



Electricity Market Integration 2.0 in Central and South East Europe

Potential benefits: markets and institutions

***Jasmina Trhulj, Head of Electricity Unit, Energy
Community Secretariat***

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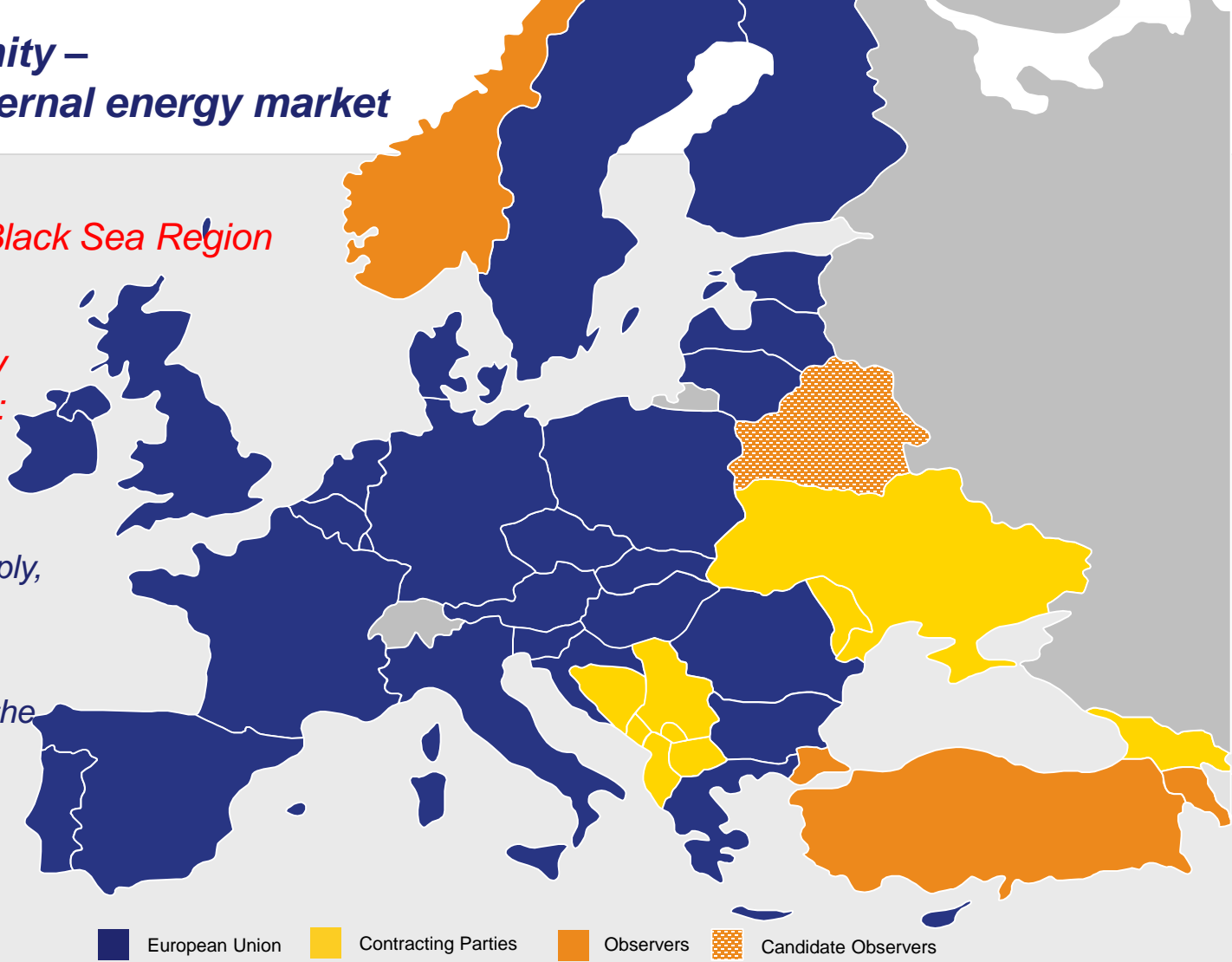
The Energy Community – Extending the EU internal energy market

Where?
South East Europe and Black Sea Region

Why?
Creating single regulatory and market framework to:

