

The SEE Regional Energy Market a blueprint for SEE and EU integration

G.E.Koutzoukos, PhD
Chairman, ADMIE SA



INSTITUTE OF ENERGY
FOR SOUTH EAST EUROPE

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

Thessaloniki, 30 & 31 May, 2012



The Context for the REM

- The Energy Community Treaty (EnCT), while limited in scope to energy matters, represents a significant systemic development for EU policy in South East Europe.
- Being multilateral between the EU and all the Western Balkans, equally at the same time, it overcomes the delays, the fragmentation and the non-harmonised approach, which characterise the development of bilateral relations between the EU and 3rd countries.
- It involves legally binding compliance of all Contracting Parties with the EU acquis in the energy sector, following in a way the model of the European Economic Area.



SEE RDAM

- **RDAM model: “Price Market Coupling”, as for the EU Target Model**
- **Regional Action Plan for Market Integration**
 - *Staged implementation of the SEE RDAM, to start with a number of core jurisdictions, additional possibility for more than one RMC initiatives, to merge within a predefined deadline. Final objective to couple with EU DAM not later than 2015 (?)*
 - *Parallel development of the Regional and local DAM's (to allow for time to overcome local barriers for market development)-*
 - *Flexible solutions for local DAM's (local vs. regional power exchange)*
 - *Integration with neighbouring regions/markets*
- **Ongoing Regional activities: market coupling Romania-Hungary-Czech Rep.-Slovakia**



Prerequisites for the RDAM

- The Parties to focus on the quick adoption of the necessary reforms
- Implement the EU acquis “in theory” and “in practice” including strong enforcement of its rules
- *“The drive to create a SEE REM cannot be met in the absence of a developed and modern electricity network that would allow the integration of small national markets” (ECS Annual Report, Sept. 2011)*



The SEE electricity grid

- The transmission grid of the ENTSO-SEE Region is a rather sparse network with predominant power flows in specific power directions (E to W and N to S), dictated by the power balances and market prices
- Thermal generation has the largest share (high portion of lignite fired capacity), followed by hydros, while there is slow penetration of RES, with the exception of Greece
- Regional network sparsity leads to considerable inter-dependency
 - i.e. x-border exchanges between two systems significantly influence power flows in the rest of the network
- Transit flows along the predominant directions create congestion, especially for countries close to the main exporters and importers of the region (e.g. for Slovenia, Serbia and FYR Macedonia)



The SEE electricity grid, II

- The main drivers for system evolution are:
 - Foster market integration for the medium and long term (*in particular along predominant power flow directions*)
 - Accommodate new generation capacity including from RES, (*due to the high proportion of coal-fired generation the region is sensitive to CO₂ prices*)
 - Enhance SoS in certain areas of the Region
 - Extend and further reinforce the synchronous zone to the East, *also with the view to increase transfer capability towards west Europe (the region as an East - West power corridor)*



The SEE electricity grid, III

The regional approach

- The high level principles for efficient regional grid development
 - Remove infrastructure constraints that impact not only the Region but also the EU's SoS
 - *The geography of the Balkans lays the region open to movement to and from three continents*
 - Build an attractive infrastructure investment environment
 - Develop a coordinated investment strategy giving emphasis on regional criteria for infrastructure development



Interconnection projects under development/planned

- New Interconnections, that shall deliver regional trading opportunities, reserve capacity sharing, enable RES development
 - Albania- FYR Macedonia, 400 kV, (Elbasan-Bitola),
 - Serbia-Romania, 400kV,(Pancevo-Resita),
 - Bulgaria-Greece, 400kV, (Maritsa Est-)
 - Romania- Moldova-Ukraine, (400kV and 330 kV (Suceava-balti-Novodnestic), conditional on ENTSO-e entry of Moldova and Ukraine



