Shifting into a higher gear for Central and South East European energy market integration

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The Energy Community – Extending the EU internal energy market

Where?
South East Europe and Black Sea Region

Why?
Creating single regulatory and market framework to:
- increase energy trade,
- attract investments,
- enhance security of supply,
- improve environmental situation and
- increase competition in the energy market

How?
By the Rule of Law
Third Package Transposition in Contracting Parties (I)
Third Package Transposition in Contracting Parties (2)
Sales in the competitive retail market

Share of electricity supplied to end customers from competitive market (losses excluded)
A bit about prices

Electricity prices charged to final customers in 2nd semester 2015, excluding taxes and levies, in EUR/kWh

Note: Prices for Ukraine represent average for all consumption bands
Source: EUROSTAT and State Statistic Service of Ukraine
Spot Market Development

Power exchanges are taking shape:

- **in operation**
  - SEEPEX in Serbia (letter of intent to MMC sent in 2016)

- **in the making**
  - Albanian Power Exchange (APE)
  - Montenegro (to be set-up in February) (MC perspective with RS and IT)

- **under discussion**
  - Albania-Kosovo market integration
Cross-border Balancing is developing:

- **Balancing mechanisms fully operational:**
  - Bosnia and Herzegovina
  - Montenegro
  - Serbia

- **Cross-border cooperation:**
  - Montenegro and Serbia - exchange of balancing energy implemented
  - Bosnia and Herzegovina – trilateral contract for exchange of balancing services with Croatia and Slovenia (EU MSs – EnC CPs cooperation)
  - Albania – Kosovo – agreement on sharing of secondary reserve made
Regional Capacity Allocation through SEE CAO is expending:

- FYR Macedonia – joined in 2016, MK-GR border allocated as of 2017
- Serbia in the admission process
The Energy Community Secretariat as a facilitator of WB6

The Energy Community Secretariat invited to:

- Facilitate the process
- Monitor the implementation
- Report on bi-monthly basis

The reports are published on the ECS website:

https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6/Monitoring
Power exchanges are taking shape:

- **in operation**
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- **in the making**
  - Albanian Power Exchange (APE)
  - Montenegro (company to be set-up)

- **under discussion**
  - Albania-Kosovo market integration

- **a decision still to be made**
  - Bosnia and Herzegovina
  - FYR of Macedonia
Binding reciprocity between EU MSs and Cross-border Balancing is the area with the most notable developments:

- **Balancing mechanisms operational:**
  - Bosnia and Herzegovina
  - Montenegro
  - Serbia

- **Cross-border cooperation:**
  - Montenegro and Serbia - exchange of balancing energy implemented
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- **Balancing to be implemented in:**
  - Albania
  - Kosovo
  - FYR of Macedonia
Regional Capacity Allocation

- **Regional Capacity Allocation through SEE CAO** is expending:
  - FYR Macedonia – joined in 2016, MK-GR border allocated as of 2017
  - Serbia in the admission process

- **Regional Capacity Calculation and Coordinated Capacity Calculator** still to be established, based on the Regional Security Coordinators(s):
  - Operational - RSC SCC – BA, ME, RS - members
  - In the making - RSC SEE, Thessaloniki – AL, KS, MK – MoU signatories
Cross-cutting measures

- Cross-cutting measures implementation is characterized by the slow pace of national reforms towards:
  - Price deregulation
  - TSO unbundling
  - DSO unbundling
  - NRA independence and observer status in ACER

- Further efforts are needed in order to fully transpose and implement the 3rd Energy Package, through adoption of compliant primary and secondary legislation
Overall Implementation
Completing the reforms – national priorities in EnC CPs

- **3rd Package compliant primary and secondary legislation to be adopted in all the countries** (BA and MK still have not adopted primary law)

- **Deregulation of the wholesale prices at which incumbent generation companies with public service obligation procure electricity for the supply of the regulated end-users**

- **Deregulation of the retail prices for all customers except small enterprises and households to be implemented in practice**

- **Unbundling of the transmission system operators (Albanian as a first case - ECS issued Opinion on the Albanian regulatory authority’s certification of electricity TSO on 30 January 2017)**

- **Unbundling of the distribution system operators (legal unbundling still not completed in all the countries)**

- **Strengthening national regulatory authorities independence**
Strengthening regional cooperation and cross-border trade in EnC CPs—prerequisites

- **Day-ahead market coupling** – institutional set-up for day-ahead market to be established at national level
- **Cross-border balancing cooperation** – ensuring non-discriminatory, transparent and market-based procurement of balancing services and cost-reflective imbalance settlement at national level
- **Regional capacity allocation and calculation** – best use of existing regional institutions to ensure economies of scale
- **Resolving pending dispute between EMS and KOSTT**
- **Harmonizing legislation on business undertakings, public procurement, VAT, licensing, market and trade, financial control**
- **Adoption and implementation of Network Codes**
Memorandum of Understanding of Western Balkan 6 on Regional Electricity Market Development and Establishing a Framework for future cooperation signed on 27 April 2016 in Vienna

Signatories: WB6 TSOs, NRAs, PXs and Ministries for energy

MoU sets targets for WB6 MC and XB until mid 2018

Implementation to be governed by the Programme Steering Committees for Day-ahead Market Integration (operational) and Cross-border Balancing (to be constituted by 1 February)

MoU provides a framework for cooperation with EU MSs

- Italian NRA signed the MoU
- Ongoing discussion with other interested neighbouring EU MSs on signing the MoU
Level playing field on interconnection between EU MSs and EnC CPs - missing piece to the SEE market integration to EU IEM

How to close the gap?

- Title III EnC Treaty – complete solution
- Title II EnC Treaty – additional legal instruments needed
Strengthening regional cooperation and cross-border trade – prerequisites for SEE (role of CESEC-E?)

- **Legal:**
  - Switch-on clause in the EnC Treaty amendment
    - Implementation of Network Codes on EU MSs/EnC CPs borders
  - Competences of ACER over EnC CPs – REMIT (Treaty amendment)
  - Recognition of EnC CPs as equal participants (Regulation 347/2012)

- **Facilitating**
  - Participation of EU bordering MSs (apart from Italy) in DAMI and XB EB project steering groups
  - Participation of Bulgaria and Romania in CAO (SEE CAO)

- **Technical**
  - Synchronization of Moldova Ukraine + new infrastructure
Energy Community regional infrastructure projects
supporting market integration

Ongoing projects:

1. Transbalkan corridor – phase 1
   • 400 kV OHL Resita (RO) – Pancevo (RS)
   • 400 kV OHL Kragujevac (RS) – Kraljevo (RS)
   • 400 kV OHL Obrenovac (RS) – B.Basta (RS)
   • 400 kV OHL B.Basta (RS) – Pljevlja (ME) – Visegrad (BA)
   • 400 kV OHL Pljevlja (ME) – Lastva (ME)

2. 400 kV OHL Bitola (FYROM) – Elbasan (AL)

Potential Energy Community projects stipulated by CESEC-E:

3. 400 kV OHL Mukacheve (UA) – V.Kapusany (SK)
4. 400 kV OHL with B2B Substation, Isacea (RO) – Vulcanesti (MD) – Chisinau (MD)
5. Transbalkan corridor – phase 2: new interconnection between Serbia and Bulgaria
6. New interconnection between Serbia and Croatia
7. New interconnection between Serbia and Romania
8. 400 kV OHL Banja Luka (B/H) – Lika (HR)
Creating Energy Markets in the Energy Community

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