Market features

- **Huge differences between the countries:**
  - Mature gas markets for most EU-MS (Greek market emerging, Turkish market also growing)
  - Developed gas markets in some of the Contracting Parties (Croatia, Serbia)
  - Minimal development in the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina
  - Negligible or non existent consumption, infrastructure and supply in UNMIK, Montenegro, Albania

- **Limited growth in last 3 years despite low starting point**
  (2.9%/a, compared to 2.1 in Art. 27 countries)
Market development and maturity: per capita consumption, 2003-2006
Gas Supply

- Strong dependence on imports, mostly from Russia
- No LNG, limited storage in CPs
- Nearly all supply through long term contracts
- Poor interconnection in the region
- Backhaul opportunities, cross border storage and LNG facilities in neighbouring countries not exploited
- Contractual rather than physical congestion in transit, spare capacity exists
- Transmission network rapidly developing in Croatia, partly in Serbia; lagging behind elsewhere
- New storage / rehabilitation ongoing in very few CPs
Gas market and sources

- South-East EU (Art.27 countries)
  - Domestic
  - Russia
  - Other imports

Contracting Parties

Bcm/y
Booked and free import capacity, 2006

![Graph showing booked and free import capacity for countries: Bosnia and Herzegovina, Croatia, F.Y.R. of Macedonia, Serbia.](image-url)
The Energy Community Gas Market today

- Waiting for new infrastructure in Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, UNMIK and parts of Croatia, Serbia
- Significant idle import and transmission capacity already exists, mostly in Northern areas
- Energy Community countries can do little to open/enhance capacity in upstream countries – mostly EU Members
- Some theoretical market opening (eligible customers) in Croatia, Serbia, the Former Yugoslav Republic of Macedonia
- Almost complete market dominance by state-owned national suppliers
Electricity Market Development
Defining Critical Issues

- Market Opening
- Cross Border Issues
- Transparency
- Generation and Demand
- Quality of Supply
- Regulatory competences
- Electricity and Gas convergence
Market Opening

- Contracting Parties start to privatize the DSOs (the Former Yugoslav Republic of Macedonia, Albania,....)
- But question of metering and so called „commercial losses“ is still not solved in some countries
- Billing and collection rate is in some of the Contracting Parties still low – who is responsible for invoicing? Who is responsible for losses?
- Foreign investors are facing a lack of legal environment for collection of electricity bills
- Dominant role of incumbents - a free market, even on national level, is far from being a reality
Cross Border Issues

• Lack of Transparency despite provisions of Regulation (EC) N° 1228/2003
• Basic information is still missing on the TSOs webpages
• Up to now there are almost no common auctions with neighboring TSOs
• TSOs webpages are available only IN PRINCIPLE in English. Not a single TSO provides online loadflow data
• Trading licences difficult to obtain / fulfill by newcomers

Electricity Trading in the region - still difficult due to intransparency and bureaucratic burdens
## Overview about CB Transparency

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<th>Albania</th>
<th>Croatia</th>
<th>Montenegro</th>
<th>Serbia</th>
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Most of the necessary information is not available for international market players.
Generation and Demand

- Region is lacking generation capacity
- Strong dependency of CPs on one single resource (e.g. Albania – Hydro, UNMIK – lignite)
- Electricity demand is growing (also for airconditioning)
- Cost reflectiveness of prices is still not in place
- Energy efficiency is still low (use of electricity for heating)
- Electricity is used as a kind of substitute for gas

➡ Demand side management and energy efficiency may be an answer (Task Force)
Generation Adequacy

- Quality of supply improved in most of the CPs
- Some of the CPs are still facing a lack of generation capacities and interconnector for import
- Generation and dispatching facilities are often too old and inefficiently working

→ Investment in renewables may be one possible answer
Regulatory competences

- Compliance with Art. 23 of the Directives not always ensured ...
- Independence, financial autonomy, accountability...

→ ECRB is going to review accountability and independence of regulators in 2008
Electricity and Gas Convergence

- Activities (e.g. Investment, energy policies) need to respect the convergence of electricity and gas
  - Gasification of region through / for gas fired power plants
Concluding remarks

- **Harmonisation** of the Market Environment (EC Regulation ...) and harmonisation of regulatory duties needed
- **Most** of the CPs in the region import electricity
- **Even** CPs which are annually energy balanced have difficulties with power balance on a seasonal basis in case electricity system depends on hydro generation (e.g. Albania) => need for imports
- **But** cross border capacities are either not sufficient or contracted / not freed
- **Investment** in generation and transmission facilities has to be intensified
- **And** market based allocation schemes are less developed and - if they exist - not harmonized
- **Furthermore** the situation is getting worse due to non economical energy consumption patterns

Overall- challenging situation requiring a **regional and holistic** approach!