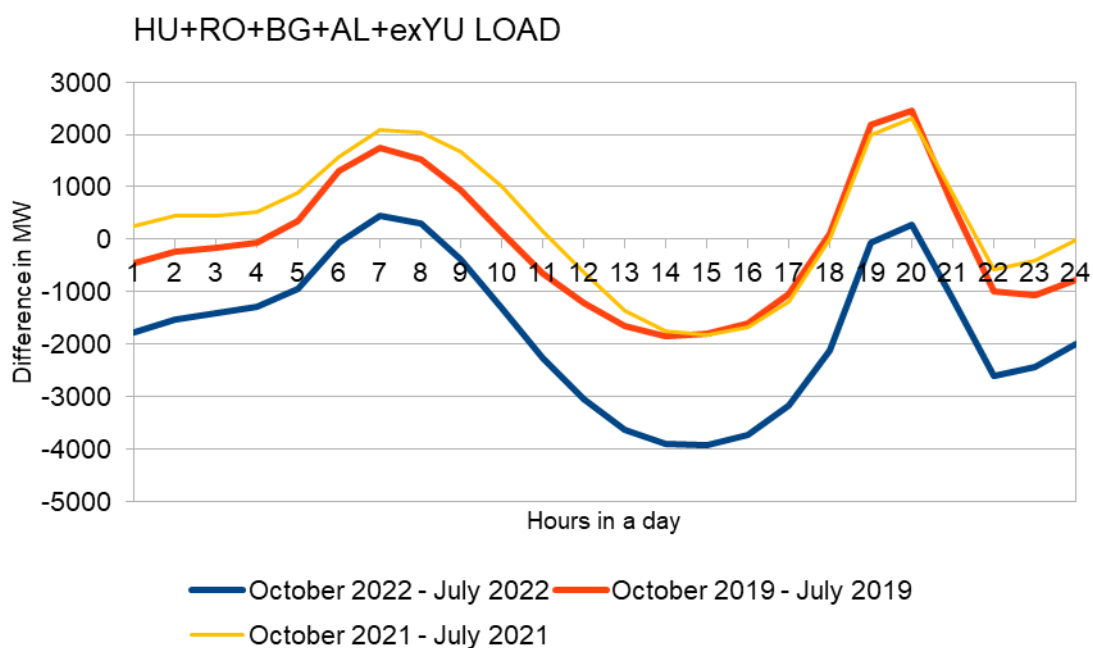


Consumption in October is under the impact of temperatures:

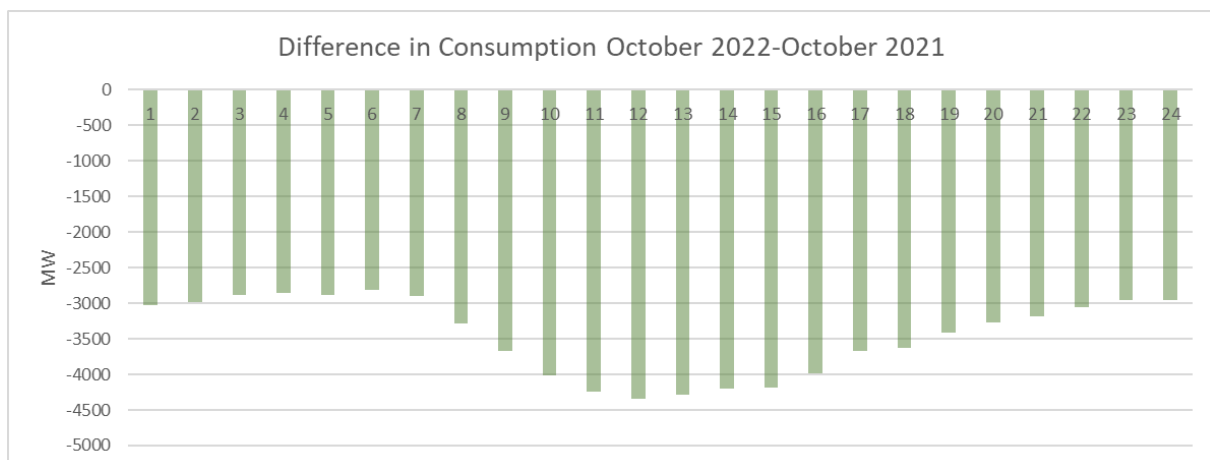
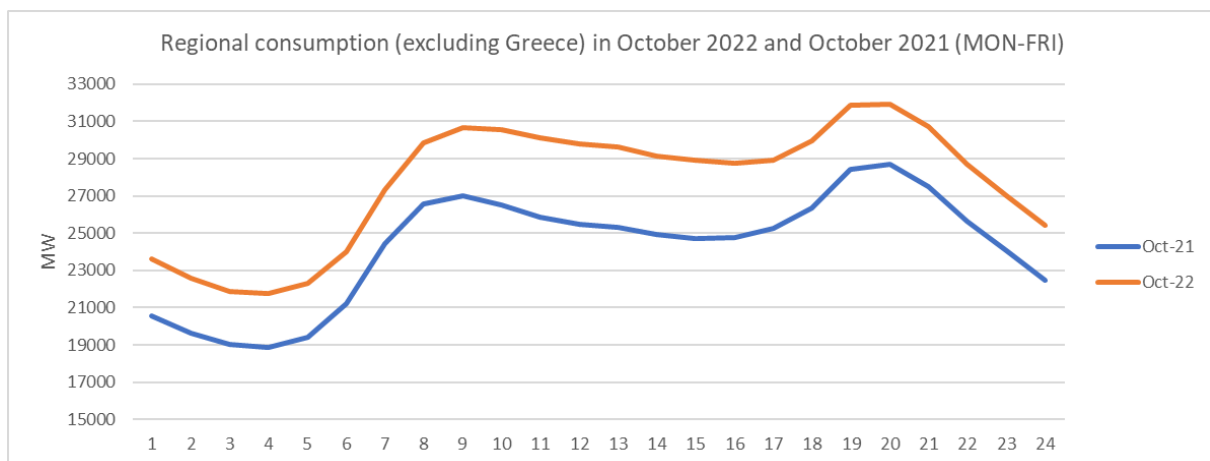
- Sensitivity of consumption is not as high as in winter months, but it can play a role in October since the range of temperatures which can occur on day-by-day level in October is very high.
- In case of high temperature drops, consumption can go 1,500 MW up which will make a disturbance on Hungarian and SEE markets.
- Cold days of October (average daily temperature below 10 °C) are dangerous for HUPX. Since district heating will not start in October, using of electricity for heating might become more common than usually and could contribute to the surprising rise of consumption on colder days.

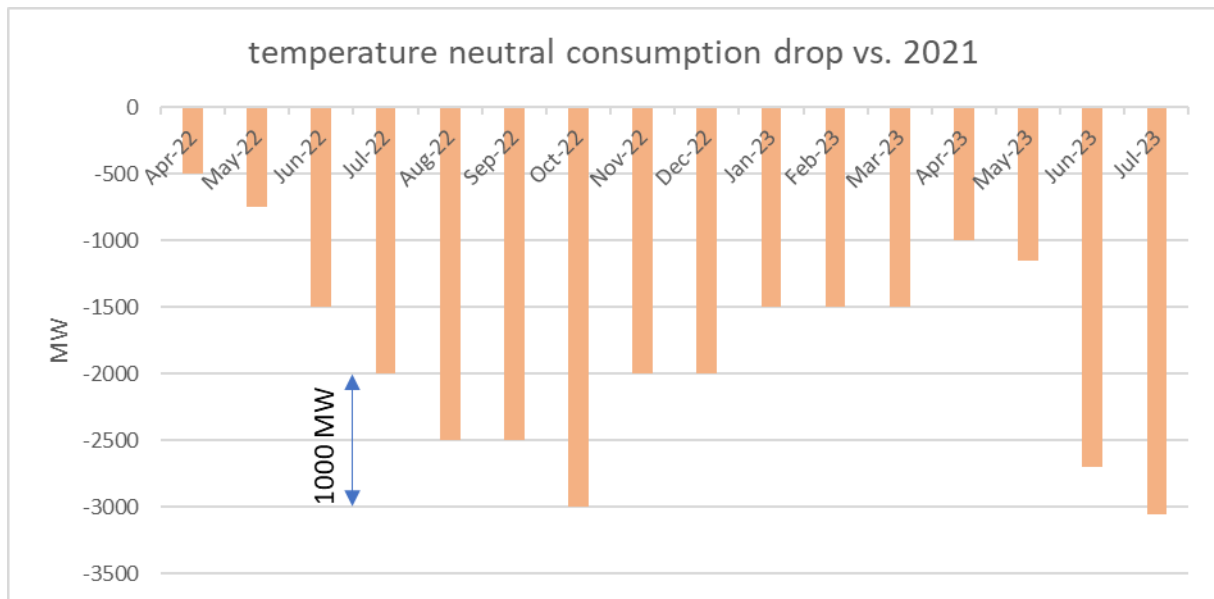


- 2019: Consumption in October 2019 was on average equal as in July in the year 2019, although October 2019 was the warmest October 2019 was the 2nd warmest October in the last 50 years. The reason was that July 2019 was not very hot.
- 2021: Consumption in October 2021 was on average equal as in July in the year 2021, although July 2021 was extremely hot. The reason was that October 2021 was extremely cold which resulted in very high consumption in October 2021.
- In the year 2022, October had 1700 MW lower consumption than July 2022. July 2022 was very hot, but also October 2022 was extremely warm which resulted with very low consumption in October 2022.
- For the year 2023 it is to be expected similar situation as in the year 2022. October 2023 will be warm and July 2023 was very hot. Therefore, one would conclude that consumption in October 2023 will be around 1700 MW lower than in July 2023:
- Consumption in October 2023 will be lower than in July 2023 mostly in sunny hours
- Consumption in October 2023 will be higher than in July in hours 6-7-8 and 19-20



- Assumption that October 2023 will have the same drop of consumption compared to July 2023 as it was the case with October 2022 – July 2022 is probably **too aggressively bearish assumption**:
- October 2022 had 3400 MW lower consumption (excluding Greece) than October 2021, on working days. This is not normal and can not be attributed to warm weather in October 2022 nor to cold weather in October 2021.
- **Temperature in October 2022 was 3.3°C higher than in October 2021 and this can not explain 3400 MW lower consumption in October 2022**
- **October 2022 had excellent weather conditions for solar generation, it was very dry.**
- Drop of consumption was emphasized during sunny hours, but there was a 3000 MW difference in consumption in night hours, not affected by solar generation on the distribution level.
- Energy crisis, gas/power supply uncertainties and energy prices in October 2022 have to be taken into account, since **consumption destruction peaked in October 2022**. During 2022, consumption destruction due to high energy prices was getting higher each month until October and **consumption destruction in October 2022 was at least 1000 MW higher than it was in July 2022**.

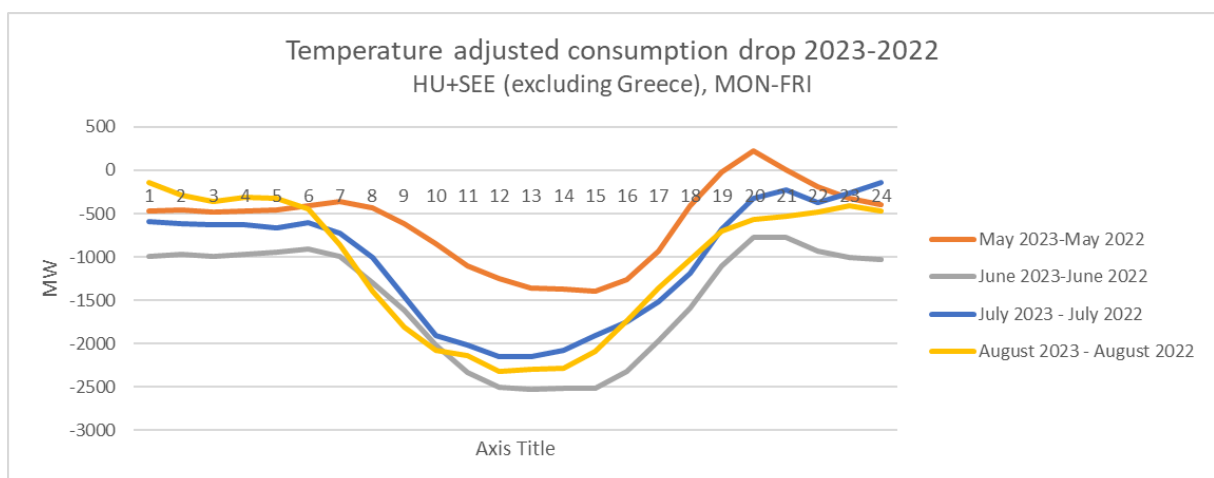




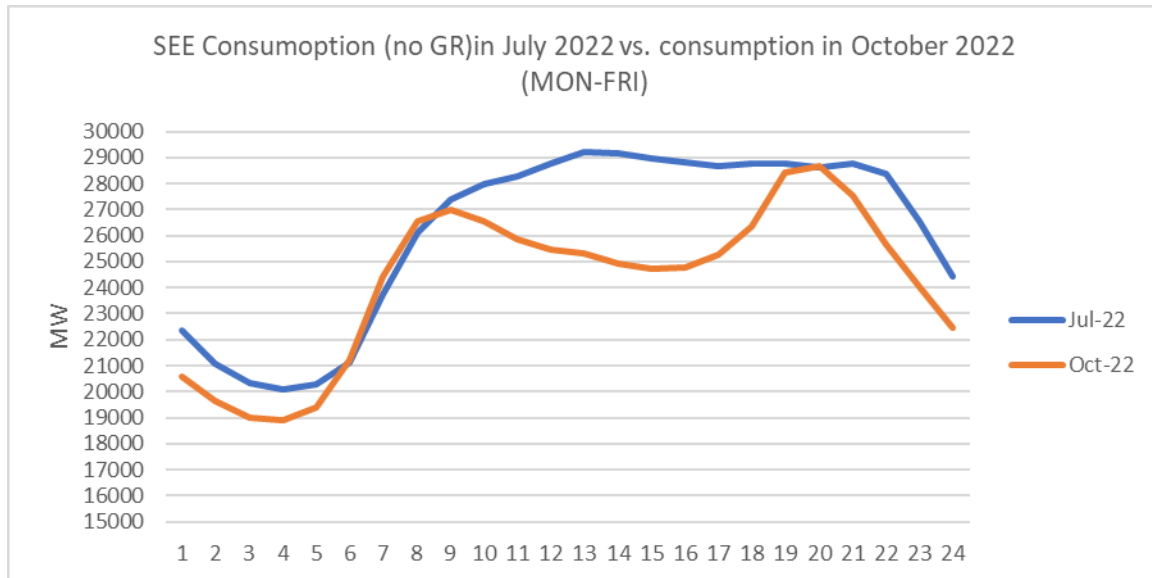
- **Conclusion that Consumption in October 2022 was 1700 MW lower than in July 2022 just because October was warm is probably exaggerated and only 700 MW can realistically be attributed to warm October while 1000 MW should be attributed to Consumption destruction.**
- **October 2023 could have just 700 MW lower consumption than July 2023 because consumption destruction is not increasing this year month-after-month as it was the case last year.**

In the past months of 2023, compared to the same months of 2022, consumption was lower by:

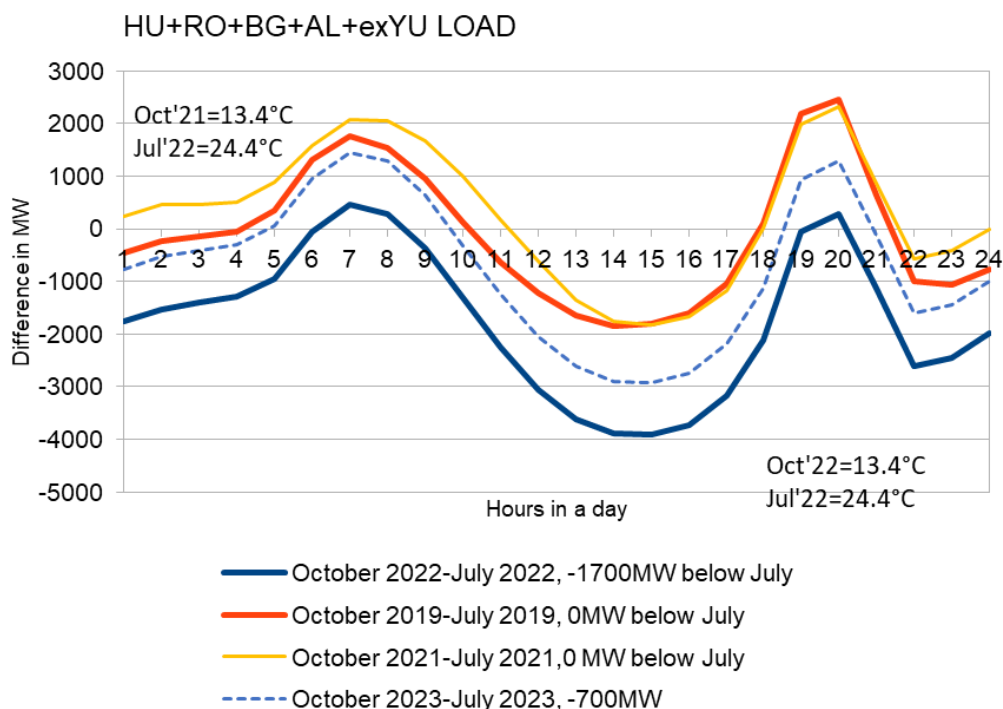
- 500-600 MW in hours 1-7
- 200-500 MW in hours 20-24
- Dependent on the solar profile in hours 8-19 and share of solar generation in distribution grid consumption was 1500-2500 MW lower than last year on days with the same temperature.



