



REPUBLIC OF ESTONIA
COMPETITION AUTHORITY

Price regulation in Estonian power sector

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Budapest, 30.05.2017

Price regulation history

- ❑ Energy market act since 1998. Prior of that the end-user tariff (incl. generation and network) fixed by the governmental degree.
 - ❑ The start of price regulation
- ❑ Electricity market act by 2003, separation of:
 - ❑ Generation
 - ❑ Transmission
 - ❑ Distribution
 - ❑ Supply

Price regulation in regulated market

- ❑ Regulation of network tariffs.
- ❑ Regulation of generation price and supply margin.
- ❑ In Estonian case the main supply source is oil shale, market dominating supplier Eesti Energia (incumbent energy company).
 - ❑ Oil shale generation price.
 - ❑ Power generation price.
- ❑ The end customer was obligated to buy electricity from distribution network operator. Public Service Obligation (PSO).
- ❑ Eligible customer was able to select the supplier, but the regulated tariffs have been on more reasonable level.

Market opening first reform

2010 amendments in electricity market act.

- ❑ Eligibility threshold lowered to 2 GWh per annum.
- ❑ Eligible customers were supposed to buy electricity base on market conditions, the purchase of electricity under PSO was not allowed.
- ❑ Opening of power exchange NPS.
- ❑ Regulated tariff was cheaper than PSO.

Market opening second reform

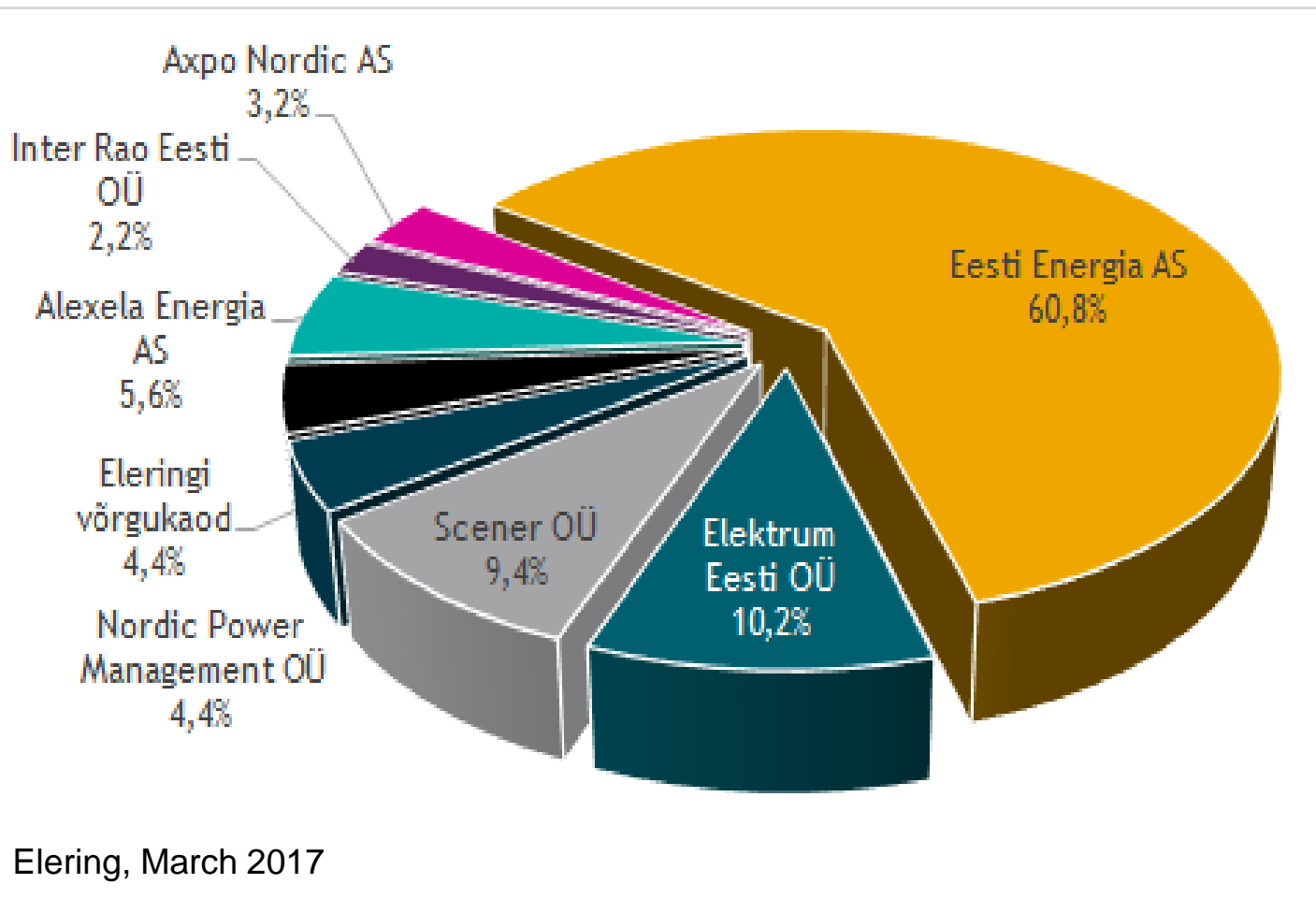
2013, January 1.

