

# Lessons Learnt: from Physical to Financial Public Service Obligations

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## Non-exhaustive list / MS discretion

- customer protection, including USS & SoLR
- regularity, quality, price, SoS
- environmental protection including EE & climate protection

Comply with energy *acquis* + ECJ case law – principle of proportionality



## What is PSO?

Sector-specific tool for providing SGEI

Derogation from market rules in order to address national interest



Impose them if really needed!  
Exception – *not* a rule!



In the EU - review & proposal for **end-date** of price regulation **2025**

## Criteria for PSO (price regulation) as exceptions

- Pursue general economic interest & not go beyond necessity
- Clearly defined, transparent, non-discriminatory and verifiable
- Limited in time & scope
- No additional cost



Became “fashionable” but not new:  
*Second energy package;*  
*TEP applicable to EnC CPs*  
*New rules in CEP*

# PSOs in Energy Community

## Work in progress - electricity



**Albania** PSO of 2016  
No PX, no compliant PSO

**Exclusive** KESH-OSHEE relationship for USS, SoLR, DSO losses  
+ KESH **compensates** OSHEE

Before PX – offer vol. of for HH & SMEs  
After - offer vol. 90%, 60%, 30% for USS + increase sale on PX  
Financial contract to compensate, no direct physical contracts

**Ukraine** PSO of 2019  
Transit to financial PSO

NPP (80%) & HPP (35%) sell to GB (regulated)  
GB sells to USS (regulated)  
GB compensates USS  
USS sell to HH (regulated)  
GB offtakes RES & sells on DAM  
Cross-subsidies between PSOs  
Financial problems  
Low subsidized end-users' tariffs

[Compliance Note CN 03/20](#)

GB as a transition  
Physical sales on DAM at market prices  
Service contract for compensation

**Georgia** Electricity market concept design of 2020

Plan for deregulation of generation plants and customers till 2026  
Wholesale Public Service Organisation's PSOs for:  
*RES, Guaranteed producers, USS, Abkhasia*

Risk for single buyer - one state-owned undertaking being tasked with many PSOs  
BUT plan for CfD from start + many safeguards  
Strong monitoring by NRA required  
Energy exchange established, plan for organized markets



# ECS proposal for transition to financial PSO in UA electricity sector

**Phase 1**

Selling @ marginal cost => no below cost sales, no SA issues  
Demand side dominance / abuse addressed

**Gradual!  
Compliant!  
Address national concerns!**

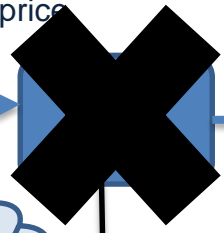
USS efficiency & hedging

**Phase 2**

Why only?

NPP (65-75%)  
HPP (30-35%)

Electricity @ marginal price



Electricity @ DAM price

DAM

Electricity @ DAM price

USS

Electricity @ fixed price to USS price

HH

Reform of HH prices is a must!  
Reach USS levels & cover costs

Improve bilateral market  
Not >10% to one buyer

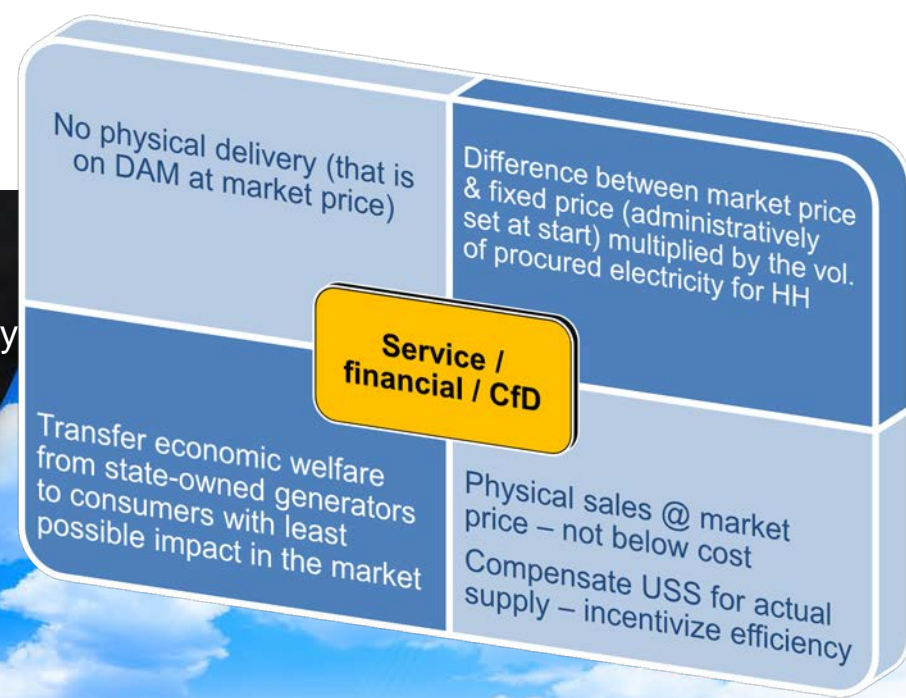
Redistributing windfall profit => compensation via service contract  
DAMP – FWp for actually sold vol. to HH

GB: no PSOs cross-subsidies  
RES offtake & compensation

# Lessons learnt ECS proposal

## What did not work?

- Low end-users (HH and beyond) price of supply & no price reform
- Cross-subsidies (between prices and PSOs) & lack of transparency
- Dominant / monopoly incumbent on supply / demand side
- Or single buyer in place (difficult to replace)
- Financial problems in the sector, state-owned companies
- No organised market, new market model, strong regulation



## What to change in order to work?

- ✓ Option to be given to RES, regulated producers, USS to sell / purchase on market
- ✓ All undertakings - responsible for imbalances from start
- ✓ No cross-subsidies between PSOs, accounting unbundling
- ✓ Establish organized market, bring transparency
- ✓ End-users price reform, ensure prices that cover costs
- ✓ Institutional cooperation (NRA, Gov, ECS...)





**THANK YOU**  
**FOR YOUR ATTENTION**

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