
SEE Regional Wholesale Market Design *Recommendations, Available Options and Implementation*

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Presentation Overview



- I. Background
- II. SEE Wholesale Market Opening Study
- III. Recommendations
- IV. Conclusions

I. Background

- Energy Community Treaty (2005)
 - Scope: development of Regional Energy Market
 - Signed so far by 11 Parties
 - Initially focused on South East Europe, but has been expanded to non-EU countries.
 - Serves as the “Eighth Region” in the context of the Electricity Regional Initiative.

II. SEE WMO Study

- Performed to assist Energy Community Regulatory Board (ECRB) in:
 - Selecting an appropriate regional market model
 - Developing an Implementation Action Plan
- Funded by World Bank
- Finalized in July 2010
- Drafted in close cooperation with ECRB EWG and the Contracting Parties

II. SEE WMO Study

- Proposal very close to current market coupling arrangements of Western Europe
- Study Proposals:
 1. Structural Reforms
 2. Market Related Reforms
 3. Establishment of RDAM
 4. Staged Implementation

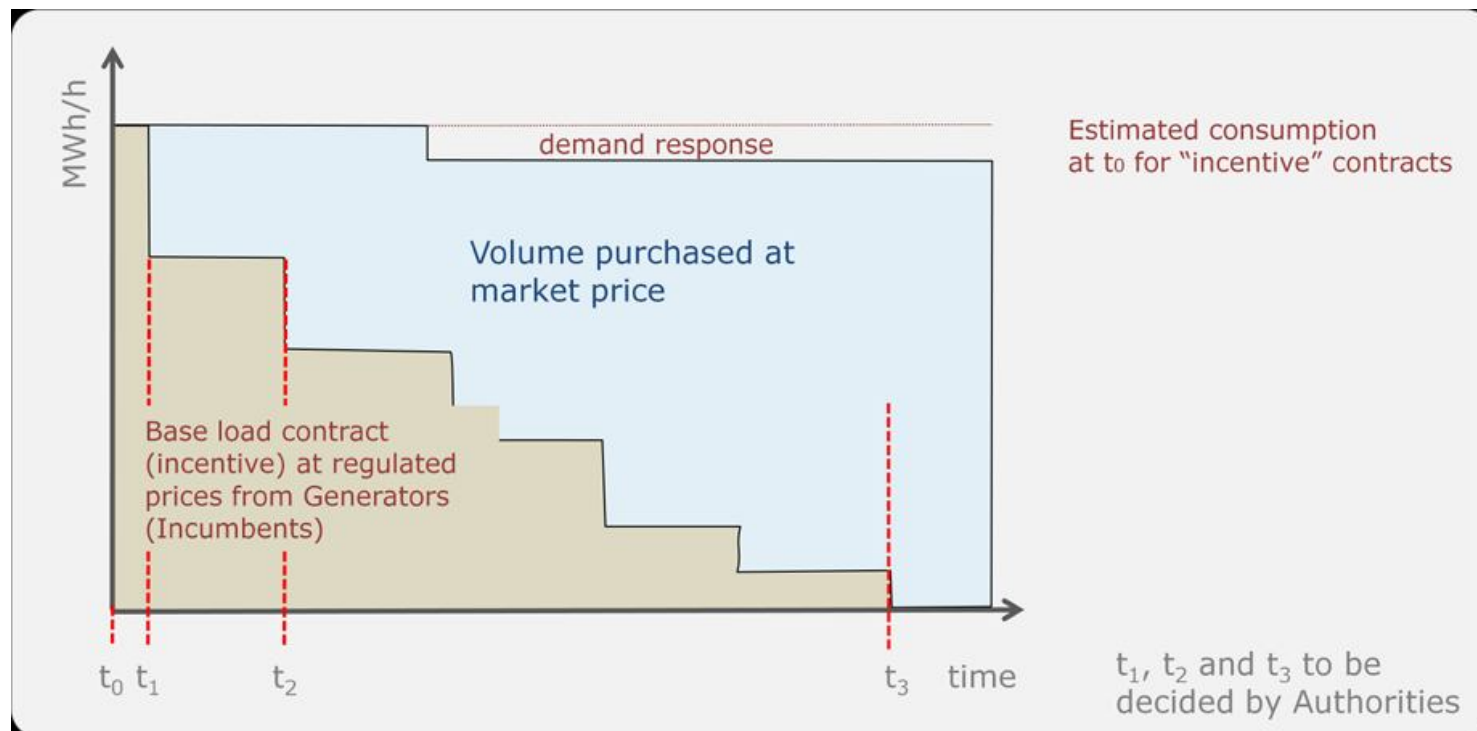
II. SEE WMO Study

1. Structural Reforms

- TSO unbundling.
- Customer Eligibility to conclude contracts for the supply of electrical energy with producers and suppliers.
- Abolition of full supply contracts between (public) suppliers and generators.
- Reduction of Market Concentration.

