SEE CAO

Status Quo – Progress Made – Open Issues

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1. Why a SEE CAO?
2. Special Benefits for SEE
3. What has been achieved already?
4. Conclusions
5. What remains open? Request to MC
Special Benefits for SEE

• **SEE region has a high number of borders and different allocation mechanisms**
  
  • Most of the CP are importing *final costumer pays* for higher energy prices resulting from not having a harmonized marked *lack of price convergence*

• **Coordination and harmonisation across borders is a pre-requisite for integration of markets**
  
  • abolishing the existence of barriers for cross border trade that result from mis-matched approaches
Why A SEE CAO?

1. **Legally spoken**
   - stemming from legal obligations of the Energy Community acquis → Electricity Regulation (EC) 1228/2003 requiring TSOs to establish capacity allocation and congestion management procedures coordinated across borders
   - obligation for regionally coordinated approach confirmed by MC decision on establishing the 8th Region

2. **Practically spoken**
   - ensure better performance than the nowadays applied non-coordinated or bilateral mechanisms for capacity allocation
   - inherent one stop shop has evident benefits in terms of efficiency for traders
   - Barrier free trade of electricity across borders remains the key requirement for integration of markets
   - Core element of electricity market opening
EnC – Status Quo Capacity Allocation

Unharmonised
Only bilateral (at best)
not in line with legal requirements and MC decision on 8th region!
Achieved Already [1]

- **ECRB SEE CAO IG set up**
  - involving regulators, TSOs/ISOs and users/traders
  - providing a forum for discussions related to the setting up of the SEE CAO

- **Memorandum of Understanding**
  - signed by all TSOs of the 8th Region except EMS (Serbia) and ESO EAD (Bulgaria)
  - Bulgaria and Serbia sent separate confirmation letters stating principle support
  - By signing the MoU the signatory TSOs/ISOs expressed their common wish for defining in implementation phase the duties, business plan, shareholder structure and financing of this project

- **Conclusions 5th MC** ➔ location Montenegro

- **Action Plan developed by the TSOs**
  - Approved by SEE CAO IG
  - Defining roles and responsibilities
  - **Timing** needs adjustment
Achieved Already [2]

- Project Team Steering Committee set up
  - 4 meetings 2009
  - **Chairman:** Mr. Aleksandar Mijuskovic (PRENOS/Montenegro)
  - **Participation**
    - all TSOs 8th region *except* Serbia, Bulgaria, Croatia
    - IFIs: USAID, EBRD, KFW
    - Observers: EC, ECS, ECRB SEE CAO IG Chairman
Achieved Already [3]

AGREED BY STEERING COMMITTEE

✓ Composition PT: 4 experts (one Legal Expert, one Economic Expert, 2 Grid Experts) and a Project Team Manager leading the team and reporting to the Steering Committee

✓ Geographic origin PT members - seconded by TSOs/ISOs from the 8th region

✓ Project Company to be set up as beneficiary for the funding of the PT. Company to operate under Montenegrin law; based on equal shares of the TSOs participating in the SEE CAO

✓ Cost split for financing the PT
  - IFIs principle (!) readiness to co-finance subject to confirmation of TSO contributions
  - 70% of the overall project costs (all in around €1.200.000.-) to be covered by IFIs
  - 30% of the project budget to be financed by TSOs based on equal contributions about € 40.000.- per TSO
Achieved Already [4]

Agreements summarized in ToR for setting up the SEE CAO PT

- ✔ STC agreed on the final version of the ToR (meeting on 28 October 2009)
- ❌ STC declared that a clear political signal from the Ministerial Council asking the TSOs/ISOs to commit on financial payments to the setting up of the SEE CAO Project Team as described in the TOR is required for their final commitment on entering into financial contributions
Conclusions [1]

DONE - FACTS

☑ Setting up a regionally coordinated CAM & CMP procedure is a legal requirements
  • Energy Community Treaty
  • Confirmed by MC Decision on 8th Region
  • Not necessarily a CAO

☑ Support for choosing CAO as approach for regionally coordinated CAM & CMP given
  • By TSOs/ISOs of 8th Region ➔ MoU
  • MC Decision Dec 2008 on location Montenegro

☑ Practical setting up agreed by TSOs/ISOs/IFIs

OPEN

☒ Request from governments/MC for TSOs/ISOs to enter into financial committments
  • According to ToR ➔ ~EUR 40,000.- per TSO/ISO
Conclusions [2]

• All conditions are met
• Starting with NTC
• Flow based as final scope (step 2)
• Consultancy analysis showed benefits also with not all TSOs/ISOs joining from beginning
  • Participation of all TSOs/ISOs however final scope ➤ legal obligation for regional coordination (CAM/CMP)
  • Not participating TSOs/ISOs hindering others to fulfil legal obligation!!

- Strong indication that FBA within this group will yield a benefit
- Risk: Uncertain sharing of capacity between
  - FBA borders (borders between core group members) and
  - NTC borders (borders of SR and BG with core group members)

- Technically, two separate “sub regions” (although organisationally, allocation could be done at one place and based on common rules and procedures)
- Less clear indication as to the benefit of FBA in this scenario
What Remains Open ➤ Request to MC

• 7th Ministerial Council is requested to urge TSOs/ISOs to enter into financial commitments for financing the SEE CAO Project Team
  • as described in the ToR
  • MC is requested to ask TSOs/ISOs to contribute to 30% of the overall budget of the SEE CAO Project Team based on equal shares of TSOs/ISOs
  • About EUR 40,000.- per TSO/ISO

• To the extent the MC does not feel to be in the position to provide the requested political commitment
  • MC is invited to identify a position on how the legal requirement on establishing a common CAM& CMP in the 8th Region should be met alternatively