

Market Inefficiencies in the Member States of the European Union (Central and Eastern Europe)

Country	Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Austria	Inefficiencies in intraday capacity allocation on the AT / CH border (capacity reservation by phone).	Transmission System Operator (TSO) (Region I TSOs)	Unnecessary administrative requirement.	Abolish such requirement. Follow the experience of CWE regarding the development of the intraday market.
	Scheduling nominations are only possible by email.	TSO (Regional TSOs)	Occasional delays in communication with TSO which lead to nomination rejections.	Abolish such requirement. Introduction of web service communication channel between TSO and balance responsible parties.
	Language barriers on public webpage.	Regulator	English language translations of the electricity market code only for chapters that are necessary to understand how the Austrian electricity market works. Full information is provided only on the German version of the homepage.	More frequent updates and translation in English of technical and organisational market rules which would cover all chapters.

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Bulgaria	Requirement for obtaining a licence.	Ministry, Regulator	Unnecessary bureaucracy. Administrative entry barrier that hinders the development of the market and liquidity. Time consuming requirement.	Abolish the requirement for a wholesale trading licence. Wholesale traders will in any case have all contractual arrangements with TSOs etc.
	Users of the Transmission System (TS) must be licence holders.	Regulator, TSO	To use TS, market participants must have a licence. TS should be available for commercial transit as well, and market participants should be allowed to participate in the auction even if they are not licensed. It also affects cross-border trade liquidity.	The requirement for obtaining a licence should be abolished, but even in the presence of such a requirement, market participants should be able to get contractual arrangements with TSOs for using the system and for participating in capacity auctions.

	Annual supervision fee based on turnover (value of sales).	Regulator	Unnecessary administrative requirement that charges market participants based on their sales transactions. Market participants should not be charged based on the transactions they make. This might create disincentives. Such fees artificially influence wholesale prices.	Fees should not be charged to wholesale traders as they have the role of resellers. Harmonisation of the funding of NRAs. Fees by each NRA should be charged on G and L of their jurisdiction, which is more predictable than the participation of traders and their purchasing and selling activities.
	Burdensome reporting requirement: Separate accounting for licence activities and financial statements	Regulator	Time consuming requirement. Uncertainty preparation of a large number of financial statements for activities in specific countries. This requires many simplified assumptions and makes the report an unreliable source.	Harmonised and simplified reporting requirements on an annual basis. All the information can be obtained by the TSO. Regulator should accept Audited Financial Statements of the companies and should not require additional financial statements for activities in specific countries. Requirement for financial statements in a single country for companies active in wholesale cross-border trading is an unfeasible exercise.

	Additional Reporting to the Financial Supervision Commission.	Financial Supervision Commission	Time consuming requirement with duplication of reporting to Energy and Financial regulators.	Better coordination between Bulgarian institutions and removing duplicated reporting obligations.
	Export fees (to be abolished as of 1 July 2019)	Regulator	Despite a substantial decrease it is still a serious obstacle to liquidity and for market coupling. A discriminatory practice - citizens of other countries will have to pay part of the feed-in tariff for renewable energy in Bulgaria.	Abolishing all fees, based on cross-border transactions, even if they are named differently (transmission, access, green, high-efficiency, etc.).
	Import fees (to be abolished as of 1 July 2019)	Regulator	Similar to export fee, it is a barrier for market integration, coupling and liquidity.	The fee is 5% of the imported volume multiplied by spot market price. It goes to a state fund for power system security and support of renewables and stranded cost. To be completely abolished.
	Lack of transparency and language barriers. Published data without explanation.	Regulator, TSO	It is difficult for market participants to follow market developments. Not sufficient information regarding market operation, demand forecast, plans for operation of generation and transmission.	Frequent updates and translation in English of the main documents. Harmonised platform for data publication and data consistency also known as power market transparency web-page. English language as an alternative possibility for formal communication. Publication of all relevant market operation

				information – historical and forecast.
	Inefficient balancing market.	Regulator, TSO	Balancing market prices do not reflect the real conditions of the power system. No incentives for market participants (mainly GenCos) to place bids and offers for balancing services.	Introducing a real balancing market with competition between balancing service providers. Considering a fair balancing mechanism, a one-price system would be a better solution.
	Market power of incumbents.	Regulator	NEK has a significant market power, combining many functions: Hydro producer; Public supplier (formal single buyer function).	Implement unbundling and efficient restructuring of the BG power sector.
	Use-it-or-lose-it principles of allocated interconnection capacity. Current rules do not foresee market-based compensation at the border with Turkey.	Regulator, TSO	The entire risk rests with market participants. No flexibility.	Use-it-or-get-paid principle should be applied for all borders. Transmission rights should be options. There is a secondary market, but there are no daily auctions at any of the borders yet.

