National Energy and Utilities Regulatory Commission: the latest regulatory developments

43 ECRB Meeting

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Energy Sector Reforms in Ukraine
## New Electricity Market: Secondary Legislation

Latest documents **adopted by NEURC** according to the Electricity Market Law:

<table>
<thead>
<tr>
<th>April 2019</th>
<th>June 2019</th>
<th>July 2019</th>
<th>September 2019</th>
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</thead>
<tbody>
<tr>
<td>• Ancillary Service Pricing Methodology (adopted 26/04/2019);</td>
<td>• Changes to Market Rules and DAM and IDM Rules <em>(price caps)</em> – 24/06/2019;</td>
<td>• Methodology on payments for the commercial metering services provided by the DSO (09/07/2019)</td>
<td>• Reporting forms for <strong>monitoring</strong> electricity market participants activity and instructions on their filling – <em>for wholesale market functioning</em> (adopted 24/09/2019):</td>
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<td>• Procedure (methodology) on setting electricity transmission tariff</td>
<td>• Changes to Transmission network code <em>(in terms of testing equipment of AS providers; procedures for interaction between TSO and market participants)</em> – 21/06/2019</td>
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<td>- for TSO;</td>
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<td>(adopted 22/04/2019);</td>
<td>• Set of legal acts regulating the activity of the guaranteed buyer and purchase of electricity at the &quot;green&quot; tariff (26/04/2019)</td>
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<td>- for Market operator;</td>
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<td>• Procedure (methodology) on calculating the tariff for dispatching,</td>
<td>• Procedure for publishing information about the shares of energy sources used for electricity production and its impact on the environment (26/04/2019)</td>
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<td>- for Guaranteed buyer;</td>
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<td>including costs of commercial metering administrator and settlement agent services (adopted 22/04/2019);</td>
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<td>- for producers;</td>
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<td>• Set of legal acts regulating the activity of the guaranteed buyer and purchase of electricity at the &quot;green&quot; tariff (26/04/2019)</td>
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<td>- for traders.</td>
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| • Procedure for publishing information about the shares of energy sources used for electricity production and its impact on the environment (26/04/2019) | | | **Note:** The procedures and rules are designed to facilitate the smooth operation of the electricity market, ensuring transparency and fairness in the distribution of costs and benefits among market participants.
DSO Unbundling Process

• Decisions on approval 19 compliance programs for DSOs

• Decisions on approval 19 compliance officers for DSOs

• 4 compliance programs and compliance officers are still under consideration
Electricity TSO Unbundling Process

• Corporatization of TSO (reorganization of State enterprise “Ukrenergo” into Private Joint Stock Company)

• Submission of the request to NEURC on certification of TSO (14/08/2019)

• **OU** model

• On **October 7, 2019** the Preliminary Decision on certification was adopted and sent to Energy Community Secretariat
Wholesale Electricity Market Opening (1)

Structure of the Electricity Market of Ukraine as of July 1, 2019

Launching new market model from July 1, 2019 (bilateral contracts, DAM, IDM and balancing market) in spite of all
New type of licenses issued by NEURC according to the Law (as of 30/09/2019):

- 1 - for Market Operator (*DAM and IDM administrator*);
- 1 - for Guaranteed buyer (*BRP for “green” tariff producers*);
- 4 – for Traders

In total 846 licenses for generators (mostly RES producers), 32 licenses for DSOs and 572 licenses for suppliers
**Bilateral contracts**

Mandatory bilateral auctions through an electronic platform (Ukrainian energy exchange [https://www.ueex.com.ua](https://www.ueex.com.ua)) for state-owned generation companies.

Privately-owned generators (mostly thermal power plants) can trade freely.

More than **50%** of electricity is traded on bilateral basis.
**DAM and IDM**

More than 200 participants on the markets

All generators (except RES) are obliged to sell 10% of their monthly average production on DAM until **July 1, 2020**

Price caps on the DAM and IDM:
From 00:00 to 08:00, and from 23:00 to 24:00 – **33,1 Euro/MWh**
From 08:00 to 23:00 – **70,8 Euro/MWh**

Results published on the Market Operator website [https://www.oree.com.ua](https://www.oree.com.ua)
Wholesale Electricity Market Opening (5)

**Balancing Market**
Balancing market – energy only

Price caps:
*Until the synchronization with ENTSO-E, market participants in their bids have to submit a price not less than 85% and not more than 115% of the established DAM price limit*

TSO is an administrator of Balancing Market

*Balancing Market* is not operated in a proper manner (software issues)

*Ancillary Services Market* is not launched at all
Proposals for Governmental Decision on PSO

Responding to and resolving problematic issues in real time

Addressing to all stakeholders remaining open issues:
- Settlement of debts
- Launching ancillary services market
- Support for CHPPs
The Regulator is constantly implementing measures aimed at improving the provisions of secondary legislation adopted to comply with the requirements of the Law of Ukraine "On the Gas Market", taking into account the norms of the Directives and Regulations of the European Union

- From the 1st of March 2019 daily balancing of gas transmission system is implemented in practice:
  - This step finalizes one of the key reform in the energy sector and from now Ukraine is completely synchronized with the model applied to the gas balancing zones within the borders of EU;
  - Gas transmission system has passed the first 6 months of work in the daily balancing mode, it works steadily and in full accordance with the legislation
In order to implement the provisions of Commission Regulation (EU) 2017/460 of 16 March 2017 NEURC has developed a draft resolution "On Approving Changes to the Methodology for Determining and Calculating Tariffs for Natural Gas Transportation Services for Entry and Exit Points Based on Long-Term Incentive Regulation“ and it provides the following:

- Changing the approach to the calculation of tariffs - the introduction of a matrix approach;
- Changing the mechanism for the calculation of the adjustment of the necessary income;
- Introducing a mechanism for determining the auction price.

These changes imply the same approach to the calculation of tariffs for all entry/exit points through the introduction of a new capacity weighted distance reference price methodology.
Gas TSO Unbundling Process

• Submission of the request to NEURC on **certification** of TSO (04/10/2019)

• **ISO** model selected

• Documents are under consideration
Implementing legislation on energy regulator

- Adoption of Rules for Consideration of Consumer Appeals on the Activities of Energy and Utility Market Participants

Issues remained

- Electricity TSO certification
- Gas TSO certification
- Efficiency of the electricity market, changes to Electricity Market Law
- Changes to the Law on Regulator
Thank you for your attention!