



Session VIII

Building up a Regional Energy Market: The difficult Road Ahead

- Regulatory activities in SEE Region**
- SEE Regional Action Plan**

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6th South East Europe Energy Dialogue: Redefining SE Europe's Energy Map

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Questions of concern:

- **What are the big challenges in creating a SEE-wide and Europe-wide regional electricity market?**

- **Predictions about the realistic timeframe?**



Main Topics:

- Regulatory competences: SEE vs. CEE vs. ... EU level
- Market Rules harmonization - Electricity Market developments
- Regulatory activities on the regional level (ECRB):
 - Licensing issue
 - ITC Mechanism – ITC Guidelines
 - Cross-Border allocation requirements – EU Regulation
 - Transparency
 - SEE Coordinated Auction Office (CAO)
 - Market Monitoring
 - Regional Balancing
 - SEE Regional Action Plan (RAP)

Regulatory competences

Electricity Market developments



Regulatory Competences

Regulators' competences:

- Approves Electricity Market Rules
- Approves Grid Code
- Approves Distribution Code
- Adopts rules on supplier switch
- Determine System Services prices
- Approves cross-border capacity allocation rules
- Approves Power Exchange rules

Energy prices and services - new regulated prices:

- Electricity prices for system balancing which are calculated according to the Market Rules
- System services prices established by Regulator



Electricity Market in SEE Region

Electricity Market includes:

- Bilateral Electricity Market
- Balancing Electricity Market
- Organized Electricity Market - Power Exchange

Electricity Market Organization and Administration:

Transmission System Operator

- Bilateral Market
- Balancing Market

Market Operator

- Organized Market – Power Exchange

Regulatory activities on the SEE Regional level (ECRB)



- ECRB recommendation paper concluded that the **preferred option** which should be pursued in the 8th Region is the **Option**:
- ✓ **FADE OUT OF LICENSING IN EACH JURISDICTION COMPLEMENTED WITH OTHER MEASURES ENSURING A LEVEL PLAYING FIELD FOR TRADERS WHILE ENSURING FAIR MARKET CONDUCT**
- ✓ To be accompanied by additional regulatory oversight powers on traders
- ✓ ECRB requested to **streamline** the related ECRB activities with the **developments on the EU level** and more precisely with the ongoing Study commissioned by ERGEG for advice to EC (EU discussions underway)
- The **recommendations** of ECRB paper therefore **remain preliminary** to the extent of possible **alignment** with the **result** of the ongoing discussions on European level
- ECRB will **continue** constant **cooperation** with EC and ACER in this respect and develop a final position after final decision on the EU level



Inter TSO Compensation (ITC) mechanism

- Establish **one single ITC mechanism** within EU
- Single EU-SEE ITC fund was created in **June 2007**
- **Monitor** ITC process
- **Cooperation** with ex-ETSO/SETSO TF
- **ITC Guidelines** introduced

Regulatory role:

- **Define loss prices** to calculate value of transit losses (each year for the following year)
- **Infrastructure costs**, value of assets based on regulated costs as covered by national tariffs
- **Commenting** proposed (signed) ITC Agreement



ETSO/ENTSO-E ITC Agreement

- **ITC Clearing and Settlement Agreement** signed by **TSOs**
- Deadline for regulatory complaints was prescribed by ITC Agreement-approval
- ENTSO-E put in place an **enduring** Inter-TSO Compensation **Mechanism**
- On **3 March 2011** a new, **legally binding** Inter TSO Compensation (ITC) Mechanism **entered into force** (signed on 9Feb2011)
- It has been signed by **ENTSO-E** and **40** Transmission System Operators from **34** countries **in line** with the requirements of new **EC Guidelines** (Regulation (EU) No 838/2010)
- The ITC contract is now a **multi-year agreement**, and replaces the previous voluntary agreement
- URL: www.entsoe.net

Congestion Management in SEE Region



Legal basis for Cross-Border issues in EU

Legal basis for cross-border issues defined within EU Legislation:

- Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity
- Regulation (EC) No 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity (up until March 2011)
- REGULATION (EC) No 714/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003
- **EU Legislation implementation within SEE Region** (for Contracting Parties): CPs signing the Energy Community Treaty
- **Task for CPs: Transposition** of EU Legislation provisions within Local / National CPs legislation



The 8th Congestion Management Region (SEE)

- The need of a definition for SEE region became evident during the Action Plan drafting process for the CAO as Regulation 1228/2003 and its Congestion Management Guidelines consists no definition for SEE region
- The so called 8th Congestion Management Region was established according to the approach used within the EU (EREGG Electricity Regional Initiatives) by the agreement/decision reached at the Ministerial Council in June 2008
- As a result, a common Coordinated Congestion Management method, including capacity allocation, is to apply for the following territories:
 - the nine Energy Community Treaty Contracting Parties
 - the neighboring countries Bulgaria, Greece, Hungary, Romania and Slovenia
 - Italy with regard to the interconnections between Italy and the CPs to the EnC Treaty (DC undersea cables)
 - Austria, as an important supporter of the SEE Coordinated Auction Office project got an observer status





Congestion Management in SEE: Compliance with Regulation 1228/03 and CMG

- SEE national transmission systems are **faced** with a **complex** international **electricity market, transits** and a **growing number** of market **participants**
- Thus Cross-Border **congestions occur** and create a **barrier** for international electricity trade within SEE (North → South)
- Therefore it was necessary to **implement** proper **rules** for **Market-based Congestion Management**
- The **Basic principles** for Cross-Border Congestion Management are described in the **Regulation (EC) 1228/2003 (714/2009)** and CMG
- Regulation 1228/2003 (714/2009) is **applicable** in the **SEE Region through the Energy Community Treaty**
- **SEE Region** is working on **Flow-base explicit coordinated auction** scheme since 2004 (dry-run) involving TSOs, Regulators and Traders



Coordinated Explicit Flow-based Auctions in SEE

- TSOs and Regulators are investigating possibility to implement SEE TSOs proposal for transmission capacity allocation, based on better representation on **physical behavior** of interconnected electric systems than those widely used on most of the European borders until now (bilateral ATC allocation)
 - **SEE CAO Implementation Group** worked on all necessary activities in order to create CAO involving all stakeholders (TSOs, regulators, traders, donors, ...)
 - **Dry-run phase** since January **2004**
 - **Based on:** Border Capacity, PTDF matrix, traders' bids procedure
 - Introduced **Maximum Flows concept** concerning interconnection capacity values with aim to make physical limitations more transparent – reporting “critical branches” approach; thermal limits as the only input
 - **Internet based tool:** www.drcaat.at
 - SEE CAO structure will be **owned by SEE TSOs**
 - **Future prospects:** SEE CAO establishment in 2012
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SEE Coordinated Auction Office

- **CEE** and **SEE TSOs** decided to implement **Explicit Flow-based** CA mechanism in SEE Region ... **vs.** CWE, SWE and Nordic Region where Implicit NTC based mechanism is implemented (Market Coupling, Market Splitting)
- Coordinated Auctions and SEE **CAO** are **in compliance** with **Regulation** 1228/03 (714/2009) and CMG provisions
- **Majority** of EnC CPs **support** the establishment of a Coordinated Auction Office in the SEE region
- **Steering Committee** for creation the **Project Team for CAO establishment** – underway
- **Project Team** will be established in **May-June 2012**
- MC supported **Montenegro** as location for SEE CAO

- **NTC based** approach for SEE CAO as the **first step**
- **ECS studies** related to SEE CAO (technical and legal study)
- **Project Team** will produce SEE CAO relevant documents: Business Plan, Auction Rules, NTC vs. Maximum Flow approach, etc.
- **SEE Regulators** will have to **approve** SEE CAO related rules and **perform** CA and **SEE CAO Monitoring**
- **ECRB** is working on **SEE CAO Monitoring** → proposal for approval of SEE CAO related documents and SEE CAO Monitoring (regional vs. national) – as part of USAID MM Project



