

MARKET INEFFICIENCIES IN THE CONTRACTING PARTIES OF THE ENERGY COMMUNITY (SOUTH-EASTERN EUROPE)

October 2020

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ALBANIA

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Requirement for a local establishment (taxable presence).	Ministry of Energy and Ministry of Finance	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 requirement for a local establishment (taxable presence).
Lack of transparency and language barriers.	Regulator, TSO	Market participants lack the market information on prices, availability of plants, cross- border capacities, demand forecast, real-time data and historic information. 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. Facilitate access for foreign companies →improve liquidity
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.
Absence of short-term market. Transitory balancing mechanism.	Regulator, TSO	No short-term liquidity and no efficiency. Non-transparent balancing costs.	Development of short-term market and transparent balancing mechanism with market-based prices.

BOSNIA AND HERZEGOVINA

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Licensing regime for wholesale trading requires two licences.	Ministry, Regulators (DERK + FERK or REERS)	Market entry barrier for the companies legally established in EU member state or Contracting Parties of the Energy Community	No licensing requirement for wholesale trading. Abolishment of the requirement for a local branch
Requirement for a local establishment (taxable presence).	Ministry, Regulators	Bureaucratic, burdensome and costly requirements. Market entry barrier for the companies legally established in EU member	Abolishment of the requirement for a local establishment (taxable presence)
Only licensed parties can sign the contract with the TSO (ISO+TO).	NOS BiH and Elektroprenos BiH	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
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.	Abolishment of transaction-based fees.
Lack of transparency and language barriers.	Regulator, TSO	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.	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, in line with data published on ENTSO-E transparency platform.
Absence of short term market.	Regulator, TSO	No short-term liquidity and no efficiency.	Development of short-term market and transition to 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.

KOSOVO

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
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, they need to have both access to cross-border capacities and separately to transmission network.	Ministry, Regulator	Uncertainty 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 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. No coordinated cross-border capacity allocation and lack of an auction process. No D-1 and intra-day capacity allocation.	TSO	Uncertainty affects liquidity.	Starting with coordinated capacity allocation as soon as possible. D-1 and intraday capacity allocation process should be developed.

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.

NORTH MACEDONIA

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
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.
Lack of Transparency and 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.

MONTENEGRO

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
Lack of transparency and language barriers	Regulator, TSO	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Establishing a transparent market with the wholesale price reference. Publication of information in a summarised form to help market participants.
No 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.	No wholesale reference price.

SERBIA

2020

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution of EFET
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	Abolish licensing requirement.
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 licensing for trading.	Abolish licensing requirement.
Lack of transparency	Regulator, TSO	Market participants lack the market information on availability of plants. 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	Poor liquidity.	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.