II. SEE WMO Study

1. Structural Reforms – Phasing out of Full Supply Contracts



II. SEE WMO Study

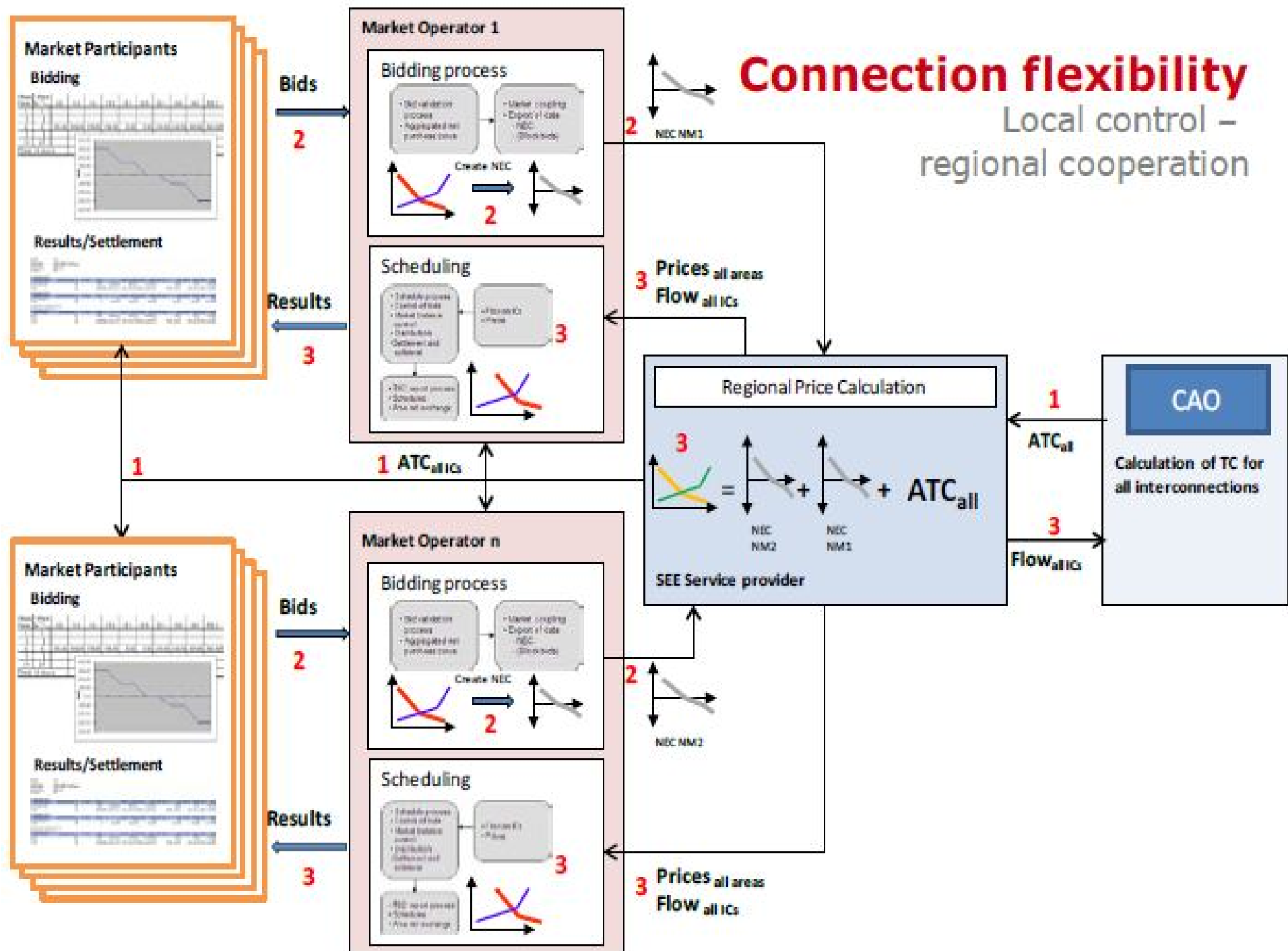
2. Market Related Reforms

- Establishment of a single mechanism for the allocation of transmission capacity on interconnectors for cross-border trade.
- Introduction of Balance Responsibility and establishment of a Balancing Market/Mechanism.
- Transparency and Market Monitoring.