ECRB Transparency in SEE Region

- Contracting Parties made significant **progress** towards reaching full **compliance** with the **Regulation** 1228/03 (714/2009) within the last year
- Especially **Transparency** regarding the Cross-Border Capacity Allocation was increased within the last year: TSOs of the contracting parties take part in the **ENTSO-E Vista project** which foresees **publication** of Auction results, CB flows, available capacities, etc. (according to Regulation 1228/03 and CMG provisions)
- Furthermore, the EnC contracting parties **increased** the number of documents **available in English** in their web sites
- **Market Rules** will be **introduced** by all EnCT CPs till the **end of 2012**
- **ENTSO-E Transparency Guidelines** implementation
- All Contracting Parties introduced a **Market-based Capacity Allocation** scheme (50/50 split)
- Most of the contracting parties perform **no Common Auctions** (except HR-HU, SRB-HU), but few SEE TSOs recently **started negotiations** (SRB-CRO, SRB-BUG, etc.) → Possible **coexistence** of SEE **CAO** and **Market Coupling** in SEE as in CEE

Market Monitoring in SEE Region



Market Monitoring: General

- **Market Monitoring activities** are **necessary** for each national electricity market in order to **provide** its **well functioning** in line with approved rules and based on non-discrimination and transparency
- As the **Regulators** are entities which **approve** Market Rules and define guidelines for Market Design, they should also **develop Market Monitoring tools** in order to **check** if these rules and recommendations are **fully respected** and **implemented**
- Usually the **TSO** or Market Operator is **proposing** the Market Rules or other rules related to organizing or enabling functioning of electricity markets
- Therefore, Regulators have to **check** if the TSOs have implemented all agreed rules and if they respect and conduct their activities in line with them



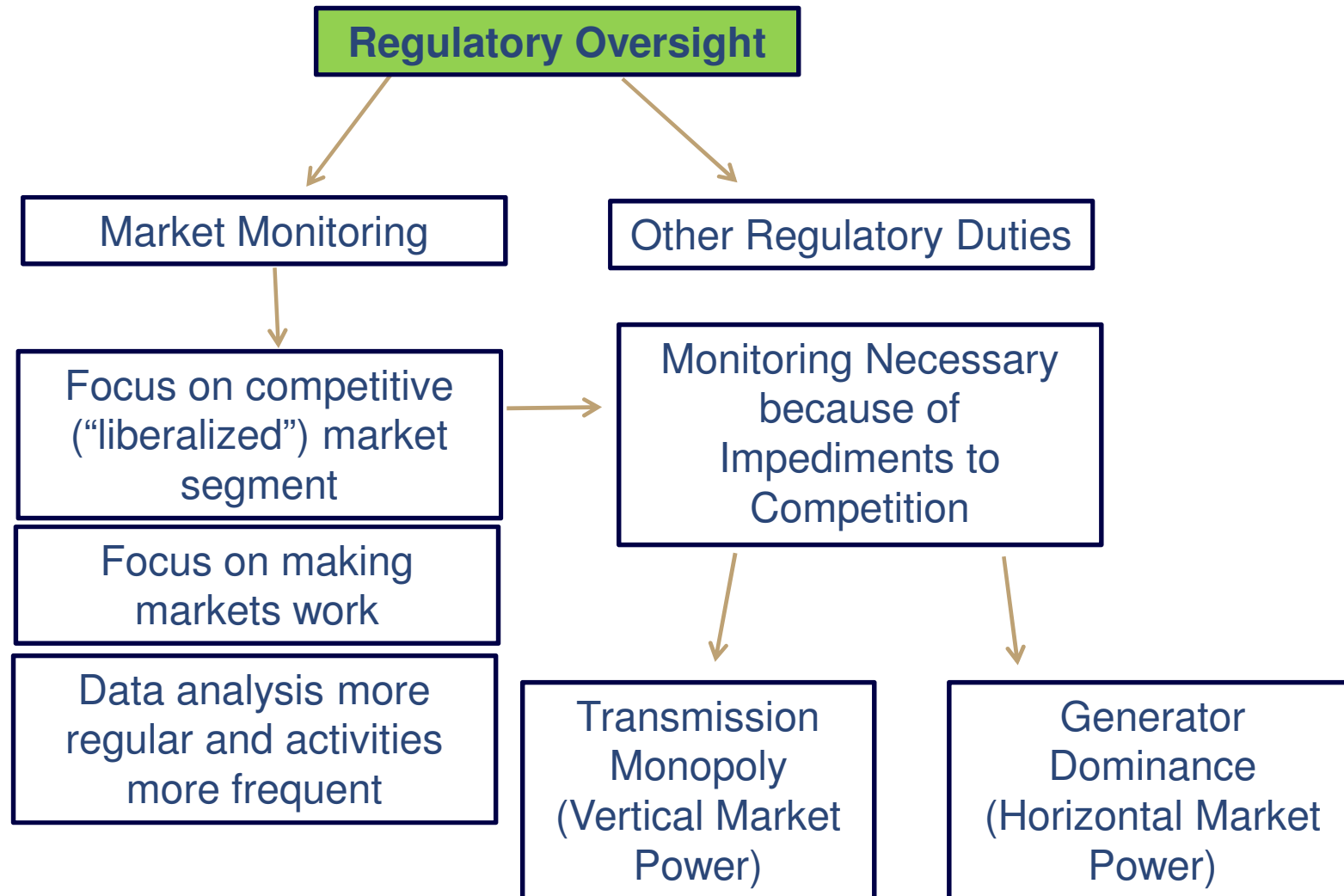
Market Monitoring: Electricity Market in SEE

- SEE region (8th region) is characterized as a region with **partially opened** and **not sufficiently liquid** electricity markets, but with **very dynamic cross-border trade** transactions
- Due to low tariff prices of electricity in most of the SEE countries, big industrial consumers prefer **not to exercise their eligibility** and **remain tariff consumers**, and thus slow down opening of electricity markets
- Therefore, there is **no active and liquid electricity market** in SEE which could be fully monitored by regulators, using and implementing usual Market Monitoring schemes, indicators and approaches
- **Only** Cross-Border activities in SEE Region could be fully and broadly examined and monitored by regulators at the moment
- SEE Regulators need to **timely acknowledge and learn how to monitor all performances** within electricity markets in order to provide non-discriminative and transparent participation for all participants in the electricity markets



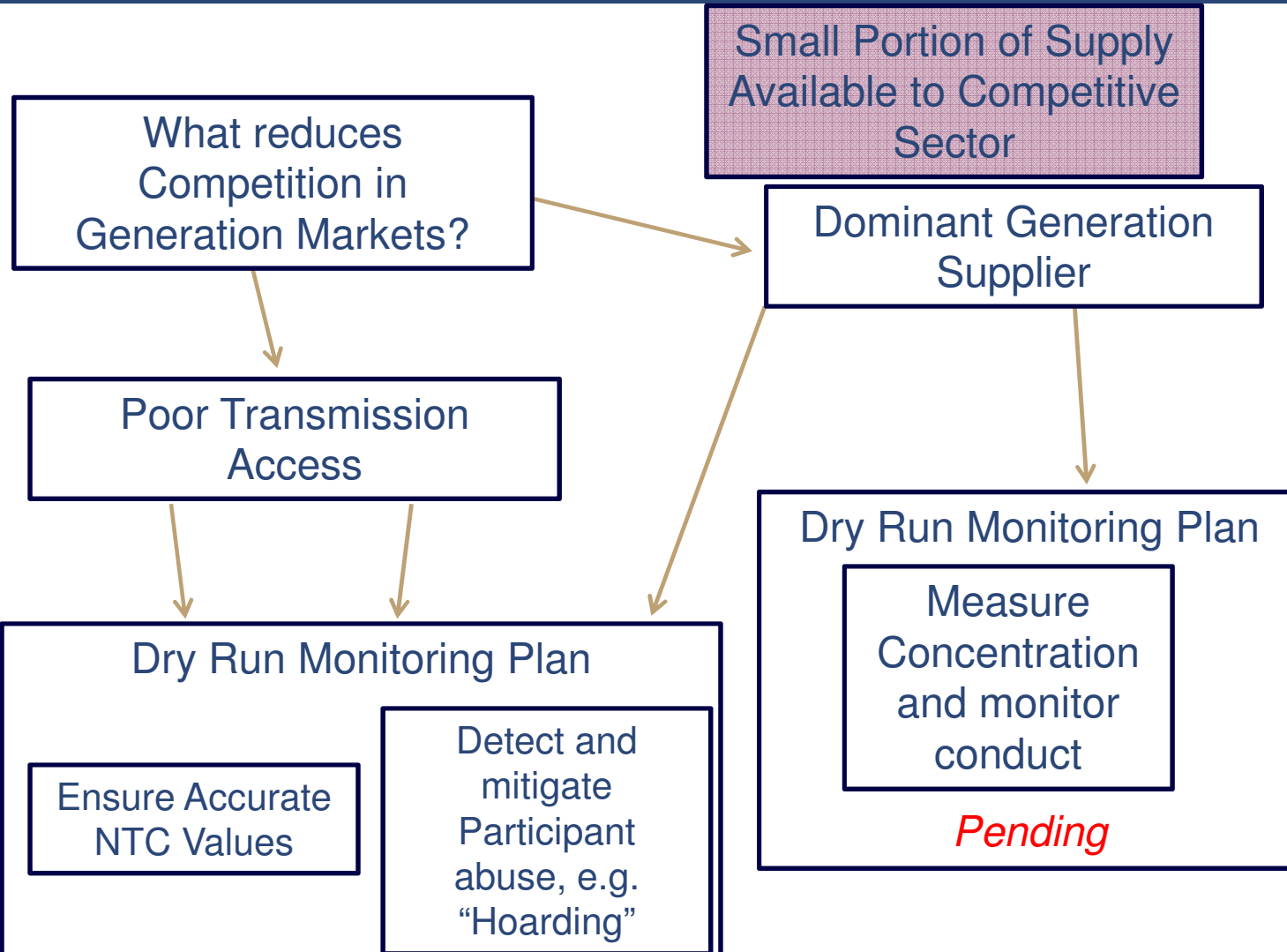
Market Monitoring responsibilities in SEE

