Do electricity market reforms in Ukraine gain ground?

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On April 13 2017, the new Electricity Market Law, Law No4493, was finally voted in the second reading.

The new Law brings:

- substantial reform in the operation of the wholesale and retail electricity markets and
- radical restructuring of the key entities of the sector
Main pillars of reform

- The Ownership unbundling requirements for the TSO, Ukrenergo
- The Legal unbundling requirements for the DSOs, Oblenergos
- The Implementation of a new wholesale market model, foreseen to operate in compliance with the EU target model
- The transition to de-regulated and cost reflective retail prices and
- The implementation of fair and transparent processes for cross border trade and cross border capacity allocation
Ownership of assets:

- EnC is preparing a Law to amend a series of existing laws with a view to allowing TSOs unbundling and certification

Ownership unbundling restrictions regarding state control and ownership of the generation and supply companies
DSOs unbundling

- Move from the current bundled regime of Oblenergos to legal unbundling of the supply business from the DSO business
- Universal Supply: initially (for a transitional period) to cover the supply of households under regulated tariffs
New Market model challenges

- From a Single Buyer model to a model of four different markets
- Spot Markets liquidity
- From a centrally dispatched system to a self-dispatched system
- Market based procurement of reserves
- Free bidding of generation resources
- Two non-syncronised bidding zones in one country
Wholesale market segments

- OTC / Registration Platform
- Spot Market
- Balancing

- Market Operator
- TSO / Settlement Admin.
- Balance Responsible Parties
- Balancing Service Providers
- Guaranteed Buyer / RES

- Forward Market Rules
- Day-Ahead market Rules
- Intraday Market Rules
- Rules for Cross-border Capacity Allocation

- General Rules for the MO Platform

- Ukraine’s Wholesale Electricity Market
New Market model challenges

- **Software requirements:**
  - For the Forward, the DAM and IDM
  - For Reserves, balancing and settlement

- **Software tender documents**

- **Time consuming procurement processes**

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Deregulation & cost reflectivity in retail prices

- Undertaking a process of gradually liberalizing portions of the generation procurement mechanism (even before the new software is in place)
- De-regulate end-prices for large customers asap
- Remove cross-subsidization between categories of customers and take actions towards cost-reflective end-user prices for the households and small customers
Fair and transparent processes for cross border trade and cross border capacity allocation

- Imports allowed under a Ministerial approval only in cases there is a security of supply problem in the country
- Under Case ECS-1/12 the Secretariat has expressed its view regarding different treatment of exports and imports
- Case ECS-08/15 existing process for allocating cross-border capacity is not compliant with the Energy Community acquis
Conclusion

Overall yes, Ukraine is moving on with electricity sector reforms!

There is a lot of inertia still in the system (and thus it might take some time more) but the pieces of the reform puzzle, one by one, are put in place!
Thank you for your attention!
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