

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

OPENING UP THE WEST BALKANS ENERGY MARKET

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CONTENTS

- 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

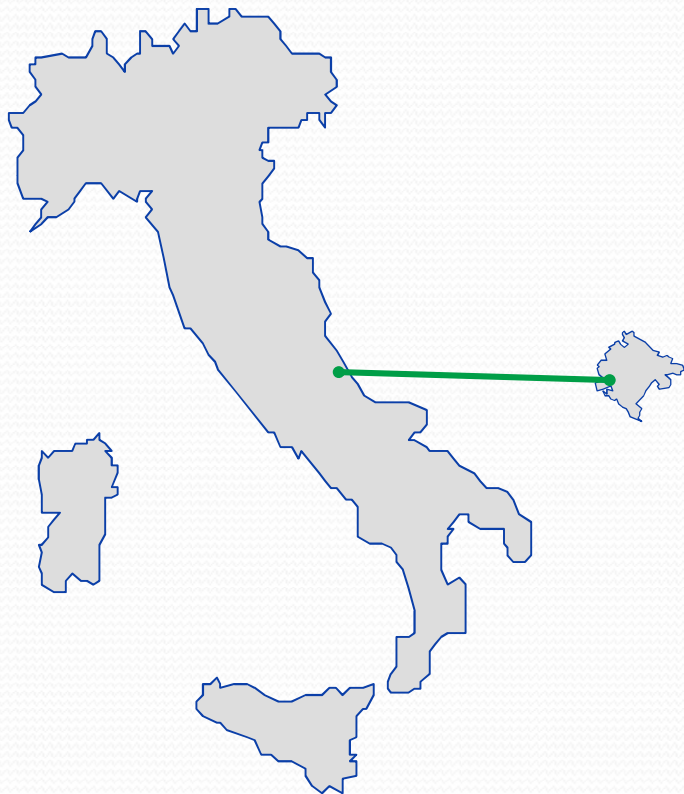
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The new undersea Montenegro-Italy interconnection

Technical data

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

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 100M€

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

The new undersea Montenegro-Italy interconnection

Rationale of the project

1. Provide at the same time for the **exploitation of SEE generation potential (including renewables) to the advantage of countries economy** in the SEE region and opportunities by EU countries to respect targets on emissions
2. Direct link between Italy and the Montenegrin network, well meshed and placed in a strategic position to act as a **platform for electricity exchanges between SEE region and the EU**