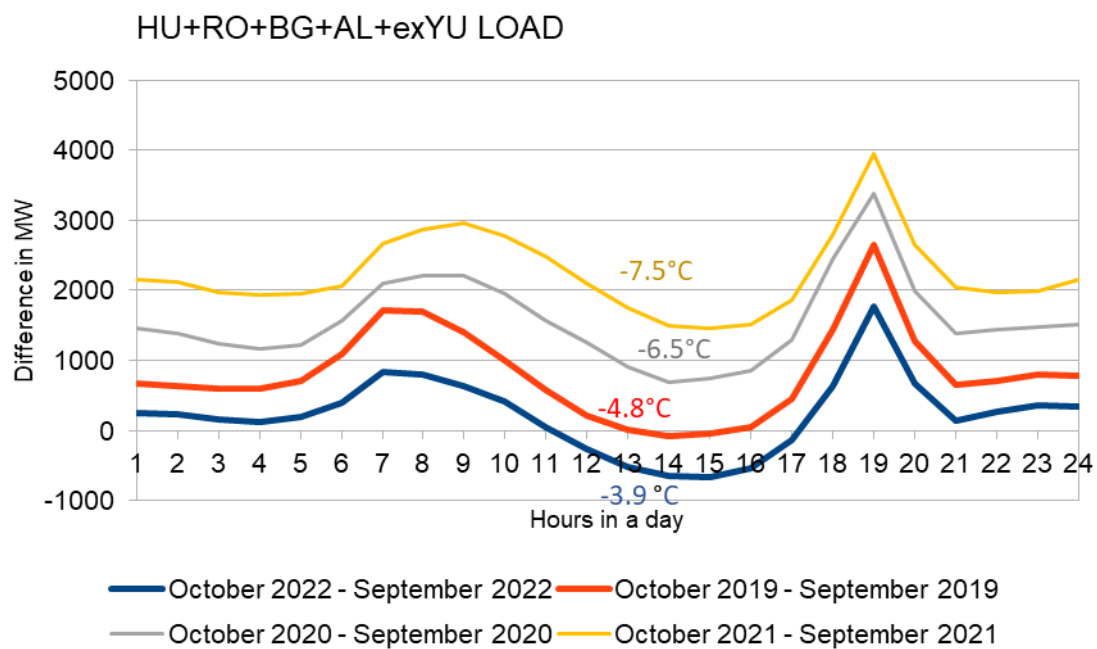
- **October 2022 should have been very comfortable for HUPX because consumption was extremely low and lignite fired power generation was extremely high. However, it was far from comfortable for HUPX. HUPX settled 41 EUR/MWh above German market and 16 EUR/MWh above French market. Hungary and SEE region imported on average 3050 MW from Core region while exporting to Italy only 170MW on average.**



- **One should take into account that an alternative scenario for consumption change between July 2023 and October 2023 is possible, where consumption in October is on average only 700-MW lower than in July instead of 1700 MW as it was the case in the year 2022.**



- If consumption in October is compared against consumption in September, it can be concluded that:
 - October can have over 2000 MW higher consumption than September in case of very cold October (7.5°C lower average temperature than in September)
 - October can have on average just 200 MW higher consumption in case of very warm October (just 3.9°C lower average temperature than in September)
 - October will anyhow have higher consumption than September in hours 6-7-8-9-10 and 18-24.

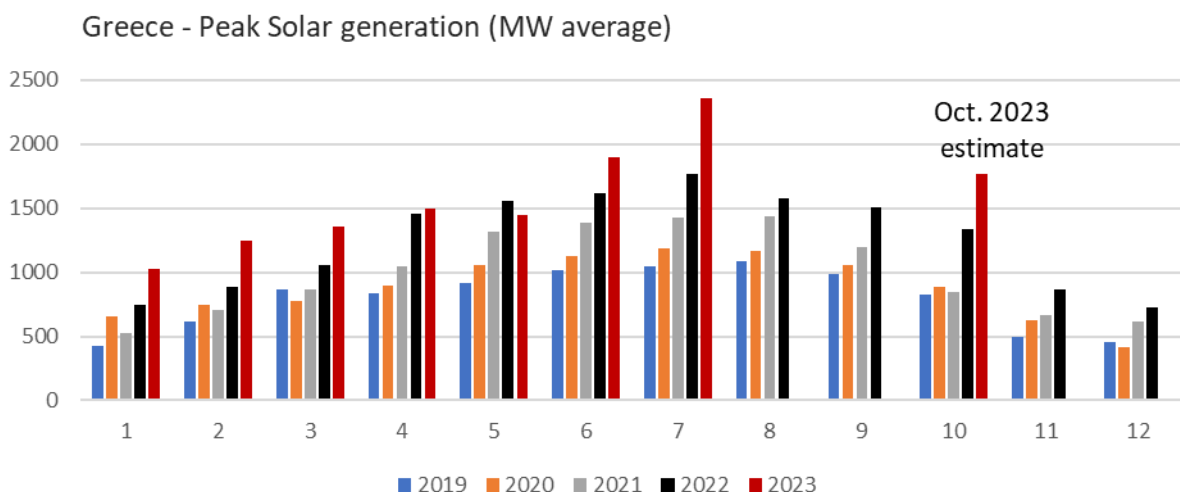
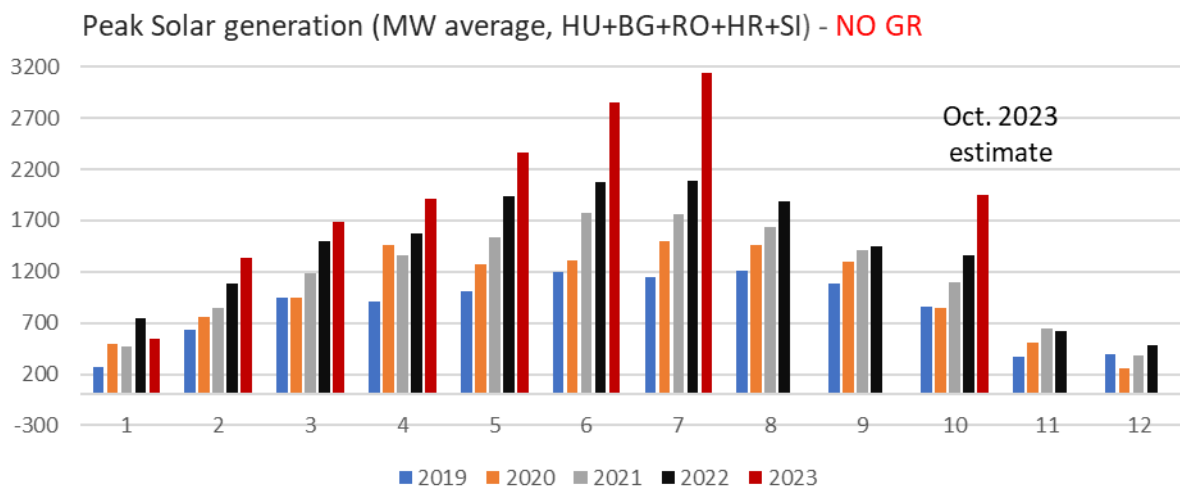


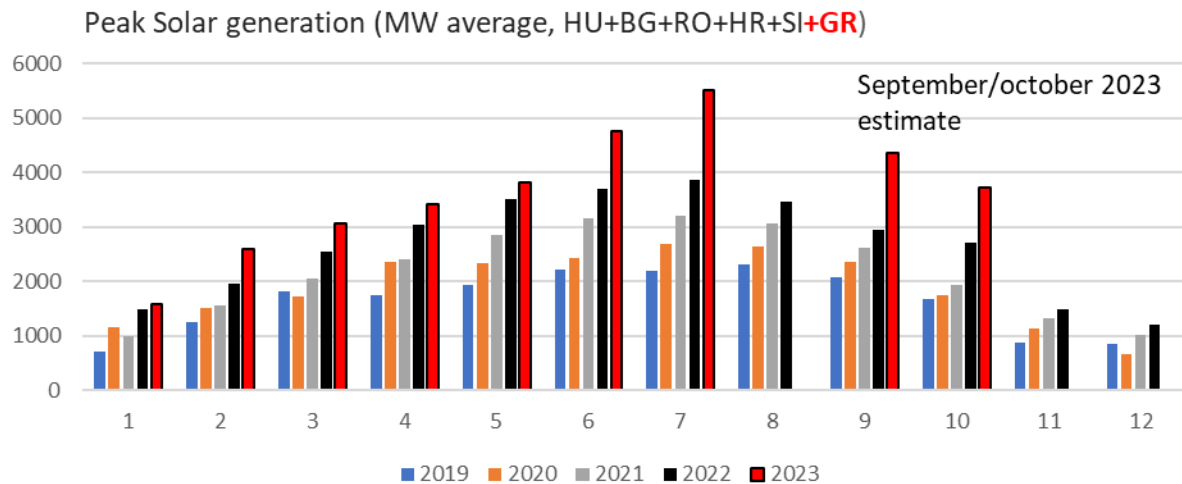
RES generation in October 2023

- **Solar generation has a big decline in October against July.** Solar generation in October is at around 60% of solar generation in July, which will be a big change this year. Solar generation for the 8-20h peak profile could be 1500 MW lower than in July and for 11-17h profile it should be 2200 MW, excluding the photovoltaic generation on distribution level.

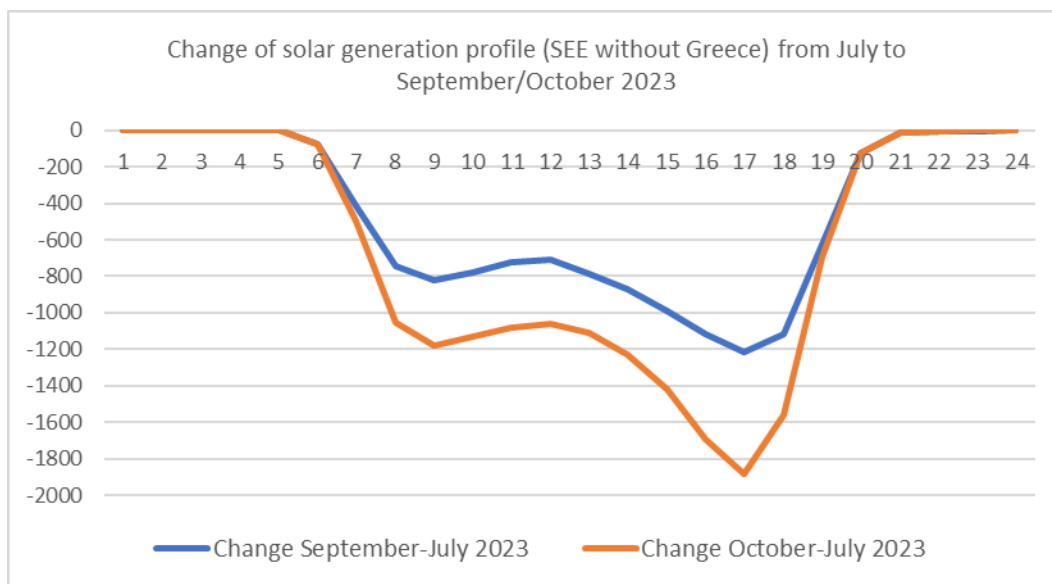
Solar generation in the 8-20 profile in October is

- 60-65% of the solar generation in July, in SEE without Greece
- 75% of the solar generation in July, in Greece



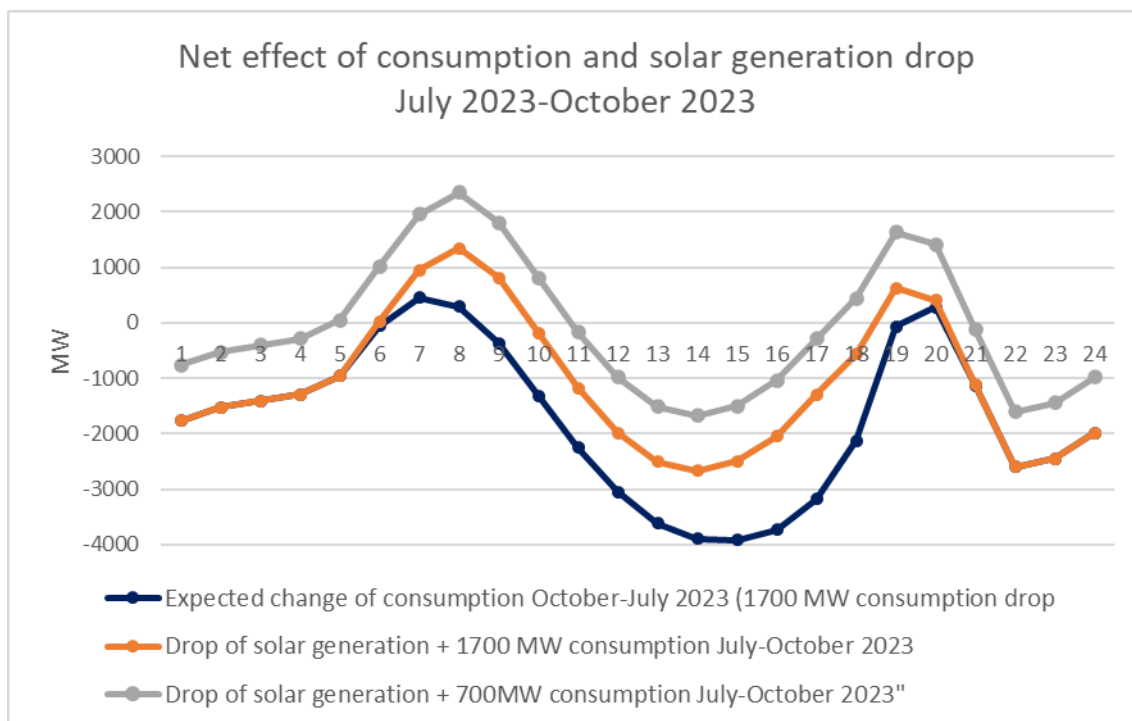


- Normally, solar generation drop in sunny hours significantly outweighs consumption drop in sunny hours. However, since October 2023 is forecasted to be very warm, the change of consumption between July and October will outweigh the drop of solar generation in hours 10-18



- **In the bearish scenario** where consumption in October 2023 is 1700 MW lower than in July 2023, the net impact of consumption and solar generation in October 2023 will create higher demand than in July 2023 in hours 6-7-8-9 and 19-20.
- **In the bullish scenario** where consumption in October 2023 is just 700 MW lower than in July 2023, the net impact of consumption and solar generation in October 2023 will create higher demand than in July 2023 in hours 5-6-7-8-9-10 and 18-19-20. The net effect of consumption and solar generation change will result in 2000 MW higher demand in hours 7-8-8 and 1500MW higher demand in hours 19-20.

This will result in very risky conditions, when it is taken into account that in July HUPX settled above Italian market frequently in those hours and that hydro generation and Nuclear generation in October will be by 2500-3000 MW lower than in July.



Wind generation:

October does not necessarily have higher wind generation than August or September! October has significantly higher wind generation than August only in case that August has terrible wind generation, which was not the case this year. This year August had excellent wind generation, by far higher than any Q3 month ever.

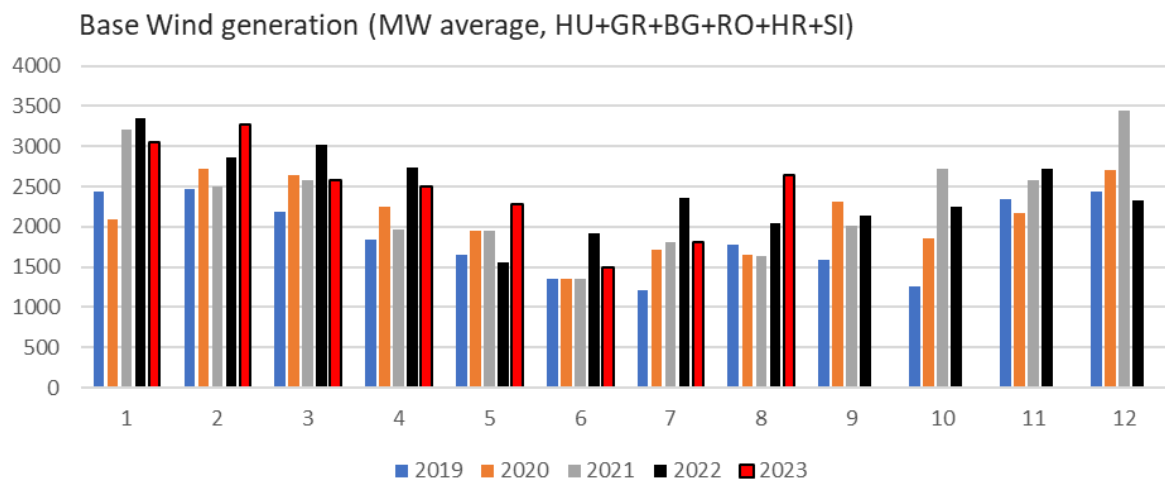
Wind generation in October should be similar to 2021-2022 wind generation (in optimistic case the same as in October 2021 and in pessimistic case similar to October 2022).

Optimistic scenario:

- 100 MW higher than in August 2023
- 500 MW higher than in October 2022

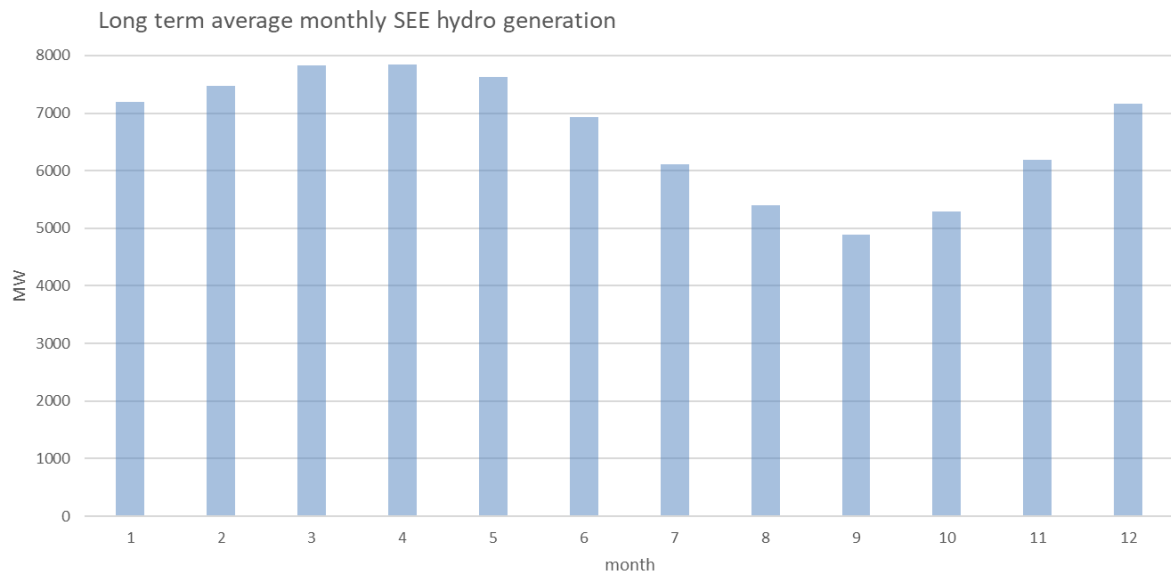
Pessimistic scenario:

