

Electricity market reform



Arzinger 



TODAY

Existing Wholesale electricity market

Electricity generation



Wholesale Electricity market (SE “Energorynok”)



Power distribution companies (Oblenergo)
Distribution+Supply



Consumer



Existing
model

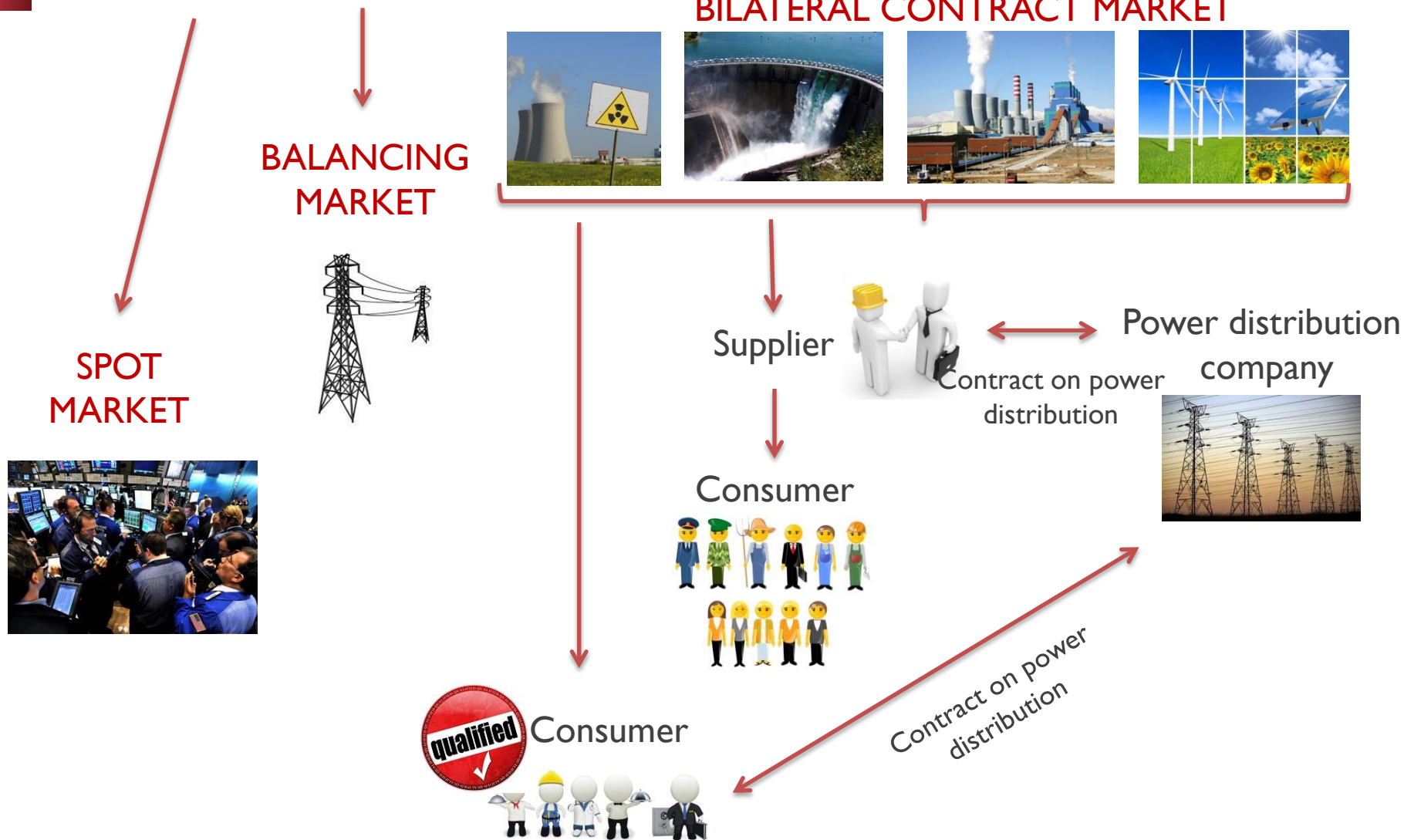
Green tariff payment



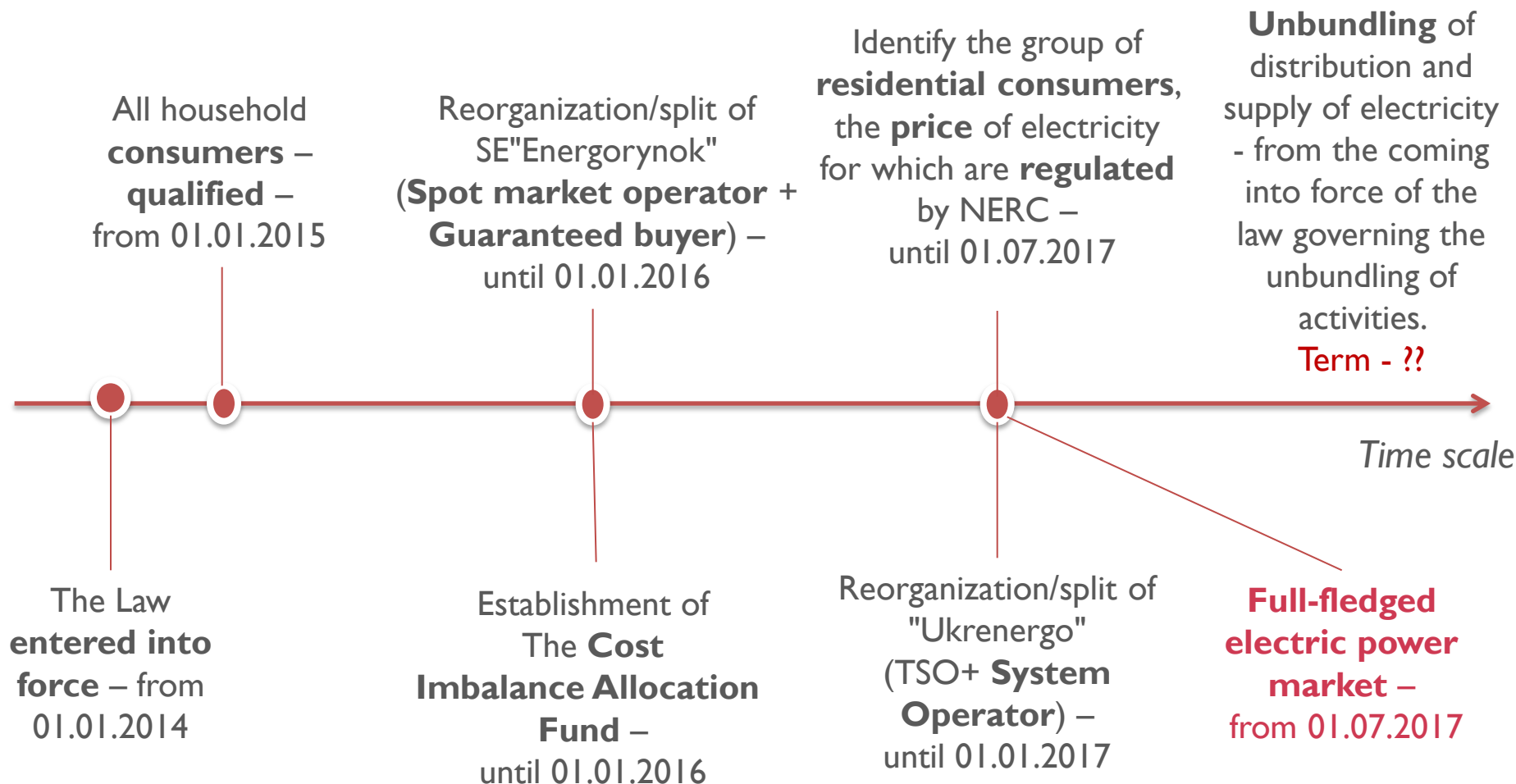


COMING SOON

New electricity market model



Main terms under the Electricity Market Law



Adoption of main regulatory acts in according to the Electricity Market Law

- Ministry of Energy, subject to agreement with NERC and the Antimonopoly Committee, approves :
 - **Code of electrical networks** – until 01.01.2015;
- Cabinet of Ministers of Ukraine, subject to agreement with Ministry of Energy and NERC, approves (System Operator is drafting the Plan):
 - **Ukrainian integrated energy system development plan** for the next ten years – until 01.01.2015;
- NERC, subject to agreement with the Antimonopoly Committee, approves :
 - **Code of commercial accounting** - until 01.01.2016;
 - **Rules of electricity market** - until to 01.01.2016;
 - **Rules of the "day ahead" market** - until 01.01.2016.

