IMPLEMENTATION
of
THE TREATY ESTABLISHING
THE ENERGY COMMUNITY
CROSS-BORDER EXCHANGES IN ELECTRICITY
STATUS as of MAY 2008

26th June 2008, Brussels
9th PHLG Meeting
REGIONAL ELECTRICITY MARKET

● ADVANTAGES OF THE REGIONAL MARKET
  ○ Larger market providing for increased efficiency and liquidity
  ○ Generation adequacy is improved through synergies and economies of scale
  ○ Diversification of sources
  ○ Greater investment potentials for new generation and transmission capacities

● SOURCES OF COMMITMENT
  ○ Treaty Establishing the Energy Community
  ○ Directive 2003/54/EC
  ○ Regulation (EC) 1228/2003
  ○ Congestion Management Guidelines (Annex)
• ELECTRICITY MARKET – Contracting Party level

○ Third Party Access is well applied for transmission networks - needs further development for distribution

○ Connection fees are established - transparency to be improved

○ Access to the market is not transparent enough – the level of unbundling and eligibility criteria need to be further improved

○ The role of the supplier on the free market is not adequately defined – the public supplier has a dominant position

○ Market structure is still under development / implementation

○ Tariffs for regulated supply are generally far below current market prices – sustainable level of tariffs to be applied

○ Reciprocity and mutual recognition of licenses need to be agreed and generally applied
CROSS BORDER TRADE IN ELECTRICITY
Implementation (Directive 2003/54/EC) - 2

- REGULATORY PRACTICE
  - Independence of the regulatory authority is generally well defined – need to be supported and further enforced in practice
  - Scope of competences of the Regulatory authority is defined – needs to be extended in particular with respect to cross-border activities
  - Cooperation among the Regulatory authorities is improving - needs to be further developed

- CUSTOMER PROTECTION
  - Protection of final customers is addressed as a public service – needs to be supplemented with respect to the eligible customers
  - Schemes for protection of vulnerable customers are being introduced – tariff measures and cross-subsidies to be eliminated
BASIC PROVISIONS for cross border trade

- ITC mechanism is generally established and in compliance – the mechanism for UNMIK to be defined in cooperation with the neighboring TSO (Serbia)
- Congestion management criteria are under development
- Transparency is improving – but still not all required information is available
- Use of the congestion management income is generally well defined
- Rules for construction of new interconnectors are generally insufficient - need to be developed in compliance
- Enforcement and penalty criteria should also be developed
- Market-based schemes for cross-border capacity allocation are being introduced – coordinated auctions are still to be applied
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Implementation (Regulation EC 1228/2003) - 2

- prepared by the Energy Community Secretariat -

CROSS BORDER CAPACITY ALLOCATION criteria
CROSS BORDER TRADE IN ELECTRICITY
Implementation (Regional level)

- COORDINATED AUCTION OFFICE for capacity allocation
  - A common office in SEE region for coordinated approach
  - Flow-based capacity allocation
  - Better utilization of interconnections, higher system security, higher predictability and transparency on the market
  - Dry-Run phase
  - CAO Action Plan agreed between TSOs and regulators in SEE
  - Deadline for full operation of the CAO - 2010

- REGIONAL BALANCING
  - Need for regional approach in balancing – insufficient and inadequate generation capacity, growing demand
  - SETSO Working Group to develop a software tool (BETSEE)
CROSS BORDER TRADE IN ELECTRICITY

Conclusions

● A general common understanding and significant attempts are evident,

● However still there is no functional market in the region


● Measures for support and promotion of cross border trade of electricity to be taken by each Contracting Party to the highest level

● ECS to monitor and support each Contracting Party on individual basis

● Each Contracting Party to take all the necessary measures including those in cooperation with other parties for establishment and operation of CAO in 2010
THANK YOU FOR YOUR ATTENTION!