- 400 MW LOWER than in August 2023
- The same as in October 2022

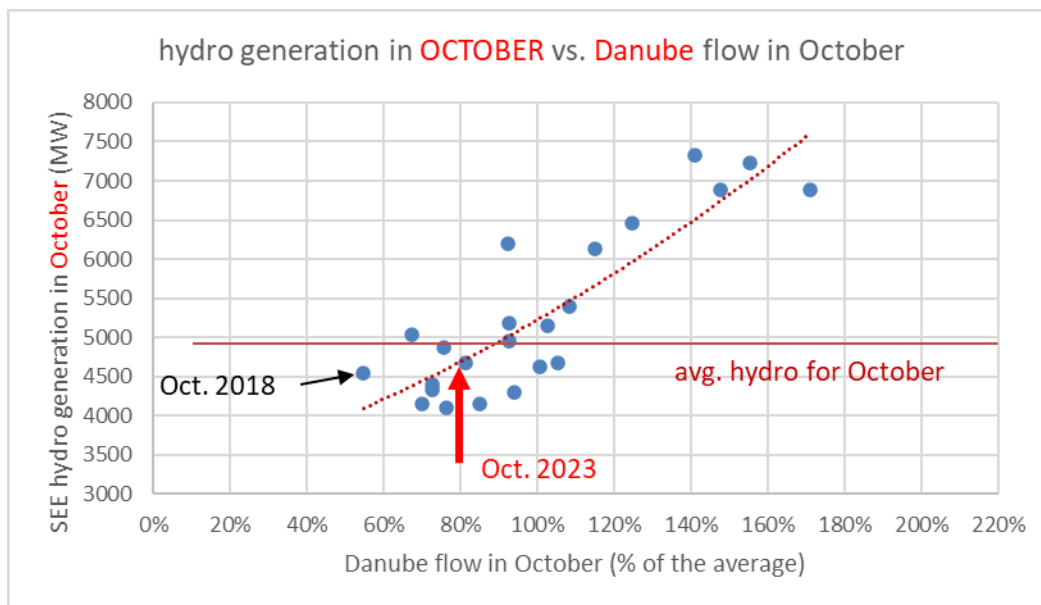


Hydro power generation in October 2023

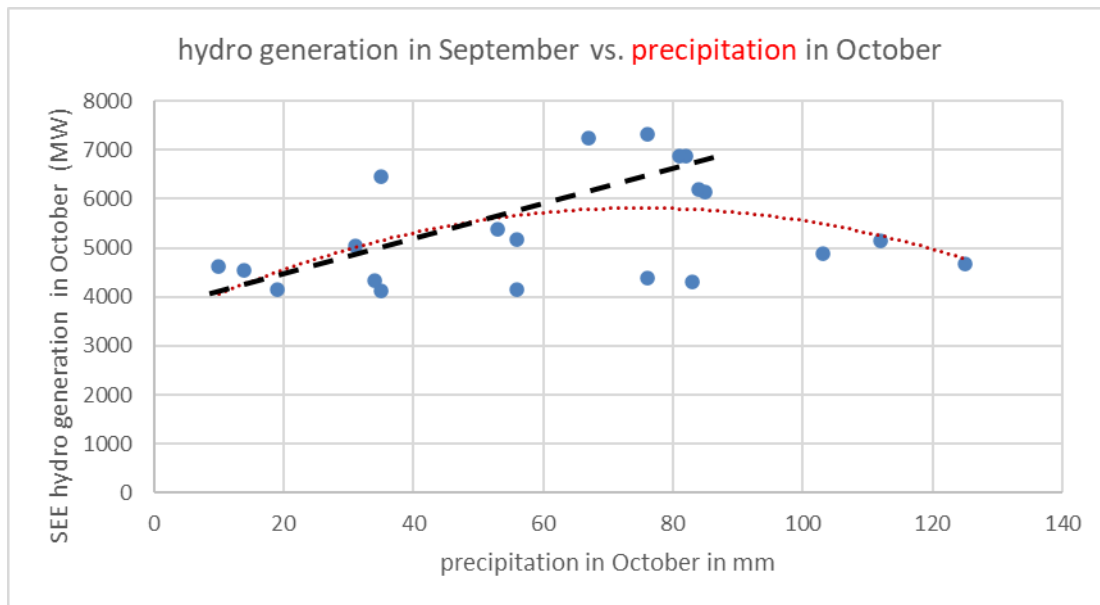
- Hydro generation is on average 1000 MW lower than in July.



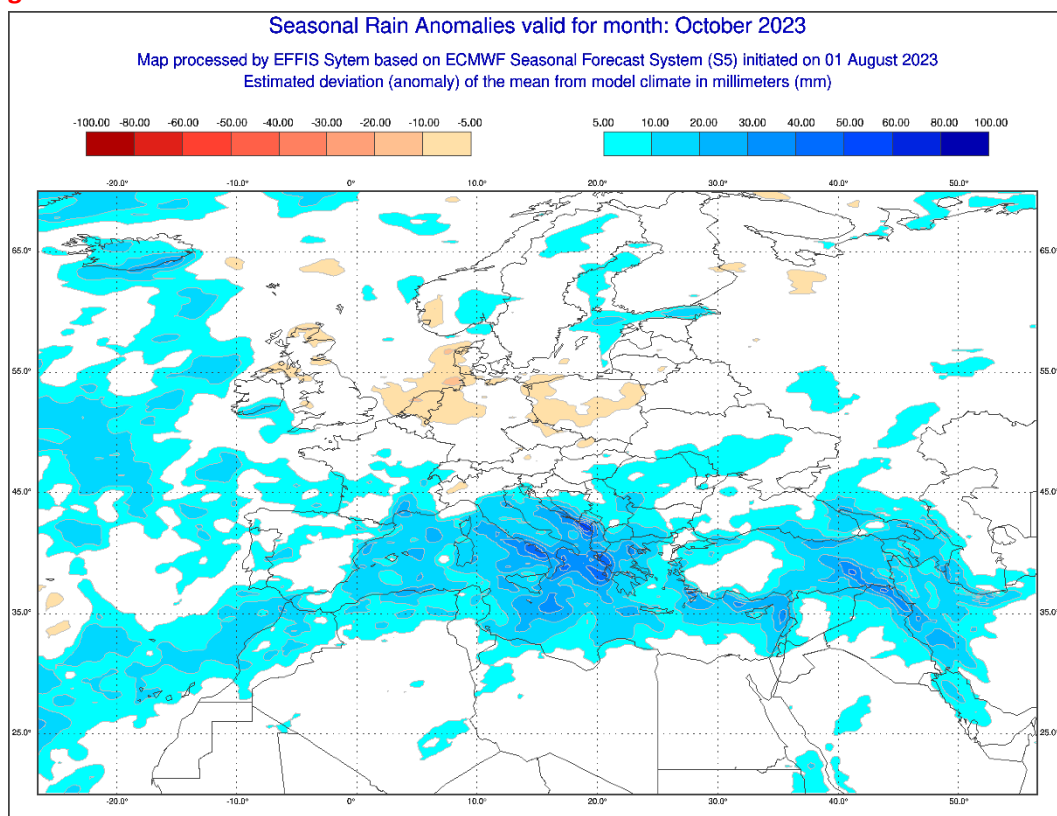
- October can have higher than average hydro generation only if Danube has high flow. The highest recorded summer hydro generation in 2018 did not result in high hydro generation in October 2018. Hydro generation was very high this summer, but this does not make any impact on hydro generation for October. Danube flow forecasts for December are 20% below average, which should result in below average hydro generation in October.



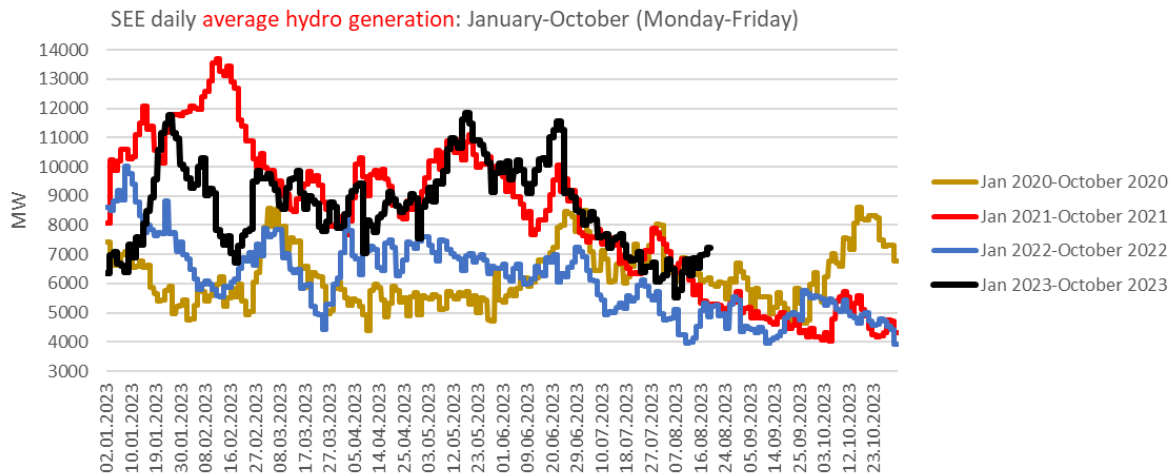
- Precipitation in October should be above average, but this does not guarantee above average hydro generation in October. **Danube flow is much more relevant for hydro generation in October than precipitation.**



- A really strong precipitation can make an impact on HUPX settlement in October, especially if it is in the Adriatic region, as forecasted this year. However, strong precipitation forecast for October is a weak argument for making short trading position. **High precipitation forecast for October 2023 is not a reliable signal to assume above average hydro generation in October 2023.**



- If strong precipitation increase and Danube flow increase does come at the end of October, then October has good chances to have bearish settlement due to the high increase of hydro generation, as it was the case in October 2020.



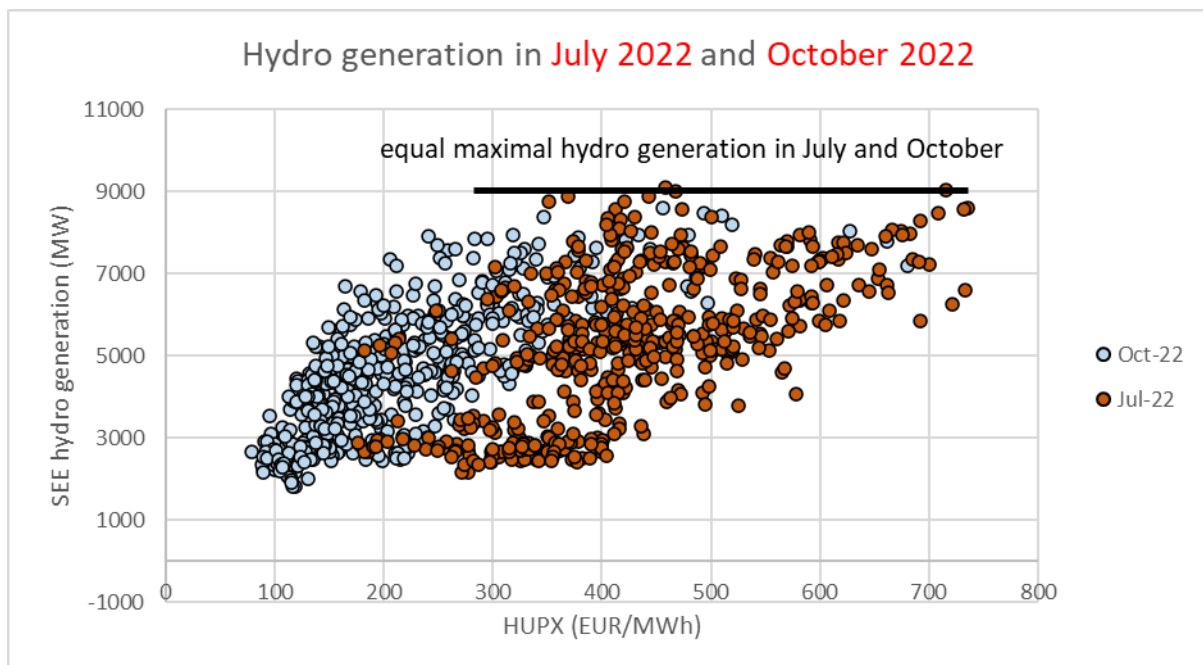
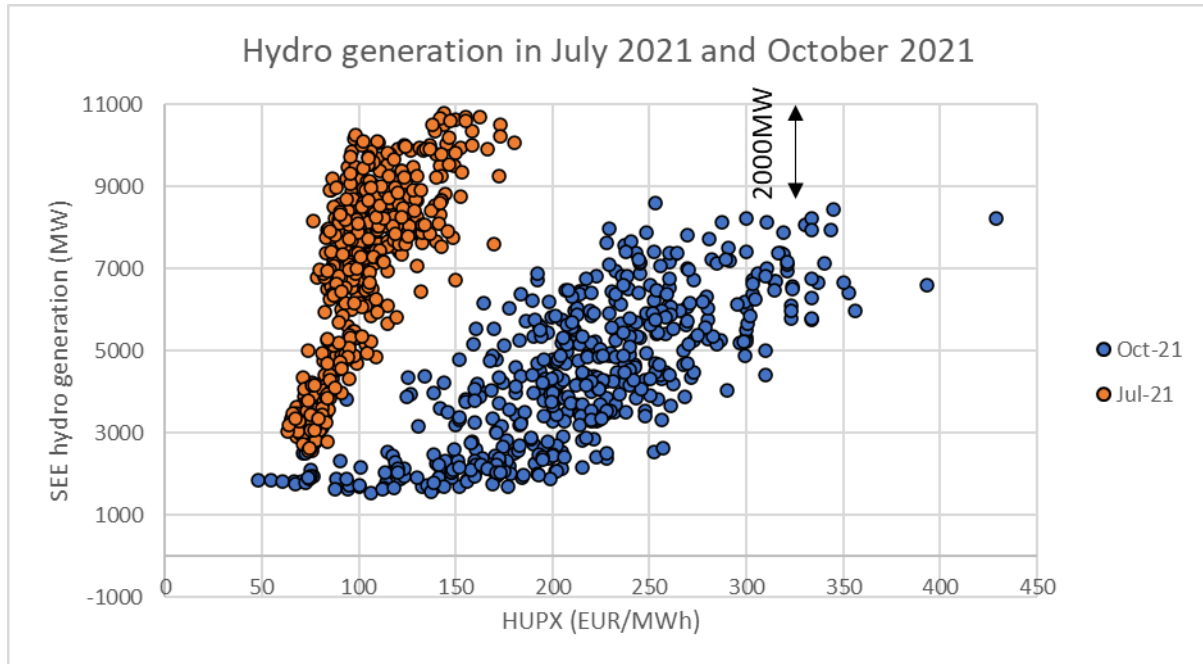
- October 2022 had around 10% below average hydro generation.

Hydro generation in October should be a bit below average for October or close to average:

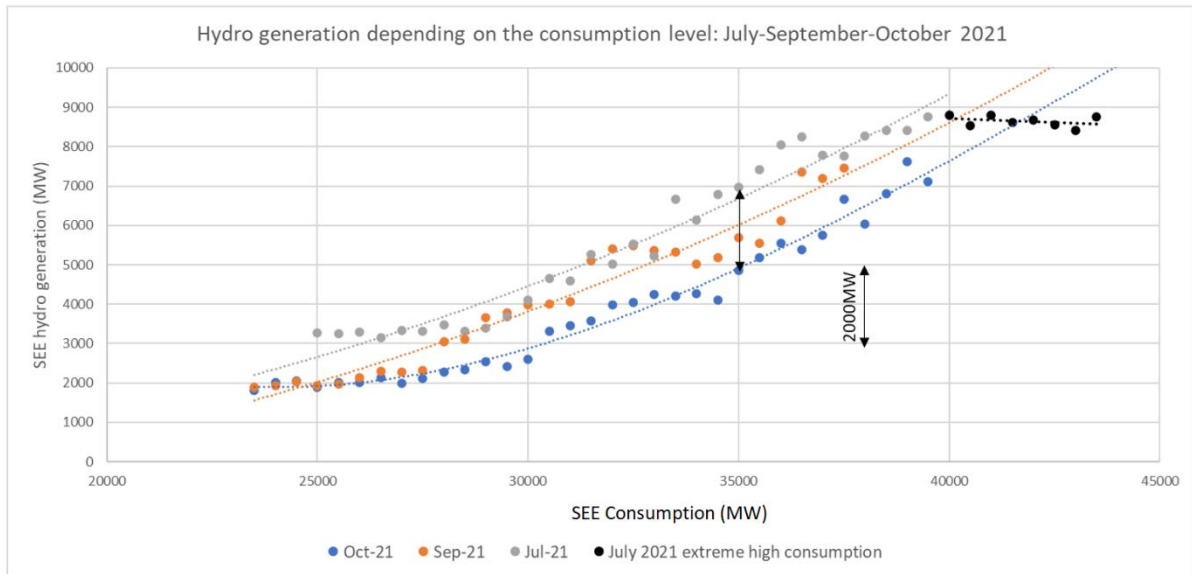
- **October 2023 should have 1700 MW lower hydro generation than July 2023**
- **October 2023 should have similar hydro generation as October 2022 and October 2021 (+/- 5%)**
- Even if October 2023 would have average hydro generation, this will bring just 500 MW more of hydro power generation which will not make a significant impact on HUPX market settlement.
- Additional factor which could reduce hydro power generation in October 2023 is an opportunity cost of water in reservoirs since November futures are 30 EUR/MWh higher than October futures.

The drop of average hydro generation will cause the drop of maximal hydro generation as well

- Average monthly hydro generation in July 2022 was 500 MW higher than in October 2022 and the maximum of hydro generation achieved was the same.
- Average monthly hydro generation in July 2021 was 2500 MW higher than in October 2021 and maximum of hydro generation achieved was 2000 MW higher in July than in October.