Unbundling. The crucial question for energy market model



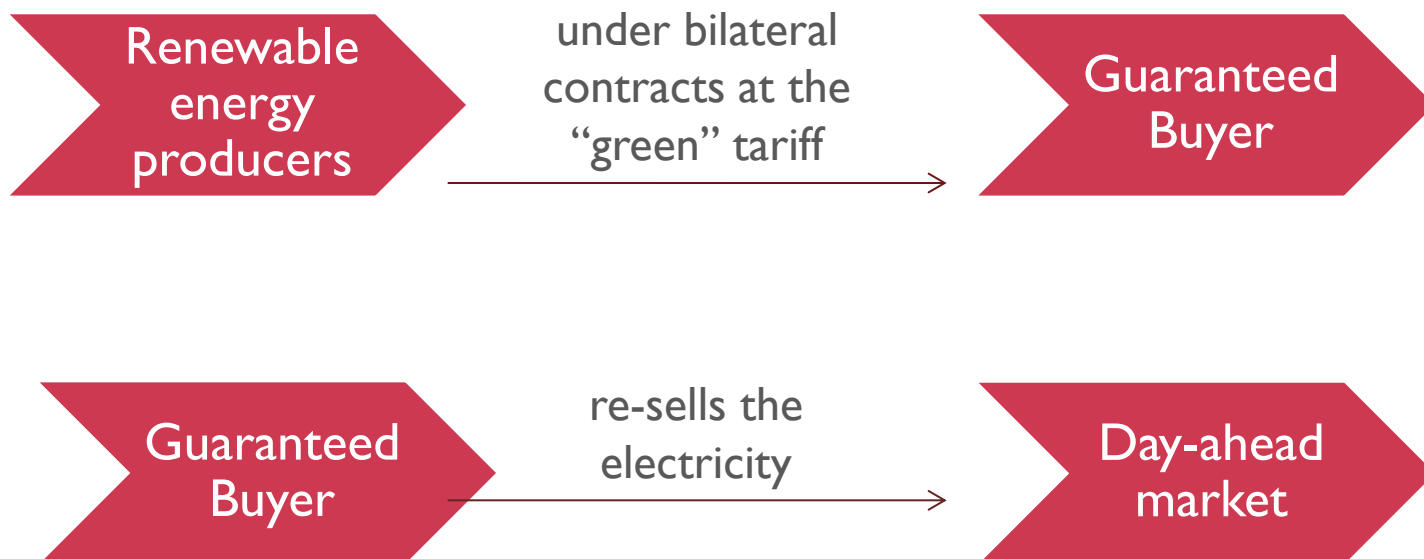
- No unbundling – no competition
- **Unbundling** under the Electricity Market Law - legal and organizational unbundling (**separation**) of **distribution** activity **from** the activities related to **production, transmission and supply** of electricity
- Term under the Electricity market Law?
- Term under Energy Community Treaty - 2015
 - 3 models of unbundling under 3-rd Energy package:
 - » Ownership unbundling
 - » Independent System Operator (ISO)
 - » (Independent Transmission Operator (ITO))

Peculiarities of renewables regulation according to the Electricity Market Law

The Green Tariff for plants, capacity > 5MW, will be provided only if the **plant construction is compliant with the 10 year Ukrainian integrated energy system development plan** – as of 01.01.2015*

** - provision requiring electricity generating facilities producing electric power from alternative energy sources to comply with the Plan is not applied to electricity generating facilities with whom the agreement on grid connection is signed before 01.07.2014.*

Energy market reformation. Renewables. Flow of energy



Energy market reformation. Renewables. Flow of costs



NERC approves the tariff for NPP and HPP*

NPP and HPP pays the Regulation Fund** for adjustment of the competitive environment

Regulation Fund compensates the Guaranteed Buyer for the difference between the market prices for electricity and the “green” tariff

The Guaranteed Buyer pays renewable energy producers for the supplied energy within 90 days after the supply