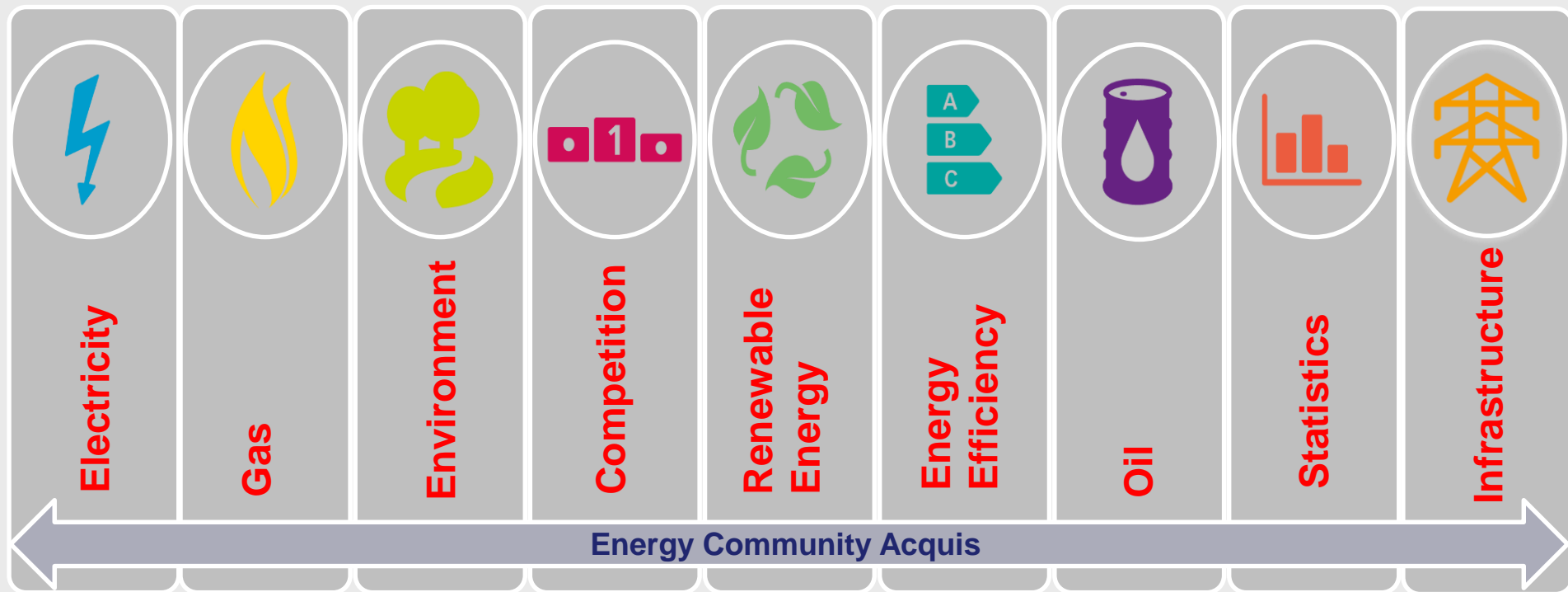
- increase energy trade,
- attract investments,
- enhance security of supply,
- improve environmental situation and
- increase competition in the energy market

How?
By the Rule of Law



■ European Union ■ Contracting Parties ■ Observers ■ Candidate Observers

EU Acquis communautaire adapted and adopted in the Energy Community



➤ **3rd Energy Package transposition and implementation**

- ✓ Compliant law adopted in 6 EnC CPs (Albania, Kosovo*, Moldova, Montenegro, Serbia, Ukraine)
- ✓ Secondary legislation still to be aligned

➤ **Network Codes and Guidelines**

- ✓ No direct applicability of Regulations in EnC (adaptation and adoption in EnC needed)
- ✓ EnC CPs started work on adapting Network Codes and Guidelines (WG of TSOs and NRAs established)
- ✓ The Florence Forum called upon the European Commission to facilitate adoption in the Energy Community as soon as possible
- ✓ Still looking for a solution that will ensure binding reciprocity on the interconnections between EU MSs and EnC CPs (Title III of Energy Community Treaty)

➤ **Energy Community Treaty changes**

- ✓ Direct applicability of Regulations in EnC
- ✓ Level-playing field between EU MSs and EnC CPs



