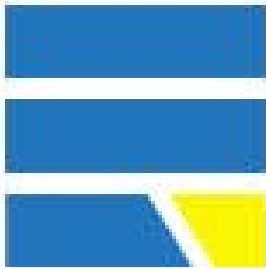




National
Association of
Regulatory
Utility
Commissioners

South East Electricity Market Monitoring *Workshop*



Council of
European
Energy
Regulators

October 4-5, 2005



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FROM THE AMERICAN PEOPLE

Athens

An overview of the Electricity Market in ECSEE

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South East Electricity Market Monitoring Workshop

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The Legal Framework...

- For the moment, the Athens MoUs of 2002 and 2003
- On 25 October the ECSEE Treaty will be signed and:
 - ◆ Transpose the EU *aquis communautaire* on energy, environment, renewables and competition to the SEE countries
 - ◆ Establish a framework for harmonization of EU and SEE countries practices, and under specific circumstances, go beyond the *EU aquis*
 - ◆ New Institutional framework in ECSEE
 - ◆ Finally, the integration of the SEE energy market in the EU- Internal Energy Market

The Legal Framework (cont.)...

- The Treaty will enter into force within 2006
- Institutions must become operational in “good time”
- The transitional period (2-3 years) is very crucial
- Acceleration of reforms in the countries of SEE
- Such reforms must be compatible at a regional level
- Establish a sound legal and regulatory framework, which will properly support investments
- Should take advantage of experience in EU and elsewhere
- Monitoring of the process is of utmost importance

The EU environment...

- Directives 54/03/EC and 55/03/EC
- Regulation 1228/03 on access to the electricity networks
- Regulation on access to the gas networks (just approved)
- Directives on Security of Supply
- Substantial developments regarding development of regional markets both in electricity and gas, as an interim step towards the establishment of IEM
- Efforts for the proper implementation of the *aquis communautaire* (benchmarking, sector inquiry...)
- Increasing dependence of the EU on energy imports, especially regarding natural gas

The Challenges...

- We are facing a “cosmogony” in the energy sector both in the EU and –most importantly- the SEE
- Investments will play a key role
- The three pillars remain intact:
 - ◆ Security of Supply
 - ◆ Competition
 - ◆ Protection of the consumers and the environment
- Social and economic stability for the SEE countries must remain a consideration
- Establishment of a sound, stable and forward looking regulatory framework

The Challenges (cont.) ...

- Implementation of the provisions of the Directives (and the Regulations):
 - ◆ Market Opening
 - ◆ Establishment of TSOs
 - ◆ Implementation of Unbundling
 - ◆ Establishment of Independent Regulators
 - ◆ Implementation of appropriate TPA regimes
 - ◆ Transparency
 - ◆ Cross Border Trade
- It seems that the timetable for the implementation of the above has been exceeded several times

The Challenges (cont.) ...

- Implementation of the Directive provisions will be a big step forward. But *is it enough?*
- Additional important issues need to be addressed in SEE:
 - ◆ Affordability by certain consumers and rate shock mitigation
 - ◆ Regional compatibility of national reforms
 - ◆ Appropriate harmonization of market rules
 - ◆ Harmonization of investment support mechanisms
 - ◆ The ECSEE involves both EU and non-EU countries
- Strong political support for the Process

State-of-play in SEE Market Design ...

- Following a lengthy period of discussions on the issue, the situation is as follows:
 - ◆ National energy market reforms will have to retain their momentum, however
 - ◆ A more coordinated regional approach is required in some very important aspects of the market design:
 - Development of regional wholesale market mechanisms
 - Implementation of a Europe-wide cross border electricity trading mechanism
 - A coordinated regional approach for the allocation of interconnector capacity
 - A streamlined regional approach for the real-time balancing arrangements
 - It is important to note that similar considerations are in the centre of discussions in the rest of EU
- All these issues will be discussed in the Mini Forum

Monitoring the Process ...

- Institutions according to the ECSEE Treaty:
 - **Ministerial Council:**
 - Policy guidelines, Measures delegating specific tasks to the PHLG, ECRB and Secretariat
 - **Permanent High Level Group (PHLG) Tasks:**
 - Support the work of Ministerial Council
 - Take Measures when empowered by the MC
 - Take Procedural Acts
 - **Regulatory Board (ECRB) Tasks:**
 - Advise the MC and the PHLG on the details of statutory, technical and regulatory rules;
 - Take Measures, if so empowered by the MC;
 - Issue recommendations on cross-border disputes;
 - Take Procedural Acts
 - **Secretariat Tasks**
 - Overall administrative support, monitoring implementation and report;
 - Coordinate Donors' activities with the EC
- *“The European Commission shall act as a coordinator...”* for the activities under the Treaty

South East Electricity Market Monitoring ...

- We are all eager for the outcome of this workshop
- Conclusions will be announced to the forthcoming Mini Forum
- I am Confident that Regulatory Authorities of the SEE region are ready to contribute, among others, to the monitoring process

I wish to all of us a very fruitful and successful workshop...

Thank you for your attention