	All electricity trades involving electricity generators having a total installed capacity in BG over 4 MW must be concluded exclusively through IBEX.	Article 100(3) BG Energy Act	Provides for monopoly platform and enables IBEX to abuse its dominant position. By preventing market participants from choosing the most appropriate platform for their electricity deals, mandatory trading on IBEX restricts freedom to decide whether to sell the purchased electricity in the territory of BG or to export that electricity to other Member States.	Change in the Energy Act to be repealed.
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Croatia	Licensing regime for wholesale trading.	Ministry, Regulator	Barrier to entry the market for the companies legally established in EU member state or Contracting Parties of the Energy Community.	No licensing requirement for wholesale trading.
	Only licensed parties can sign the contract with the TSO.		Bureaucratic and burdensome requirements for licensing and establishment of a local presence.	Even with the licensing requirement, market participants without a licence should be enabled to sign contract with the TSO at least for commercial transit.

	Annual supervision fee based on turnover (value of sales).	Regulator	Market participants are charged on the basis of their turnover. It gives the wrong signals to the market.	Abolishment of transaction based fees.
	Scheduling Fee	Market operator	Additional costs.	Abolish fees.
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Czech Republic	Requirement for obtaining a licence.	Ministry, Regulator	Situation improved by the change of Energy Act. Regulator recognizes a trading licence from other MS.	Harmonize on EU level.
	Users of the TS must be licence holders.	Regulator, TSO	To use TS, market participants must have a licence. TS should be available for commercial transit as well and market participants should be allowed to participate in the auction, even if they are not licensed. Affects liquidity in the capacity allocation process.	Even with the licensing requirement, market participants should be able to have contractual arrangements with TSOs for using the system and for participating in capacity auctions.
	Inefficiencies of the proposal for new intraday capacity allocation in CEE.	TSO (Regional TSOs)	Not attractive to foreign companies.	Follow the example of the CWE market regarding the development of the intraday market.

	For eco-tax exemption, the Czech Branch of a foreign trader is required	Czech customs office	Administrative obstacle (with potential tax risks) reducing attractiveness of the market for foreign traders	To change this administrative practice not requiring the Czech branch
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Greece	<p>The current market model represents a de facto mandatory pool or a “semi-compulsory market” as stated by the energy exchange, HENEX. Physical trading is restricted to imports and exports with no possibility of concluding physical bilateral deals within the country.</p> <p>The licensing regime creates an artificial barrier for bilateral trading in the country.</p>	Ministry for Energy and Climate, Regulator	According to the regulator, bilateral trading cannot be allowed in the country, as it requires a change in the national legislation setting out the licensing regime.	<p>As an interim measure, we suggest that RAE introduces a grace period of one year, during which all licences for market participants in Greece will be automatically renewed with a provision for bilateral trading.</p> <p>Ultimately, we call for abolition of the licensing for wholesale electricity trading in Greece.</p>

	The rulebooks provide for administratively defined DA, ID & lower and upper order prices de facto corresponding to bid limits.	Regulator	Bid order price limits constitute artificial limitations to the formation of prices and potentially limit cross-border trading.	Bid order price limits should be removed from the rulebooks.
	Capacity mechanism in parallel to the energy market.	Regulator, TSO	Non-market based and uncertain capacity mechanism, which is difficult to understand.	Introduce the relevant amendments to the current legislation (see above) in order to allow bilateral trading in the country.
	Poor design of NOME mechanism.	Regulator	Leaves room for risk-free arbitrage in the short and medium term and does not facilitate the opening of the market in the longer term.	Abolishment and redesigning of market opening.
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Hungary	Requirement for obtaining a trading licence.	Ministry, Regulator	Unnecessary bureaucracy. Administrative entry barrier that hinders the development of the market and liquidity. Time consuming requirement.	Abolish the requirement for a wholesale trading licence. Wholesale traders will in any case have all contractual arrangements with TSOs, MOs, PXs, etc.

	Requirement to have a local address for communication.	Regulator	Unnecessary administrative requirement.	Abolish such requirement. The Regulator should formally communicate with the head office as a licence holder.
	<ul style="list-style-type: none"> - Extremely burdensome reporting requirement - Five types of monthly reports (one of them to the Customs Authority) - Two semi-annual and a quarterly report Seven annual reports 	Regulator	A very time-consuming requirement. Potential market participants hesitate to enter markets with unnecessary administrative requirements. More than three parties in the market are reporting the same data. Uncertainty over the preparation of financial statements for activities in specific countries. Requires many assumptions and makes the report an unreliable source.	Harmonised and simplified reporting requirements on an annual basis. All the information can be obtained by the TSO and the PX. The regulator should accept Audited Financial Statements of the companies and should not require additional financial statements for activities in specific countries. A requirement for financial statement in a single country for companies active in wholesale cross-border trade is an unfeasible exercise.
	Annual supervision fee based on turnover (value of sales).	Regulator	Unnecessary administrative requirement that charges market participants based on their sales transactions. Market participants should not be charged based on the transaction they make. This creates disincentives. Such fees influence artificially wholesale prices.	Fees should not be charged to wholesale traders as they have the role of resellers. Harmonisation of the funding of NRAs. Fees by each NRA should be charged on G and L of their jurisdiction, which is more predictable than the participation of traders and their purchasing and selling activities.
	Users of the TS must be licence holders.	Regulator, TSO	In order to use TS, market participants must have a licence. TS should be available for commercial	The requirement for a licence should be abolished, but even in the presence of such a requirement, market participants