➤ **Clean Energy Package for all Europeans**

- ✓ *More ambitious treatment of the regional cooperation between EU MSs and EnC CPs needed*
- ✓ **Proposal for a Regulation on the Governance of the Energy Union**
 - ❖ *Article 11 on Regional Cooperation does not recognize regional cooperation between EU MSs and EnC CPs*
- ✓ **Proposal for a Regulation on Risk-preparedness in the electricity sector**
 - ❖ *consistent with the Union's goal to strengthen the Energy Community*
 - ❖ *Article 18 Cooperation with the Energy Community Contracting Parties*

Member States and the Energy Community Contracting Parties are invited to closely cooperate in the process of the identification of electricity crisis scenarios and the establishment of risk-preparedness plans

Energy Community Contracting Parties may participate in the Electricity Coordination Group upon invitation by the Commission with regard to all matters by which they are concerned
- ✓ **Proposal for a Directive on the promotion of the use of energy from renewable sources (recast)**
 - ❖ *Provisions on Energy Community remain unchanged*

Energy Community – cooperation and coordination among institutions



➤ **EnC CPs TSOs**

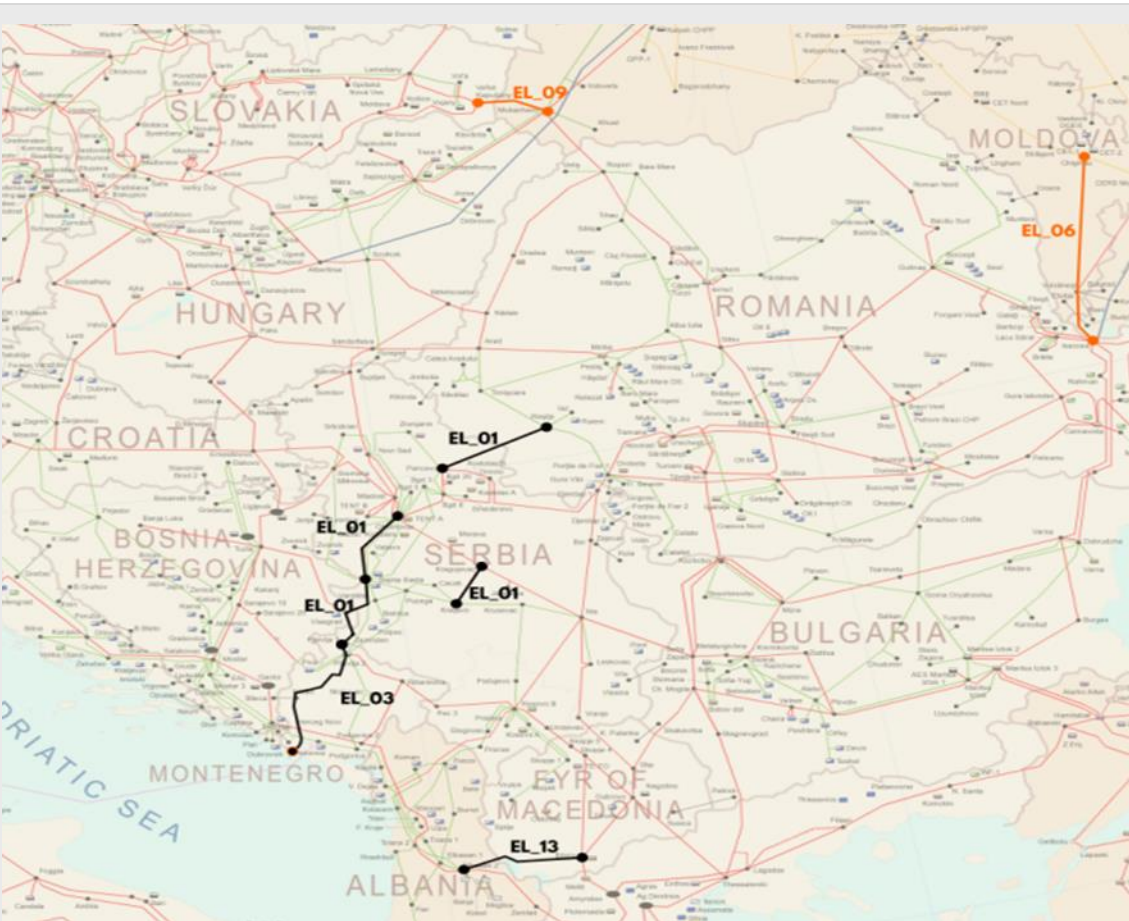
- ✓ Majority of EnC CPs TSOs members of ENTSO-E and part of synchronous area Continental Europe
- ✓ Georgia, Moldova and Ukraine (except for Burstin Island) non-synchronized with CE

