

A possible way forward to a well integrated and competitive electricity market in South-East Europe

GME
Rome, Largo Giuseppe Tartini 3

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Workshop Conclusions

Workshop participants emphasised the importance of the process of integration of the electricity market in the 8th Region. They recognized the different stages of development in the different countries and the challenges ahead.

Participants recognized the abundance of renewable energy sources and that, in order to make them efficient, there is a need for additional investments, which is more likely to take place in case of clear, predictable stable and enforceable rules and regulations. It was also emphasised that renewable sources should be made part of the market.

There was a clear analysis by the ECRB and the Secretariat of the Energy Community of the current situation of the electricity sector in the SEE Region. A detailed Regional Action Plan for Wholesale Market Opening in South East Europe (hereinafter “RAP”) has been prepared but still under threat of not being implemented within agreed deadlines. Timely implementation is conditional upon political commitment and support, since it is associated with some socially sensitive measures, which in the long run will bring positive impacts for all consumers and allow full exploitation of already existing physical interconnections or develop new interconnection capacities. The participants raised concerns about the significant delay in implementing the RAP and stressed that more serious commitment was needed from TSOs and Energy Community Contracting Parties to put the elements of the RAP into force. In this context the participants noted that a significant part of the RAP can be implemented without facing barriers from already existing legislation, in particular:

- agreement between TSOs on a common capacity calculation methodology
- participation of all 8th Region’s TSO in the SEE Coordinated Auction Office (hereinafter “SEE CAO”)
- establishment of Power Exchanges or commissioning services from existing Power Exchanges in the 8th Region for provision of day ahead services and preparation of market coupling
- establishment of national balancing rules

Progress made so far was evidenced in the Workshop, including:

- establishment and progress of the SEE CAO, which should be harmonised with the emerging single platform at the EU level;
- joint auctions between some Contracting Parties and EU Member States;
- a number of infrastructure projects are in process of development (interconnectors, Projects of Energy Community Interest, etc.).

However there are big challenges yet to be met, including the following ones:

- primary legislation in a number of Contracting Parties needs to be seriously reviewed with a view to eliminate barriers to wholesale market opening, and in particular to meet the following targets:
 - abolishment of single buyer models
 - transmission and distribution network tariffs need to become cost reflective including incentive models for reduction of commercial and technical losses
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 - reduction of Public Service Obligations to a justified, timely-limed and minimum protection extent necessary; in this context the participants stressed the need of abolishing regulated energy prices and introduce cross-subsidy-neutral protection schemes for vulnerable customers. Vulnerable customers need to be defined in the primary or secondary legislation; existing definitions need to be reviewed with a view to establish a targeted group of eligible persons. The participants supported the ECS and ECRB assessment that support schemes for vulnerable customers should be part of the social welfare system.
- tasks provided in the SEE RAP need to be accomplished. In particular:
 - the SEE CAO to auction annual capacities for 2014 by end of 2013
 - all 8th Region TSOs to participate in the SEE CAO
 - National power exchanges to be established or services from existing PXs to be contracted for day ahead services by end of 2013.
 - TSOs to agree on a common capacity calculation methodology by mid 2013 the latest. The participants stressed that such methodology shall as much as possible be streamlined with the EU methodology.
- Primary and secondary legislation as well as regulatory rules need to be compliant with the 3rd package, including the implementation of the related Network Codes once they become legally binding on EU level

The RAP needs to be in full compliance with the new developments in the EU (CACM and LTCA Codes). There is a need for the TSOs to continue their involvement in the Wholesale Market Opening project. The participants also stressed the role of regulators in ensuring their national TSOs' compliance with the *acquis* and RAP.

Besides the formal compliance with the EU *acquis*, participants emphasised also some other important topics.

Co-operation between ECRB and ACER is welcome from both sides, but dependent on two main factors:

- political commitment is essential for the establishment and development of cooperation, as it has happened in the EU when the Ministerial Council declaration of February 2011 asked for the achievement of the IEM by 1st January 2015;
- legal aspects related to the implementation to the Third Package;
- however, there is already existing cooperation between the ECS and ACER, ENTSO-E and ENTSO-G; furthermore the ECRB electricity group is integrated in the ACER work on the coordination of the 8th regions.

Overcoming regional and national challenges needs strong coordination among actors (PXs/Auction Offices, NRAs, ACER/ECRB, TSOs, Market Players) involved in the process.

Independence of National Regulatory Authorities (NRAs) should be strengthened and they should be empowered with needed resources and competences.

A few investors raised the difficulties they face in the SEE Region, among which the absence of cost reflective tariffs was emphasised.

It was reiterated several times the importance of political support for the successful development of the electricity market in the SEE Region.

The multidimensional contribution of energy interconnectors (electricity and gas) to security of supply, economic growth, stability and peace of the Region was emphasised.

Submarine cable Italy-Montenegro is a very important project for the integration of the SEE markets with the Italian market and for the development of the renewable energy potential of the SEE Region. Workshop participants welcomed the news from EBRD in relation to the approval of the financing of this project.

TAP project, if winner, will give a huge impact to the Region and to gas market development.

Participants stressed the importance of excellently prepared Workshop, like this one, and they welcomed the opportunity for deepening the cooperation, networking and exchanges.