- **NRAs** in SEE are usually given **authority** to **track** licensed subjects' **behavior** in the electricity market and **produce reporting**, as the expert bodies for Electricity Market, **but ...**
 - **NRAs** are usually **not given** any **authority** to **penalize** those participants which did not obey to rules in SEE
 - **EU MS NRAs** are **given authority** to overtake **concrete measures** against breaches in the market – **difference** between EU and SEE (CPs)
 - The **only measure** that **most** of SEE **NRAs** could raise against those participants that breach rules is **withdrawal** of the **license** – but being the radical measure and not very popular...
 - In SEE, the **Competition Authorities** are given authority to **performing concrete action** (penalties) against participants in cases they get input from NRAs on detected deviations
 - Therefore, **strong cooperation** between **Regulatory Authority** and **Competition Authority** must be envisaged and developed
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Dry-Run Market Monitoring Project in SEE Region





USAID Market Monitoring Project in SEE Region: History

- **MM Project** was initiated after invitation from the 8th Athens Forum in **June 2006** to establish a **Market Monitoring Pilot Plan**, which became effective in December 2006
- 12th Athens Forum (May 2008), ECRB and ECRB EWG **recommended continuing** MM Plan under a two-year **transition phase** that would lead to sustainable operations within ECRB, including **extension** of MM project in 2 streams:
 - **SEE CAO Monitoring** modalities, and
 - **General MM - education of SEE regulators** on general MM activities
- **Primarily involves Cross-Border** transmission capacity market - **ensuring maximum capacity is available** on the interconnections and that this **capacity is allocated** and **used** in a **non-discriminatory** manner
- **MM Project** is designed with **goals**:
 - ✓ to **ensure accurate estimates of cross-border transfer capacity**
 - ✓ to **ensure proper utilization of reserved capacity** (i.e., no hoarding or over-scheduling)



USAID Market Monitoring Project in SEE region: History

- **USAID/PE** presented its **proposal** for **MM indicators** within MM general work-stream:
 - **Seven monitoring Indicators** to accomplish the objectives for **Monitoring Cross-Border transmission capacity market**
 - Market Monitoring **proposal** was **supported** by **ECRB**
 - **MM Dry-Run** has **started** successfully with Indicator 1 in **Nov 2009**
- The **MM Project** includes the **entire 8th Congestion Management Region**
- Project introduces a **single Indicator (1-7) each month** and asks **NRAs** to **request** from **TSOs** very **specific data** to **calculate specific indicators** in order to be able to **make conclusions** regarding Indicator analysis outcomes
- **SEE regulators** (EWG) were **invited** to participate ECS Workshop in May 2010 in order to **discuss** MM Indicators, make **analysis**, **pose questions** and **comments** and **try to define an appropriate MM procedure** in the 8th Region on common template basis, respecting ex-ERGEG monitoring experiences
- **SEE TSOs** representatives were **also invited** to participate MM Workshop as they are important for MM cooperation between regulators and TSOs

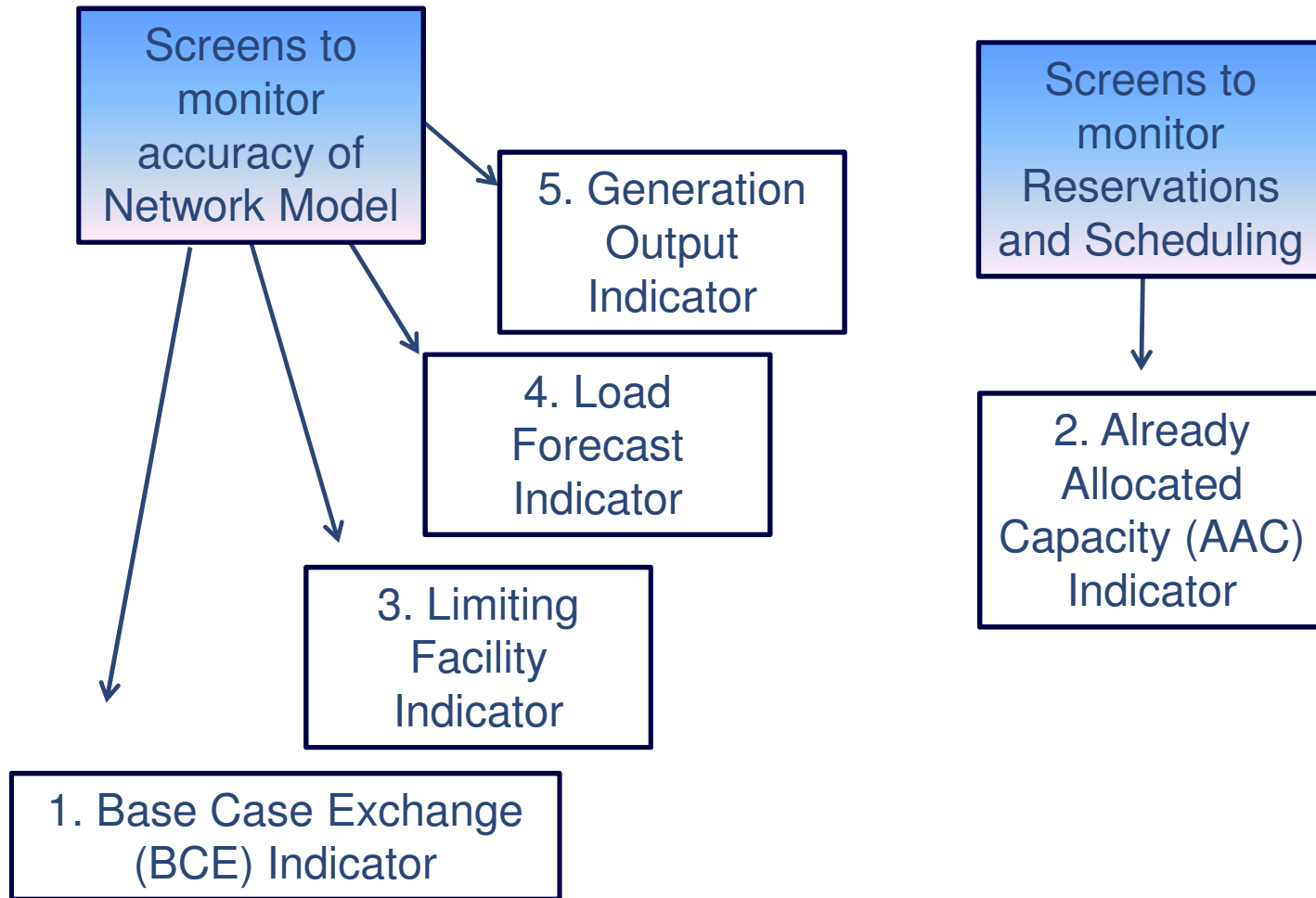


USAID Market Monitoring Project in SEE

- These Indicators have **focused only** on **cross-border** transmission capacity as **first phase** of MM Dry-Run
- **Later phases** will **focus** on **other aspects** of the market, e.g. generation (as electricity market evolves, develop and mature)
- With respect to each individual Screen, **NRAs** and **TSOs** aimed to **determine** whether:
 - There is agreement on the technical correctness of the Screen?
 - There are clear benefits from Screen implementation?
 - Regulators should implement the Screen?
- After examining all Indicators for which Dry-Run experience was available, all **NRAs** and all **TSOs** attending **concluded** the Indicators are **desirable** and **beneficial** for **removing obstacles** to market competition in the 8th region
- It was also concluded that EWG will continue MM Project in SEE and after the SEEAMMS presentation **seek ECRB approval of MMG** for the 8th Region based on Indicators accepted at the Workshop (This task would be undertaken by USAID/Potomac Economics)