➤ **EnC CPs DSOs**

- ✓ EC DSO-E platform for cooperation of EnC CPs DSOs functional for already three years now
- ✓ Open for other interested EU MSs DSOs

➤ **EnC CPs NRAs**

- ✓ Energy Community Regulatory Board – composed of EnC CPs NRAs representatives, EC and ACER representative
- ✓ EnC CPs NRAs have possibility to apply for observer status in ACER Board of Regulators and Administrative Board based on a positive opinion of the European Commission as regards the compliance of the relevant CP with Article 31 ACER Regulation (transposition and implementation of the energy, environment and competition acquis)
- ✓ EnC CPs NRAs have possibility to apply for observer status in ACER Working Groups based on a positive opinion of ACER as regards the compliance of the relevant CP with Article 31 ACER Regulation within the next 6-12 months. Secretariat to provide a related assessment to ACER for this purpose
- ✓ Strengthening competences of ACER in EnC CPs needed (changes to the EnCT needed)

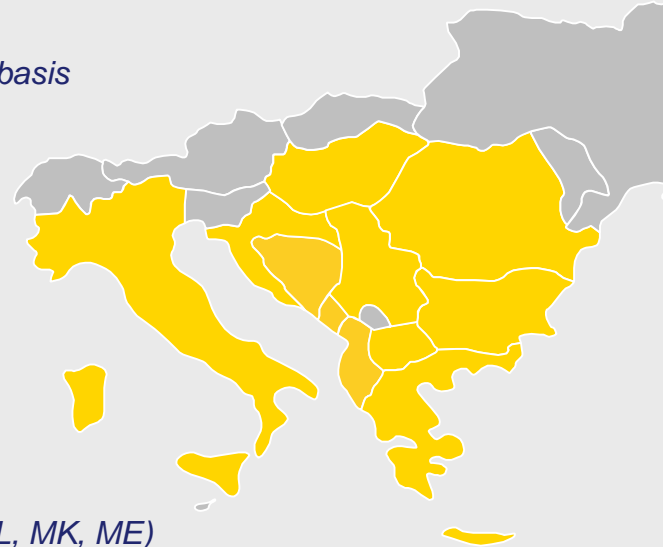


Electricity Market Integration actions:

- **Connecting electricity markets**
 - ✓ EnC markets well interconnected
 - ✓ New interconnections on the way (PECI/PMI infrastructural projects)
- **Developing a regional electricity market and institutions**
 - ✓ Forward markets
 - ✓ Day-ahead and intraday markets
 - ✓ Balancing markets
 - ✓ Retail markets

To which extent EnC will benefit from interconnectivity depends on maturity of the regional electricity market

Regional electricity market development – implementation challenges



➤ **Forward capacity allocation**

- ✓ SEE CAO allocates interconnection capacities on yearly, monthly and daily basis
- ✓ Not all SEE countries are participating (Serbia, Bulgaria, Romania)

➤ **Capacity Calculation**

- ✓ Regionally coordinated capacity calculation is missing
- ✓ Best use of RSCs needed (at the moment one functional, SCC in Belgrade)
- ✓ SEE Capacity Calculation Region (BG, GR, RO) to include also EnC CPs

➤ **Day-ahead and intraday market**

- ✓ Day-ahead market functional only in 1 EnC CP (Serbia)
- ✓ Activities on setting-up day-ahead markets ongoing in some of EnC CPs (AL, MK, ME)
- ✓ Market integration under discussion between AL-KS*, UA-MD
- ✓ Market coupling under discussion between different EU MSs and EnC CPs (HU-RS-ME-IT) (early CACM implementation)
- ✓ Market integration/coupling a way to boost liquidity and competition in small EnC CPs markets and provide a price signal

