

CONCLUSIONS

XIX. Energy Community Electricity Forum

Athens, 2-3 June 2014

Energy Policy

1. The Forum takes note of the reports by the Commission and ENTSO-E on the progress with the Internal Electricity Market and ongoing and planned energy policy reforms. It calls upon Contracting Parties to **draw lessons from the EU's experience** on the way towards market liberalisation and to use the opportunity to avoid mistakes made by EU (e.g. in the field of non market-based support for renewable energy production). It invites all stakeholders to take part actively in the ongoing discussion on a need for a revised electricity market design.
2. The Forum recalls the **importance of the transition** of the Energy Community's electricity sector from a state-driven, isolated and monopolised industry to a modern and consumer-friendly industry, based on market principles and with room for competition across national borders.
3. The Forum reminds the Contracting Parties on the deadline of 1 January 2015 (the latest) for implementing the **Third Energy Package** in the Energy Community and expresses its concerns about lack of effective progress in a number of Contracting Parties. The Forum urgently calls all Contracting Parties to, in close cooperation with the Secretariat, initiate and/or finalise already started law reviews to meet the implementation deadline. In this context the Forum stresses the risk of further widening the gap between and endangering integration of electricity markets in the Energy Community and with the European Union.

Development of Functioning Electricity Retail Markets

4. The Forum calls upon Contracting Parties to urgently **set up concrete steps** for overcoming barriers in the national market design that hinder the development of effective retail market opening, in particular related to: public supply; single buyer models; regulated energy prices, including the treatment of vulnerable customers.
5. The Forum expresses its concerns about **the limited progress** by the Contracting Parties within the last year in this respect and urges the Contracting Parties to realize these legislative reforms as part of the law reviews for implementing the Third Energy Package in close cooperation with the Secretariat by 1 January 2015 the latest.
6. The Forum acknowledges the **practical and political difficulties** to abolish regulated electricity prices. It encourages Contracting Parties to enter into a discussion process with the Energy Community Secretariat and other Contracting Parties to develop proposals for a realistic transition of their energy systems to market principles, in particular the stepwise phasing out of regulated electricity prices. It reminds Contracting Parties in particular of the harmful effects of price regulation below costs for the energy sector and the national economy and urges Contracting Parties to phase out such price regulation models as soon as possible.
7. The Forum invites the Secretariat to together with the Contracting Parties initiate concrete **measures for phasing out of regulated energy prices** by December 2014 at the latest, taking into consideration the Secretariat's related 2012 recommendations. The Forum underlines that a coordinated approach taking into account the strategies of different Contracting Parties would be preferable as it allows for a coherent development of markets and their integration.

8. The Forum invites the Contracting Parties to **report to the next Forum** on the specific measures and timelines agreed upon.
9. The Forum notes that consumer-friendly competitive electricity retail markets can only develop if markets are also competitive at a wholesale level and calls upon Contracting Parties consider market opening as an **integrated process**, encompassing wholesale and retail level.
10. The Forum reminds national regulators on the need to adequately ensure **consumer participation** in the liberalised markets. The Forum invites ECRB to present best practise models on consumer awareness raising and involvement to the next Forum.
11. The Forum notes the **fundamental change** in the relationship between wholesale and retail markets as well as TSOs and DSOs, which is notably triggered by increasing amounts of generation fed into the grid de-centrally, and by the increasing importance of de-central demand response solutions to meet the targets of future energy policy.
12. The Forum invites Contracting Parties to foster demand response measures, as they are not only a measure to reduce consumers' energy bills but also important to avoid overcapacities and unnecessary CO2 emissions. It invites regulators and lawmakers of all Contracting Parties **to remove barriers** to the development of demand response in their regulatory framework.

