

Montenegro's role in the electricity market integration of the South East Europe (SEE) Region



6TH SE EUROPE ENERGY DIALOGUE

SESSION II B) POWER SECTOR PROJECTS AND INVESTMENT
OPPORTUNITIES

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Aleksandar Mijušković
CRNOGORSKI ELEKTROPRENOSNI
SISTEM AD – CGES

aleksandar.mijuskovic@cges.me

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- The new undersea Montenegro-Italy interconnection
- The project of the Coordinated Auction Office (CAO) for the interconnection capacity allocation in the South East Europe (SEE) Region
- Conclusions

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The new undersea Montenegro-Italy interconnection

Technical data

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Commissioning and entry into operation expected by **2015**



Length of interconnection link:

approximately **415 km**, of which

- 390 km of undersea cable
- 25 km of underground cable (in particular, 10 km in Montenegro and 15 km in Italy)

Landing points

- Montenegro: area located at Tivat/Kotor municipalities
- Italy: area located at Pescara municipality

HVDC 500 kV cable in bipolar configuration
2x500 MW with metallic return

1000 MW transfer capacity, possible operation both in import and export direction

The new undersea Montenegro-Italy interconnection Activities

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2011

TERNA participation in CGES's share capital as minority shareholder, with the State of Montenegro keeping the position of majority shareholder

2009-2013

Authorization path

- Italy: formally started (Dec. 2009) and concluded
- Montenegro: underway (Detailed Spatial Plan published in September 2011)

2015

Construction by CGES of the infrastructures related to the investment project, estimated CAPEX about 100 M€

Construction by TERNA of the new undersea interconnection Montenegro – Italy, estimated CAPEX about 760 M€

The new undersea Montenegro-Italy interconnection

Benefits of the project

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- Connect Italy and SEE region, triggering **favorable conditions for foreign investments** in the region with opportunities of exporting energy surplus
- **Support the creation of a SEE regional market** as defined in the perimeter of the 8th EU Congestion Management region
- Increase safety and efficiency of **power system supply** as well as transmission **system security in** Montenegro and regional power systems

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CAO in the SEE Region

Introduction

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- Coordinated Auction Office (CAO) in the South East Europe (SEE) Region
- **Single point** for the allocation of interconnection capacity in the Region
- **Common rules** and procedures

CAO in the SEE Region

Legal framework

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Legal background

Legal obligation under the Energy Community Treaty

Regulation (EC) 1228/2003 requiring TSOs to establish CAM and CMP in a regionally coordinated way (Art 3(2) Regulation Annex)



Goals (regional approach)

Single point of contact, increasing efficiency for traders

CAO as a pre-requisite for market integration

Signal for investors → starting point for further regional cooperation

CAO in the SEE Region

Rationale and benefits

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Setting up a SEE CAO is following the **legal requirements** of the **Energy Community Treaty** in the most efficient way



Therefore 9 SEE TSOs/ISOs agreed to establish a SEE CAO

- location supported by the MC: Montenegro
- allocating a cross-border transmission capacity on behalf of the TSO/ISO

Also Turkey expressed its interest in joining th PT Company



First step – June 2012

Foundation of a Limited Liability Project Team Company (PTC d.o.o) in charge of establishing a SEE-CAO

CAO in the SEE Region

PTC for SEE CAO Limited Liability Company

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FACT SHEET

Project Team Company in charge of establishing a Coordinated Auction Office in South East Europe

- The Company shall be founded for an initial period of one year starting from the day of the Company's registration;
- Founders: SEE TSOs (9);
- The initial formation capital of the Company: € 1.00;
- Stakes are equally divided between Founders;
- The Company's seat is in Podgorica, Montenegro;
- Total company budget: ~1.2 mil. EUR