➤ **Balancing market**

- ✓ Cross-border exchange of balancing services started to emerge on bilateral/trilateral level in EnC CPs
- ✓ Huge potential for competition development and cost saving in cross-border balancing cooperation

Regional electricity market development – implementation



Implementation challenges

➤ **Transparency in EnC CPs markets**

- ✓ *In majority of the Energy Community Contracting Parties neither the straightforward transposition of Transparency regulation 543/2013 nor the implementation by the TSOs (local IT platforms) are at the level that would ensure smooth integration with the ENTSO-E platform*
- ✓ *Energy Community Secretariat and ENTSO-E agreed on activities to facilitate transposition and implementation*

➤ **REMIT**

- ✓ *Step-wise implementation envisaged, WG to agree on adapted version for EnC MC approval*
- ✓ *Involvement of ACER required*

➤ **VAT harmonization**

- ✓ *EnC CPs apply different approaches in VAT legislation related to export and import of energy, access to network and transit of energy over their territory*
- ✓ *ECS Study on the need for harmonization of the applicable regimes in order to create a level playing field for integration of electricity and gas market within the Energy Community is ongoing*
- ✓ *Study recommends implementation of a number of rules and definitions derived from the VAT Directive*

Regional electricity market development – implementation challenges



➤ **Licensing**

- ✓ Wholesale and retail supply subject to licensing in EnC CPs (wholesale supply license not needed in Montenegro only)
- ✓ Seat requirement applied in most of EnC CPs
- ✓ Mutual recognition of licenses in the Energy Community envisaged under Title III of EnCT

➤ **Retail market**

- ✓ Regulated prices at a level that does not provide incentive to new entrants and switching of supplier
- ✓ DSO unbundling, price deregulation, protection of vulnerable customers, some of prerequisites needed for retail market to take off

➤ **Security of Supply**

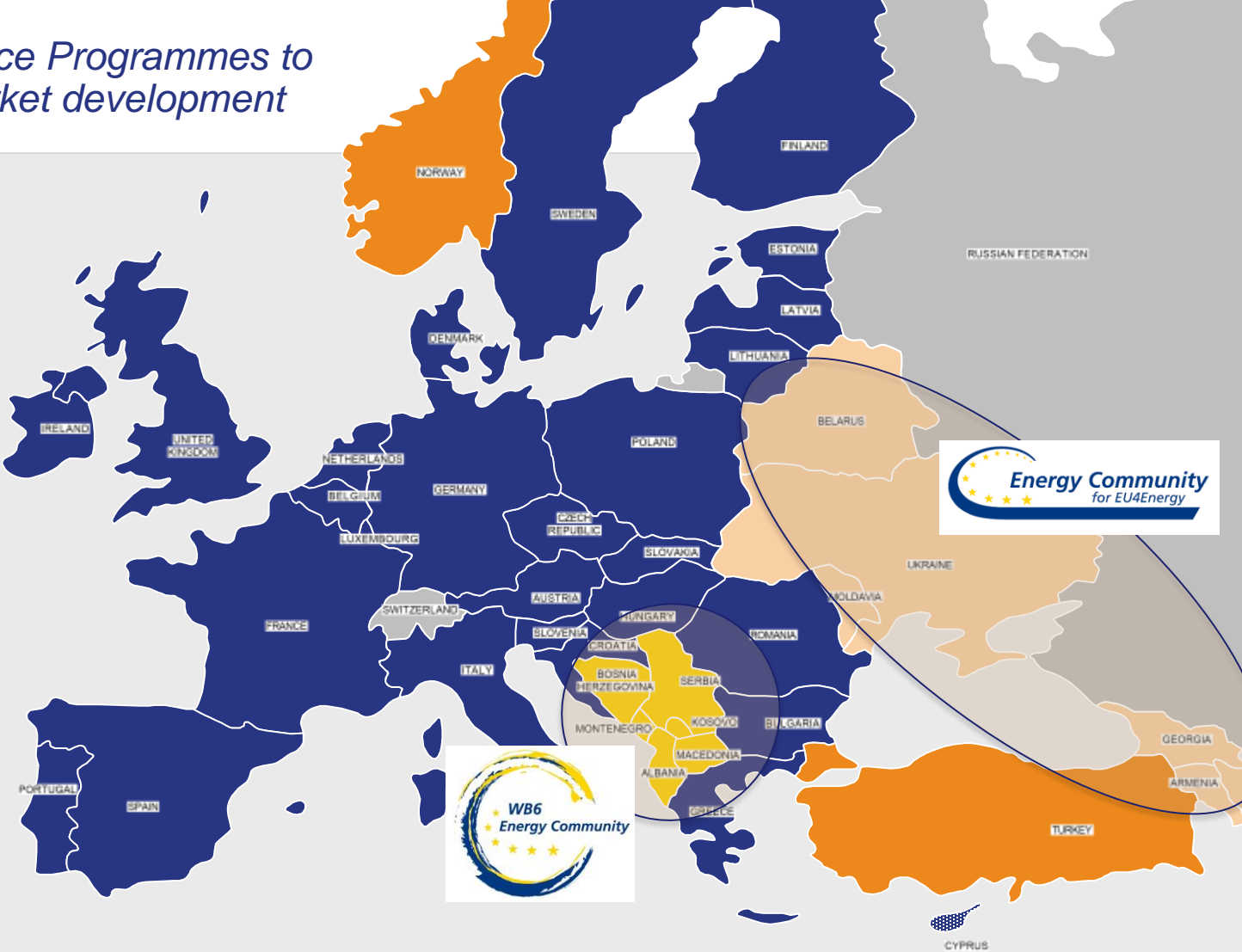
- ✓ Electricity export ban imposed by Bulgarian authorities during cold spell in January 2017, put in danger security of supply in the whole region and caused serious losses to market participants and end-users
- ✓ Strengthening regional cooperation and use of market mechanisms to ensure operational security is needed
- ✓ Implementation of Network Codes and Guidelines in the whole SEE region is of utmost importance

