

POLICY ASPECTS

ELECTRICITY MARKET LIBERALIZATION in the ENERGY COMMUNITY

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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

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

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

Territorial relevance

		Referential Sources	Implementation	Application
1	Local Policies	Treaty, Energy Community	Local level	Local level
2	Regional Policies	Treaty, ENTSO-e Energy Community	Local level	Regional level
3	Market Integration	Treaty, ENTSO-e Energy Community	Regional level	Local level Regional level

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

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-developped 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, controll over state aid, elimination of cross-subsidies and treatment of cost of sustainability of supply

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

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 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 ressources*
- *Human ressources*
- *Administrative capacity*

- *Update the proposal according to comments*
- *Gap analysis and corresponding draft LOCAL ACTION PLANS*
- *Regional gap analysis focussed on MOLDOVA and UKRAINE*
- *Adoption and decision for implementation of the LAP*