Dry Run Market Monitoring Project in SEE





8th Region Market Monitoring Guidelines

- It was concluded that, upon ECRB approval, **Market Monitoring Guidelines** would **define the minimum set of commonly introduced MM Indicators** (for cross-border issues) for **all NRAs** of the 8th Congestion Management Region
- At the May 2010 SEE Market Monitoring Workshop, **NRAs and TSOs recommended adopting Dry-Run market Monitoring Indicators** as the basis for the 8th Region Market Monitoring Guidelines
- ECRB approved drafting of the 8th Region Guidelines and PE submitted this Draft to ECRB EWG in 2010

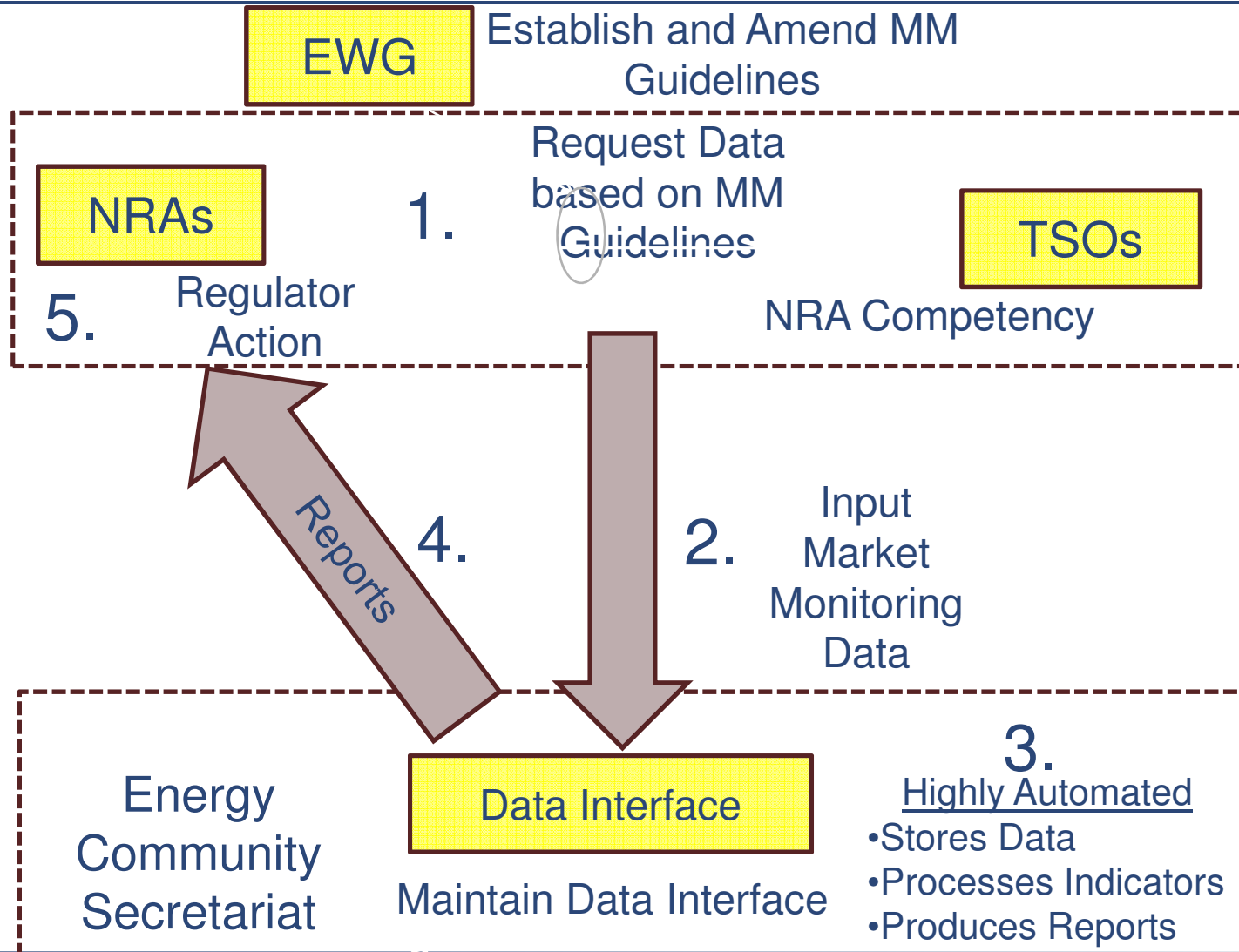


Web-Based Data and Reporting Interface

- **A key element** of the implementation of the 8th Region Market Monitoring Guidelines is the **Web-Based data collection and reporting data base System / Interface**;
- **South East Europe Automated Market Monitoring System (SEEAMMS) - SEEAMMS.COM**
- This **interface** is intended to:
 - **Simplify and Standardize data collection** - Allow Direct Upload of Data
 - **Check errors**, organize data, regulate access
 - **Automate indicator** and threshold calculations;
 - **Report screen results**;
 - **Report indicator violations**;
 - **Provide Regulator access** to the data base
- Potomac Economics/USAID/IRG are continuing to work on development of the scope and structure of the tool
- PE has initiated contact with SEE TSO to assist in identifying standard data structures, and with existing data bases as ENTSO-E.NET



Regional Market Monitoring Structure



Regional Balancing Mechanism in SEE Region



Regional Balancing Mechanism in SEE: Main goals

- Based on SEE TSOs concept, the **final aim** of RBM is:
 - To **increase margins of balancing resources** for SEE TSOs
 - TSOs **obtain** Balancing Energy (BE) in **short period** and under **competitive market prices**
 - To **help TSOs** to **provide** necessary tertiary reserve (fast and slow) easily (emergency help)
 - To **ensure safe** and secure system **operation**
 - To **reduce TSOs costs** for providing BE
 - To **give opportunity** to national market **players** to **offer** their **short-term** electricity **surpluses** via BETSEE/TSOs platform with lower prices