- For the same level of consumption in October as in July, **hydro generation is roughly 2000 MW lower in October than in July**. This is especially the case in hours with high consumption.
- For the same level of consumption in September as in July, hydro generation is roughly 1000 MW lower. This is especially the case in hours with high consumption.
- **Additional factor which could reduce hydro power generation in October 2023 is an opportunity cost of water in reservoirs since November futures are 30 EUR/MWh higher than October futures.**

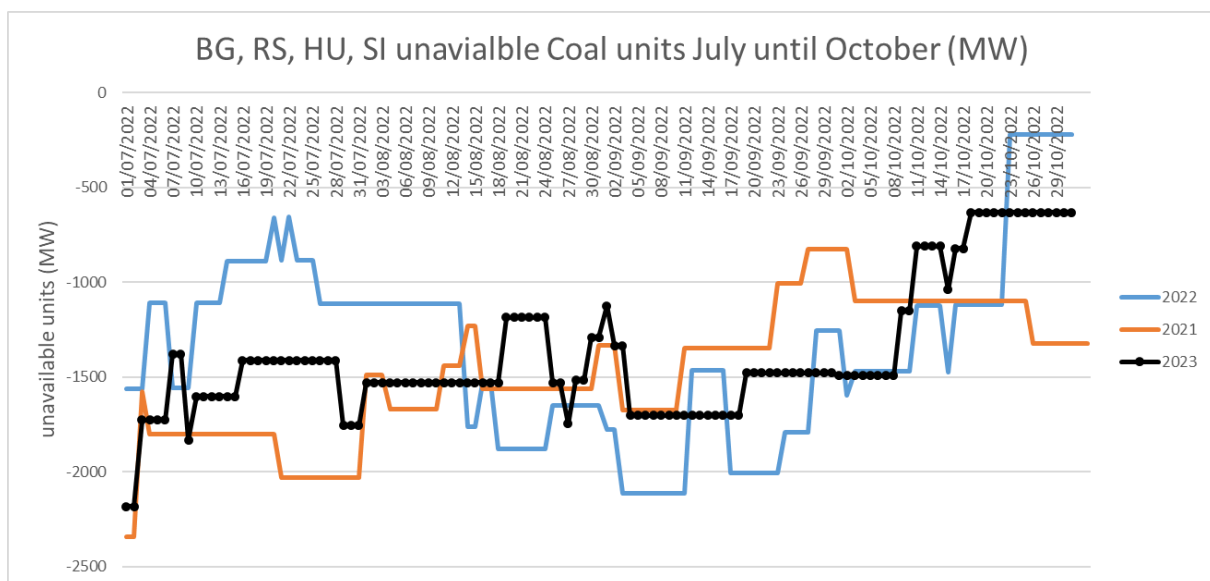


This is important because:

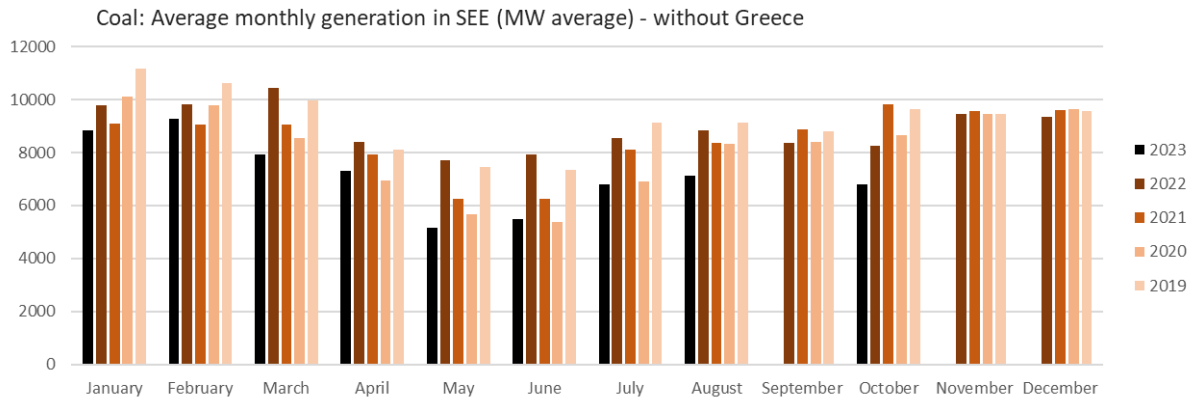
- **Average consumption in hours 6-7-8-9 and 18-19-20 in October 2023 will be higher or equal as in July.**
- **Hydro generation will be 1500-1700 MW lower than in July**
- **There is no reason for much higher gas and coal fired generation in October than in July**
- **Nuclear generation will be 1000 MW lower than in July.**

Lignite fired power generation in October 2023

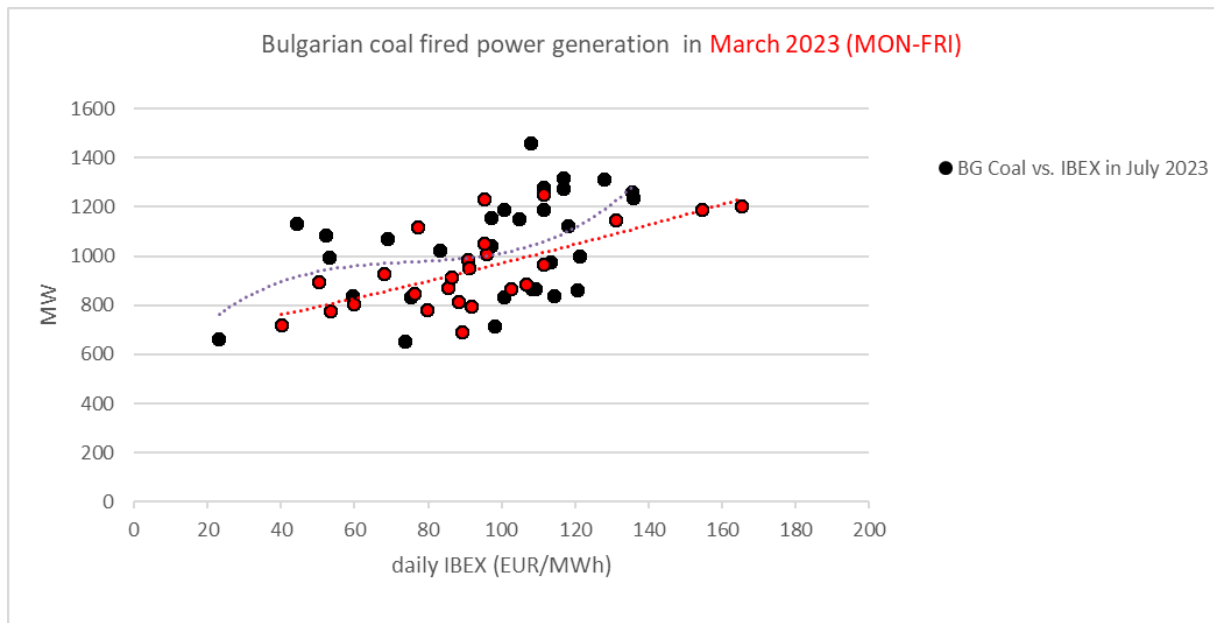
- Lignite fired power generation in September/October of years 2020 and 2021 was significantly higher in September and October than it was in July, but also profit margin for lignite units was doubled in September/October compared to July. Bulgarian coal fired power generation just started ramping up in July 2021 so it increased until September/October.
- Availability of coal units in the region is nearly the same in the period from beginning of July 2023 until 09.10.2023. After 09.09.2023 an increase of availability will happen in Bulgaria and Serbia, but improvement of Bulgarian availability does not lead to higher coal generation. The improvement of availability of coal is 330 MW in Serbia after 09.10.2023 and all the rest of the improved availability is in Bulgaria. **Improved availability in Bulgaria does not necessarily brings improved generation since there are many available units in Bulgaria also in July, but generation was low.**
- **Realistic expectation is that regional lignite fired power generation in October 2023 will be equal as in July 2023, which is 1500 MW less than in October last year (excluding the reduction of Greek coal fired generation).** Lignite generation in October 2022 was very high due to extremely high market prices all over Europe.



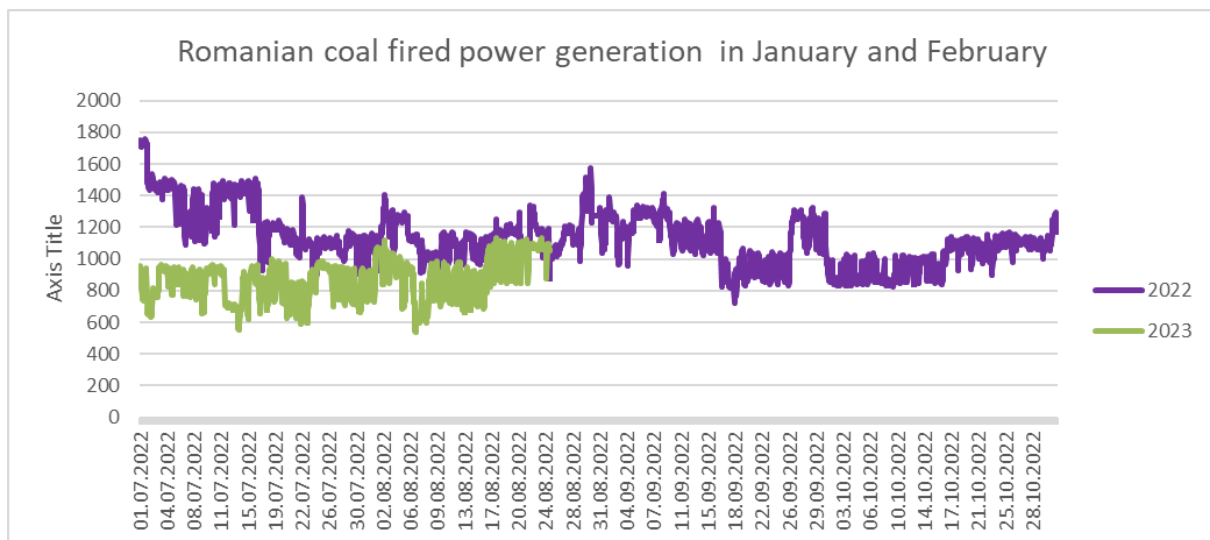
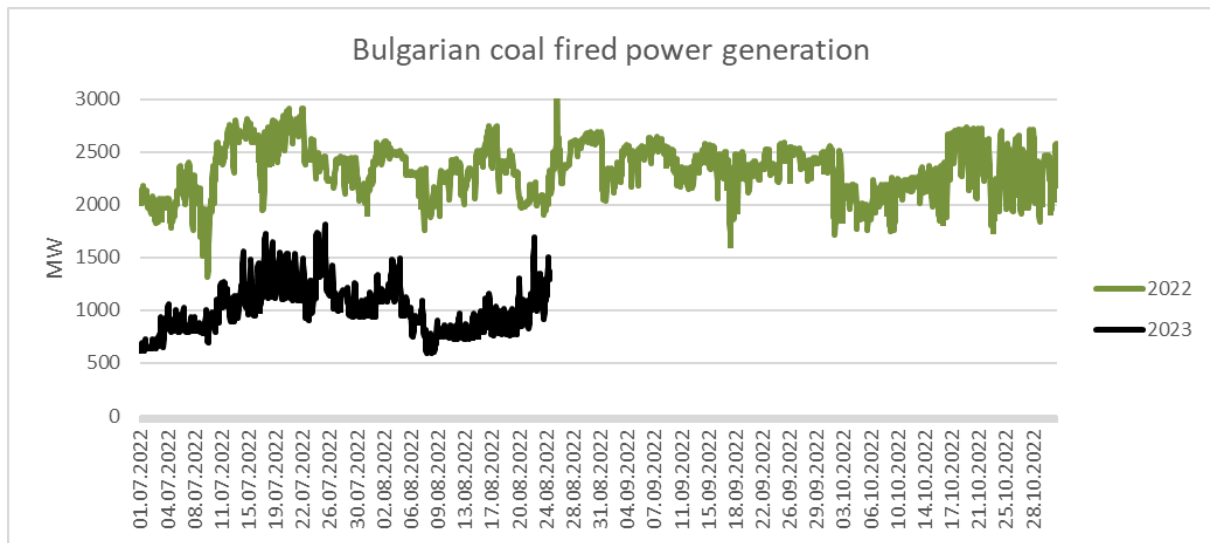
- In 2022 Coal fired power generation in September and October was nearly the same as in July since margin for coal fired units was exceptionally high in all three months. **This year, revenues of coal units in October will not be much higher than in July and there are no reasons to expect higher lignite fired power generation in October 2023 than in July 2023.** If Slovenian coal fired power generation would not work in October 2023 in order to accumulate coal stocks, as it was the case in October 2022, then overall regional coal fired power generation in October 2023 could be even lower than in July 2023 and more than 1500 MW lower than in October 2023.



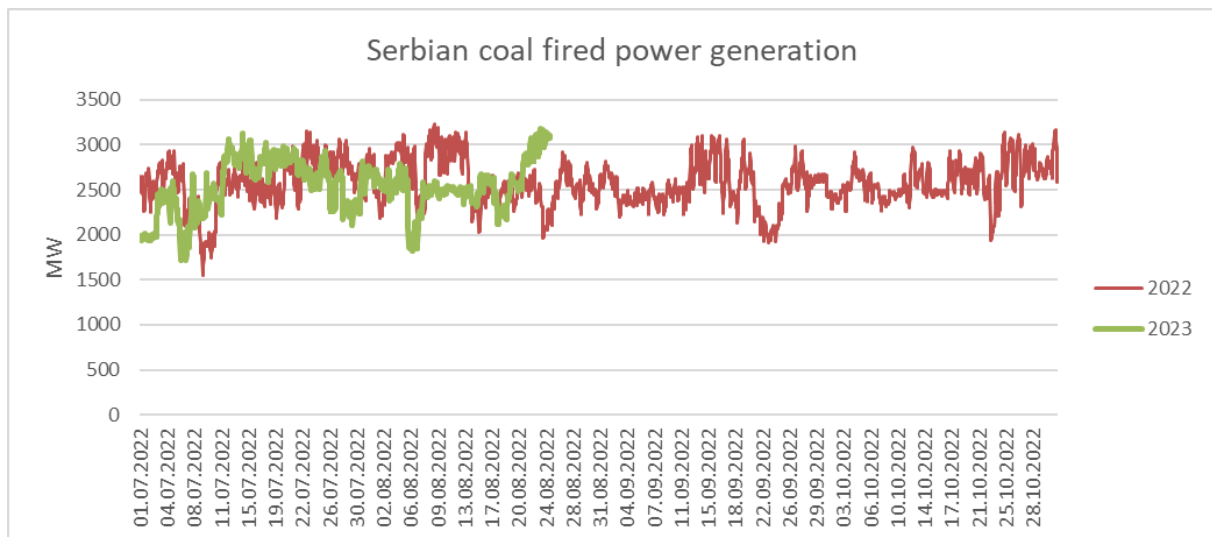
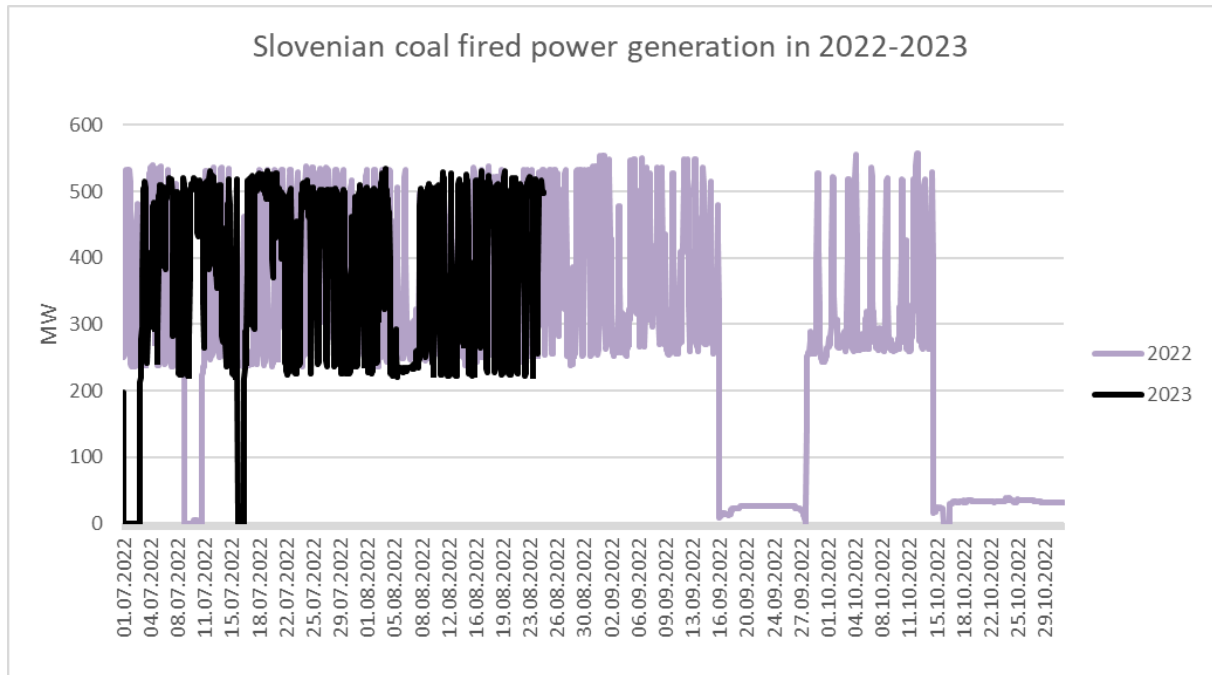
- Bulgarian lignite fired power generation appears as it reacts on price, but all the generation is in the range of just 800-1400 MW. In October 2022 Bulgarian lignite fired power generation was 2250 MW. **There is no much ground to assume with more than 1200 MW of Bulgarian lignite fired power generation for October 2023.** There was no increase of Bulgarian lignite fired power generation even at price level of IBEX above 140 EUR/MWh



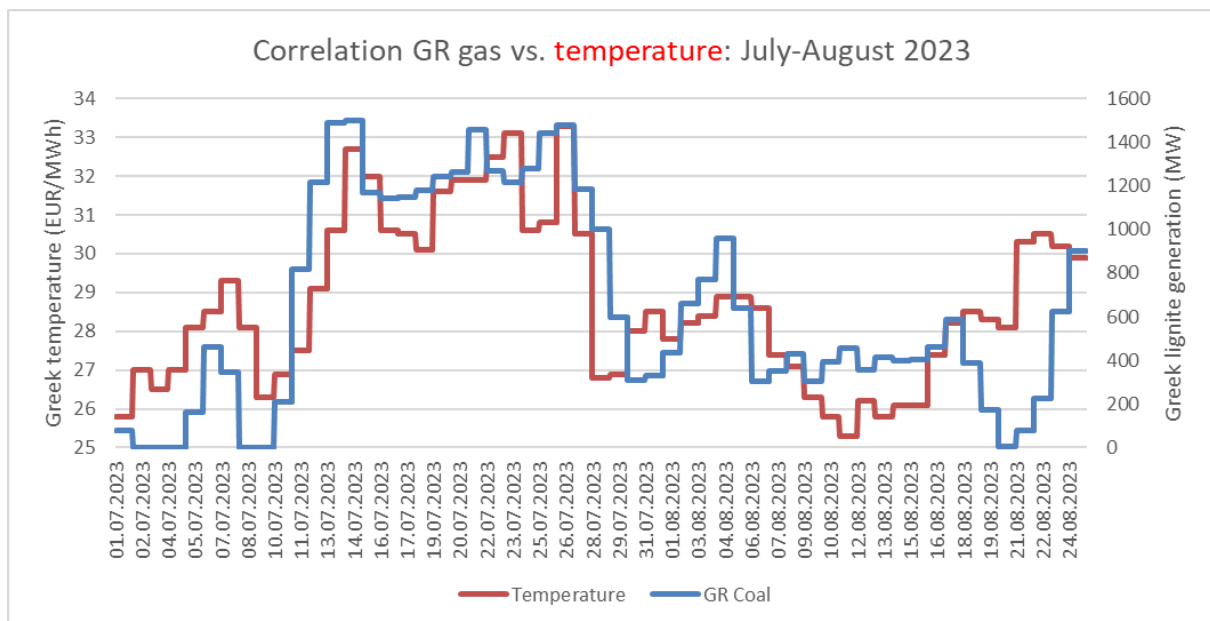
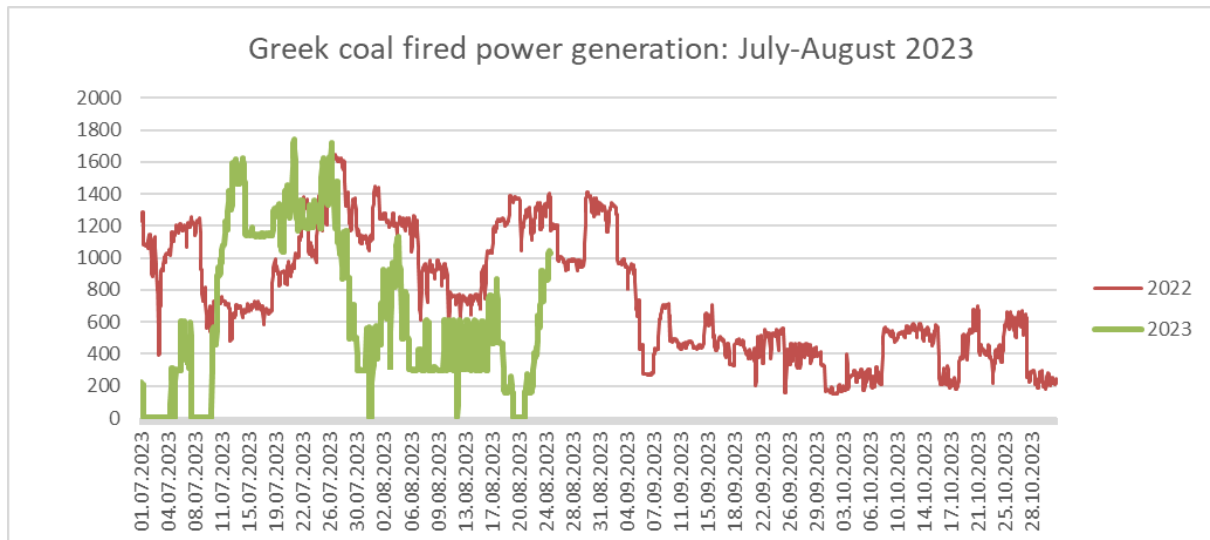
- Lignite generation in July in Bulgaria was 1300 MW lower than last year and in Romania 400 MW lower than last year.

