

Market Inefficiencies in the Contracting Parties of the Energy Community (South-Eastern Europe)

Country	Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Albania	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 Energy Community.	Abolish such requirement.
	Requirement for a local establishment (taxable presence).	Ministry Regulator	Bureaucratic, burdensome and costly requirements. Barrier to entry the market for the companies legally established in EU member state or Contracting Parties of Energy Community.	Abolish the requirement of a local establishment.
	Only licensed parties can sign the contract with the Transmission System Operator (TSO).	Regulator TSO	Bureaucratic and burdensome requirements for licensing and establishment of a local presence.	Market participants without a licence should be enabled to sign a contract with the TSO at least for commercial transit.

	<p>Transparency Discrimination Language barriers</p>	<p>Regulator TSO</p>	<p>Market participants lack the market information on prices, availability of plants, cross-border capacities, demand forecast, real-time data, historic information etc. No information on the use of congestion rent. Formal communication and submission of documents in local language.</p>	<p>Establish a transparent market with the wholesale price reference. Facilitate access for foreign companies → liquidity.</p>
	<p>Absence of short-term market. Transitory balancing mechanism.</p>	<p>Regulator TSO</p>	<p>No short-term liquidity and no efficiency. Non-transparent balancing costs.</p>	<p>Development of short-term market and transparent balancing mechanism with market-based prices.</p>
	<p>No wholesale reference price.</p>	<p>Regulator TSO</p>	<p>No efficient allocation of resources. Causes flows in the opposite direction with the congestion.</p>	<p>Publication of wholesale prices and development of centralised trading.</p>

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Bosnia and Herzegovina	Licensing regime for wholesale trading requiring two licences.	Ministry Regulators (DERK + FERK or REERS)	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 or much simplified process, were local branch is not required to be established.
	Requirement for a local establishment (taxable presence).	Ministry Regulators	Bureaucratic, burdensome and costly requirements. Barrier to entry the market for the companies legally established in EU member state or countries of the Energy Community.	Abolish the requirement of a local establishment.
	Only licensed parties can sign the contract with the TSO (ISO+TO).	NOS BiH and Elektroprenos BiH	Bureaucratic and burdensome requirements for licensing and establishment of a local presence.	Market participants without a licence should be enabled to sign contract with the TSO at least for commercial transit.
	High annual transaction-based licence fee.	Regulators (DERK, FERK, REERS)	Market participants are charged on the basis of their turnover. It gives the wrong signals to the market. If market participants traded more volume with the lower spread, even though contributed to liquidity are charged more.	Abolish transaction-based fees.

	<p>Transparency Discrimination Language barriers</p>	<p>Regulator TSO</p>	<p>Market participants lack the market information on prices, availability of plants, etc. Complexity due to non-harmonised rule and procedure, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local language.</p>	<p>Establish a transparent market with the wholesale price reference. Facilitate access for foreign companies → liquidity. Publication of information in a summarised form to help market participants. *ENTSOE transparency platform</p>
	<p>Absence of short term market.</p>	<p>Regulator TSO</p>	<p>No short-term liquidity and no efficiency.</p>	<p>Development of short-term market and transition to transparent balancing mechanism with market-based prices.</p>
	<p>No wholesale reference price.</p>	<p>Regulator TSO</p>	<p>No efficient allocation of resources. Causes flows in the opposite direction with the congestion.</p>	<p>Publication of wholesale prices and development of centralised trading.</p>

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Kosovo	No clear division between trading (wholesale) and supply activities (single licence for both activities).	Ministry Regulator	Uncertainty and ambiguity to access the market.	Trading activities should be exempt from any kind of licensing requirements.
	Transaction based licence fee.	Regulator	Market participants are charged on the basis of their turnover. It gives the wrong signals to the market. If market participants traded more volume with the lower spread, even though contributed to liquidity are charged more.	Abolishment of transaction-based fees.
	If market participants want to trade in Kosovo, have access to cross-border capacities and transmission network.	Ministry Regulator	Uncertainty to the market. Directly affects liquidity and prices.	Abolishment of this requirement.

	Only licensed parties can sign the contract with the TSO.	Regulator	Bureaucratic and burdensome requirements for licensing.	Market participants without a licence should be enabled to sign contract with the TSO at least for commercial transit.
	Transparency.	Regulator TSO	Market participants lack the market information on prices, availability of plants demand forecast, real-time data, - Complexity due to non-harmonised rules and procedures, price formation.	Establish a transparent market with the wholesale price reference. Publication of information in a summarised form to help market participants.
	Uncertainty in allocation process. Capacity is allocated in Serbia but is controlled by the Kosovo TSO. Therefore, market participants licensed in Kosovo may face legal repercussions for using cross-border interconnection without an agreement with the Kosovo TSO. The same repercussions can apply on the Serbian side as well.	TSO	Uncertainty is affecting liquidity.	Starting with coordinated capacity allocation as soon as possible. D-1 and intraday capacity allocation process should be developed.

