
Conclusions of the 21st Energy Community Electricity Forum

1st and 2nd June 2016, Athens – Hotel Divani Caravel, Vas. Alexandrou Avenue 2

Day 1 – Electricity Trading in South East Europe

Energy Community for the future

1. The Forum took note of the still persisting lack of implementation of the Third Energy Package and urged the relevant Contracting Parties to rectify the related breach of the Energy Community Treaty before the 2016 Energy Community Ministerial Council at the latest.
2. The Forum endorsed the assessment of the Energy Community Secretariat (ECS) that there is a need for proper legislative reforms that ensure:
 - reciprocity of common *acquis* between Contracting Parties (CPs) and EU Member States (MSs);
 - the introduction of a single dispute resolution competence for common decisions of CP and MS National Regulatory Authorities (NRAs);
 - more efficient enforcement of the Energy Community *acquis*;
 - the introduction of Network Codes as well as Regulation (EC) 1227/2011 (REMIT Regulation) in the Energy Community *acquis*.

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3. The Forum welcomed progress made in implementing the obligations agreed under the Vienna Summit 'soft measures' – e.g. related to initiated and already established Power Exchanges (PXs) – but also raised concerns about the persisting legal and regulatory barriers to electricity trading, balancing and infrastructure financing in South East Europe (SEE).
4. The Forum invited the ECS to provide further technical guidance and assistance with the implementation of the deliverables under the WB6 initiative.
5. The Forum welcomed the recently signed WB6 Memorandum of Understanding (MoU) as an important step to move ahead with market reforms and market integration in SEE that marked the kick-off of concrete implementation projects in the spheres of market coupling and cross-border balancing. The Forum stressed the importance of starting concrete pilot projects for the implementation of cross-border trading and coupling. The Forum urged SEE Transmission Operators (TSOs), NRAs, PXs and Market Operators (MOs) to actively participate in the Programme Steering Committees (PSCs) established under the MoU and reiterated the WB6 TSOs' call for nominations into the PSCs until 17 June 2016. The Forum called upon WB6 Ministries to support the MoU implementation process by actively providing the required legal framework, including legislative reforms that may be identified as necessary in the course of the MoU implementation. The Forum encouraged the involved parties to overcome the barriers that currently prevent stakeholders from all WB6 countries who are ready to sign the MoU.

Cross-border Electricity Trading in SEE

6. The Forum welcomed progress with respect to the development of a regional setup for SEE coupling on the EU side and urged EU project parties to align closely with Energy Community partners in this process and vice versa. The ECS pinpointed the need to, in this context, also reflect the interconnections of Burstyn island with Romania and Hungary as well as the future interconnection between Montenegro and Italy.
7. The Forum stressed the risk of separate and inefficient development of electricity trading in SEE resulting from uncoordinated implementation steps on EU and Energy Community side and underlined the need to target an SEE electricity trading region encompassing EU and Energy Community.
8. The Forum took note of the presentation on welfare benefits of cross-border electricity trading and market coupling in the SEE region and stressed that market coupling is not an end in itself but a key tool to achieve market integration and enable electricity trading to the benefit of consumers.
9. The Forum invited the EC and the ECS to coordinate the process that shall effectively develop cross-border electricity trading and market coupling in SEE, equally involving WB6 countries and neighbouring EU MSs.
10. In this context the Secretariat:
 - called for involvement of the WB6 stakeholders in existing platforms of NRAs, TSOs and PXs established on EU level under Regulation (EC) 1222/2015 (CACM Regulation) with a view to ensure reflection of WB6 specificities in the CACM Regulation methodologies;
 - urged that in the coordination of the processes, existing working structures should be used to an utmost extent and parallel or overlapping structures should be avoided;
 - called upon all SEE stakeholders to actively contribute to the early implementation process of the CACM Regulation in SEE that, finally, allows for legal adoption of the CACM Regulation in the CPs without duplicating methodologies.
11. As regards barriers to and prerequisites for efficient trading, TSOs stressed the value of implementing CACM methodologies to overcome obstacles to cross-border trade; NRAs underlined the need for independence; PXs highlighted that fragmented PXs will not be sustainable not only because of a lack of the critical size required to operate economically.

Prospects for Ukraine and Moldova

12. The Forum welcomed the legal reforms made in Ukraine but underlined the necessity for further market reforms.
13. The Forum took note of the possibility to establish an organised and integrated Ukrainian-Moldovan day-ahead electricity market for the areas synchronously connected.

Day 2 – Challenges for the Future

Transition of the energy system

14. The Forum acknowledged the significant importance of the transition to an electricity system characterised by large volumes of variable renewable energy production, decentrally integrated at the distribution grid level. It took note of the envisaged reforms on EU level to the Third Energy Package to adapt the current electricity market design and make it fit for an energy system dominated by renewable energy. It welcomed the attempts to strengthen regional cooperation of regulators and TSOs and encouraged both to make use of previous positive cooperation experience. The Forum welcomed the initiative to establish Regional Security Coordinators in SEE.
15. The Forum recalled the pertinence of regulatory policies on the design of support schemes for renewable energies for the cost-effective integration of SEE electricity markets. The Forum reminded the CPs that the rules on market compatible support schemes in the State Aid Guidelines for Energy and Environmental Protection apply in the Energy Community and urged CPs to create the appropriate legal and regulatory frameworks to comply with the main principles of the Guidelines (e.g. phase out of feed-in tariffs, applying rules for balancing responsibility etc.). At the same time the need to develop more short term-markets was stressed.
16. The Forum acknowledged the challenges for the energy systems, markets and grid operators arising from decentralised generation of electricity mainly from renewable sources and the need for an enhanced, central role of the citizens as enablers of the energy transition. The CPs are encouraged to follow the EU guidelines on facilitating self-consumption of electricity from renewable sources and choose for implementation from the models of best practices in the EU.
17. Regulators are expected to review their regulatory methodologies for tariff settings to reflect the nature of the distribution costs, prevent cross-subsidies between customer categories and give the right signals to incentivise an efficient use of the grid. Transmission and distribution grid operators under oversight of the energy regulators have to enhance cooperation to develop the grids for the future to accommodate more renewable energy into the electricity systems in a cost-effective manner, enable demand response, emergence of aggregators and energy storage solutions to address the flexibility challenge.