SEE TSOs

CGES; ELES;
HTSO; HEP-OPS;
KOSTT; MEPSO;
NOSBiH; OST;
Transelectrica

PTC for
SEE CAO
LLC

International Financing
Institutions

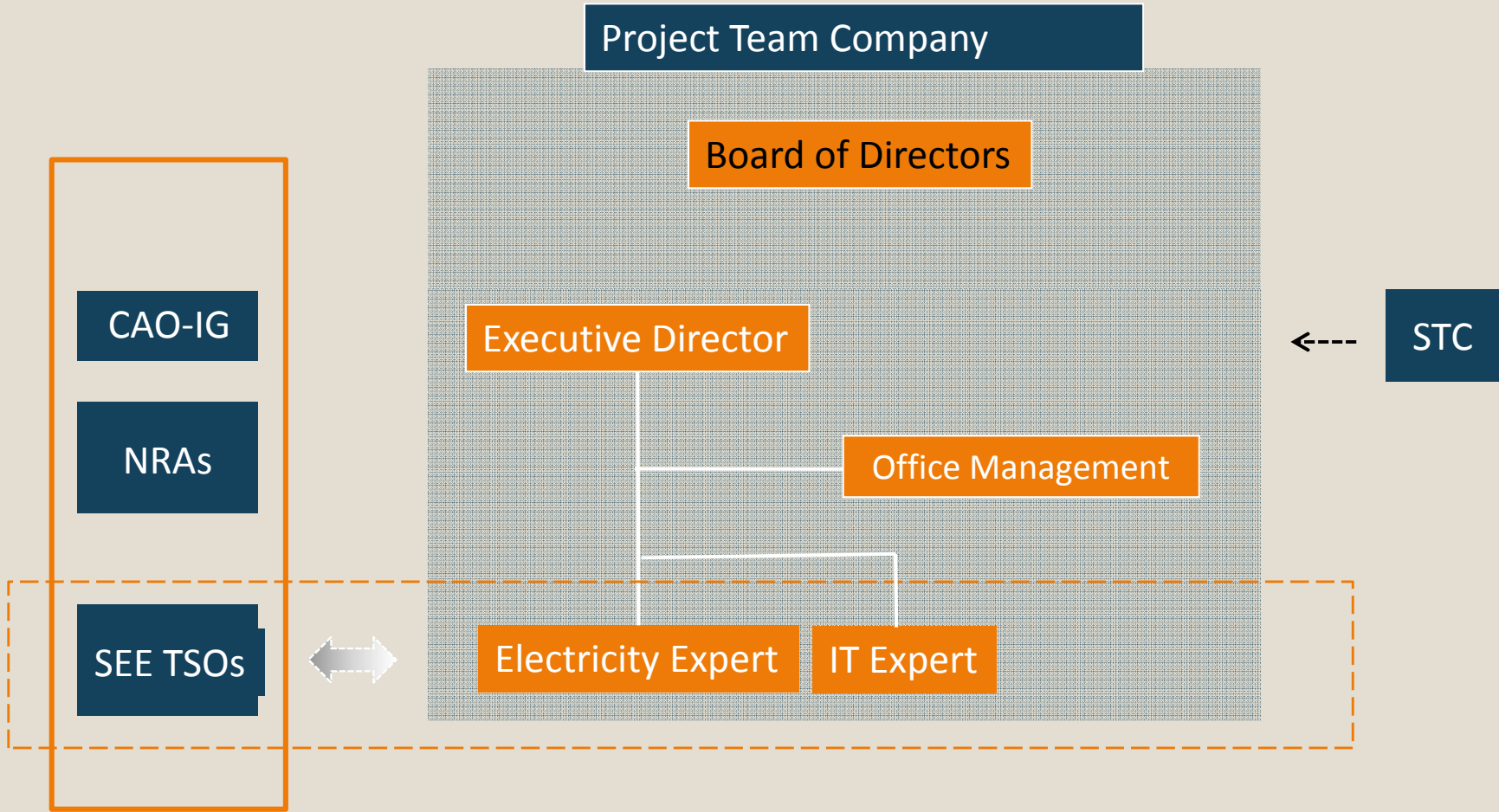
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USAID