	No coordinated cross-border capacity allocation and lack of an auction process. No D-1 and intra-day capacity allocation.			
	Absence of short-term market and balancing mechanism.	TSO	No short-term liquidity and no efficiency.	Development of short-term market and transparent market based balancing mechanism. Possibility for intra-day nomination.
	No wholesale reference price	TSO Regulator	No efficient allocation of resources. Causes flows in the opposite direction with the congestion.	Publication of wholesale prices and development of centralised trading.
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Macedonia	Licensing regime for wholesale trading.	Ministry, Regulator	Barrier to entry the market for the companies legally established in EU member state or countries of Energy Community.	Abolish this requirement.

	Requirement for a local establishment (taxable presence).	Ministry Regulator	Bureaucratic and burdensome requirements. Barrier to entry the market for the companies legally established in EU member state or countries of Energy Community.	Abolish this requirement.
	Only licensed parties can sign the contract with the TSO.-	Regulator	Bureaucratic and burdensome requirement.	Market participants without a local licence should be enabled to sign contract with the TSO. -
	Total turnover percentage-based licence fee.	Regulator	Market participants are charged based on their turnover. It gives the wrong signals to the market. If market participants traded more volume with the lower spread, even though contributed to liquidity are charged more.	Abolishment of transaction-based fees.

	Transparency Discrimination Language barriers	Regulator TSO	Market participants lack the market information on prices and availability of plants. Complexity due to non-harmonised rules and procedures, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local language.	Need for regular bilingual public announcements of short-term and long-term historical data, as well as projections related to: real-time energy balance (supply vs. demand), electricity generation capacities information, about-planned unavailability and/or outages, electricity prices (wholesale/retail).
	No intra-day (except intra-day on SER-MK) capacity allocation.	Regulator TSO	Limited possibilities for cross-border trade. No liquidity. Limited possibilities for short term optimisation.	Intraday capacity allocation process should be developed on all borders.
	Absence of the short-term market.	Regulator TSO	No short-term liquidity and no efficiency.	Development of short-term market. Possibility for intra-day nomination.
	No wholesale reference price.	Regulator TSO	No efficient allocation of resources. Causes flows in the opposite direction with the congestion.	Publication of wholesale prices and development of centralised trading.

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Montenegro	Transparency Discrimination Language barriers	Regulator TSO	Market participants lack the market information on prices, availability of plants, historic information etc. Complexity due to non-harmonised rules and procedures, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local language.	Establish a transparent market with the wholesale price reference. Publication of information in a summarised form to help market participants.
	Still missing coordinated cross-border capacity allocation on MN-RS border.	Regulator TSO	Poor liquidity.	Starting with coordinated capacity allocation as soon as possible on MN-RS border.
	Total turnover percentage-based licence and market operator fee.	Regulator	Market participants are charged based on their turnover. This gives wrong signals to the market. If market participants trade more volume with a lower spread, they are charged more.	Abolishment of transaction-based fees.

	Absence of short-term market.	Regulator TSO	No short-term liquidity and no efficiency.	Development of short-term market and transparent balancing mechanism with market based prices.
	No wholesale reference price.	Regulator TSO	No efficient allocation of resources. Causes flows in the opposite direction with the congestion.	Publication of wholesale prices and development of centralised trading.
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Serbia	Licensing regime for wholesale trading.	Ministry Regulator	Registration/licensing is needed for the companies legally established in EU member state or countries of Energy Community.	No licensing requirement for wholesale trading.
	Only licensed parties can sign the contract with the TSO, but it is only needed for RS-MN and RS-AL border.	Ministry Regulator	Bureaucratic and burdensome requirements for licensing.	Market participants without a local licence should be enabled to sign contract with the TSO for RS-MN and RS-AL borders.

	Contradictory rules over trading in Kosovo.	Ministry Regulator	Double licencing for trading.	Abolish licensing requirement.
	Transparency Discrimination	Regulator TSO	Market participants lack the market information on availability of plants and real- time data. No information on the use of congestion rent.	Publication of information in a summarised form.
	Still missing coordinated cross- border capacity allocation on RS- MN and RS-AL border). Intra- day not available on - RS-BG.	TSO		Starting with coordinated capacity allocation as soon as possible on MN and AL borders and intraday capacity allocation process should be settled for BG border.