POLICY ASPECTS

ELECTRICITY MARKET LIBERALIZATION
in the ENERGY COMMUNITY

Simon Uzunov
Energy Community Secretariat
www.energy-community.org
## CONTENTS

### POLICY PAPER
- the purpose and target

### POLICY CONCEPT
- distinctive criteria applicable in the policy context

### POLICY TARGETS
- clusters of measures with consolidated outcome

### POLICY FRAMEWORK
- conditions for policy development and implementation

### THE WAY FORWARD
- proposal for the PHLG
WHY – purpose of the Policy Paper

- POLITICAL SUPPLEMENT to the EnC-WMO process
  
  *identify the practical context for the LOCAL ACTION PLANS in the process of WMO*

- TREATY IMPLEMENTATION in the context of WMO
  
  *structure and streamline the approach to compliance with the Treaty in the context of WMO*
HOW – targets of the Policy Paper

- **POLITICAL BACKUP** for the EnC-WMO process
  
  *turn the political focus in the Contracting Parties on the need for regional market development*

- **POLICY MEASURES** in support of EnC-WMO and Treaty implementation
  
  *develop a system of coherent policy measures (Local Action Plans) to support implementation of the Treaty in the context of WMO*

- **MONITORING AND BENCHMARKING** platform for the EnC-WM environment
  
  *develop a framework for qualitative assessment, monitoring, reporting and assistance in the progress of practical market liberalization*
POLICY CONCEPT

Bottom-up (administrative environment)

**POLICY** - a set of coordinated administrative measures aimed to have specific, measurable, positive effect on one or several aspects of the market environment

- **DIVERSITY** of measures in market liberalization
  
diversity of interests, competences, capacities and potentials, conflicts of priorities

- **COMPLEXITY** of the market environment
  
interdisciplinary measures - beyond transposition of Acquis and legal compliance
POLICY CONCEPT

Top-down (obligations from the Treaty)

- **TITLE II – extension of *acquis communautaire***
  full compliance with the relevant acquis on ENERGY, COMPETITION, ENVIRONMENT, RENEWABLE ENERGY as further expanded by the MC ti include SECURITY OF SUPPLY, ENERGY EFFICIENCY, etc (including the III PACKAGE).

- **TITLE III – setting of regional energy markets**
  setting the „mechanisms for operation of network energy markets“ – specific regulatory framework, single mechanism for cross-border transmission, supervision of unilateral safeguard measures, etc.

- **TITLE IV – creation of a single energy market**
  common external energy trade policy – prohibition of custom duties and quantitative restrictions and equivalent measures, common regulation of trade with third countries, mutual assistance in case of disturbances in supply
## POLICY CONCEPT

### Territorial relevance

<table>
<thead>
<tr>
<th></th>
<th>Referential Sources</th>
<th>Implementation</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Local Policies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treaty, Energy Community</td>
<td>Local level</td>
<td>Local level</td>
</tr>
<tr>
<td>2</td>
<td><strong>Regional Policies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treaty, ENTSO-e</td>
<td>Local level</td>
<td>Regional level</td>
</tr>
<tr>
<td></td>
<td>Energy Community</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td><strong>Market Integration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treaty, ENTSO-e</td>
<td>Regional level</td>
<td>Local level</td>
</tr>
<tr>
<td></td>
<td>Energy Community</td>
<td></td>
<td>Regional level</td>
</tr>
</tbody>
</table>
POLICY TARGETS

1. Legal Compliance

- **TRANSPOSITION** into primary legal acts
  
  *transfer of the legal matter causing identical (or as close as possible) effects in the domestic legal environment*

- **ENFORCEMENT** into secondary and regulatory acts
  
  *exhaustive coverage of all aspects of the legal matter (including exemptions, disputes, complaints, appeals, penalties, supervision, reporting, corrective actions, licences, approvals, permits, etc.)*

- **PRACTICAL IMPLEMENTATION** of the legal matter
  
  *support measures for full legal effect and for coordination with the overall legal environment, including protocols, manuals and administrative decisions – focussing sustainability, reciprocity, flexibility and interoperability*
2. Customer rights

- **PUBLIC SERVICE**
  
  TREATED AS EXEMPTION - distinction between public company and public interest – measures treating among else environmental protection, climate protection, energy efficiency, demand management, long-term security, availability and sustainability of supply, quality of service access to information etc.

- **UNIVERSAL SERVICE**
  
  TREATED AS A RIGHT – applicable to specific classes of customers, and protection of rights of all customers (including eligible) – transparency, non-discrimination, support to switching, last-resort supply, availability and quality of information, information on the origin, etc.

- **SOCIALLY VULNERABLE CUSTOMERS**
  
  TREATED AS TEMPORARY – scrutinized and available on exclusive basis to a closed group of identified customers, non-market and transparent measures, supported with energy efficiency and demand management measures
POLICY TARGETS

3. Supply conditions

- BALANCING THE DEMAND

  including RESPONSE TO DEMAND - forecast, diversification of sources and use of RES, generation adequacy, refurbishments and decommissioning, access to markets, state aid, treatment of bad debts, rate of collection and treatment of „non-technical“ losses, INVESTMENT CLIMATE including capacity authorization, tendering, transparency, etc

- COST-REFLECTIVITY OF PRICES

  reflects customer supply aspects under less-developed market conditions – availability of supply under regulated prices for eligible customers, support to easy access to the market of both new suppliers and eligible customers, including customer support for switching, include transfer of costs to the end-customers, control over state aid, elimination of cross-subsidies and treatment of cost of sustainability of supply
POLICY TARGETS

4. Local Market structure

- UNBUNDLING
  LEGAL UNBUNDLING of functions, TPA, regulated network services, unbundling between all regulated and market-based activities, unbundling of accounts, unbundling of costs of services

- MARKET FUNCTIONS
  support to switching, balancing and ancillary services, settlement procedures and authority, development of sophisticated trading platforms (day-ahead, etc)

- MARKET MONITORING
  REGULATORY CONTEXT – market concentration and abuse of market dominance, transparency of information, reporting requirements and corrective powers, scope of monitoring
POLICY TARGETS

5. Cross-border exchange

- **TAXATION OF EXPORT / IMPORT**
  
  *Free-trade principles, removal of barriers and restrictions to trade*

- **REGIONAL TRADING PLATFORM**
  
  *trading of energy vs trading of transmission capacity, allocation of the interconnection capacity, treatment of re-dispatching, reserved capacity, network security rather than supply security, ITC mechanism,*

- **MUTUAL ASSISTANCE**
  
  *coordination on regional level – ancillary services market*
POLICY FRAMEWORK

- POLICY PRIORITIES

  CONFLICTING PRIORITIES such as:
  - Security of supply versus cost of supply
  - Open access versus dependence on imports
  - Investment risk versus guaranties
  - Technology versus economy
  - Predictability of regulation versus competition
  - Etc.

- ADMINISTRATIVE CAPACITY

  - Financial resources
  - Human resources
  - Administrative capacity
NEXT STEPS

- Update the proposal according to comments

- Gap analysis and corresponding draft LOCAL ACTION PLANS

- Regional gap analysis focused on MOLDOVA and UKRAINE

- Adoption and decision for implementation of the LAP