

PRESS RELEASE

Prague, 6th January 2012

Candole Research strengthens earlier findings showing that for competition purposes ČEZ's relevant market is Czech.

In June 2011, the European Commission opened formal anti-trust proceedings against ČEZ, with a decision expected sometime in 2012. ČEZ had earlier dismissed our study entitled **Power Abuse** (March 2011) as “intentionally misleading”, maintaining that our conclusions were based upon an incorrect definition of ČEZ's relevant market. ČEZ claimed that we had overlooked the market coupling mechanism between Slovakia and the Czech Republic, arguing that this mechanism makes ČEZ's relevant market the Czech-Slovak wholesale market at the very least. We replied that if the relevant market reached beyond the Czech Republic, differences in the marginal costs of production between the Czech Republic and its neighbours would be negligible.

In **Power2Abuse**, our latest study to be released later this month, we lend further weight to our earlier conclusion that the relevant market for ČEZ is Czech. We demonstrate why market coupling is no guarantee of one relevant market. We show how a sufficiency of interconnector capacity and price unity between Czech and Slovak markets do not in themselves create one relevant market. And we demonstrate that, in a situation where the marginal costs of production differ significantly between market areas, which is the case with the Czech and Slovak markets, the market area with the lower production costs (i.e. the Czech market) should be treated for competition purposes as a separate relevant market regardless of market coupling.

If you would like to receive a link to the full study, which is free of charge, please email power2abuse@candole.com