

Market Inefficiencies in the Member States of the European Union

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).	TSO (Regional 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	Not sufficient information in English regarding technical and organisational market rules.	More frequent updates and translation in English of technical and organisational market rules.

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Bulgaria	Requirement for obtaining a license.	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 license. Wholesale traders will in any case have all contractual arrangements with TSOs etc.
	Users of the TS must be license holders.	Regulator, TSO	In order to use TS, market participants must have a license. 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 license 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 license activities and financial statements	Regulator	Time consuming requirement. Uncertainty preparation of a large number of financial statements for activities in specific countries. 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	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 fee	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.
	Absence of intra-day trading.	Regulator, TSO	No market flexibility. No short-term liquidity.	Establishment of intra-day trading platforms. Launching of intraday capacity allocation auctions.

	Market power of incumbents.	Regulator	NEK has a significant market power, combining many functions: -Owner of HV grid; - Hydro producer; - Public supplier (formal single buyer function); - Trader; ESO (BG TSO) is still 100% subsidiary of NEK.	Implement unbundling and efficient restructuring of the BG power sector.
	Co-existence of regulated and liberalised market segments.	Regulator	Mandatory quota system and non-market based prices for captive customers distort the market environment and fair competition.	Complete removal of the quota system and full liberalisation of the power and gas markets.
	Repeated electricity export bans.	Ministry of Energy	Ban of electricity export due to extreme weather conditions. This has happened repeatedly in previous years and has impacted Bulgarian and regional markets. This has had a significant negative effect on energy companies in the whole SEE region.	Such drastic measures to be used only in real “force-majeure” conditions. To allow the market to react on the conditions and send right signals to market participants (volumes and prices). To compensate all market participants for the direct and indirect losses.
	Use-it-or-lose-it principles of allocated interconnection capacity. Current rules do not foresee market-based compensation at the borders with Serbia and 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.

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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 license 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 license.	Ministry, Regulator	Situation improved by the change of Energy Act. Regulator recognizes a trading license from other MS.	Harmonize on EU level.
	Users of the TS must be license holders.	Regulator, TSO	In order to use TS, market participants must have a license. 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.

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Greece	Trading License		Unnecessary bureaucracy	Abolish the wholesale trading license.
	Inappropriate wholesale market design. Capacity mechanism in parallel to the energy market.	Regulator, TSO	Non-market based and uncertain capacity mechanism, which is difficult to understand.	Develop the energy market on a bilateral basis and allow room for PXs.
Country	Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market The entire risk rests with market participants. No flexibility.	Proposed Solution of EFET
Hungary	Requirement for obtaining a trading license.	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 license. 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 license holder.

	<p>Extremely burdensome reporting requirement</p> <ul style="list-style-type: none"> - Five types of monthly reports (one of them to the Customs Authority) - Two semi-annual and a quarterly report - Seven annual reports 	Regulator	<p>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.</p>	<p>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.</p>
	<p>Annual supervision fee based on turnover (value of sales).</p>	Regulator	<p>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.</p>	<p>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.</p>

	Users of the TS must be license holders.	Regulator, TSO	In order to use TS, market participants must have a license. 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 license should be abolished, but even in the presence of such a requirement market participants 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 license.	Ministry, Regulator	Unnecessary bureaucracy. Administrative entry barrier that hinders development of market and liquidity. Time consuming requirement.	Abolish the requirement for wholesale trading license. Wholesale traders will in any case have all contractual arrangements with TSOs, MOs, PXs, etc.
	Burdensome reporting requirement: - Monthly reports - Annual reports	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 and the PX.

	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 license holders.	Regulator, TSO	In order to use TS, market participants must have a license. 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 license should be abolished, but even in the presence of such a requirement market participants 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>	<p>PSFA; PX; Warsaw Commodity Clearing House (WCCH); Ministry</p>	<p>Time consuming requirement. Withholding liquidity, as for companies without a presence in Poland, it is difficult to fulfil such requirements. Market participants find it difficult to influence the development of the market. 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. Insufficient information regarding the market operation and legislative changes, especially in English.</p>	<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.</p>
	<p>Withholding interconnection capacity (TSO reserves)</p>	<p>TSO</p>	<p>No or little capacity on the Polish interconnections.</p>	<p>Capacity should be offered to the market on non-discriminatory basis.</p>

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Romania	Annual supervision fee based on turnover (value of sales).	Regulator	An 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 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 license holders.	Regulator, TSO	In order to use TS, market participants must have a license. 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 license 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	Market design does not enable forward transactions on other platforms than OPCOM and thus hedging. OTC brokers banned.	Change of the market design.
	Language barriers.	OPCOM	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: monthly wholesale market monitoring reports.	Regulator	Time consuming requirement: 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.
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Slovakia	Requirement for obtaining a supply license.	Ministry Regulator	Situation improved by the change of the Energy Act. Regulator recognizes a trading license 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 license holders.	Regulator TSO	In order to use TS, market participants must have a license. 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 license 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 license 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.

	Inefficiencies of the proposal for new intraday capacity allocation in CEE.	TSO (Regional TSOs)	Not attractive to foreign companies.	Follow the experiences of CWE regarding the development of the intraday market.
	End consumer price regulation.	Regulator	Impact on Liquidity	Retail market opening.
Country	Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Slovenia	Close Contract Reporting Fee (0,05 €/MWh).	Borzen	Each closed contract must be reported and fees must be paid.	Abolish fees.