- Full market opening.
- No price regulation on generation or supply.
- All customers, incl. households are on free market.
- Public Service Obligation (PSO) for all small customers.
- Small customers are all customers which connection is lower than 63A.

PSO

- ❑ Distribution System Operator's obligation to supply, outsourcing is allowed.
- ❑ No tariff regulation. The tariff shall be based on market price (power exchange) + reasonable supply margin.
- ❑ The regulatory authority (ECA) may control the prices.
- ❑ No need to control in reality, the PSO tariffs are the most expensive. Much more cheaper to buy from market.
- ❑ If the customer has not signed the contract with supplier, it automatically switches to PSO.

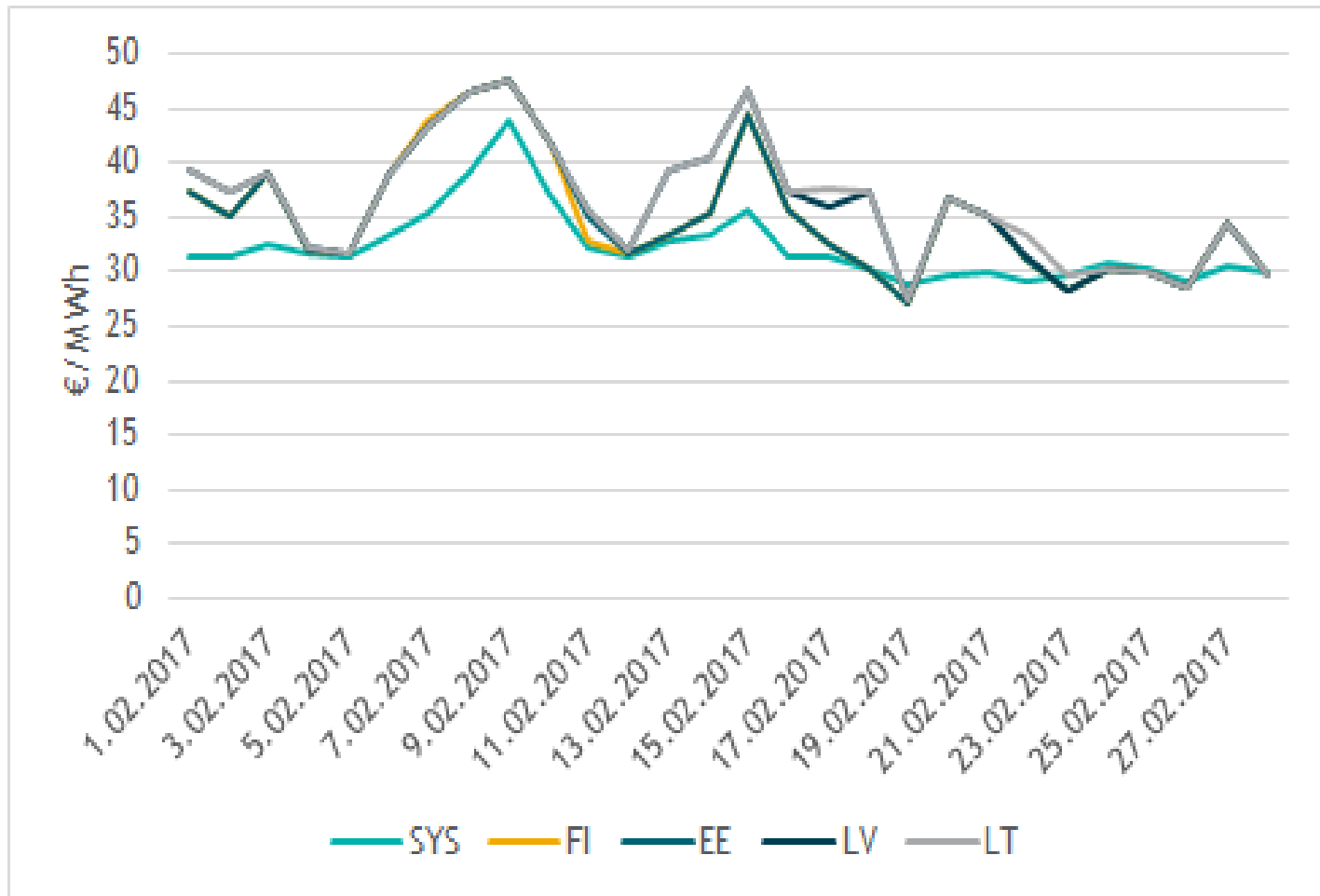
Market shares of different suppliers



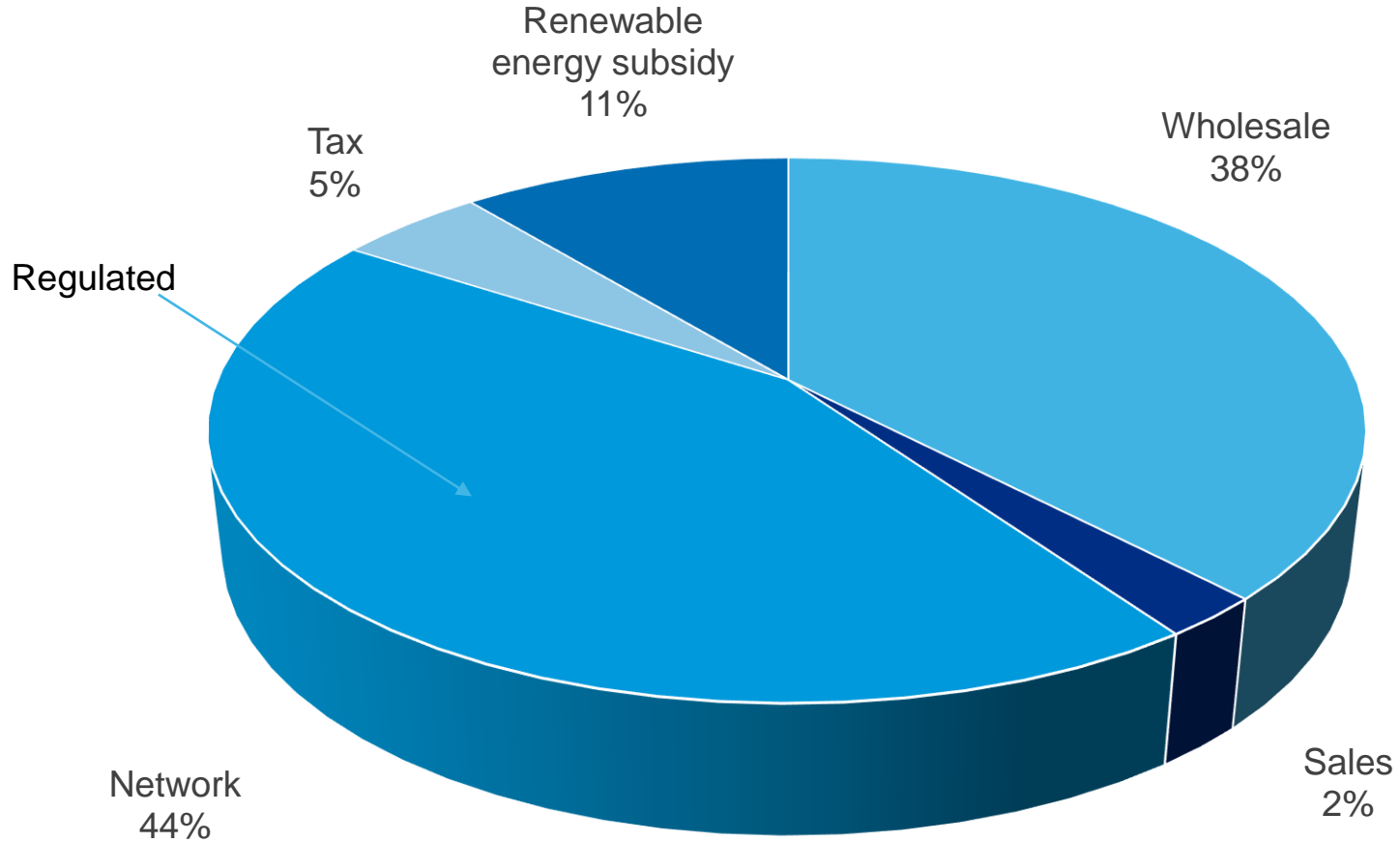
Enduser tariff

€sent/kWh	
Wholesale	3,1
Sales	0,2
Network	3,6
Tax	0,4
Renewable energy subsidy	0,9
Total	8,2

Power prices on NordPool



Enduser tariff



Physical flows, March 2017



Some facts on Electricity Market in Estonia

- 87% of electricity is traded on power exchange.
- The consumers are focusing more power exchanges oriented than to the fixed prices:
 - 51% of consumers have fixed price contract;
 - 30% of consumers have power exchange contract;
 - 19% of consumers have PSO

Conclusions

- ❑ Transparent pricing and efficient wholesale market.
- ❑ Strong competition on retail level.
- ❑ No need for end-users tariff regulation.
 - ❑ Free competition ensures efficient pricing.
 - ❑ The share of supply margin is insignificant in total end-users tariff.

Thank You for Your Attention.

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