II. SEE WMO Study

3. Establishment of RDAM

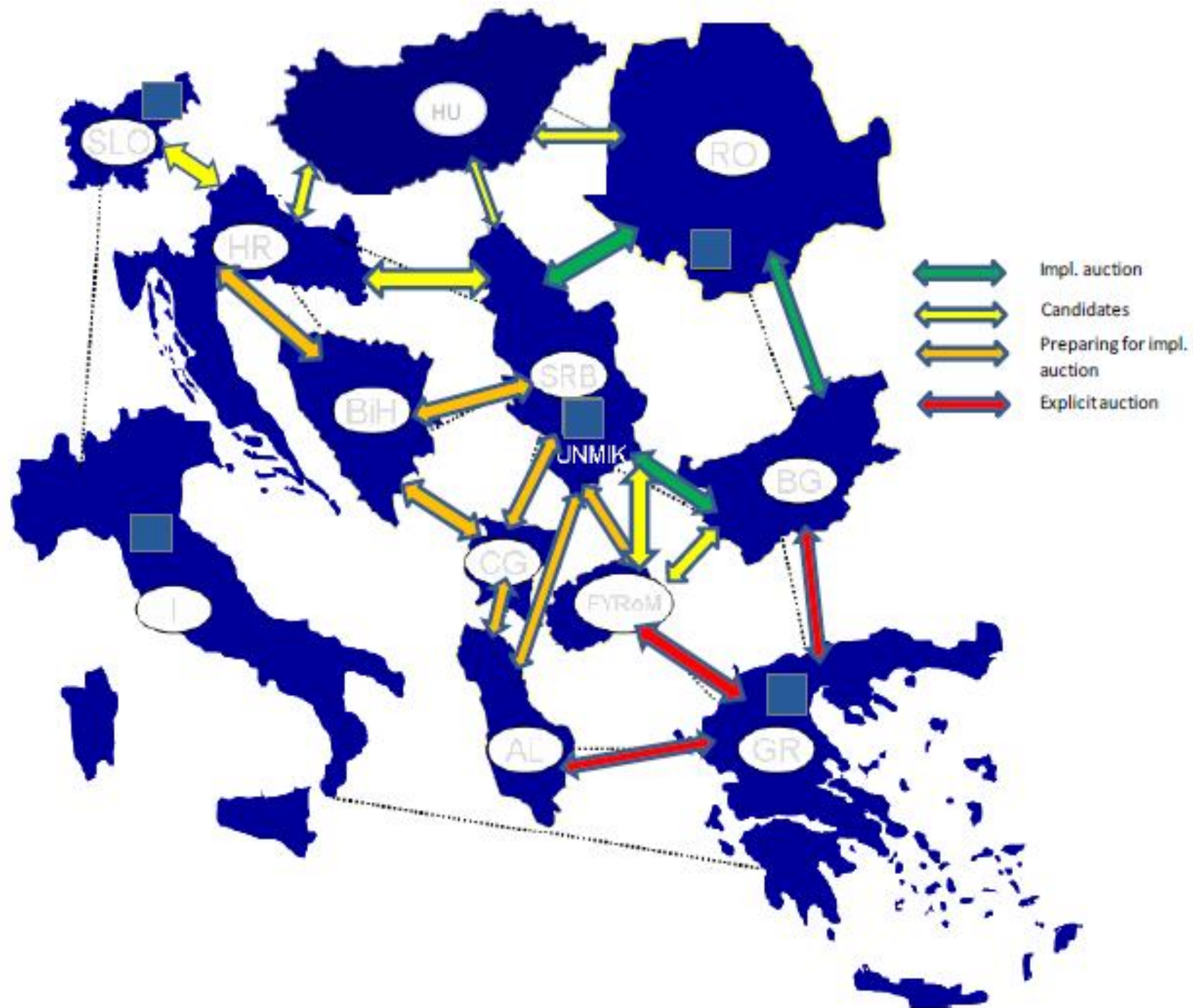
- Coexistence of the RDAM with bilateral trading and a physical forward market.
- RDAM as the result of local DAMs linked together through the implicit auctioning of cross border capacity.
- All cross border capacity will be dedicated to the RDAM, in order to increase liquidity.
- All losses will be purchased from the RDAM, also to increase liquidity.
- Incentives for the participation of demand in the DAM.



II. SEE WMO Study

4. Staged Implementation

- First a “core” of participating national markets should be built, coupled through implicit auctioning of cross–border capacities
- Any (neighboring) Party or group of Parties fulfills the preconditions should be able to integrate with the core.
- Completion by January 1st 2015, inline with Treaty’s goal for full market liberalization.