* - taking into account the value for adjustment of the competitive environment

** - Fund of Regulation of the Costs Imbalances



THE FUTURE

Principles of a liberal electricity market

Grids development regulation

Free competition



Production



Fee regulation



Transport



Free competition

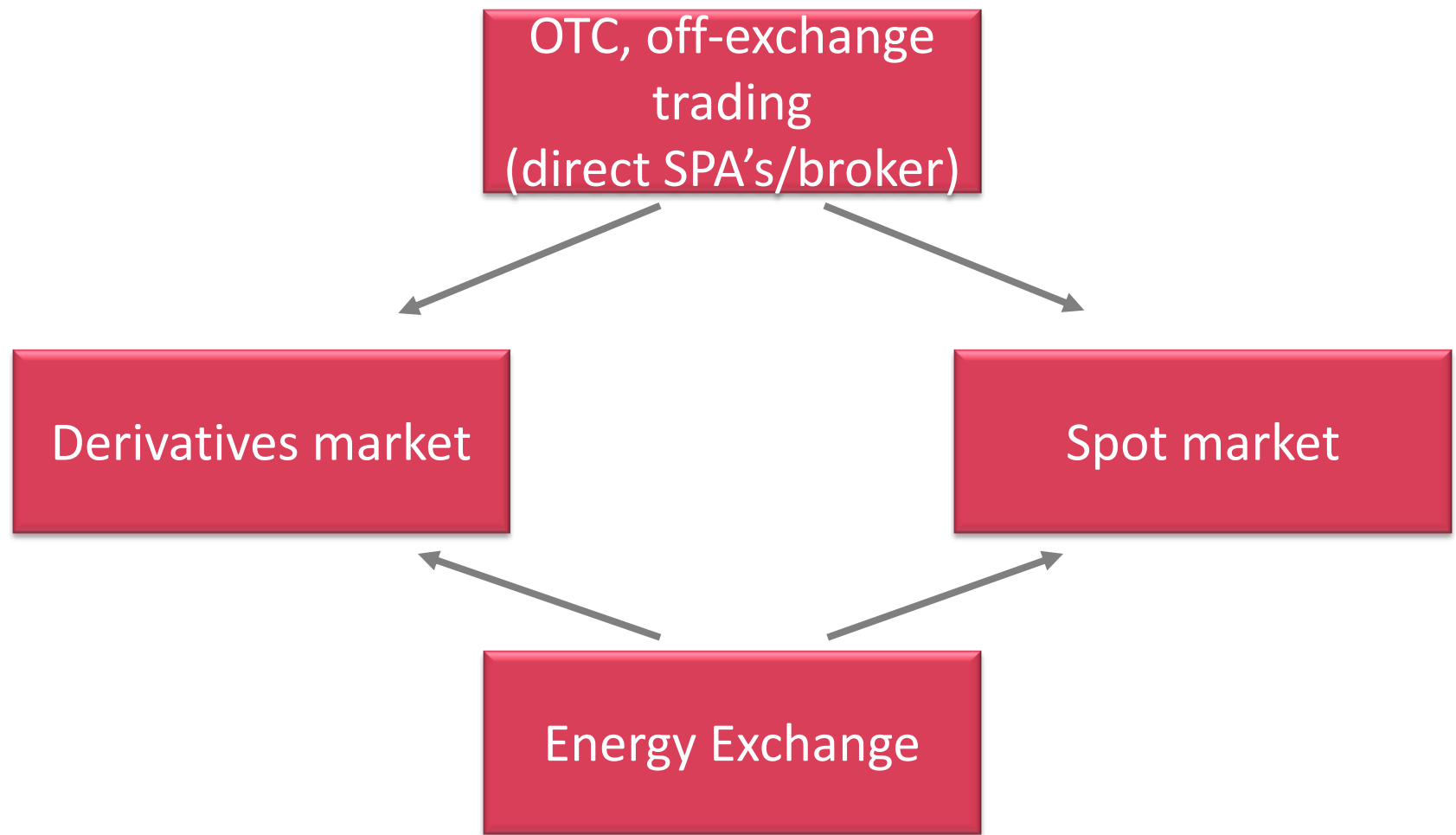


Trade & Sales



Unbundling

Trade & Sales



Balancing of the electricity market

Balancing management group →



- Ancillary services
 - Balancing energy
 - primarily
 - secondary
 - tertiary
- } market

Major Problems

- Market integration of renewable energies
- Capacity markets?