The new undersea Montenegro-Italy interconnection

Benefits of the project

- 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

- 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

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

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

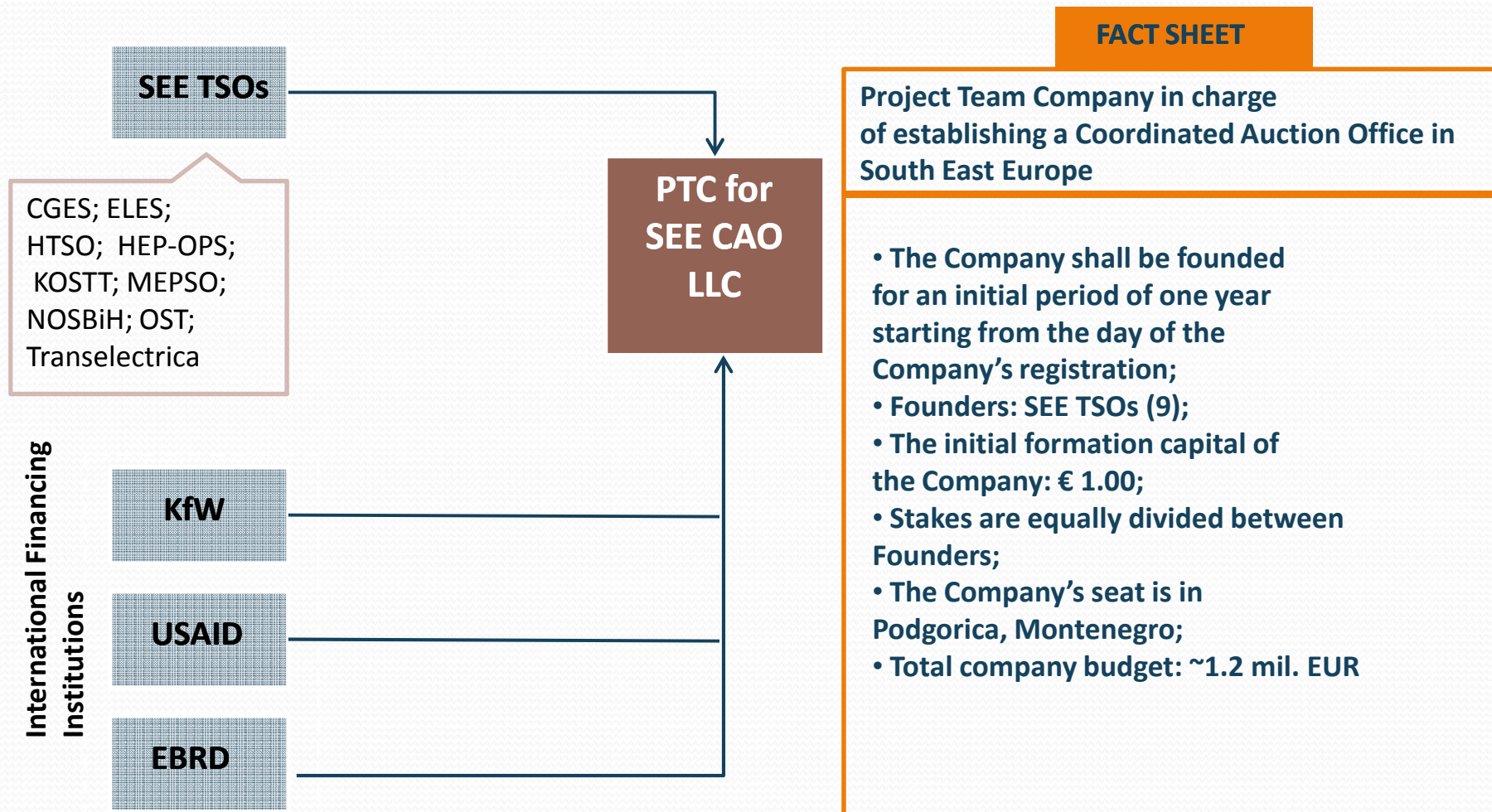


First step

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

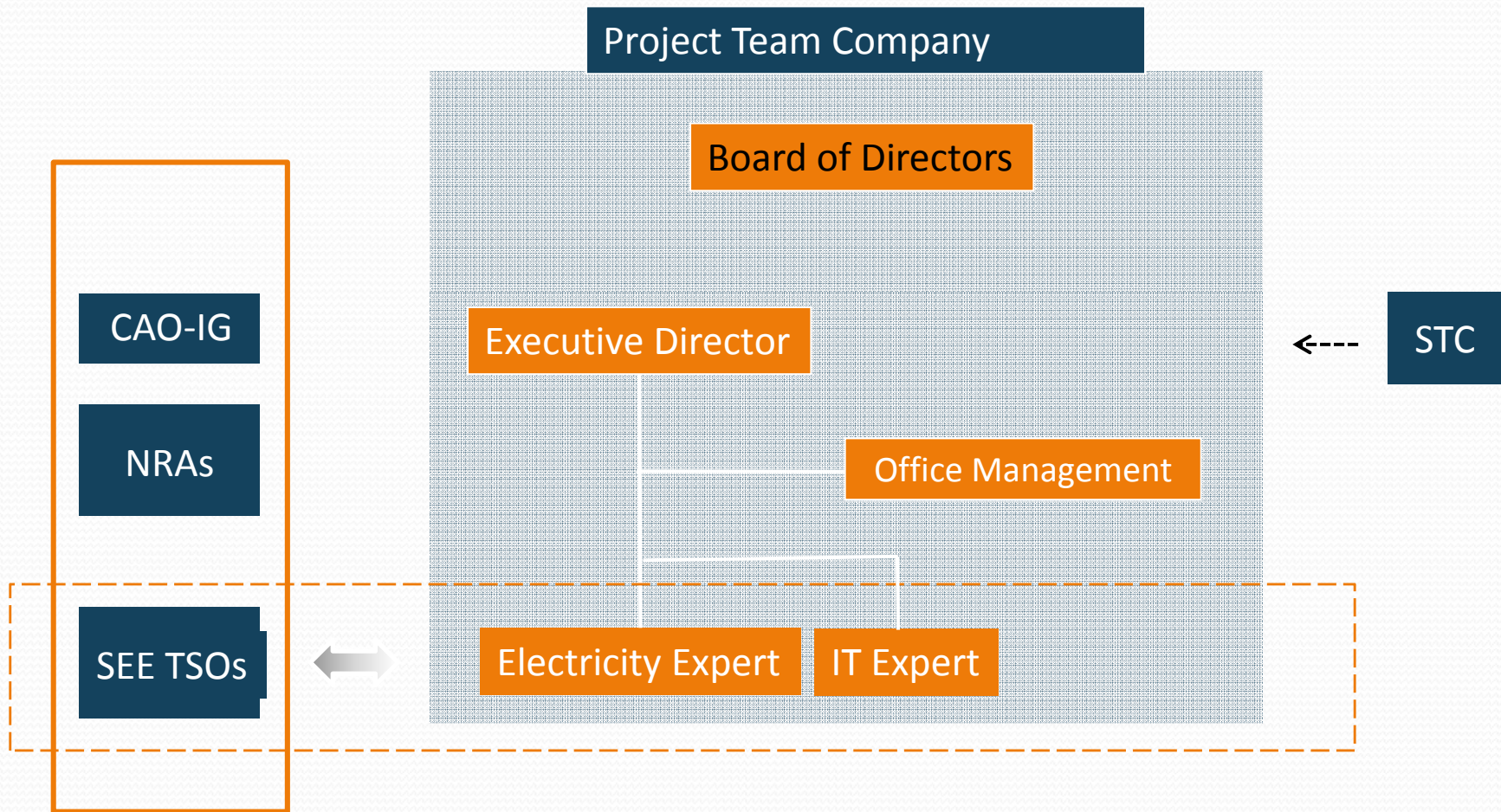