III. Recommendations

- Enhancing the Study's Proposals:
 1. Duration of the Transition Period
 2. Pro-Competitive Measures
 3. Implementation Plan

III. Recommendations

1. Duration of the Transition Period

- Current market status of the region seems unable to support the proposed tight schedule
- Target completion date should be separated from Treaty's deadline.
- Extension of transitory period should be accompanied by:
 - More pro-competitive measures
 - Binding and Detailed Action Plans

III. Recommendations

2. Pro-Competitive Measures

- Additional to Study's Recommendations
- Aiming to attract new entrants and introduce small levels of competition before RDAM
- Decided on a national level
- Comprised of:
 - Improvements to Bilateral Trading Practices
 - Incentives for Generation Investments
 - Measures for the Reduction of Market Concentration

III. Recommendations

3. Implementation Plan

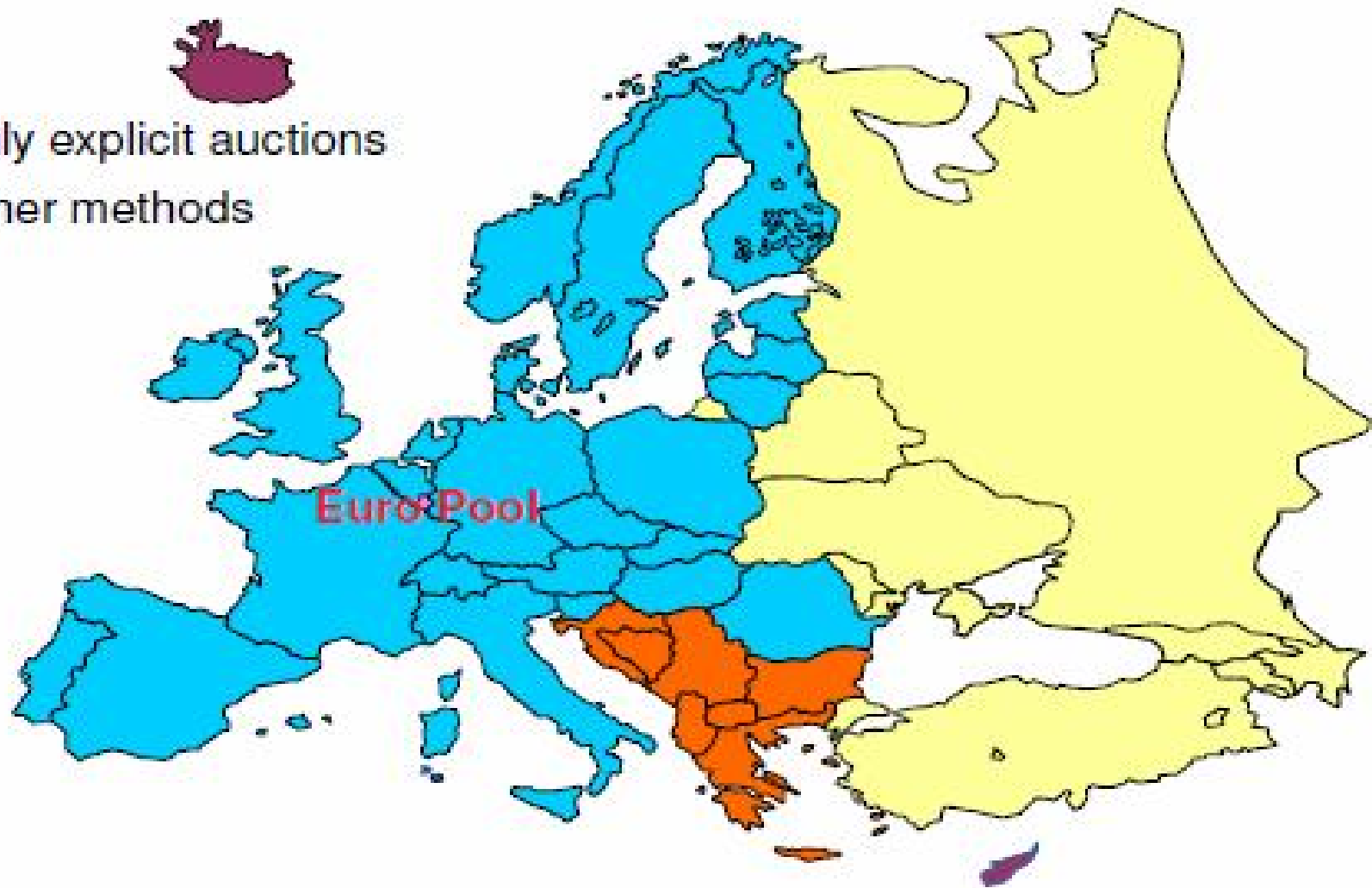
- More emphasis on transitional period and regulatory measures
- Splitting of transitory period into four phases:
 - Phase 1: Establishing Pre-requisites
 - Phase 2: Bilateral Trading
 - Phase 3: DAM Trading
 - Phase 4: RDAM Trading

IV. Conclusions

- The WMO Study provides a detailed and flexible proposal for the Region
- Ways to enhance it's recommendations are proposed
- Final decisions to be made soon :
 - High level agreement on the design is expected by the end of 2010
 - Implementation expected to begin in 2012
- Will SEE meet the challenge?

Congestion management 2015

- Implicit auctions
- Only explicit auctions
- Other methods





Thank you for your
attention!

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