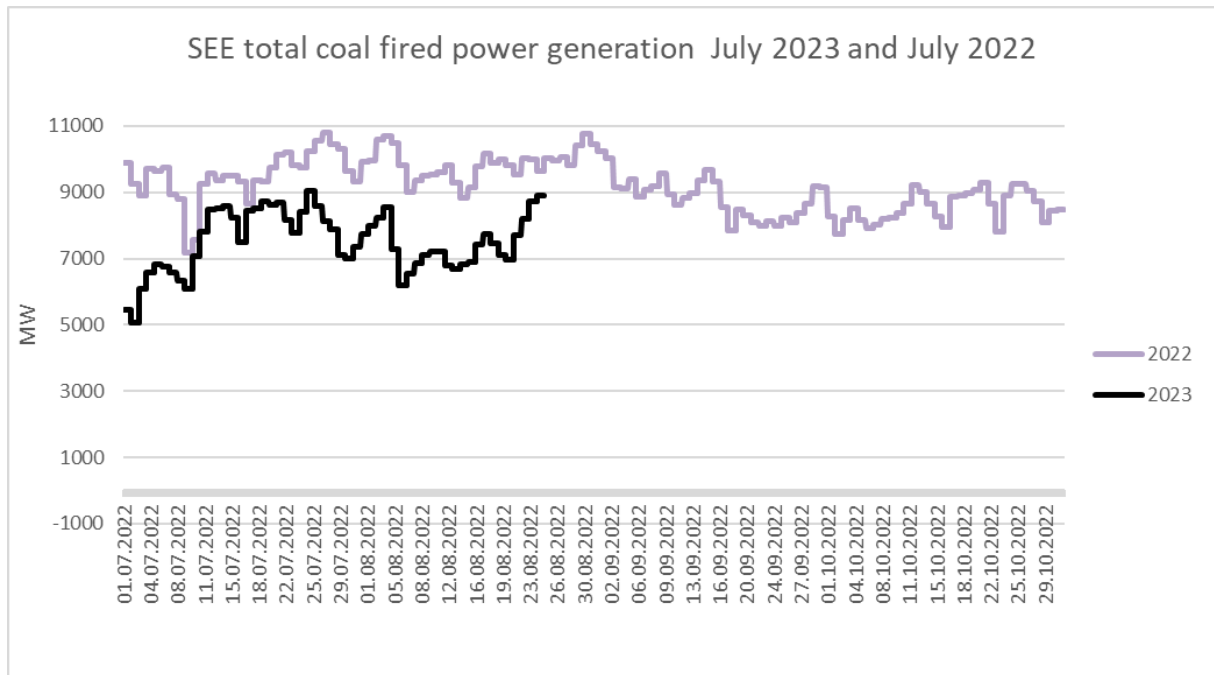
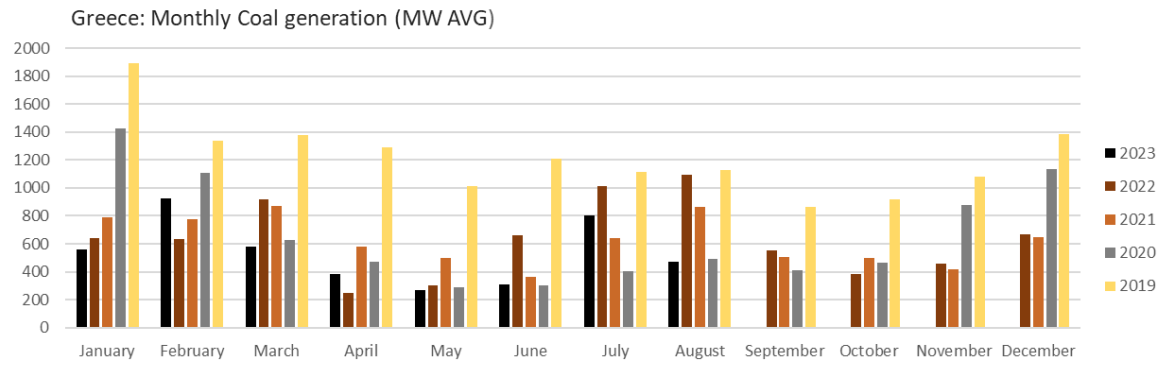


- Slovenian coal fired power generation worked throughout the whole of July and August 2023 although it was announced that it will not work anymore. Last year in October, Slovenian coal fired power generation was stopped in order to accumulate coal for winter, which could happen also this year. If Slovenian coal fired power generation would work for the whole October, then coal fired power generation in October could be even 700 MW higher than in July.



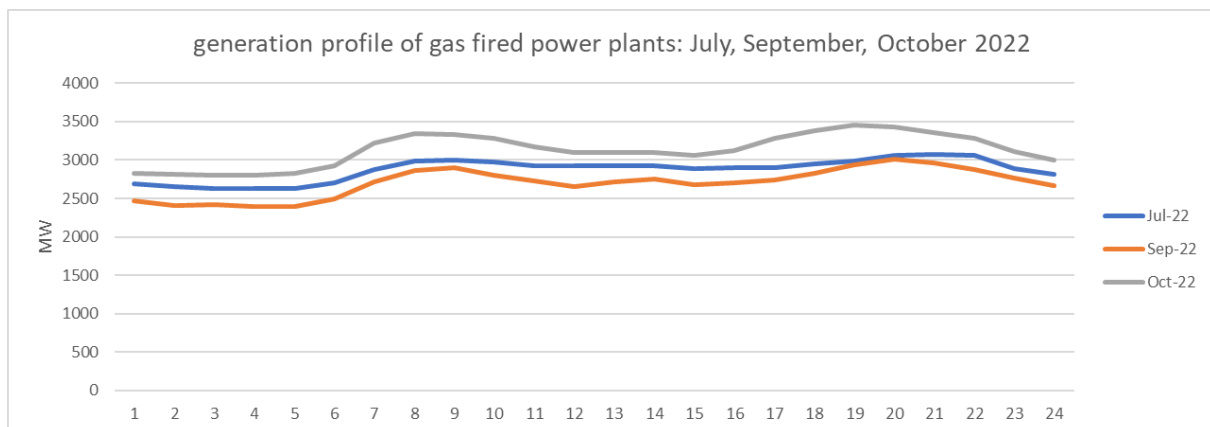
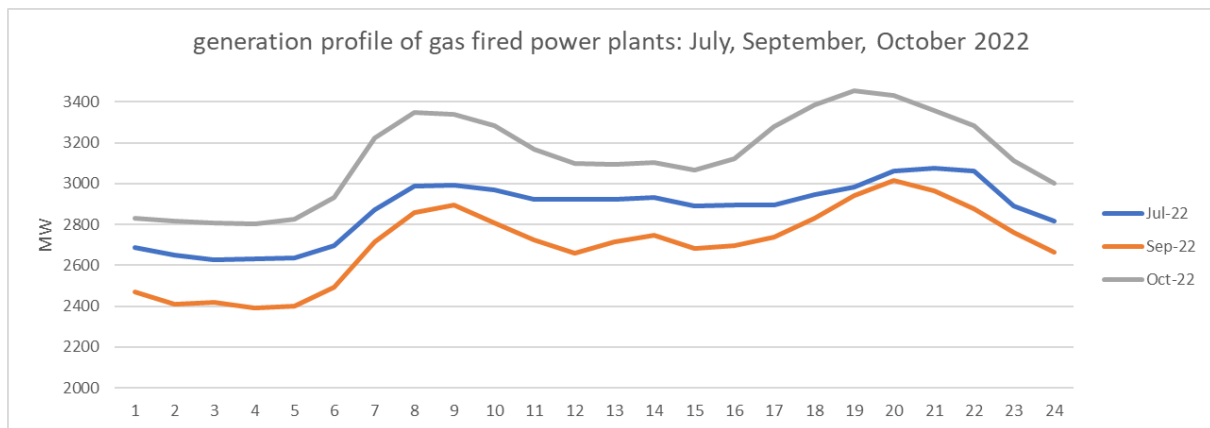
- Greek lignite fired power generation is shut down this year immediately after heat waves were over. Last year, Greek lignite fired units worked throughout September and October due to the huge revenues which lignite fired units were able to achieve. This year, Greek units will probably not work in September and October



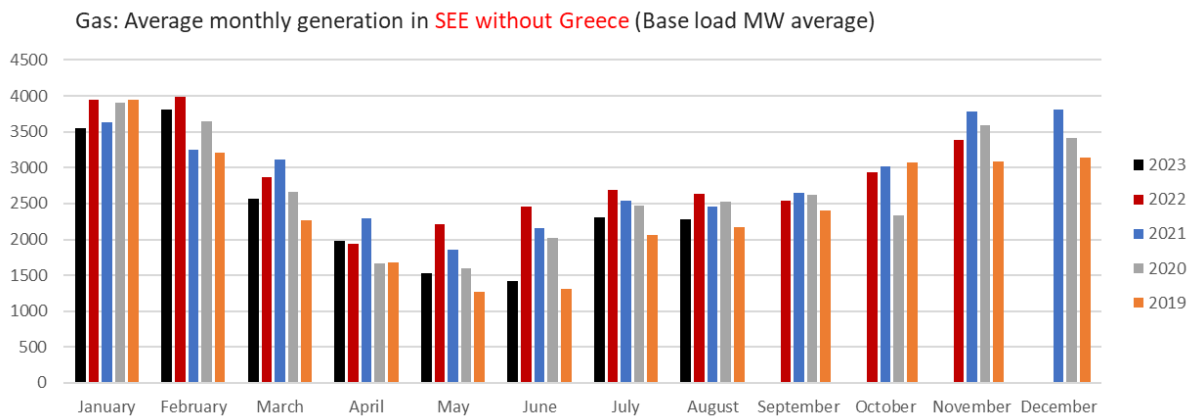
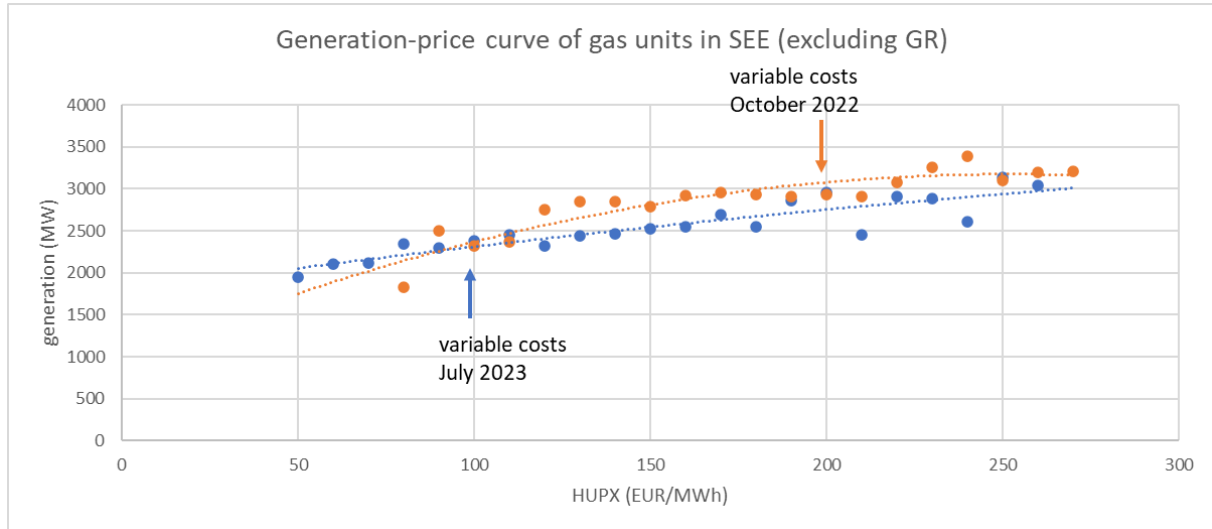


Gas fired power generation in SEE(without Greece) in October 2023

- Gas fired power generation (excluding Greece) in October is not much higher than in July and September
- Gas fired power generation (excluding Greece) in October is up to 500 MW higher in the most expensive hours than in July and September
- Gas fired power generation can be considered as nearly flat as coal fired power generation
- Drop of hydro generation is very important since this is the main source of flexibility and it will be reduced in September and October.

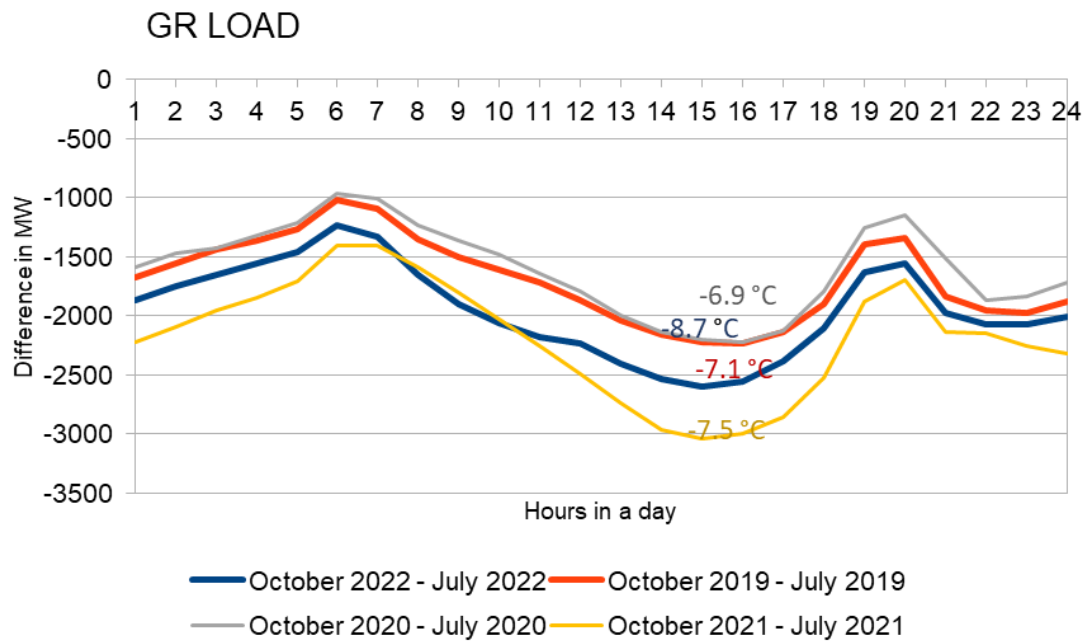


- Gas fired power generation is nearly “flat” in a range of +/-50 EU/MWh around the point of variable costs of gas units. Since HUPX settlement in expensive hours in July 2023 was very much above variable costs of gas units, gas fired power generation was very high. **July 2023 settlement offered much higher profit to gas units in Hungary and SEE than October 2023 futures offer at the moment, so gas fired power generation in October 2023 might not be higher than in July 2023.**

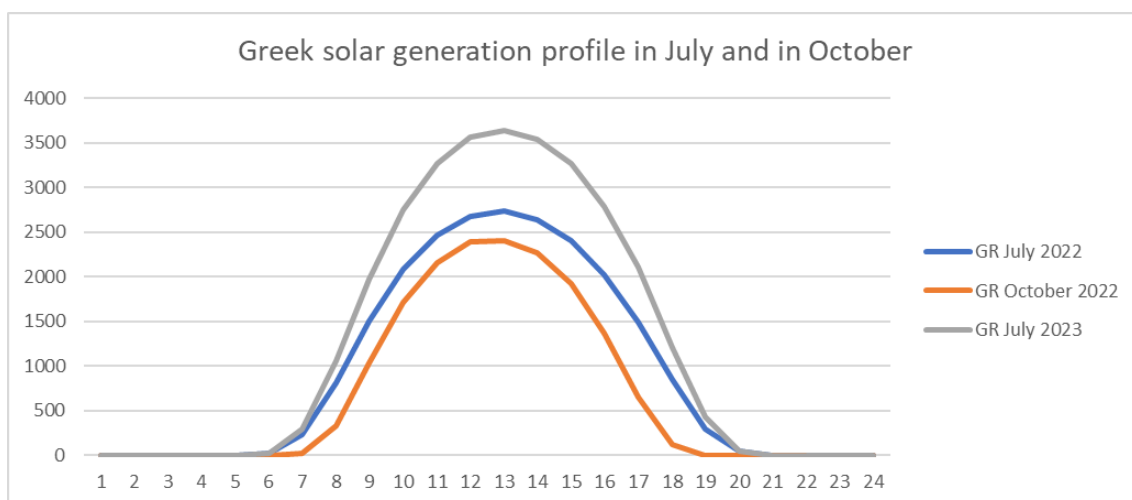


Impact of Greek market on HUPX in October 2023

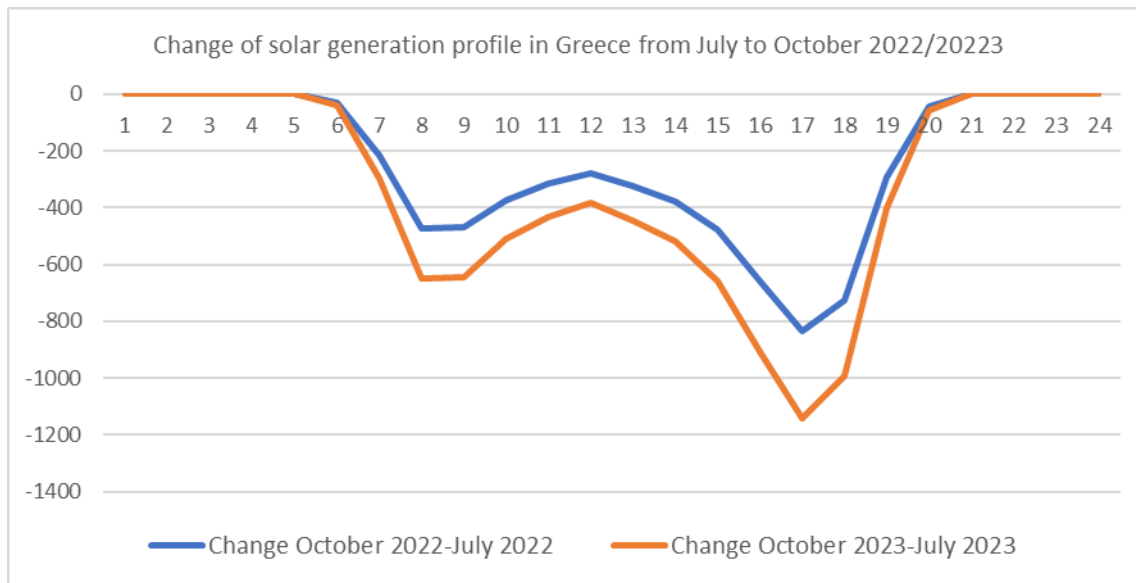
- Consumption in Greece in October is around 2000 MW lower than in July. If the temperature change between July and October is higher, then the consumption drop in October against July is also higher.
- Temperature in July 2023 was nearly 1°C higher than in July 2021. Therefore, consumption in October 2023 could be even 2500 MW lower than in July 2023.