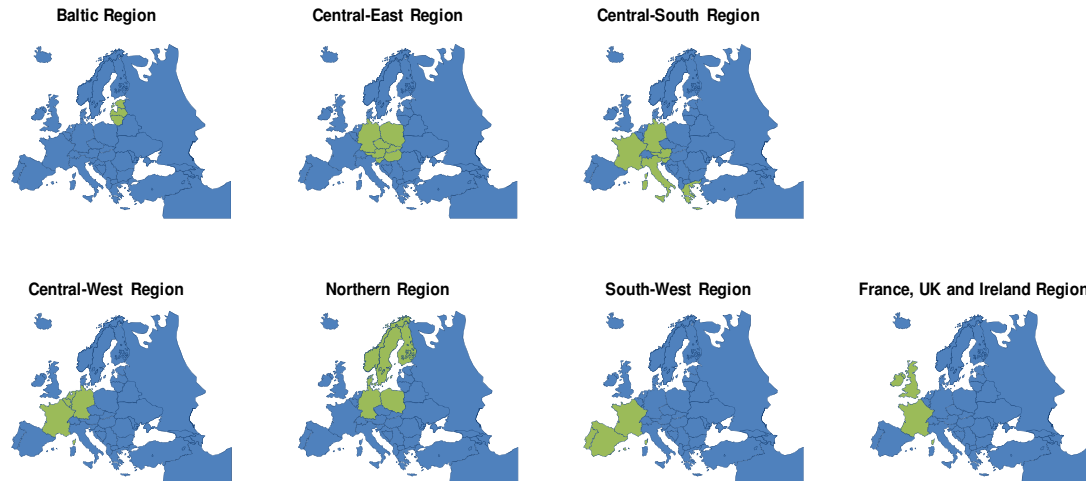


SEE regulators' views on RBM Implementation: National BM vs. Regional BM

- **Coexistence** of national balancing mechanisms and RBM
- TSOs **keep long-term** balancing contracts (reservation of production capacity / power)
- RBM/BETSEE represents actual **state of play of market participants** offers for BE depending on momentarily situation, introduced on BETSEE internet platform
- RBM itself **cannot be a reliable source** of BE for TSO needs on continuous basis
- Regulator's **obligation** is to **check** if TSO is buying BE at the **lowest market price**, and TSOs obligation is to chose BE offer at lower price
- RBM is **voluntarily** based
- **Residual cross-border capacities** are available for RBM → **remaining** capacities, not wanted by any other market participant just before the real time (have no value) → free for RBM
- Residual cross-border capacities are assigned on "**first come-first serve**" basis to involved TSOs at RBM
- To ensure that **TSO do not act as "trader"** and make profits out of the system (mediator between market participant and other TSOs)
- Could be achieved through close **cooperation** between involved Regulatory authorities

EU-ACER ERI Initiatives

EU Target Market Model



- EU-ACER: 7 Electricity Regions defined (ex-ERGEG)
- Each Region is represented by the Leading Regulator within ERI
- Each Region has its RCC: discussion floor for NRAs

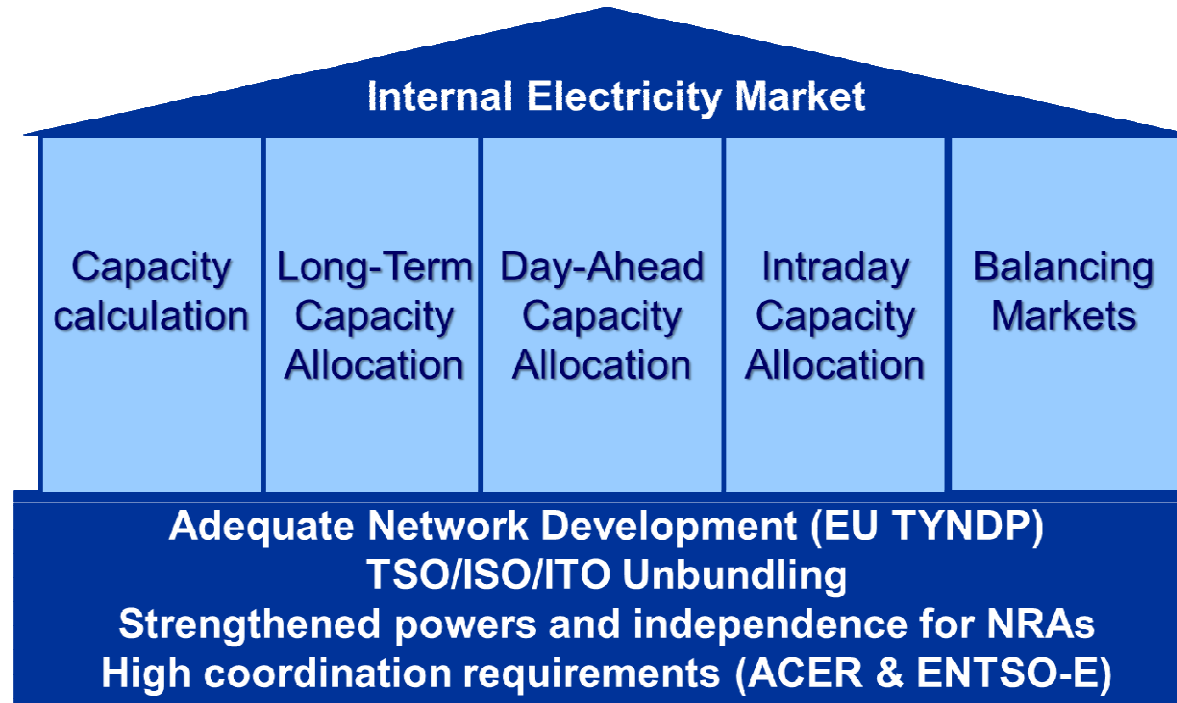
- Each Region chose its own way forward regarding cross-border capacity allocation mechanism (coordinated auctions, market coupling, etc.), which is in line with the Regulation (3rd Package)
- Each Region defined its Regional Action Plan regarding cross-border capacity mechanism
- Elaboration of the Cross Regional Action Plan, which would define common principles regarding cross-border issues on pan-European level and thus facilitate achieving of EU Target Market Model in 2014
- The 8th Region included in ACER ERI Quarterly Report as Annex



EU Regional Highlights for 2012

- **NWE intraday project** to introduce an implicit intraday solution by the end of 2012 which facilitates hub-to-hub trading [Q4 2012]
- **SWE border** implementation of implicit intraday solution as part of NWE project [Q4 2012]
- **CE region** decides on preferred approach to implement target model [Q3 2012]
- **CS region** implement explicit allocation [Q2 2012] and agree roadmap toward target model [Q4 2012]
- **SEM-GB border** to implement explicit allocation [Q2 2012]

Four Target Models for Electricity Market Integration



- Common vision for completion of IEM in Electricity by 2014
- Electricity markets across Europe must share a set of common features and be linked by efficient management of interconnection capacities
- In order to achieve this: CACM and Balancing have been identified as priority areas → 3rd Legislative Package



Implementation of CACM Target Models

- In order to **implement CACM Target Models for Electricity across Europe**, **four priority projects** have been identified:
 - 1. Single European Price Coupling** aims at optimising the use of existing day-ahead cross-border capacities at European level, reducing the day-ahead price volatility and improving confidence in organised price references
 - 2. Single European Continuous Implicit Mechanism for cross-border Intraday trade** aims at enabling market participants to adjust their position before the closure of the market and, possibly, short-term arbitrage. This Intraday timeframe is becoming increasingly important in the context of growing intermittent generation
 - 3. European Platform for the allocation of Long-Term Transmission Rights** aims at delivering one single point of contact for the allocation of harmonised long-term transmission rights across Europe
 - 4. Flow-Based Capacity Calculation Method for short-term capacity allocation** in highly meshed networks aims at improving the network security and the level of capacity made available to the market, by taking into account the influence of cross-border flows on the congested lines in a more transparent and effective way

WMO Study in SEE Region

SEE Regional Action Plan



WB WMO Study for SEE Region

- SEE Regulators' cooperated very closely with the Consultants POYRY/NordPool on the Interim Reports + discussions with TSOs, Regulators, Ministries, Traders and Industry
- **Final version** of the WMO Study was submitted to SEE Regulators (EWG) in **late April 2010**
- Consultants accepted most of regulatory concerns for SEE region
- Consultant's proposal based on **gradual transition** of big industrial consumers from tariff to eligibility exercising consumers
- Consultants ready to assist on implementation steps: WB provided Consultants' further support to EWG within Implementation phase:
 - Regulators'/EWG role, ECRB role, MC role- in implementation
 - Feasibility of the Consultants' proposal
 - Realistic deadlines for implementation



SEE Regulators' feedback on WMO process in SEE Region

- It is necessary to take an efficient **Step-by-step approach** when introducing WMO in the 8th Region
- WMO is mainly driven by **political influence** and **national strategies** !
- Regulators could just **support** WMO and **propose** solutions, but cannot decide or make strong influence to decisions
- **Regulators** are supposed to **implement the recommendations** into their **market models**
- Regulators addressed the fact that the **willingness of regulators** to adapt their systems was **not the key problem**, but **limitations** related to **their powers** and **acceptance by governments** would exist
- Regulators should more actively **raise the restriction of powers** they are facing
- **Ministries** representatives and **Governments** to be **much more involved** in the **implementation phase**, as they are **key elements** and most responsible entities for **accelerating** wholesale market **opening** in the eight region
- **SEE regulators support WMO process, advice** and work on creating an appropriate regulatory framework for the proposed solutions



