Prospects for Ukraine and Moldova – Market Integration

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Main Message

Couple markets where possible, and reasonable: Between Ukraine and Moldova & between Burshtyn Island and the neighbouring organised markets
A coordinated endeavour is needed

• Multitude of initiatives on electricity market reform: Threat that too many cooks spoil the broth
• Concrete commitment & ownership from both governments needed
• Vast & diverse industry with various external and internal players that will need to cooperate
  • Both Finance & commerce: IFIs, investors and companies
  • Politics: separatist conflicts
  • Kirchhoff: Interconnected Grid Operators in IPS system

Successful market reform requires a coherent design

• Compatible across different trading timeframes
• Linking retail and wholesale markets
• Market reform is not one but many projects, requiring a central vision ensuring compatibility and constency
Focus on the Essentials: the Day-ahead Market

A central vision should provide solutions for links between all relevant elements of an overall market design.

- Liquid & competitive DA market as underlying for all other markets
- + functional links to other segments

Some additional notes:
- e.g. through a retail price hedging fund
- Day-ahead Market Design
- Forward markets
- Retail market
Two markets, Two countries: a Single Algorithm

Starting Point:

• The Moldovan market is none, and can operationally hardly be lonestanding
• Ukraine is split into two synchronously operated areas, which are not interconnected

A Double Coupling Model as Bridge Model

• between today (vast national reform endeavour) and tomorrow (after synchronous interconnection).
• For interim period, this model fits the purpose of all potential stages on the way forward:
  • improved AC interconnection between Continental Europe and UAMD
  • additional DC interconnection between Continental Europe (incl. Burshtyn Island) and UAMD
**Target Design – The Double Coupling Model**

- **Balance Responsible Parties**
  - Import/export counterparties
  - UA & MD Market Participants

- **Integrated UA/MD Market Platform**
  - Using *Euphemia* optimisation algorithm (linking UAMD to MRC)

- **Rest of IPS**
  - Cross-zonal capacities (implicit coupling)

- **UAMD market part of IPS**

- **Burshtyn Island**

- **4M coupled market (CZ,SK,HU,RO)**
  - Cross-zonal capacities (implicit)
  - Info on clearing prices, net positions, ...

- **Foreign companies / traders in coupled markets**

- **Foreign traders need to be or have a UAMD BRP counterparty, which also signs responsible for internal settlement**

- **TSOs: Operating the platform, providing capacities (& other restrictions)**

- **UA/MD BRPs**

- **Single Shipping Function**