			transit as well and market participants should be allowed to participate in the auction even if they are not licensed. Affects liquidity in the capacity allocation process.	should be able to have contractual arrangements with TSOs for using the system and participating in capacity auctions.
	Absence of balancing market (spot day-ahead recently established).	TSO	Non-transparent imbalance costs, uncertainty on the market. Risk of suspension of market participants in case of imbalance.	Establish a transparent balancing mechanism with a market-based price formation.
	Lack of transparency and language barriers. Published data have no content explanation.	Regulator, TSO	Market participants find it difficult to follow the changes in legislation and codes. Not sufficient information regarding the market operation description.	Frequent updates and translation in English of the main documents governing the market. Harmonised platform for data publication and data consistency.
	Lack of firmness of allocated transmission capacity.	TSO	The entire risk is with market participants.	More firm capacity should be available and TSOs should be able to buy back capacity.
	The right of MAVIR to exclude market participants from a balancing circle after 2 imbalances within 6 months.	TSO	This rule poses disproportionately high operational risks for physical power traders.	If sanctions are needed, financial compensation should be the solution.

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Poland	Requirement for obtaining a licence.	Ministry, Regulator	Unnecessary bureaucracy. Administrative entry barrier that hinders development of market and liquidity. Time consuming requirement.	Abolish the requirement for wholesale trading licence. Wholesale traders will in any case have all contractual arrangements with TSOs, PXs, etc.
	Burdensome reporting requirement: Monthly reports Quarterly reports Annual reports and other regular reports	Ministry, Regulator	Time consuming requirement. Market participants avoid markets with unnecessary administrative requirements. This affects liquidity in the market.	Harmonised and simplified reporting requirements on an annual basis. All the information can be obtained by the TSO, SSO and the PX.
	Volatility of regulations covering power and gas markets	Ministry	Tracking the changes of the law is extremely time-consuming. Market participants avoid markets with unclear law requirements. This affects liquidity in the market and enhancing the consolidation of the market.	Harmonised and simplified law, longer consultation periods for draft documents

	Non-market measures disrupting the freedom of price formation	Ministry	Attempts to freeze the end-customer prices at levels observed the year before, applying to all (existing and new) contracts (both at the Exchange and OTC). Wholesale price in many instances will be higher than the price offered to retail end-customers.	Abandoning the plan to interfere with end-customer prices, regulated price can only refer to the vulnerable customer under the existing law. If the consumers are to be protected from the growing power prices, the State should resort only to reducing the fiscal burdens it imposes on them so as not to interfere with the market's ability to balance the supply and demand.
	Annual supervision fee based on turnover (value of sales).	Regulator	Unnecessary administrative requirement that charges market participants based on their sales transactions. Market participants should not be charged based on the transaction that they make. This might create disincentives. Such fees influence artificially wholesale prices.	Fees should not be charged to wholesale traders as they have the role of resellers. Harmonise the funding of NRAs. Fees by each NRA should be charged on G and L of their jurisdiction, which is more predictable than the participation of traders and their purchasing and selling activities.

	Users of the TS must be licence holders.	Regulator, TSO	In order to use TS, market participants must have a licence. TS should be available for commercial transit as well and market participants should be allowed to participate in the auction even if they are not licensed. Affects liquidity in the capacity allocation process.	We have argued above that the requirement for a licence should be abolished, but even in the presence of such a requirement market participant should be able to have contractual arrangements with TSOs for using the system and participating in capacity auctions.
	<p>Requirements for membership in the Polish power exchanges: Permission from Polish Financial Supervisory Authority (PSFA) High fees</p> <p>Unclear PX status under MiFID II.</p> <p>Lack of transparency and language barriers</p>	PSFA; PX; Warsaw Commodity Clearing House (WCCH); Ministry	<p>Time consuming requirement.</p> <p>Withholding liquidity, as for companies without a presence in Poland, it is difficult to fulfil such requirements.</p> <p>Market participants find it difficult to influence the development of the market.</p> <p>High membership and trading-related fees at the WCCH, hindering smaller players from entering the market. Lack of relevant legislation preventing PX from applying for an Organised Trading Facility (OTF) status.</p> <p>Insufficient information regarding the market operation and legislative</p>	Abolishing PFSA approval requirements. Harmonised platform for data publication and data consistency. Adjusting the fees structure allowing broader market access. Implementing the EU regulations allowing PX to settle its status under MiFID II. Frequent updates and translation in English of the main documents governing the market.