WB WMO Study: Implementation phase

- SEE Regulators - Need for **WMO project** in the 8th region to be **fully in compliance** with **new developments in EU** - Target Market Model, Framework Guidelines, Network Codes:
 - Main concept is **in line** with **EU developments**
 - Need to **adjust** some **details** from WB WMO **Study**
 - Ensure **compatibility** between **ECRB** EWG and **ENTSO-E** RG SEE WPs
- Necessary to **introduce SEE TSOs** in the **WMO project** ASAP
- ENTSO-E RG SEE Working Program 2011 presented to ECRB, which was approved by ENTSO-E and fully harmonized with EU Target Market Model
- **Need** for a **realistic WMO Regional Action Plan** which is fully **harmonized** between SEE **NRAs** (ECRB) and SEE **TSOs** (ENTSO-E RG SEE), **supported by PHLG** and **in compliance with EU TMM**



WB WMO Study: Implementation phase

- ECRB EWG Chairman and ENTSO-E RG SEE Convenor redrafted WMO Regional Action Plan Draft in order to harmonize it with ENTSO-E RG SEE WP 2011 and EU Streamlining activities:
 - **SEE TSOs approved** it via their WP 2011, but also by SEE TSOs representatives
 - **ECRB approved** it from regulatory side
 - **Need for SEE RAP update**, but **keeping** the final goal deadline: **2015**



WB WMO Study: Implementation phase

- CPs should be responsible for elaborating **National (Local) Action Plans** (by Ministries, TSOs, NRAs and Power Exchanges, if applicable), based on SEE Regional Action Plan
- Any guidance received from PHLG and Consultants' proposal for National Action Plans is welcome
- **2nd Joint PHLG-ECRB Meeting** dedicated to **WMO** issue was held on 24 March 2011: SEE RAP Draft was discussed and presented by ECRB and ENTSO-E RG SEE



WB WMO Study: Moldova and Ukraine position in RAP

- **All ECRB EWG members supported SEE RAP Draft** with minor changes which were introduced in the final SEE RAP Draft
- ECRB EWG members of **Moldova** and **Ukraine** fully **supported RAP** Draft, but informed that they will **not be able to implement** it due to **technical problems** as their power systems are not synchronized with ENTSO-E interconnection, and their TSOs are not involved in the ENTSO-E and related processes: Relevant note included in SEE RAP
- Decision: **Moldova** and **Ukraine** were **involved in the gap analysis**, produced additionally by the Consultants - to **include Moldova** and **Ukraine gap analysis** in the **WMO Study**, using remaining funds
- Consultant's proposal: Moldova and Ukraine should **start implementing all steps not requiring synchronization** with the ENTSO-E interconnection, **start opening the wholesale market** between **themselves** and to form in the meantime a **sub- region** consisting of UA and MD → After synchronization this sub- region could easily join the regional wholesale market in SEE



ECRB SEE RAP: Finalization

- **Focus Team** provided Regional Action Plan (RAP) Draft after the 20th ECRB EWG meeting (April 2011)
- **RAP Draft** was **fully harmonized** between ECRB EWG and ENTSO-E RG SEE (June 2011)
- Final SEE RAP includes both logo: ECRB and ENTSO-E
- **ECRB and ENTSO-E RG SEE APPROVED** SEE RAP; it was forwarded to the PHLG, which gave a full support
- **Joint task** of SEE NRAs, TSOs and Ministries:
Accomplishment of SEE RAP according to defined deadlines
- **PHLG, ECRB and ENTSO-E** have appointed relevant **Coordinators** who will review and inform the Energy Community institutions on regular (quarterly) basis on **progress** achieved as regards the deliverables defined in Annex I; Any obstacles identified should be reported to the Energy Community institutions with a proposal for remedial action

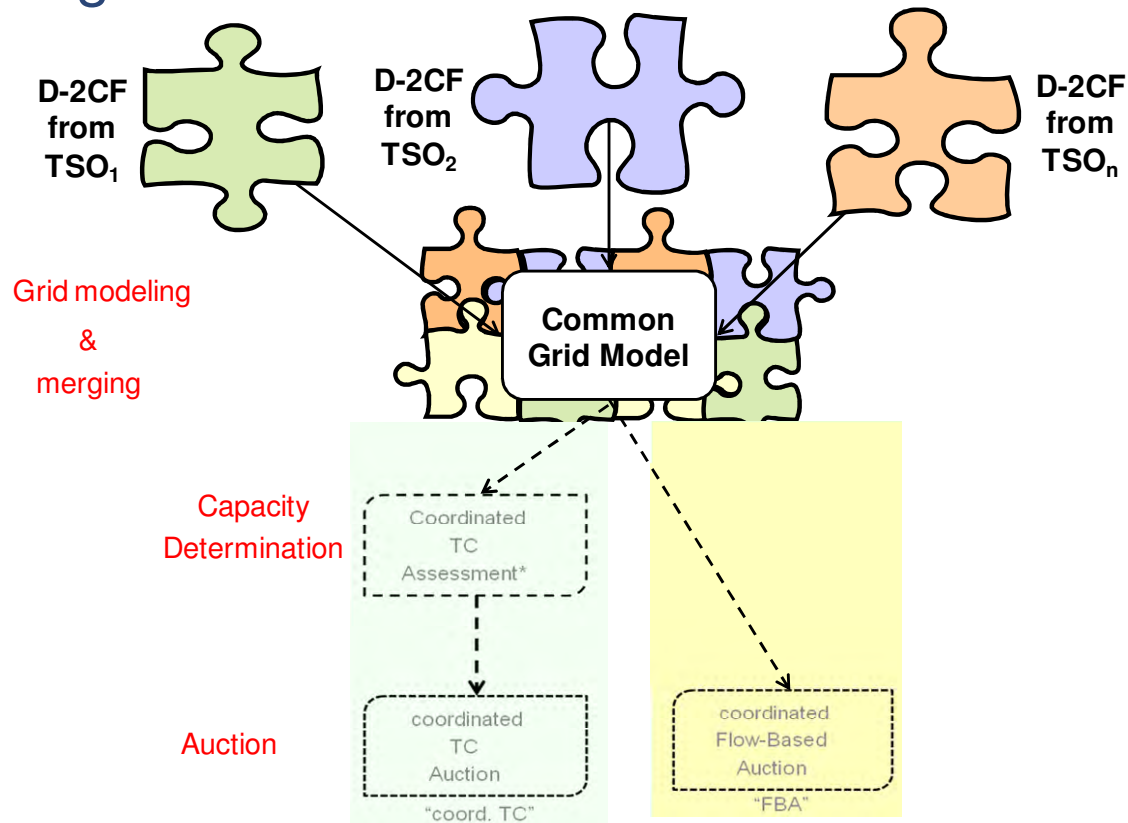


SEE RAP: Cooperation with ACER ERI

- **ACER Coordination Group for ERI:** ECRB represented unofficially at these meetings
- **Positive signal:** The **8th Region included** in the ERI Draft Agenda meetings under topic **Revision of consistency among Regional Action Plans**
- **Required presentation** of the **Revised Regional Action Plan for SEE**
- ECRB-S has submitted SEE RAP Draft to ACER for their evaluation (17 June 2011) before the 17th ECRB meeting
 - o Presentation of required revised SEE RAP (coherence between 8 E RIs)

- **SEE RAP structure comparable to FG structure:**
 - **CAPACITY CALCULATION**
 - **FORWARD CAPACITY MARKETS**
 - **DAY-AHEAD MARKET**
 - **CROSS-BORDER INTRADAY MARKET AND BALANCING MECHANISM**

- Development of common grid model and coordinated capacity calculation method in the SEE region in line with the EU Target Model



- **Step by step (“glide-path”) approach**
- Implementation of coordinated bilateral explicit auctions in the SEE Region
- Establishment of multilateral coordinated (NTC based) explicit auctions on several borders (based on technical and organizational feasibility)
- Establishment of centralized multilateral coordinated (NTC-based in a first step, flow based method is still under consideration) auctions on most of SEE borders
- Multilateral coordinated auctions on all borders within the SEE region (regional one-stop-shop or EU-wide solution)

