Day-ahead markets in WB6 - where do we stand?

WB6-MRC Meeting, 27 November 2018
Binding reciprocity between EU MSs and EnC CPs - missing piece to the puzzle.

Multi-Regional Coupling – 19 EU MSs
85% of EU consumption

Western Balkan 6
2.5% of EU consumption
The smallest WB6 market
Montenegro with 1% of EU consumption

WB6 market
**Generation fleet (18 GW):**
- Dominated by thermal coal-fired and large hydro generators
- Huge investments needed in large combustion plants in order to comply with environmental standards
- Part of large combustion capacities is opted-out (applicable as of 1 January 2018):
  - BA, ME, RS

**Penetration of producers from RES (excl. large hydro) still very modest (3.7%)**

TWh

GWh

Net (import-export)

production
consumption

Albania
Bosnia and Herzegovina
Kosovo*
FYR of Macedonia
Montenegro
Serbia

2013 2014 2015 2016 2017

58 60 62 64 66 68 70 72 74 76

0 1.000 2.000 3.000 4.000

-5.000 -4.000 -3.000 -2.000 -1.000
Relevant price signal needed – day-ahead market and its coupling as a solution

[Map with different regions colored and labeled: MRC, 4MMC, PCR member, no MC, DAM operational, no PCR/MC, No DAM.]

PCR member, no MC
Binding reciprocity between EU MSs and EnC CPs - missing piece to the puzzle
4MMC
MRC
Relevant price signal needed – day-ahead market and its coupling as a solution

DAM operational, no PCR/MC
No DAM
Day-ahead market price convergence in South-East Europe (2017)
Day-ahead market price convergence in South-East Europe (2018)
Western Balkans 6 Initiative

**Berlin process**
Political commitment to improve connectivity in Western Balkans

**WB6 MoU on regional electricity market development**
WB6 and 15 EU MSs signatories

**Grant Contract EU-ECS**
Financial support to connectivity EUR 1 mill.

**Facilitating, monitoring and reporting**
Energy Community Secretariat

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WB6 more than halfway through creating a regional electricity market

58% - Nov 2018
Day-ahead market development

**DAM operational:**
- ✔ Serbia - SEEPEX (2016)

**DAM establishment ongoing:**
- ✔ Albania (Kosovo*)
- ✔ FYR of Macedonia
- ✔ Montenegro

**DAM establishment stalled:**
- ✔ Bosnia and Herzegovina
Establishment of an Organised Day-ahead market in Montenegro

Current status: A process of selecting strategic partner is ongoing

- **Aug 2017**: WB6 TA
- **June 2018**: Procedure of selection of strategic partner launched
- **Q4 2018**: BELEN completed the first phase - Request for Information (RFI)
- **H1 2019**: Go-live of DAM

**BELEN established**
Limited liability company with the task to establish a power exchange in MNE

Shareholders: the market operator COTEE, the TSO CGES and the incumbent utility EPCG

**Procedure of selection of strategic partner launched**

**BELEN expected to send Request for offer (RFO) to the interested bidders**

**Go-live of DAM**
Depends on the agreement with a strategic partner
Establishment of an Organised Day-ahead market in Albania

**Current status:** The process is delayed; CoM decision on PX is yet not adopted;

**PSL Amended**
Market operator responsible for organization and operation of DAM (Albanian Power Exchange (APEX))
Market operator to be established as a joint stock company (no new deadline defined)

**Council of Ministers (CoM) decision to be adopted**
CoM to define:
The establishment, legal form and shareholders’ structure of the market operator
The procedures for the selection of shareholders (TSOs, IFIs and experienced international MOs) and specific criteria they shall comply with

**Go-live of DAM**
TSO of Kosovo*, KOSTT, confirmed its intention to participate as a shareholder in APEX, expected to provide services to the Kosovo day-ahead market
Establishment of an Organised Day-ahead market in FYR of Macedonia

**June 2018**
Energy Law enforced
Government may decide, upon proposal of the NRA, and after obtaining an opinion of TSO, to appoint MO as an operator of an organised market or to launch a tender.

**Oct 2018**
MEMO established
MEMO to become operational following issuance of license (ongoing)

**Dec 2018**
Government decree on organized electricity market
The Energy Law defines a deadline of six months upon adoption of the Law

**Nov 2019**
Go-live of DAM
*Based on the roadmap for BG-MK coupling

**WB6 Technical assistance to the establishment of DAM- Recommendations:**
The PX should be small, with a thin company structure, with domestic institutional ownership without foreign capital interest (at establishment) and with a cost effective service provider.
Cross-cutting measures – national reforms

**Crucial for development of competition and regional integration:**

- Deregulation of prices
- TSO unbundling
- DSO unbundling
- NRAs’ independence
- State Aid and Competition authorities effectiveness
- Implementation of the Trans-European Network Regulation