

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

October 2021

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ALBANIA

2021

Trading Barrier/ Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed EFET Solution
Requirement for a local establishment (taxable presence).	Ministry of Energy and Ministry of Finance	Bureaucratic, burdensome and costly requirements. Barrier to entry into 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 and 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.	Development of short-term (DA and ID) market. Stable and transparent balancing mechanism with market-based prices.
National system for GoOs not linked to any international system.	Regulator	No digital registry for allocation and transfer of GoOs. Impossibility for international transfer of GoOs	Create digital registry for GoOs. Join international associations for GoOs.

BOSNIA AND HERZEGOVINA

2021

Trading Barrier/ Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed EFET Solution
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 States 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 States.	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 rules and procedures, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local languages.	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

2021

Trading Barrier/ Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed EFET Solution
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. This gives the wrong signals to the market. If market participants trade larger volumes with the lower spread, they are charged more, even though they contribute to liquidity.	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 the 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.
Since mid-December 2020 when KOSTT started independent operation as Control Area, there is no (coordinated) cross-border capacity allocation on XK-RS border, there is a lack of an auction process, and, consequently, there are no commercial flows on this border.	TSO, Regulator	Non-existence of capacity allocation. Consequently, commercial flows affect not only the involved, but other neighbouring and regional markets, as well. Transit problems have a negative impact on liquidity and prices.	Introduce (preferably coordinated) capacity allocation as soon as possible. D-1 and intraday capacity allocation processes should be developed at the same time.
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

2021

Trading Barrier/ Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed EFET Solution
Licensing regime for wholesale trading.	Ministry, Regulator	Barrier to entry into the market for the companies legally established in EU Member State or Contracting Parties of the Energy Community.	Abolish this requirement.
Requirement for a local establishment (taxable presence).	Ministry, Regulator	Bureaucratic and burdensome requirements. Barrier to entry into the market for companies legally established in EU Member state or Contracting Parties of the Energy Community.	Abolish this requirement.
Only licensed parties can sign a contract with the TSO.	Regulator	Bureaucratic and burdensome requirement.	Market participants without a local licence should be enabled to sign a contract with the TSO.
Total turnover percentage-based licence fee.	Regulator	Market participants are charged based on their turnover. This gives the wrong signals to the market. If market participants trade larger volumes with the lower spread, they are charged more, even though they contribute to liquidity.	Abolishment of transaction-based fees.
Lack of transparency and language barriers.	Regulator, TSO	Market participants lack 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).
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

2021

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

2021

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 Contracting Parties of the Energy Community.	Abolish licensing requirement.
Only licensed parties can sign the contract with the TSO, but it is only needed for the RS-MN 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 the RS-MN border.
Since mid-December 2020 when KOSTT started its independent operation as Control Area, there is no (coordinated) cross-border capacity allocation on the RS-XK border, there is a lack of an auction process, and, consequently, there are no commercial flows on this border.	TSO, Regulator	Non-existence of capacity allocation. Consequently, commercial flows affect not only the involved, but other neighbouring and regional market, as well. Transit problems have a negative impact on liquidity and prices.	Introduce (preferably coordinated) capacity allocation as soon as possible. D-1 and intraday capacity allocation process should be developed at the same time.
Contradictory rules over trading in Kosovo are still in place, although there are no more RS-XK commercial flows since December 2020.	Ministry, Regulator	Double licensing for (potential) trading.	Abolish licensing requirement.
Lack of transparency.	Regulator, TSO	Market participants lack the complete and on-time market information on availability of power plants. No information on the use of congestion rent.	Publication of information in a summarised form.
Coordinated cross- border capacity allocation still missing on the RS- MN border.	TSO	Poor liquidity.	Introduce coordinated capacity allocation as soon as possible on the MN border.