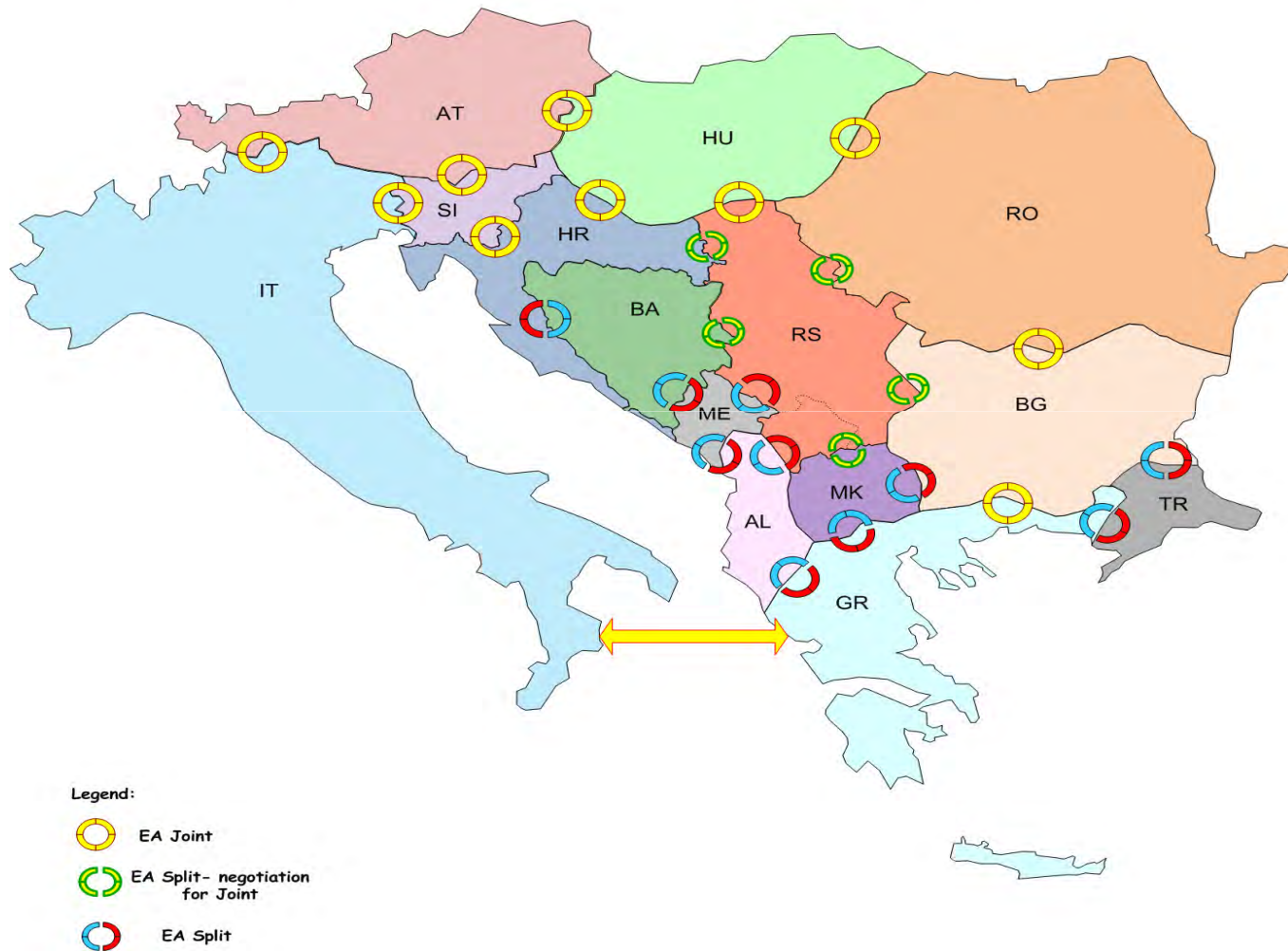
ECRB Forward Capacity Market

MONTHLY ALLOCATION in SEE (September'10)



ECRB Forward Capacity Market

MONTHLY ALLOCATION in SEE (September'11)



ECRB Forward Capacity Market

MONTHLY ALLOCATION in SEE (PLAN MID 2012)



6th South East Europe Energy Dialogue - Thessaloniki, 31 May 2012

- **Price Based Market Coupling as Target Model for SEE DAM**
- Staged Implementation of the Regional DAM
- Parallel Development of Regional and Local Electricity Markets (each CP obligation and duty to make National Action Plan)
- Bilateral/ trilateral market coupling in the SEE region (nucleus approach or different regional initiatives)
- Integration with neighbouring regions/markets
- Pan-European market coupling including the SEE region operational

ECRB Day-Ahead Market - Explicit

DAILY (D-1) ALLOCATION in SEE (September'10)



ECRB Day-Ahead Market - Explicit

DAILY (D-1) ALLOCATION in SEE (September'11)

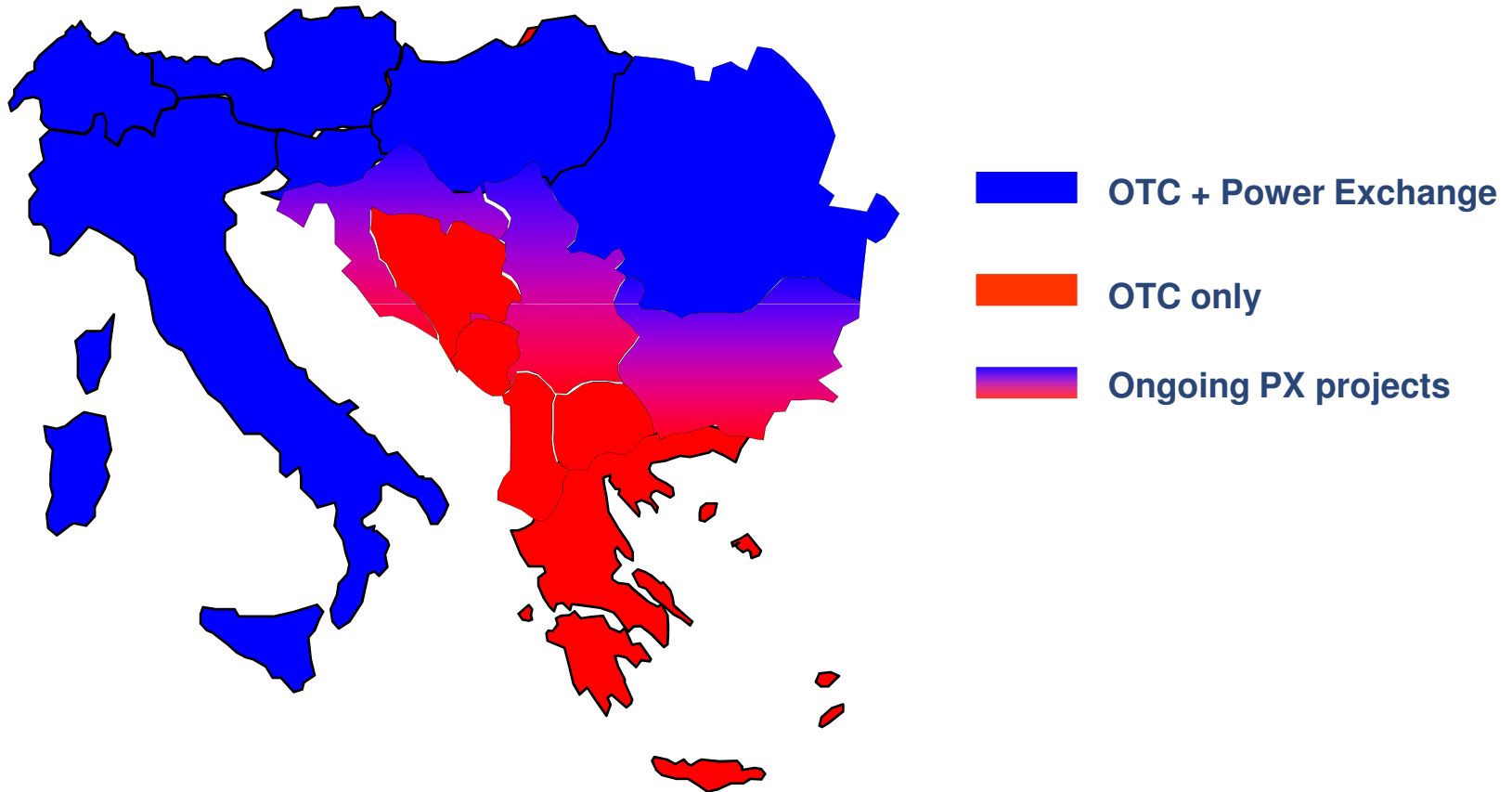


ECRB Day-Ahead Market - Explicit

DAILY (D-1) ALLOCATION in SEE (PLAN MID 2012)