EBRD

CAO in the SEE Region

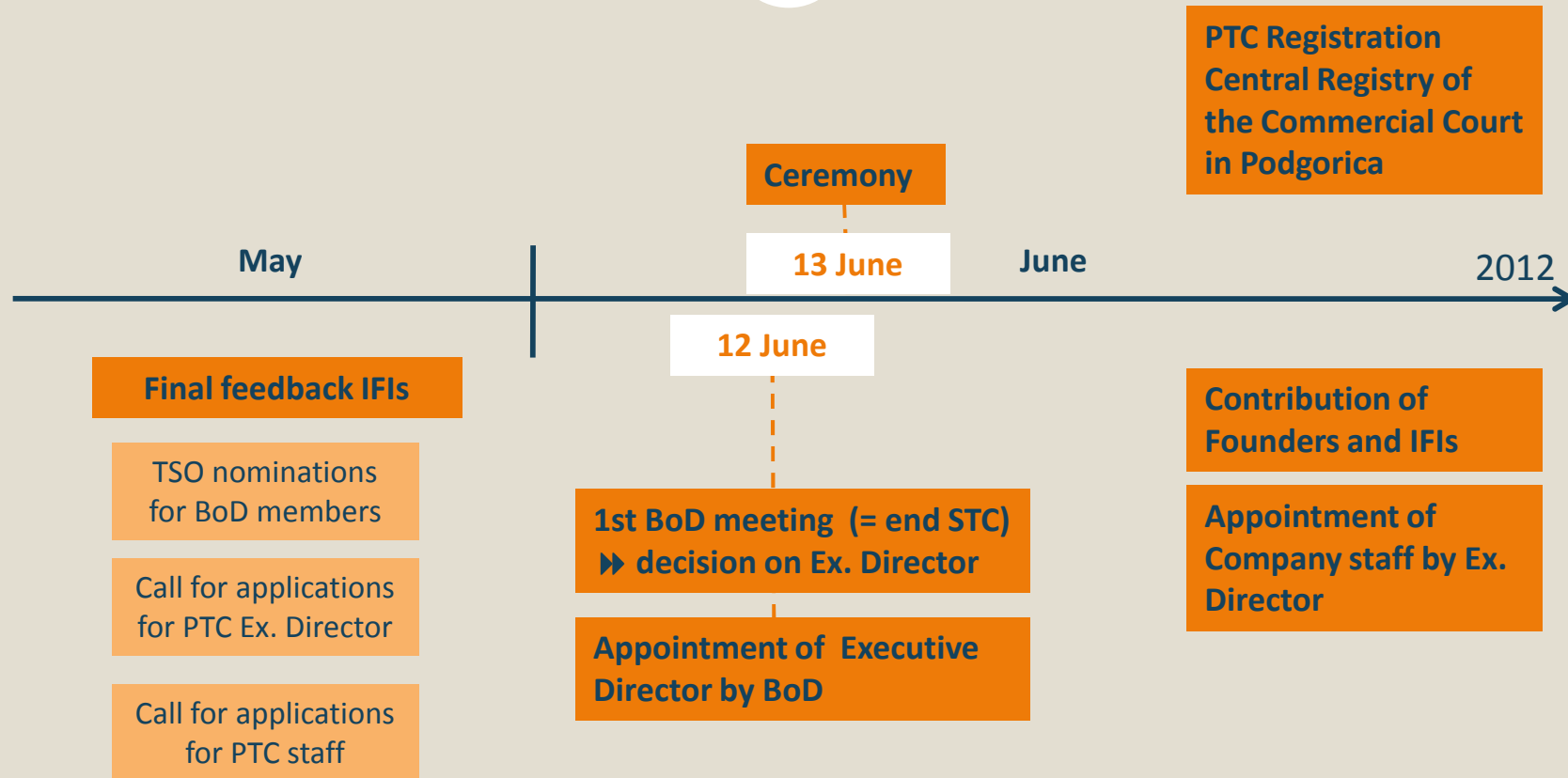
Project Team Company



CAO in the SEE Region

Project Team Company

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Conclusions

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- Integration of the SEE Region into the EU energy market, by means of a direct electricity connection
- Montenegrin transmission grid acting as a platform for electricity exchanges between Italy, EU and the SEE Region
- SEE CAO located in Montenegro, expected to provide an efficient and stable ground for regional electricity trading

Starting point for further development of the electricity market in the region



Thank you

Aleksandar Mijušković

Department Director

CRNOGORSKI ELEKTROPRENOSNI SISTEM

AD - CGES

Bul. Sv. Petra Cetinjskog 18, 81 000 Podgorica,
Montenegro

tel: + 382 20 407 614

fax: + 382 20 241 616

e-mail: aleksandar.mijuskovic@cgcs.me