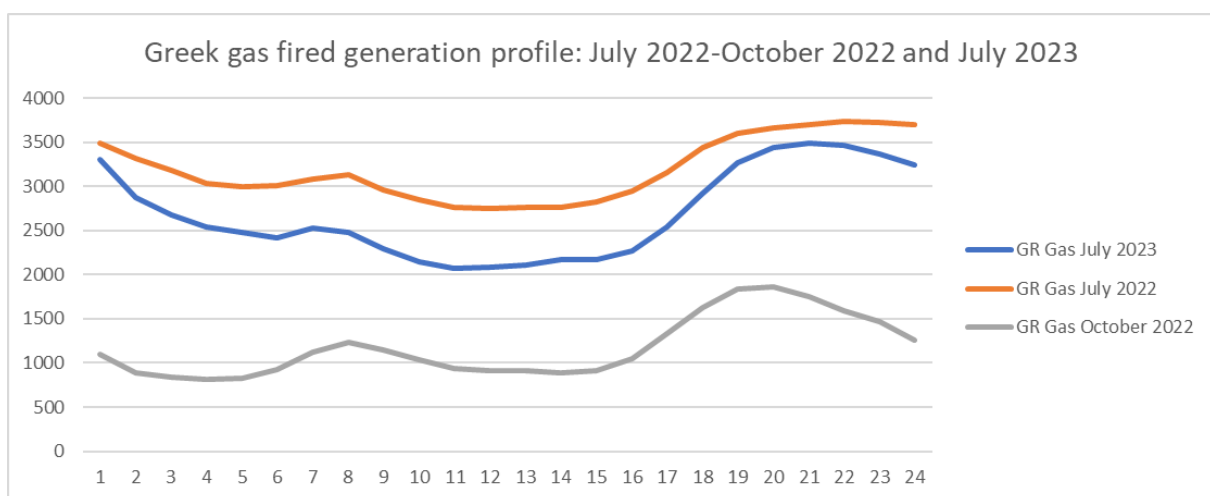
- Solar power generation in Greece in October is not much lower than in July as it is the case with the rest of the region.



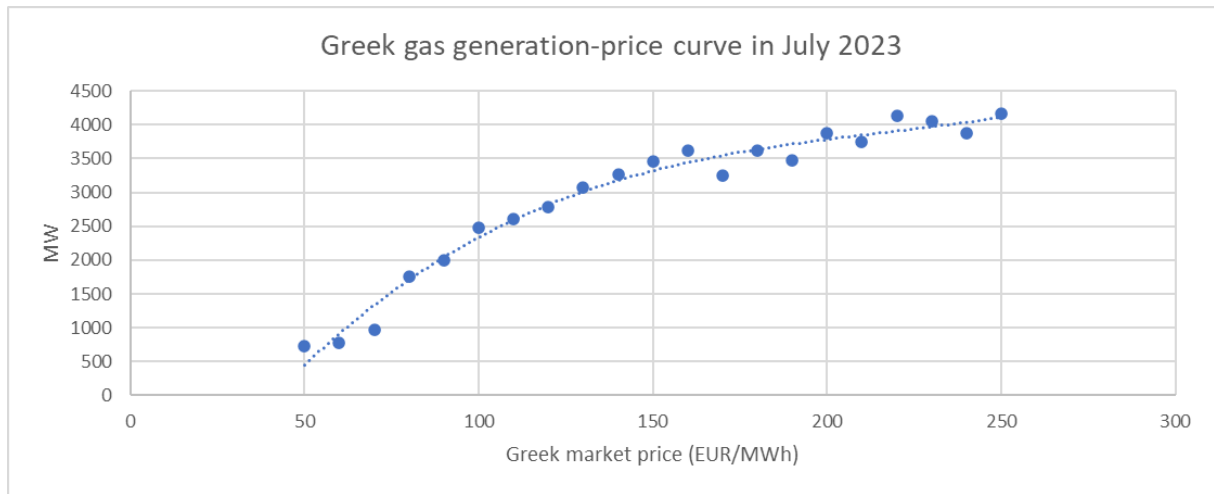
- Unlike to the rest of the SEE region, drop of consumption between July and October greatly exceeds the drop of solar generation in all hours.



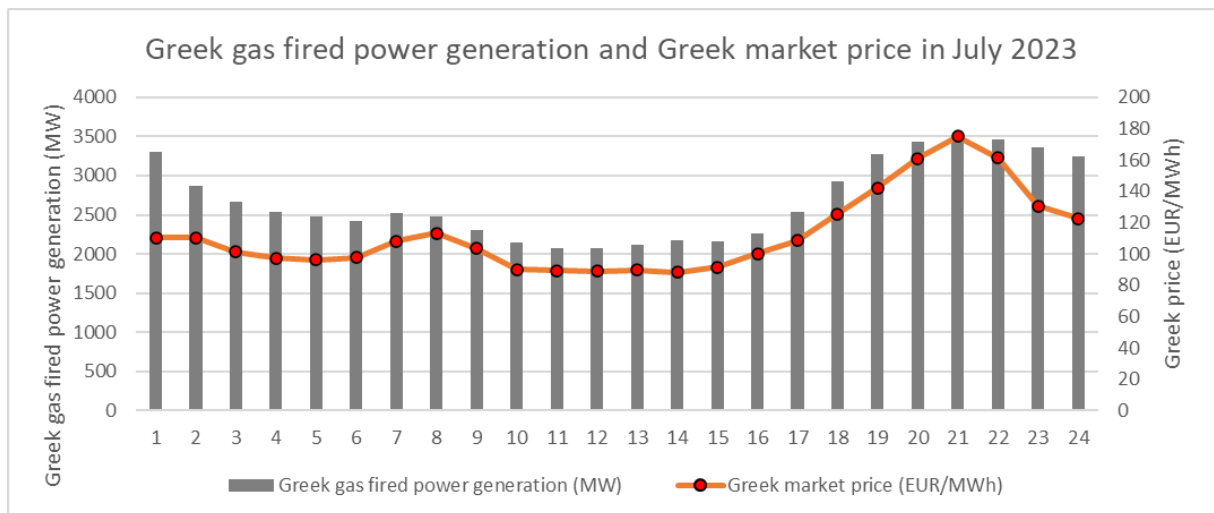
- Average coal fired power generation in Greece in July 2023 was 800 MW. One should assume that coal fired units in Greece should not work in October 2023.
- Average gas fired power generation in Greece in July 2023 was 2700 MW. There will be 1200 MW of gas units in maintenance in October 2023, while in July 2023 all of them were available. Greek gas fired power generation will be much lower in October than it was in July, as it is the case each year.
 - In October 2022, gas fired power generation in Greece was 2000 MW lower than in July 2022 although availability of gas units was just 1300 MW lower than in July.
 - Gas units had additional 500-1000 MW free idle capacity in hours 3-17 which could work if market price would be sufficiently attractive to them.



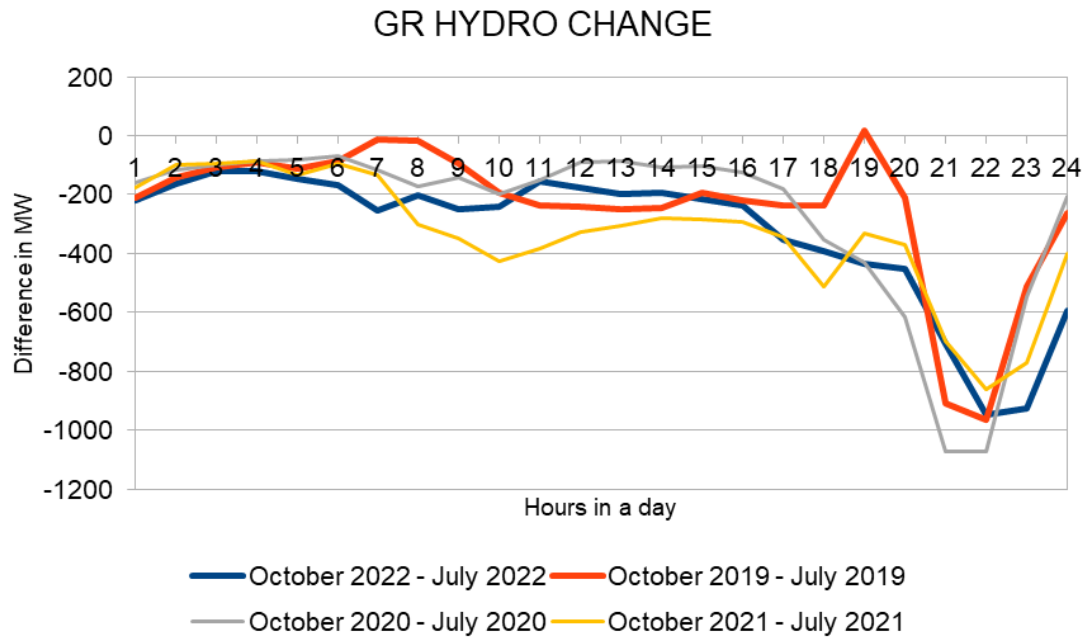
Greek gas units were very price responsive in July.



- **There was a 1000 MW idle generation capacity in hours 3-17 in Greece in July** which was not generating because price in those hours was just around 100 EUR/MWh. Market price of 120-160 EUR/MWh was needed to induce maximal output of gas units in those hours.



- Greek hydro power generation is always lower in October than in July

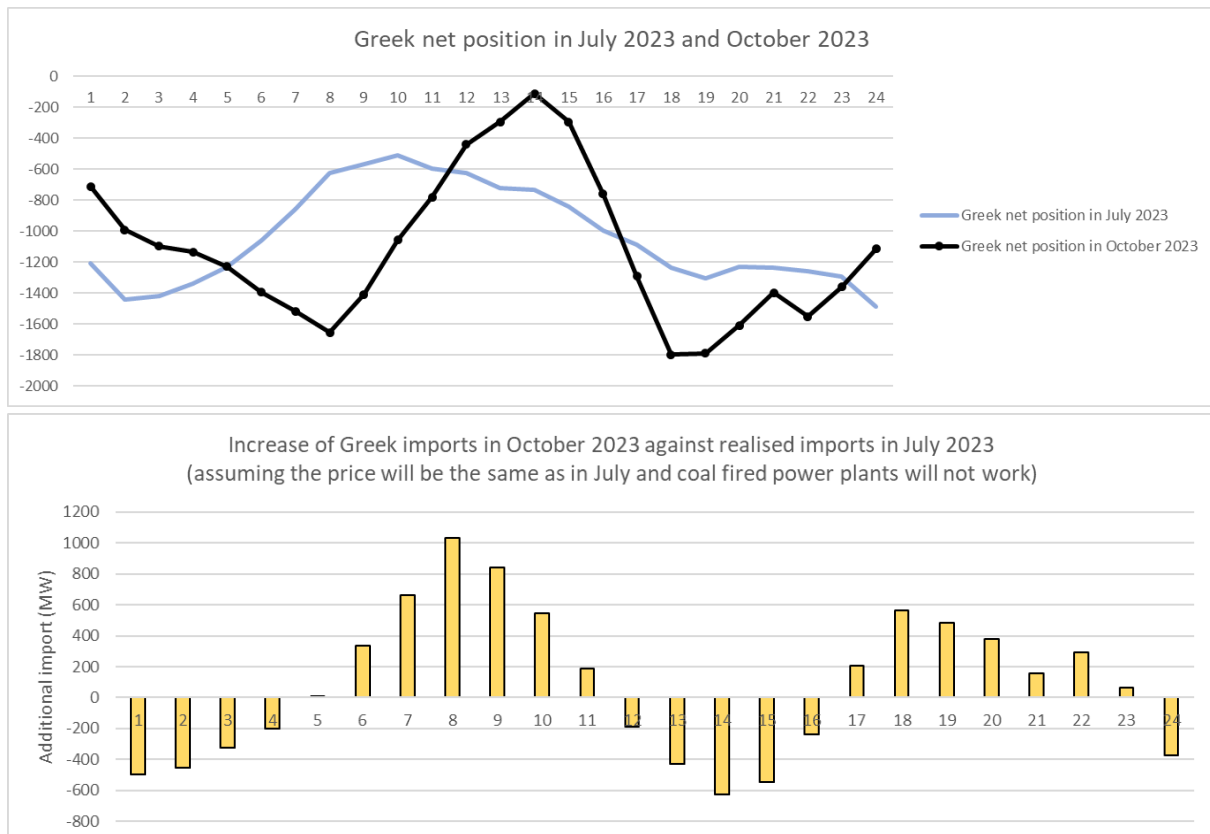


Assuming the following for Greek market in October 2023:

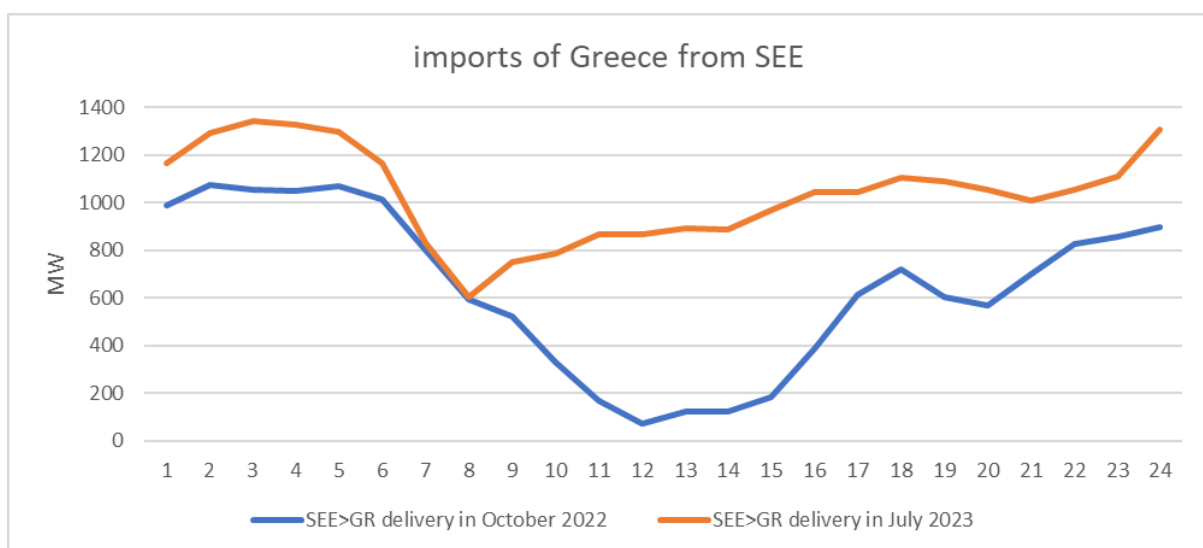
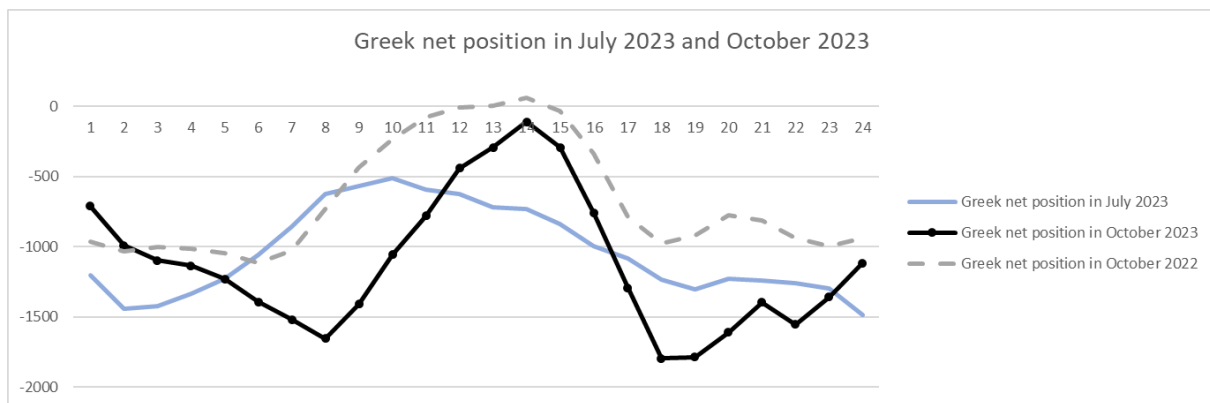
- Greek gas fired power generation will be 1000 MW lower than in July 2023, which will affect at least hours 1-2 and 19-24 in which output of Greek units was close to maximum in July.
- Coal fired generation in Greece will not work because market price gives too low revenues margin to coal units in Greece to work.
- Solar generation will drop in line with typical solar profile decline
- Hydro generation will be lower in line with typical hydro generation profile decline
- Consumption will drop in October compared to July by 10% higher intensity than it was the case in 2021, i.e. Greek consumption will be 2400 MW lower than in July 2023.

