

Opening Up the Western Balkans Energy Market  
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European Federation of Energy Traders



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European Federation  
of Energy Traders (EFET)



- **Short introduction to the EFET world**
- **Why do we need an electricity market?**
- **Market development state in SEE**
- **Issues and EFET's proposed solutions**
- **Why (regional) PX?**

European Federation  
of Energy Traders (EFET)



- Represents 115 energy trading companies, operating in 20 countries
- Regional EFET groups for Germany, Italy, France, Switzerland, Iberia and CEE/SEE
- For some markets, co-operation with national traders associations TOE (PL), EDT (TR)
- Main activities include:
  - Improvement of Industry Regulation and Advocacy on Wholesale Energy Market Design
  - EFET Standards = Market Standards for Energy Trading
  - Promoting legal and IT standards

# WHY DO WE NEED AN ELECTRICITY MARKET?

- **Competition increase in:**
  - power production
  - wholesale
  - supply
- **Increase of business efficiency in the sector**
- **Increase of quality and security of supply**
- **Decrease of costs**
- **Transparent market electricity prices**
- **Infrastructural projects according to the rules of the open market**
- **Sustainable development of the energy sector**
- **Improvement in environmental protection and energy efficiency**

- **Functional market:**
  - **Surplus of production capacity (competition)**
  - **Well-connected HV transmission system**

- **Regional cooperation for market development (Energy Community)**
- **Acceptance of EU legislation**
- **CBTC auctions:**
  - **Market allocation**
  - **Marginal price**
  - **Participation fees cancelled**
- **Activities in establishing joint auctions**
- **Plans for establishment of power exchanges**
- **Plans for market coupling**

- **Small systems – small national markets**
- **Significant market power concentration (small % of produced power traded under freely negotiated prices)**
- **Even stronger common regional commitment and coordination**
- **Standardization and harmonization of rules, procedures, deadlines, software (1 platform/1 trading system/simple entry rules)**