Development of Functioning Electricity Wholesale Markets

13. The Forum reminds on its last year's call for Contracting Parties to urgently set **concrete steps for overcoming** barriers in national market design that hinder the development of effective wholesale market opening. The Forum stresses in particular the need to abolish single buyer models and regulated generation, and to introduce day ahead market rules and market based balancing rules as a pre-condition for successful national and regional wholesale market opening. In this context the Forum welcomes in particular the steps taken by Bosnia-Herzegovina, Montenegro and Serbia to establish more market-based balancing rules.
14. The Forum urges all Contracting Parties to realize the above mentioned legislative reforms as **part of the law reviews for implementing the Third Energy Package**, in close cooperation with the Secretariat.
15. The Forum takes note of the updated **Regional Action Plan (RAP)** timeline but stressed its dissatisfaction with the continuous delay in implementing the RAP. The Forum reminds that a number of the RAP elements are directly required by the Energy Community acquis. The Forum urges stakeholders for swift progress and, in particular, called Contracting Parties for stronger and more active commitment from political and regulatory level.
16. The Forum welcomes the progress made on establishment of the **SEE CAO** for long-term capacity allocation and its Director's announcement that a pilot allocation of monthly capacities will start in October 2014 and allocation of yearly capacities (for 2015) in November 2014 for all SEE CAO participating TSOs. The Secretariat and the Commission offer to continue facilitation in overcoming the only remaining issue, VAT legislation, preventing the Albanian TSO from participation. The Forum welcomes the Secretariat's announcement to publish, following public consultation, Policy Guidelines on VAT and Electricity Trade in autumn 2014.
17. The Forum expresses its concerns about lack of participation by the network operators of Bulgaria, FYR of Macedonia and Serbia (hindering the participation of Romania), as a fragmented solution undermines the effectiveness of the SEE CAO project, contradicts Energy Community Treaty obligations and disregards the upcoming EU harmonisation of forward trading rules. The Forum invites the TSOs of FYR of Macedonia and Serbia to present to the Secretariat by end July 2014 a roadmap with concrete actions and timelines for participation in any regional body performing long-term capacity allocation. Otherwise, the Forum invites the Secretariat to consider

measures, including re-opening infringement procedures against Serbia and FYR of Macedonia to achieve a forward trading mechanism encompassing SEE CAO by 1 December 2014 the latest. The Forum invites the European Commission to enhance its dialogue with Bulgaria and Romania on this issue.

18. As concerns day-ahead and intraday market coupling, the Forum underlines the **benefits of transparent cross-border spot markets based** on market coupling for the Contracting Parties and in particular also for small countries. The Forum appreciated the development of a market coupling simulator as encouraging signal for initiation of market coupling implementation in the Energy Community. In this context the Forum underlined the need to keep pace with the related developments on European level with a view to not endanger integration of markets.
19. The Forum welcomes the steps taken by Serbia and Montenegro towards the establishment of day ahead market rules. However, the Forum recalls its conclusions of 2013 regarding the **joint establishment of a regional power exchange** and expressed its disappointment with the lack of progress made with this project. The Forum takes note of steps taken and discussions started in Croatia, FYR of Macedonia, Montenegro and Serbia on power exchange development, but calls upon Contracting Parties to opt for cooperative models with joint shareholder ship in one or two regional PXs instead of fragmented national PXs in all Contracting Parties, as fragmented solutions are unlikely to result in economically sustainable solutions for regional (an ultimately EU-wide) electricity trade.
20. The Forum calls upon the Energy Community Secretariat to **actively moderate the RAP process** and notably to develop coordinated path towards market coupling in the 8th Region. It invites the Secretariat to report on the results to the next Athens Forum.
21. The Forum recalls the importance of transparency rules as necessary elements of competitive electricity trade and expresses its support for including Regulation (EC) 543/2013 on Fundamental Electricity Data in the Energy Community acquis. The Forum encourages market participants to take part in transparency platform of ENTSO-E already now. It also supports the integration of appropriate elements of the TEN-E Regulation (EC) 347/2013 into the acquis. In this context the Forum invites the ECRB to present an updated set of regulatory investment incentives to the next Forum.