			changes, especially in English.	
	Withholding interconnection capacity (TSO reserves)	TSO	No or little capacity on the Polish interconnections.	Capacity should be offered to the market on non-discriminatory basis.
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Romania	Government interference in NRA powers (setting secondary legislation)	Government	Government interference into NRA powers by defining key aspects of secondary legislation (especially when through government emergency ordinances and by-passing of public consultation) represents a significant regulatory risk with consequent disincentives for market participation, and significant detrimental impact on market liquidity, functioning and stability.	Secondary legislation should be left to NRA within framework of public consultations, as prescribed by law, without such government interference.

	Annual supervision fee based on turnover.	Regulator	An unnecessary administrative requirement that charges market participants based on their transactions. Market participants should not be charged based on the transaction they make. This might create disincentives. Such fees influence artificially wholesale prices.	Fees should not be charged to wholesale traders as they have the role of resellers. Harmonize the funding of NRAs. Fees by each NRA should be charged on G and L of their jurisdiction, which is more predictable than the participation of traders and their purchasing and selling activities.
	Users of the TS must be licence holders.	Regulator, TSO	In order to use TS, market participants must have a licence. TS should be available for commercial transit as well and market participants should be allowed to participate in the auction even if they are not licensed. Affects liquidity in the capacity allocation process.	The requirement for a licence should be abolished, but even in the presence of such a requirement market participants should be able to have contractual arrangements with the TSO for using the system and participating in capacity auctions.
	One market operator.	Parliament: Electricity and Gas Law No. 123/2012, Regulator	Market design does not enable forward transactions on other platforms than OPCOM and thus limits hedging. OTC brokers banned.	Change of the market design.

	Language barriers.	OPCOM, Regulator	Insufficient information in English. Difficult for foreign market participants to follow publications.	Translation of the main documents governing the market into English.
	Burdensome reporting requirement, incl. monthly wholesale market monitoring reports.	Regulator	Multiple time-consuming requirements with little to no added value (e.g. export contracts, multiple versions of schedules, ...): most of the information is transmitted by economic operators to ACER as a result of the REMIT requirements.	Regulator should have direct access to information on the ACER platform.
	Occasionally, late publication of generation unit outages.	TSO	Lack of timestamp on TSO transparency platform and late publication of outages.	Introduction of timestamp.
	Ban of free bilateral negotiated contracts	Parliament: Electricity and Gas Law No. 123/2012, Regulator	Market design does not enable bilateral transactions outside OPCOM and is thus blocking non-standard physical/financial products (e.g. options)	Change of the market design.

	Ban of flexible products	Parliament: Electricity and Gas Law No. 123/2012, Regulator	Current market design is blocking flexible products to be traded.	Change of the market design by establishing secondary regulation for non-standard products.
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Slovakia	Requirement for obtaining a supply licence.	Ministry Regulator	Situation improved by the change of the Energy Act. Regulator recognizes a trading licence from other MS.	Harmonize on EU level.
	Lack of transparency and language barriers.	Regulator TSO	Insufficient information regarding the market operation description.	Frequent updates and translation in English of the main documents governing the market. Harmonised platform for data publication and data consistency. English should also be considered as a formal language for communication.
	Users of the TS must be licence holders.	Regulator TSO	In order to use TS, market participants must have a licence. TS should be available for commercial transit as well and market participants should be allowed to participate in the auction even if they are not licensed. Affects liquidity in the capacity allocation process.	The licence should be abolished, but even in the presence of such a requirement market participants should be able to have contractual arrangements with the TSO for using the system and participating in capacity auctions.

	Reporting requirement: Quarterly reports, annual reports - separate accounting for licence activities and financial statements.	Ministry Regulator	Time consuming requirement. Uncertainty over the preparation of financial statements for activities in specific countries.	Harmonised and simplified reporting requirements on an annual basis. All the information can be obtained by the TSO and the PX. The regulator should accept Audited Financial Statements of the companies and should not require additional financial statements for activities in specific countries.
	Requirement of all energy licence holders to declare its ultimate beneficiary in the Register of Public Sector Partners	Ministry of Justice	Administrative obstacle with impact on privacy of the respective individuals (disclosing their personal data) reducing attractiveness of the market for foreign traders	To limit this obligation only for companies, which are in a contractual relationship with Public Sector companies
	End consumer price regulation.	Regulator	Impact on Liquidity	Retail market opening.
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Slovenia	Close Contract Reporting Fee (0,05 €/MWh).	Borzen	Each closed contract must be reported and fees must be paid.	Abolishment of fees.