CAO in the SEE Region

PTC for SEE CAO Limited Liability Company



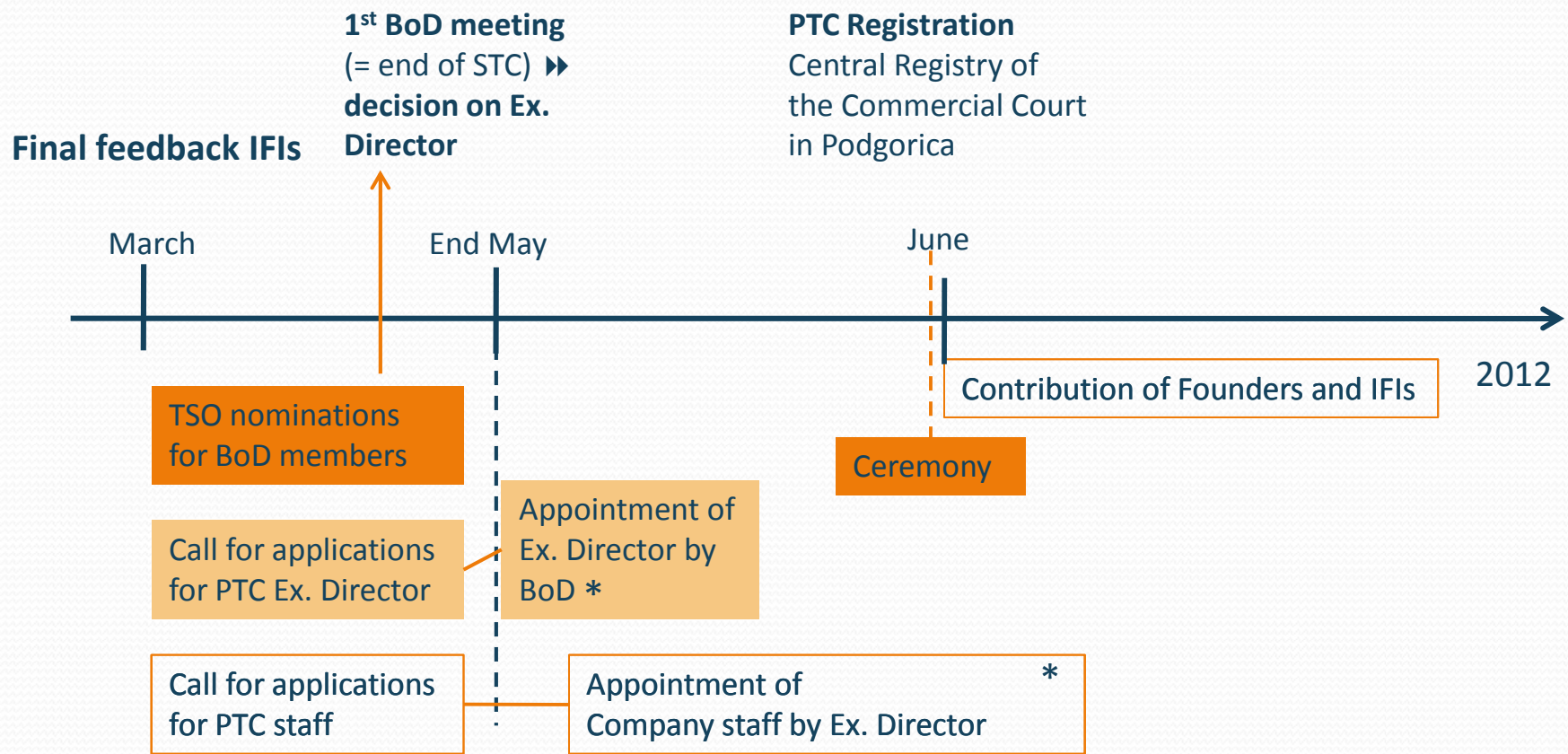
CAO in the SEE Region

Project Team Company



CAO in the SEE Region

Project Team Company



* pre-selection / recommendation by STC for decision of BoD / Ex. Director

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Conclusions

- 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

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