EU Technical Assistance Programmes to regional electricity market development



Project funded by the European Union

- European Union
- WB6 region
- Eastern Partnership region
- EnC Observers





WB6 Regional Electricity Market

Creating a Regional Electricity Market in Western Balkans 6 well established and supported process

- *Emerged on political commitment to improve connectivity in WB*
- *WB6 MoU on regional electricity market development and establishing a framework for other future collaboration, signed by WB6 Ministries responsible for energy, TSOs, NRAs and PXs*
- *Grant Contract for TA to connectivity in WB, in relation to Regional Energy Market, between the European Commission and the Energy Community Secretariat*
- *Monitoring and reporting by the Energy Community Secretariat*





Regional



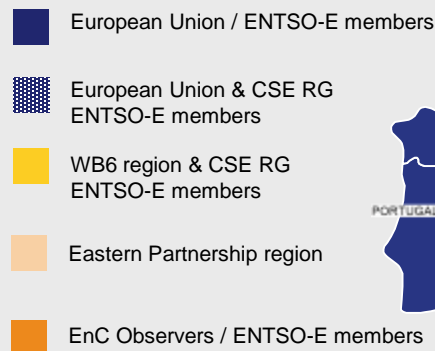
**WB6
Energy Community**

WB6 initiative expended to neighbouring EU MSs and became a multi-stakeholder platform for electricity market integration in South Eastern Europe:

- ***Western Balkan 6 Memorandum of Understanding on Regional Electricity Market Development and Establishing a Framework for future cooperation signed on 27 April 2016 in Vienna***
- ***Initial signatories: WB6 TSOs, NRAs, PXs and Ministries for energy***
- ***New signatories: 12 stakeholders from 6 EU MSs***
 - ✓ ***Italy, Greece, Croatia, Hungary, Romania and Bulgaria***
- ***MoU sets targets for WB6 market coupling and cross-border balancing until mid 2018***
- ***The Programme Steering Committees for Day-ahead Market Integration (DA MI PSC) and Cross-border Balancing (XB) are operational (meeting held in April in Vienna)***
- ***Roadmap for implementing the regional day-ahead market coupling is under development and is planned to be adopted by the DA MI PSC before Trieste Summit***

Enlargement of SEE region could lead to formation of new sub-regions:

- Central South
- South East
- East





Thank you for your attention!

Jasmina Trhulj, Head of Electricity Unit, Energy Community Secretariat

jasmina.trhulj@energy-community.org

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