Conclusion:

- Greek net position will not be lower than it was in July 2023.
- In hours 6-11 and 17-23, Greek net imports will be even higher than they were in July 2023.
- In hours 18-24 there will be no remaining capacity of gas fired power plants (as there was no remaining generation capacity also in July 2023). Greek imports in hours 18-24 will be at least as high as in July 2023
- In hours 3-17 there will be 500-1000 MW of idle available generation which will generate if price is attractive enough. However, market price would need to be some 20-40 EUR/MWh higher than in July in those hours to get this gas fired power generation on the Greek market.
- Greek market will not be an exporter to HU+SEE region in sunny hours in October 2023 unless HUPX price is higher than in July in sunny hours.



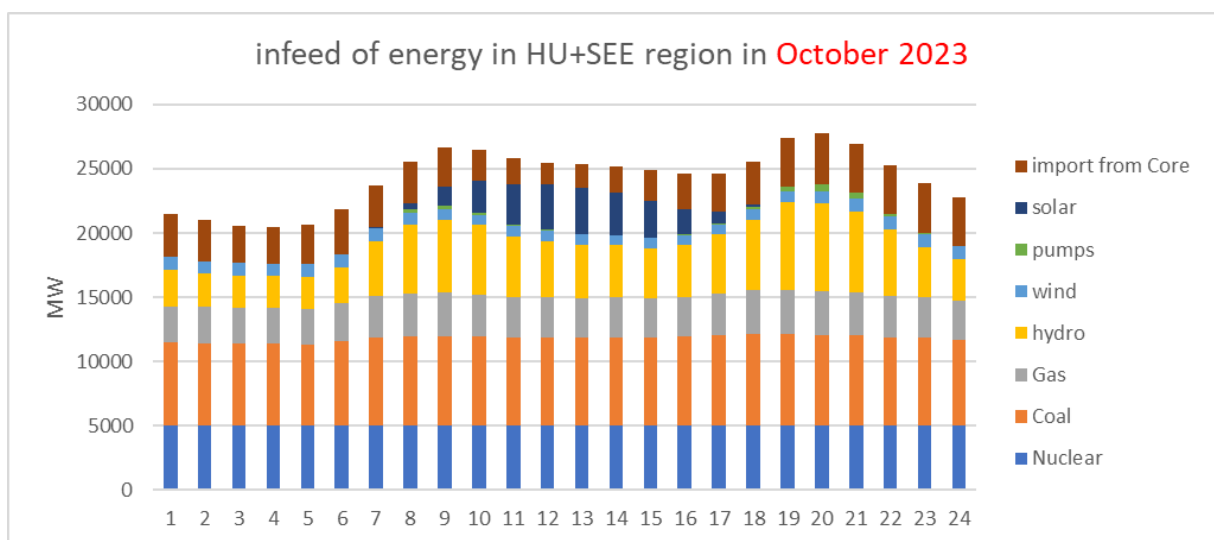
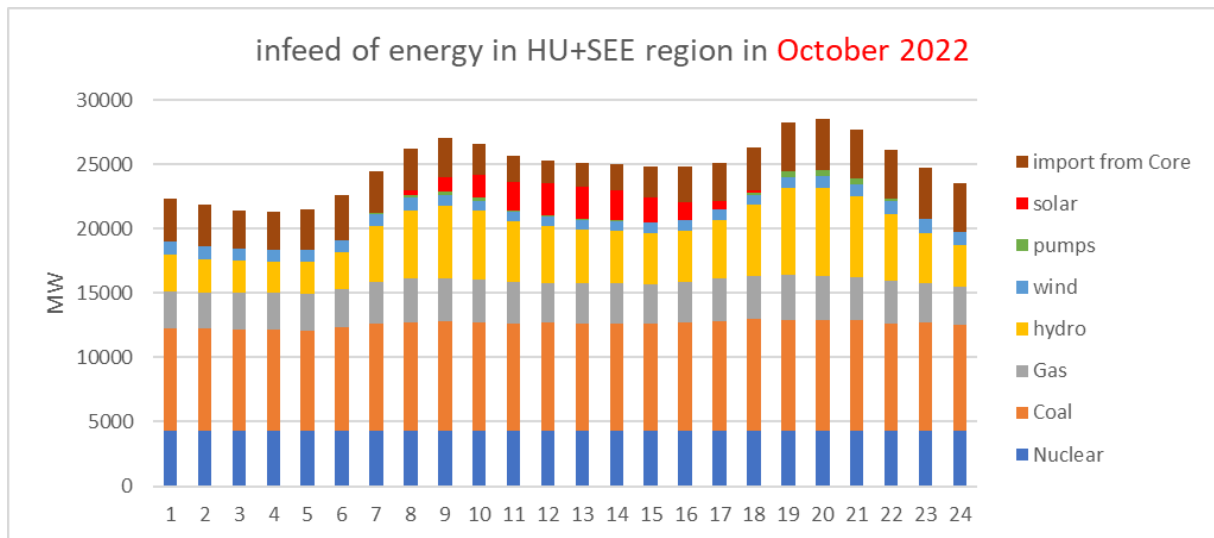
- Calculated net position of Greece for October 2023, constructed by applying changes between July 2023 and October 2023 on the Greek market, does not deviate much from the realized Greek net position in October 2022. The difference comes due to assumption that Greek coal fired generation will not work in October 2023 and it worked in October 2022.
- Greek imports in October 2022 were high, and in October 2023 should be even higher because Greek coal fired power generation does not get enough revenues in October 2023 to work, while in October 2022 market price was 233 EUR/MWh which stimulated 400 MW of Greek lignite fired power generation.
- Import of Greece from the SEE region in October 2023 will be higher than in October 2022 and higher than in July 2023. **The most stressful point is that in hours 18-24 Greek imports will be higher than in July 2023 and higher than in October 2022 and that they can not be reduced by additional generation in Greece since there will be no additional generation capacity except coal fired units. In October 2022, Greece was a strong importer from Italian market in hours 6-7-8 and 17-24 and this year imports will be even higher.**



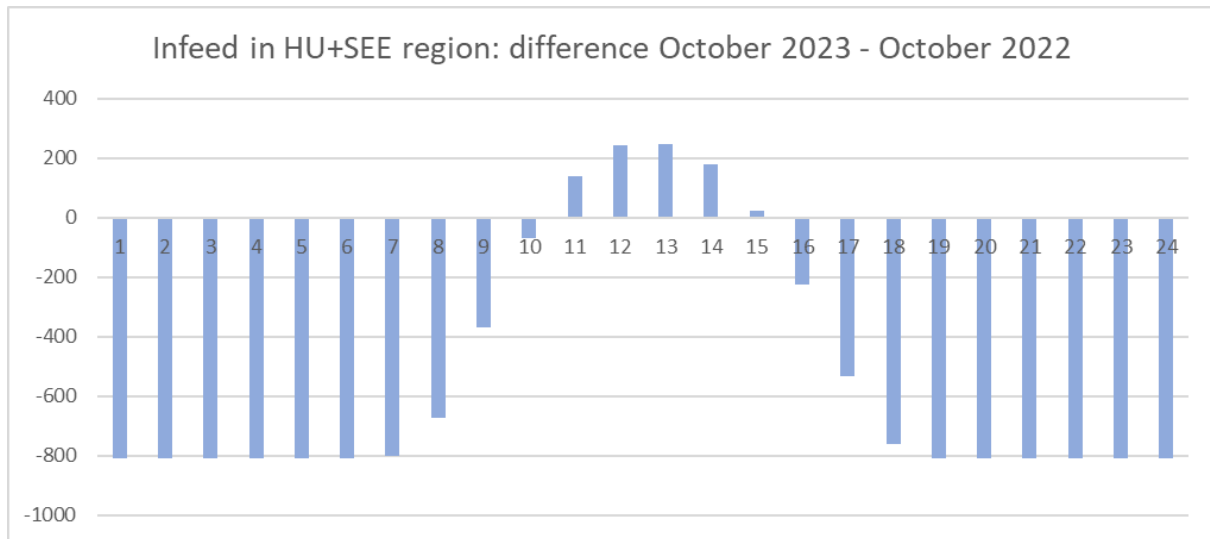
Generation-Consumption balance of the region in October 2023

In October 2023 compared to October 2022 (in the region excluding Greece):

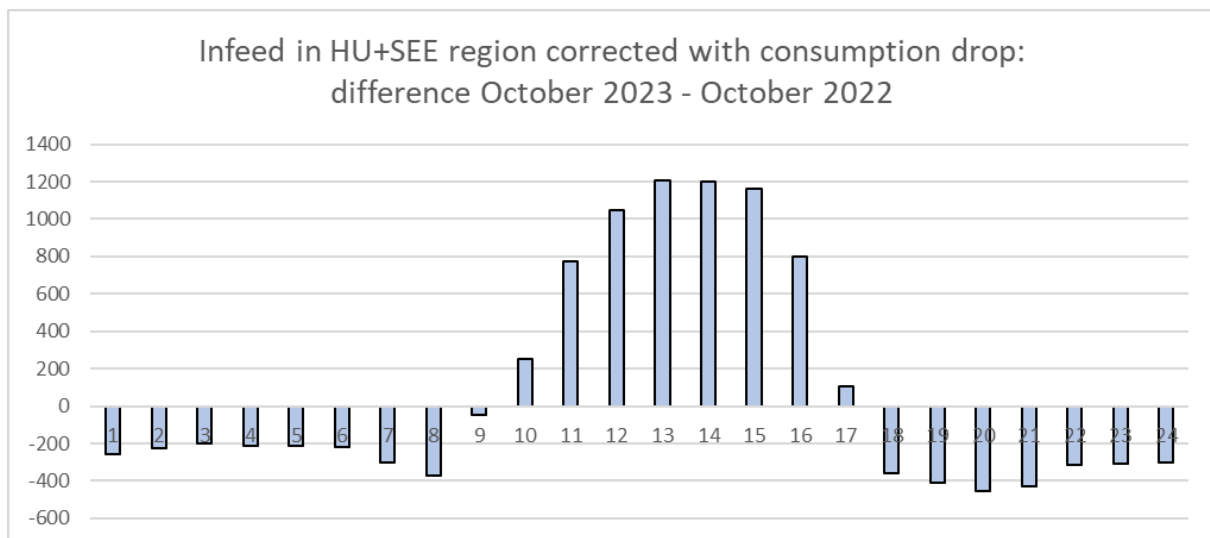
- Nuclear generation will be higher because NPP Krsko is not in maintenance
- Gas, wind, hydro generation will be nearly the same
- Consumption will be lower
- Solar generation will be higher
- Coal generation will be 1500 MW lower (excluding Greece)

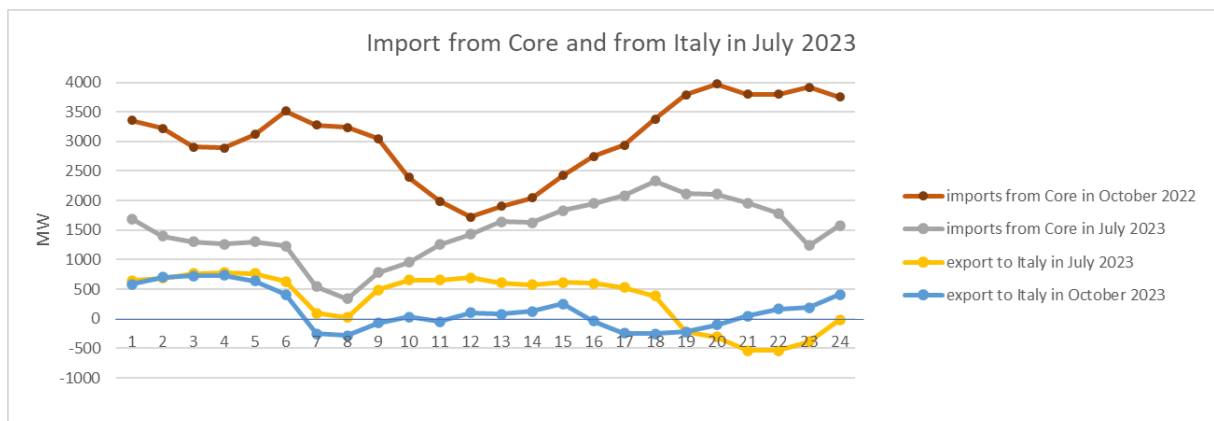
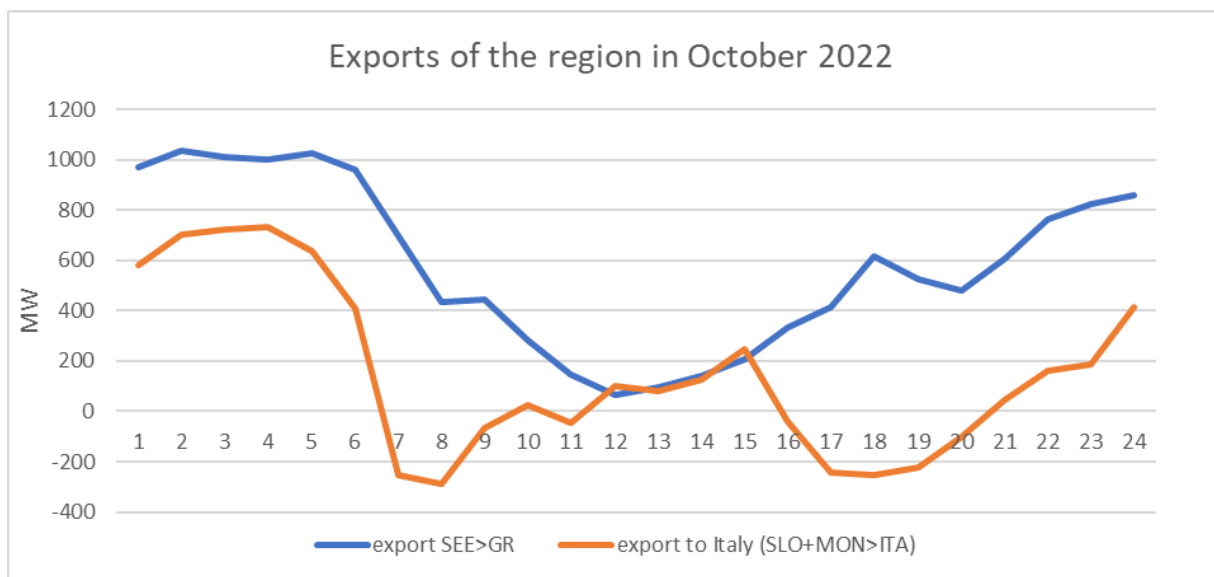
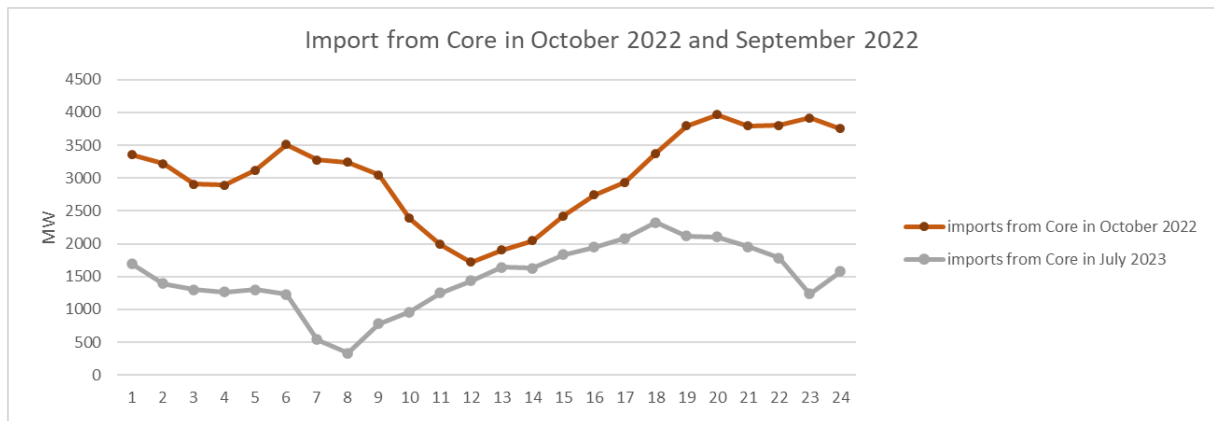


Assuming the same import from Core region, the infeed of energy to HU+SEE zone will be 800 MW lower in night hours and a bit higher in sunny hours 11-15.