➤ **Ongoing initiatives**





ECRB XB Intraday Market

- **Common regional solution for XB Intraday Market**
 - First step as simple as possible (FCFS or pro-rata)
 - Interim step of sub-regional integration before implementing an entirely regional solution (market integration would start with a nucleus consisting of two to three jurisdictions)
 - Final solution in line with EU Target Model (continuous trading)
- **XB Balancing Market**
 - Investigation of the options for integration of national balancing mechanisms (taking into consideration timeframe and results achieved on ENTSO-E level)
 - TSO-TSO mechanism without common merit-order list as an interim solution
 - Final solution – XB Balancing mechanism with common MO list

INTRADAY in SEE (2011)



Legend:
Auction
FCFS

INTRADAY in SEE (PLAN MID 2012)



- **Top-Down Guidance:**
 - European regulation, Framework Guidelines on CACM, Network Codes
- **Governance within the SEE Region**
 - **MC** (supported with PHLG): General policy guidance to the process and harmonization of the national legal and regulatory frameworks
 - **ECRB**: Harmonization of Market Rules and Network Codes, Regional Market Monitoring Process
 - **ENTSO-E RG SEE**: Development of the regionally coordinated CACM mechanism and harmonization with the corresponding EU-wide mechanism
 - **EnC Secretariat**: Support to the Energy Community institutions in the Treaty implementation process
- **Governance at Local Level**
 - Development and implementation of the Local Action Plans

Concerns

□ What are the big challenges in creating a SEE-wide and Europe-wide trading market?

- **Harmonization of Regulatory competences** in SEE Region
- Starting **Harmonization of Market Rules**
- **Common EU-wide Licensing approach** including SEE Region (CPs as non EU members)
- Starting **Market Monitoring activity**: SEEAMMS as MM Project in SEE Region, and ACER EU Monitoring Project and start up activity and REMIT introduction
- **Define clear Balancing Guidelines and Rules**
- **Waiting for ACER Framework Guidelines and Network Codes**, including **modus** for their full implementation **in SEE Region**



Regional Energy Strategy

Energy Community: PROPOSAL!

- **Actions and deadlines to establish Regional Energy Strategy in Energy Community and achieve the objectives:**
- Energy Community Treaty aims at **regulating relations** between **CPs**, in a manner to create a **common legal and regulatory framework** for energy markets and allow **trading energy** across their borders
- Its **objective** is the **creation of a competitive integrated regional energy market** between CPs and ultimately, its **integration** with the **single EU energy market**
- **Strategy** to be **adopted by PHLG in June 2012**
- Besides **adoption of EU *acquis*** on energy, CPs shall **take** also **other actions** in order to **achieve** such objective that shall comprise but not be limited to the following issues:



Objective 1: Creating a Competitive Integrated Regional Energy Market

- **Actions:**
- **Introduce common capacity allocation mechanism** (coordinated auctions): Setting up of the **Coordinated Auction Office Project Company** and establishing a **working** coordinated auction office **during 2013**
- **Establish Power Exchanges** in several SEE countries
- **Develop a plan for the implementation of price based market coupling**, in line with the milestones defined in the “Regional Action Plan for Market Integration in South East Europe”, with the aim of joining the single European Price Coupling mechanism no later than beginning 2015



Objective 1: Creating a Competitive Integrated Regional Energy Market

- **Adopt regulatory Balancing Rules and Balancing Responsibilities for Market Participants by the dates agreed in the Action Plan for Market Integration in South East Europe**
- **Actions:**
 - **Responsible bodies** (as determined by NRAs or legislation in each CP) **should develop Balancing Rules** and should **specify Balancing Responsibilities** for Market Participants
 - In the same timeframe, **NRAs should fix or approve non-discriminatory and cost-reflective methodologies** for calculating prices for imbalances



Objective 1: Creating a Competitive Integrated Regional Energy Market

- **All remaining Legal / Regulatory/ Institutional Barriers to Trade of Energy shall be removed by January 2015**
- **Actions:**
 - **Harmonisation of VAT treatment for energy by CPs with EU Member States**
 - **Harmonising requirements for establishing a local office for energy traders, and phase out licensing regime for all energy traders by the end of 2014**
 - **NRAs should ensure that there is consistent publication of sufficient data on cross border capacity published by TSOs and statistical information made available by NRAs**
 - **Ensure transparent and fair management of the grid connection of independent power producers (IPPs)**



Objective 2: Attracting investments in energy

- **Related to Price Regulation and Network Tariffs:**
- **Actions:**
- **Phase out price regulation for large customers by December 2012**
 - ✓ *National Regulators should ensure that the electricity prices for large / industrial consumers are not subject to price regulation*
- **Adopt cost reflective energy network tariffs by the end of 2012**
 - ✓ *Regulators should ensure that network tariffs are non-discriminatory and cost-reflective*
- **Adopt prices that reflect fully the cost of supply for all tariff customers, by the end of 2012**
 - ✓ *NRAs (and Gen) should ensure that they are able to calculate real costs of generation: costs of full generation portfolio, necessary investments/depreciation/market based rate of return, costs of imports, costs of supply services and appropriate treatment of bad debts*
 - ✓ *All CPs shall ensure that electricity prices for all small and medium customers are subject to price regulation are covering full costs of supply*



Objective 2: Attracting investments in energy

- **Related to Energy Infrastructure:**

- **Focus** should be placed on ensuring that there is **no ‘supply gap’ between energy demand and supply** based on forecasts of demand and supply for 2020 and 2030
- **Interconnection capacity shall be increased, based on recommendation** stated in ENTSO-E TYNDP and ENTSO-E Regional Investment Plan, and ENTSOG TYNDP

- **Actions:**

- **A set of policy tools** will be **proposed** to implement strategic infrastructure priorities
- **Projects of Regional interest** will be **defined** with the aim to **stimulate investments** connected with improvement of security, reliability and quality of energy supply, energy efficiency and environment as well as improvement use of RES



Objective 2: Attracting investments in energy

- **Related to Regulatory Barriers:**
- **Actions:**
- **Introduce harmonized licensing regimes in line with the EU licensing / registration regime by January 2015**
- **A harmonized Pan- European Licensing / Registration regime (in line with that envisaged by REMIT) should be established**



Objective 3: Providing secure and sustainable energy supplies to customers

- **Related to Security of Supply:**
- **Actions:**
- **Establish the internal framework for security of supply** (nomination of Competent Authority, definition of protected customers, interruptible consumers)
- **Enhance preparedness to secure gas supply** (establishing Risk Assessments, Preventive Action Plans, Emergency Plans)
- **Diversify sources of gas imports** where appropriate



Objective 3: Providing secure and sustainable energy supplies to customers

- **Related to Energy Efficiency:**

- **Actions:**

- **Increase efficient use of energy** by reducing final energy consumption **by minimum 10% in 2020**, compared to projections

- **Related to Renewable Energy:**

- **Actions:**

- **Increase RES share** of Gross Final Energy Consumption (“GFEC”) of the Energy Community to the levels decided by the Ministerial Council



Objective 3: Providing secure and sustainable energy supplies to customers

- **Related to Protection of Customers:**
- **Actions:**
- **Ensuring that vulnerable customers are protected**
- **All CPs should define clearly and by law or regulation (as appropriate) the definition of vulnerable customers subject to special protection or support by 31 December 2012**

❑ **Predictions about the realistic timeframe?**

- **ACER ERI Initiative activity** as Monitoring vehicle for **respecting and fulfilling EU Target Market Model**
- **7 ERI Regional Action Plans** → Cross-Regional Action Plan elaboration
- **NWE Model** as the TMM for EU
- **SEE RAP** fully **harmonized** with EU TMM
- Process is **advancing**, detecting **obstacles**, but **still possible** to **fulfill** the imposed **IEM deadline 2014/15**, including SEE Region

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