Capacity Calculation

<p>To revise and enhance the SEE Regional common grid model for different timeframes</p>	<p>Target date Q2 2012 (q4 2011)</p>	<p>Yearly common grid model</p> <ul style="list-style-type: none">• The reference winter and summer grid model created on ENTSOE-RGCE-SG-NMFT are applied for all calculation in SEE region• EMS is appointed as TSO-coordinator for the yearly common grid model for 2013 (yearly rotation) <p>Monthly common grid model</p> <ul style="list-style-type: none">• The procedure for providing the common regional monthly model was set-up, with the main activities:<ul style="list-style-type: none">• Sending BCE(Base Case Exchange) by TSOs• Harmonization BCEs by TSO-coordinator• Sending models by each TSOs• Merging the models by TSO-coordinator• The function of TSO -coordinator will be performed by one SEE TSOs on the rotation basis <p>Daily common grid model</p> <p>Written procedure for further implementation of daily regional model</p>
<p>To harmonize methodology and procedures for NTC/ATC calculation for different timeframes</p>	<p>Target date Q2 2012 (Q4 2011)</p>	<p>The creation of the written document, which will describe methodology and procedures for NTC/ATC calculation for different time-frame is in the preparation phase</p>



AΔMHE

Forward market

<p>Coordinated bilateral explicit auctions implemented on all borders within the SEE region</p>	<p>(Q1 2012)</p>	<p>Yearly</p> <ul style="list-style-type: none"> • On all borders set up split bilateral, except for HU-RS, HU-RO, BG-RO, BG-GR, HU-HR, HR-SL, SL-IT, SL-AT, AT-HU, AT-IT, IT-GR, where there are joint explicit auctions • For 2013 joint explicit auctions foreseen also for RO-RS,BG-FYROM, BG-RS,RS-FYROM,RS-ME, while there are ongoing negotiations also for RS-AL,RS-BA,RS-HR, and AL-ME <p>Monthly</p> <ul style="list-style-type: none"> • On all borders set up split bilateral, except for HU-RS, HU-RO, BG-RO, BG-GR, HU-HR, HR-SL, SL-IT, SL-AT, AT-HU, AT-IT, IT-GR with joint explicit auctions • For Q3 2012 joint explicit auctions foreseen also for RO-RS,BG-FYROM, BG-RS,RS-FYROM, while there are ongoing negotiations also for RS-AL,RS-ME,RS-BA,RS-HR, and BA-HR
<p>Day-ahead market</p>		<p>Daily(DAM)</p> <ul style="list-style-type: none"> • HR-BA, BA-ME, ME-AL,AL-GR (both direction), ME-RS,AL-RS,BG-MK,GR-MK (one direction)-split explicit auction • HU-RS, HU-RO, BG-RO, BG-GR, HU-HR, HR-SL, , SL-AT, AT-HU, AT-IT, IT-GR -joint explicit auctions • SL-IT implicit auctions • For Q3 2012 joint explicit auctions foreseen also for RO-RS,BG-FYROM, BG-RS,RS-FYROM, while there are ongoing negotiations¹⁰ also for RS-AL,RS-ME,RS-BA,RS-HR, and BA-HR



Intraday Market

● Intraday in SEE -2012

- Auctions: RO-HU, RO-BG
- FCFS : RS all borders except with RO / HR all borders except with HU / ME, BA and SL all borders,

● Intraday Q3, 2012

- Auctions also for RO-RS, SL-IT, AT-IT



IV. Conclusions



- The WMO Study provides a detailed and flexible proposal for the Region
- Final decisions to be made soon :
 - High level agreement on the design is expected by the end of 2011
 - Implementation expected to begin in 2012
- Will SEE meet the challenge or stay as a separate zone in the EU Electricity Market?



Concluding

Responding to the question, and as a closing statement, allow me to quote **Traian Stoianovich**, a renowned historian born in the Balkans, teaching world history in American and French universities, for more than half a century.

In the introduction to his magisterial work *“Balkan Worlds: The First and Last Europe”*, a book commented by the reviewers as *firing the mind while it engages the heart*, Professor Stoianovich wrote:

“This book depicts the Balkans as an integral part of the first Europe. Their exclusion from the new Europe and the organisation of the new Europe on the basis of money and power rather than culture may result, in fact, in the suicide of Europe itself.”



ADMHE

Thank you for your patience

g.koutzoukos@admie.gr