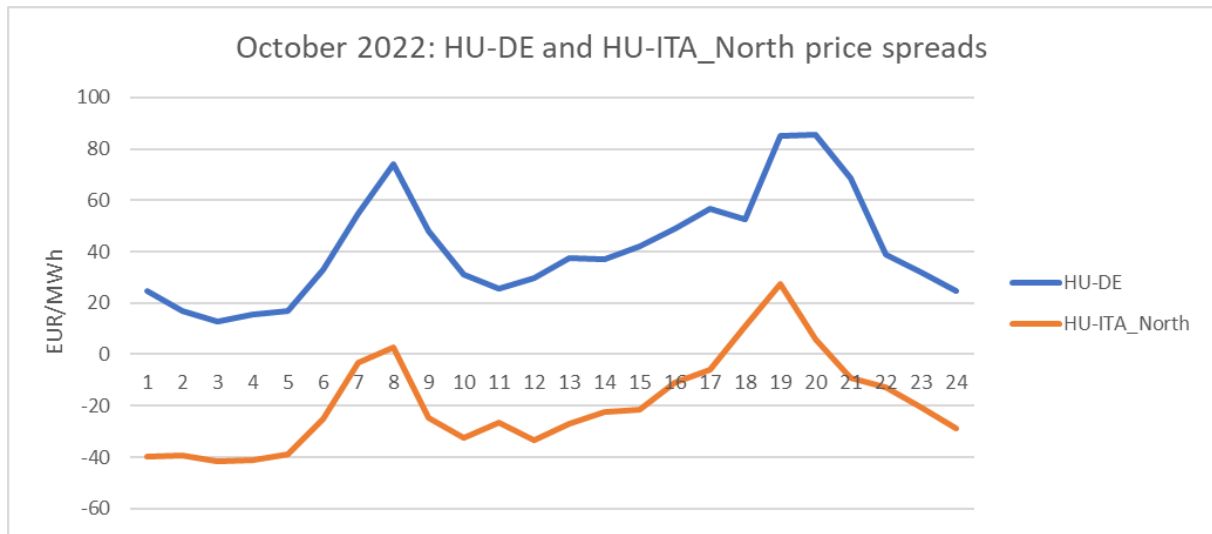


- If we add consumption change (consumption drop Oct. 2023- Oct. 2022) on infeed change, we get that the net infeed in the HU+SEE region is going to be 200-300 MW lower than last year in non-sunny hours and much better than last year in sunny hours (**Assuming the same import from Core region**)



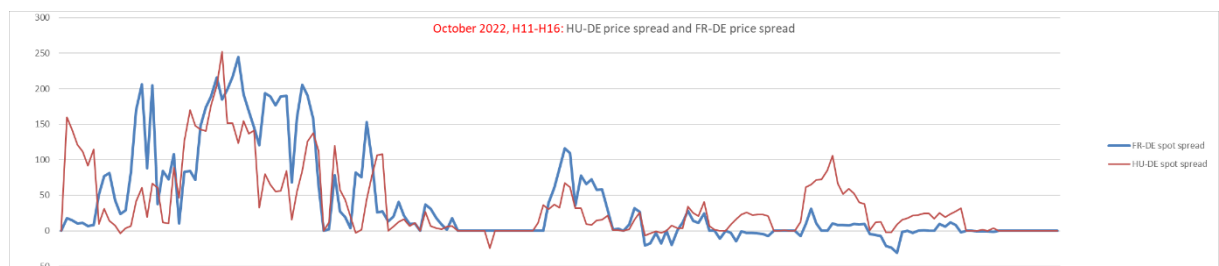


Conclusion:



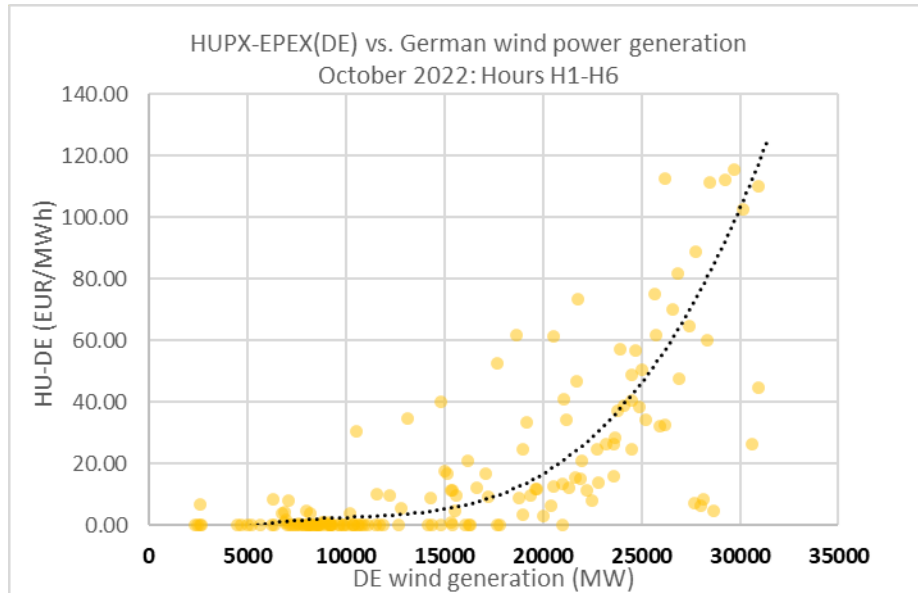
Hours H11-H16

- In hours 11-16, HU+SEE region will have 1000-1200 MW higher infeed on average than in October 2022. Higher infeed will be used to increase delivery to Italy compared to October 2022 (since last year delivery to Italy in sunny hours was nearly 0 MW. Import from Core in sunny hours will be reduced compared to last year.
- **In hours 11-16, HUPX-EPEX(DE) price spread should be close to 0 EUR/MWh** since needed imports from the Core region will be below 1500 MW which is not high enough for causing significant HUPX-EPEX(DE) spread.
- **Last year in hours 11-16, HUPX EPEX(DE) spread was high, but this was mostly caused by high FR-DE spread in those hours and relatively high imports of 2000-2500 MW from Core region. This year imports from Core region will be lower and FR-DE spread should be lower than last year, which will result in small HU-DE spread in H11-H16.**

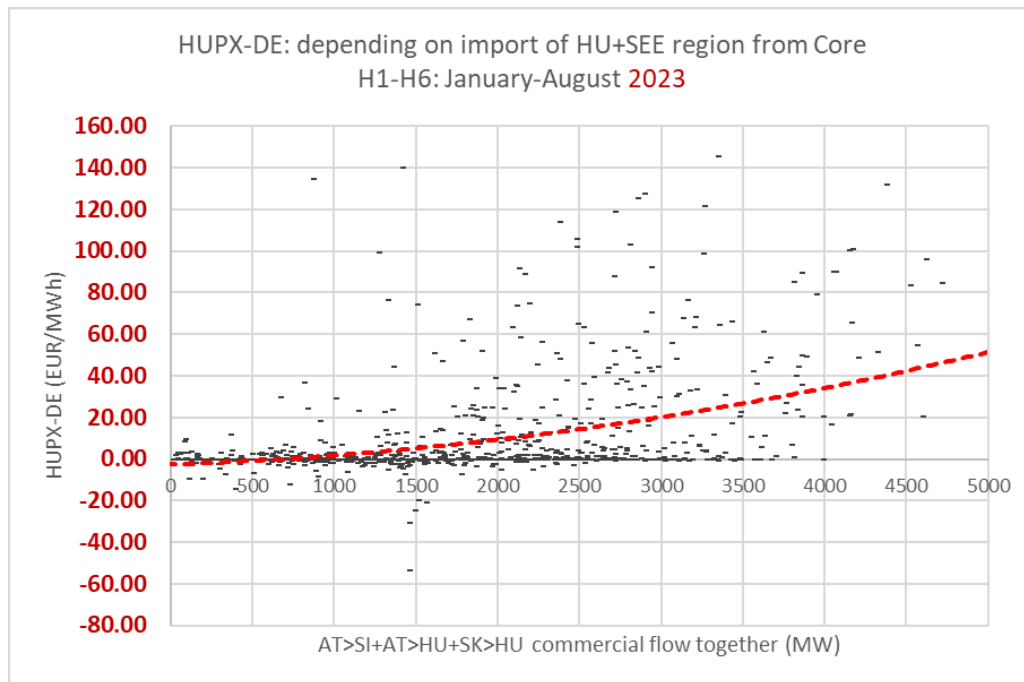


Hours H1-H6

- In October 2023 In hours 1-6, HUPX should be close to German market, except on days when German market gets very low prices. Last year, HUPX was having significantly higher price than German market only on days when German market had high wind power generation. Since days with high wind power generation will be happening also in October 2023, a certain HUPX-EPEX(DE) spread in hours H1-H6 will happen.

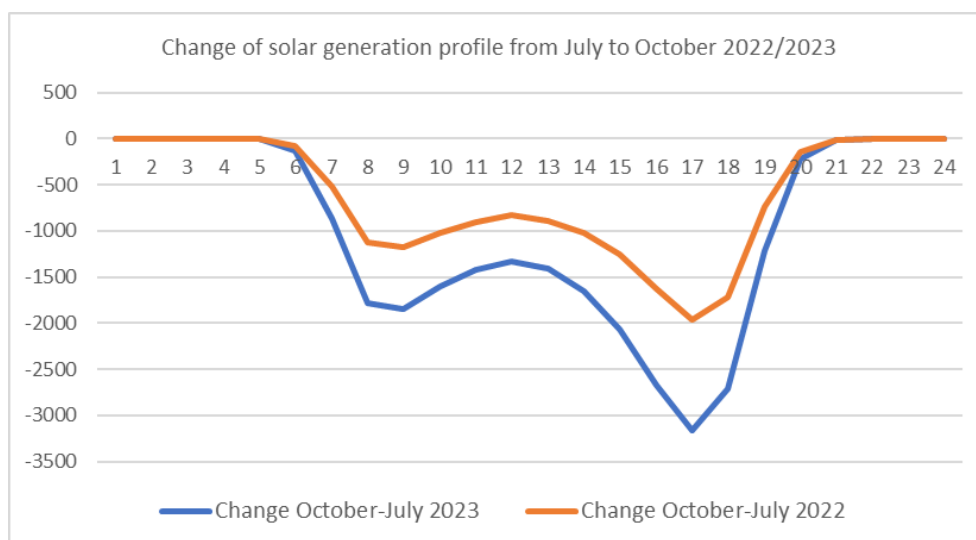


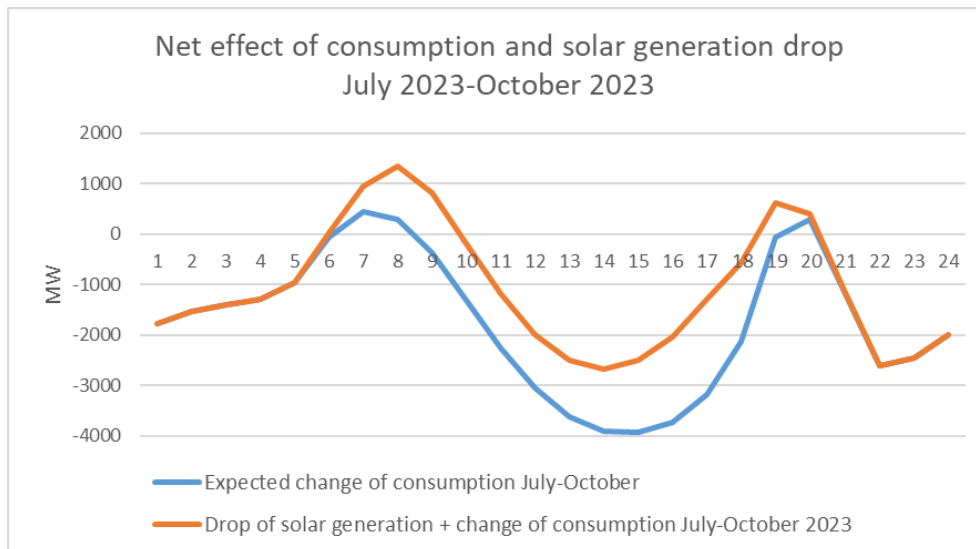
- Imports in hours H1-H6 will be around 200MW higher than last year since coal fired power generation in the region should be 1000MW lower. Last year import of the region in hours H1-H6 was 3000-3500 MW. In the Flow Based Market Coupling, such high imports of HU+SEE region do come only at quite high HU-DE price spread. Therefore, one should count with a certain HU-DE spread in October 2023 also in hours H1-H6.
- **HUPX-EPEX (DE) spread in hours 1-6 should be expected at around 10-20 EUR/MWh**



Hours H7-H8:

- Hours H7-H8 settled at Italian price level in October 2022. This year, **HUPX should settle even above Italian market in those hours**. Solar generation increase between 2023 and 2022 does not affect significantly those hours. **HU+SEE region were a net importer from Italy in those hours in October 2022.**
- Hours 6-7-8-9 and hours 19-20-21 will have the same consumption as in July but 2000 MW lower hydro generation and 1000 MW lower nuclear power generation. Additionally, solar generation loss in October compared to July in hours 7-8-9 and 18-19 will be 1000-1500 MW
- If 2000 MW lower hydro generation and 1000 MW lower nuclear power generation than in July are taken into account, sunny hours will have incomparably higher risk than in average in July 2023 and in July 2023 the region was a net importer from Italy.





Hours 17-24

- In hours 17-24, HUPX-SEE region will need to import 200-400 MW more than in October 2022 in order for HUPX to remain below Italian market price.
- Greek imports will be up to 400 MW higher in critical hours 17-24
- In October 2022, HU+SEE region imported 3000-4000 MW from Core region in those hours and even higher imports will be needed this year for HUPX to remain below Italian price.
- For example, in July 2023 Flow Based Market coupling allocated to HU+SEE region only 2000 MW in H17-H24 while HUPX settled above Italian market in those hours. **It is very difficult to expect that Flow Based Market coupling will on average allocate 4000 MW to HU+SEE region in October if HU+SEE region is not having price which is significantly above Italian market.**
- **HUPX will settle above Italian market in hours H17-H24 in October 2023.**

Additional risks for all hours:

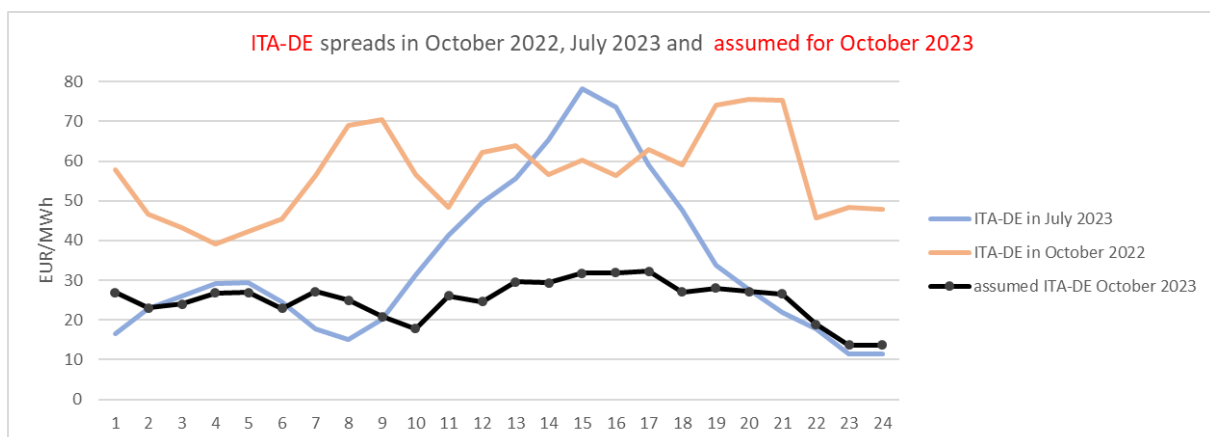
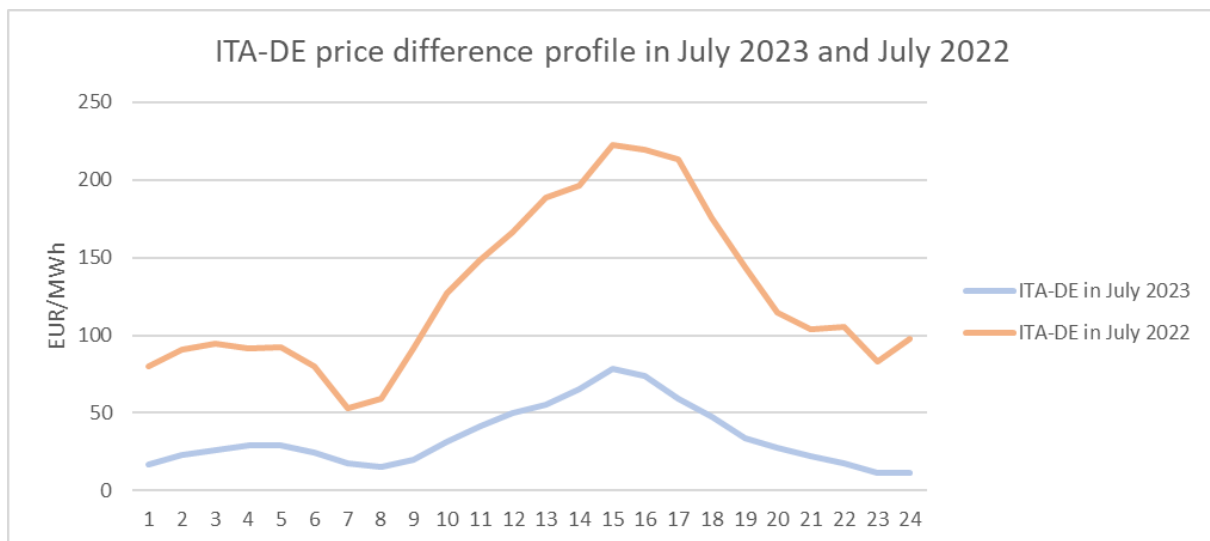
- there are higher risks for higher Greek imports this year than it was the case last year
- Poland is much bigger importer from Flow Based Market Coupling this year than it was the case last year. Polish imports this year consume transmission grid resources much more than last year which makes it more difficult for HU+SEE region to achieve high imports in Flow Based Market Coupling. This is one of the main reasons why it does not appear to be realistic that HU+SEE region can import 4000 MW in hours 19-24.

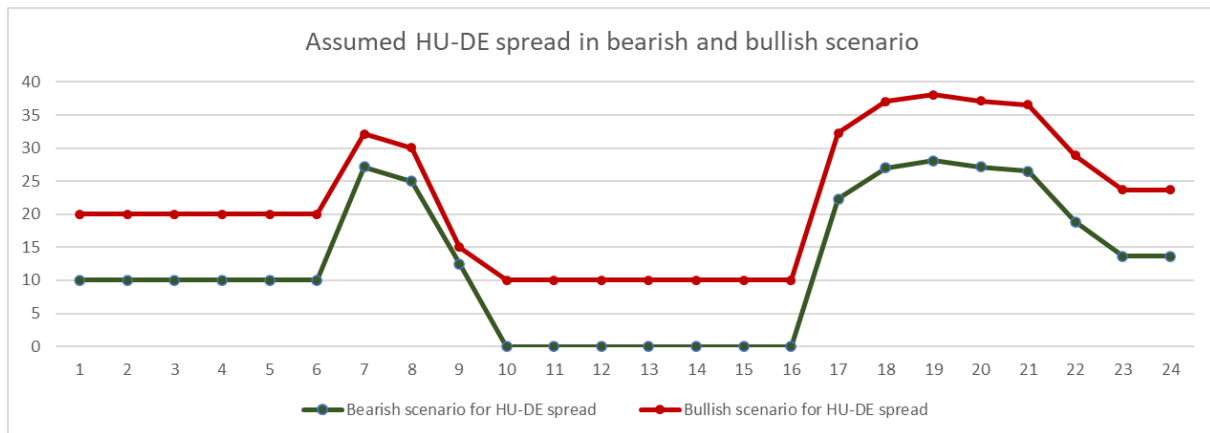
Trading strategy:

HUPX settlement will depend on settlement of Italian and German markets.

	Low settlement	high settlement
H1-H6:	DE+10 EUR/MWh	DE+20 EUR/MWh
H7-H8:	ITA+0 EUR/MWh	ITA+5 EUR/MWh
H9-H16:	DE+0 EUR/MWh	DE+10 EUR/MWh
H17-H24:	ITA+0 EUR/MWh	ITA+10 EUR/MWh

ITA-DE price spread in hours 7-8 and 20-24 was very small in July 2023, but the profile of the ITA-DE spread was not structurally different than it was in July 2022. **There are no much reasons to assume that the profile of the ITA-DE spread settlement in October 2023 will be significantly structurally different than it was in October 2022.**





- In optimistic scenario HU-DE spread will be around 12.5 EUR/MWh and ITA-DE spread also around 12.5 EUR/MWh, i.e. HUPX should be at the middle point between Italian and German settlement in October 2023.
- In a pessimistic scenario, HU-DE spread will be around 21.5 EUR/MWh and ITA-DE around 3.5 EUR/MWh, i.e. HUPX should be settling very close to Italian market price.
- Whether optimistic or pessimistic scenario will develop will depend on behavior of Flow Based Market Coupling. Having in mind that in the recent months Flow Based Market Coupling gives very limited imports to HU+SEE region, it is better to assume realization of a pessimistic scenario in which HUPX will settle close to Italian market in October 2023.

It is advised to make long position in Hungary for October 2023, in spread with short position on German or Italian markets.