**Regional electricity market**

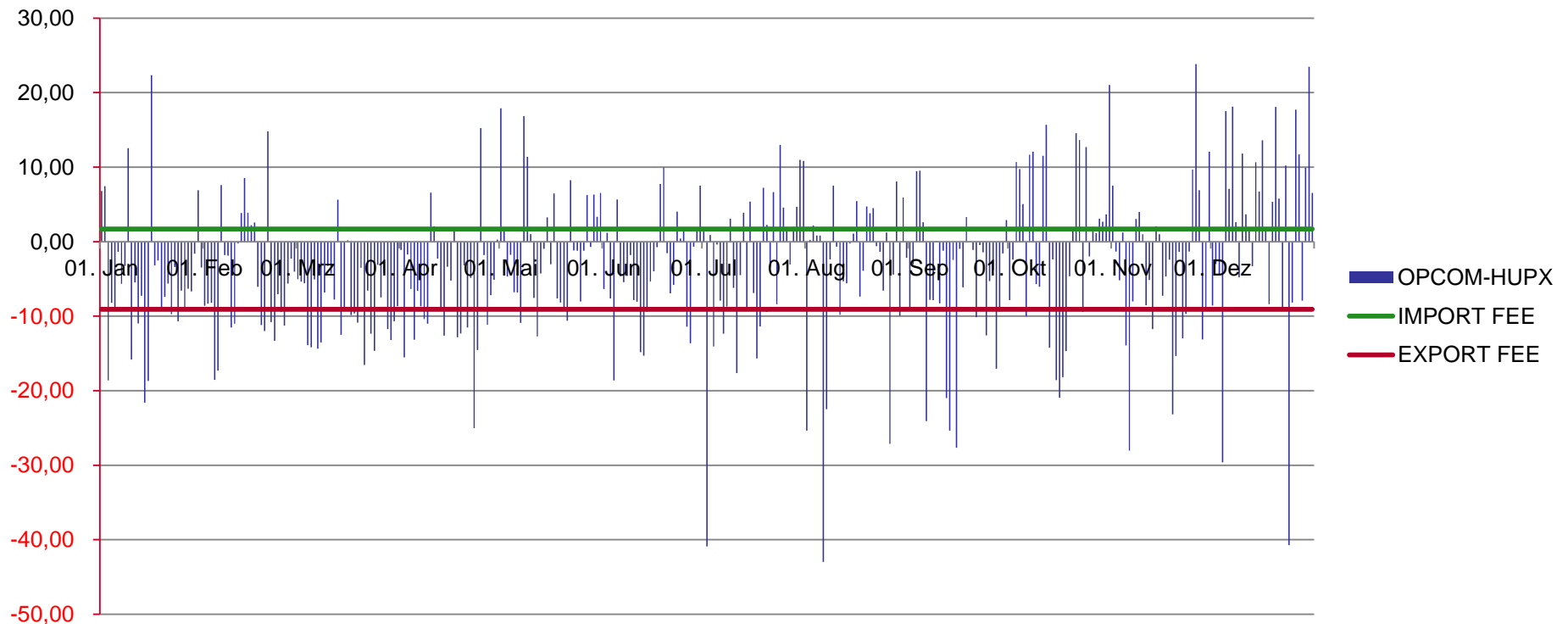


- Import/export fees (fees paid to TSO for the flows IN/OUT of the country)

	BG	GR	RO	BiH
Import Fee EUR/MWh	/	~ 1,5-2	1,69-2,35	/
Export Fee EUR/MWh	11,7	~ 10,00	8,54-9,09	4,67

# Example: Hungarian – Romanian border

- **Spot prices comparison for 2011 (OPCOM vs. HUPX)**
  - **169 days blocked due to fees, even more with CBTC prices**
  - **Days “with positive result”: unpredictable and risky**



- Import/export fees (fees paid to TSO for the flows IN/OUT of the country)
- Splits the supply curve into domestic and import/export parts
- Distorts the spread and the value of NTC/ATC
- Wrong investment signals
- Prevents optimal generation dispatch
- Uncertainty and risk to market participants
- Prevents market coupling and regional market
- **Cancellation of all fees which could distort the wholesale market**

- Allocation rules and procedures
- Reduction of cross-border capacity
- 1:1 partnership/nomination
- Joint auctions on all borders, market coupling, CAO
- Auction and scheduling procedures (marginal price without limitation of number of bids, netting, bidirectional 1:X nomination (M:N))
- Day-ahead (and intraday) auctions
- Full compensation of costs (market spread) to market participants in case of reduction of cross-border capacity

- **Market participants lack:**
  - **Market information on prices and volumes, tender results**
  - **Fundamental information about availability of plants, maintenance, cross-border capacities and demand forecast**
- **Information to market participants and transparency**
  - ➔ **Ability to explain prices, forecasting**

- **Balancing market**
- **Balancing mechanism based on market-connected price**
- **Establishing of intraday market**
- **Cross-border intraday allocation**
  
- **Formal communication and submission of documents only in local language**
- **Communication also in English**

- Licensing in every country
- Only licensed parties can sign the contract with the TSO
- Barrier to entry the market for the companies legally established in EU member states or countries of the Energy Community
- Local company means: higher costs, extra work, local book keeping (tax and accounting), legal advisors, statements, statistics and reports for customs and national agencies, etc.
- **Abolishment of the licensing requirement**

# Issues and EFET's Proposed Solutions

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- Wholesale reference price
- Diversity of products
- Market liquidity
- **Power exchange(s) (PX)**



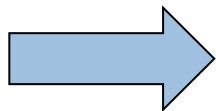
## WHY (REGIONAL) PX?

- **Electricity trade in an organized systematic way**
- **Transparency of public data/procedures**
- **Indiscriminative approach towards all market participants**
  
- **Secures competition**
- **Enhances market liquidity**
- **Security of energy and financial transactions**
  
- **Increases market transparency and gives strong momentum for market liberalization**
- **Fast, simple, efficient, secure and organized market access to all market participants, from any location or time-zone**

# PX(s) in SEE

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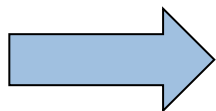
- **Market coupling vs. market splitting**
- **Implicit day-ahead auctions**
- **Liquidity concentration, 1 fixing per day**
- **Decreased business risk of the industry and trading**



**Variety of market products (profiles)**

**Financial settlement**

**Liquidity of the market**



**Market confidence**

# Thanks for your attention

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