

24th Energy Community Electricity Forum

28 - 29 May 2019

Hotel Royal Olympics, Athens, 28-34 Athanasiou Diakou Street

Panel Debate II – What is driving prices and will market integration trigger price convergence?

- **How do costs of current administrative procedures impact electricity wholesale prices? – Mladen Apostolović | EFT Group**
- The impact of day-ahead market development on trading strategies
- Retail market signals: what are the retail markets in EnC telling us?
- Can financial derivatives make the difference?
- Cost-effective development of electricity produced from renewable energy resources

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Various administrative procedures take (sometimes lot of) time and are costly, leading to (necessary) inclusion of additional margin (uplift) in wholesale prices in order to recover these costs. In general, they could have twofold negative impact:

- **Direct impact** – caused by (mostly unnecessary) requirements, e.g. for obtaining local/national licences, which is in some cases possible only through locally established company, etc.

and:

- **Indirect impact** – lower liquidity due to fact that a (large) number of market participants is not registered and do not trade in bureaucratically burdened markets with unstable market-related regulatory framework.

EFET (European Federation of Energy Traders) opinions on the subject can be found at:

- Electricity Trading in the CESEC Region – **Licensing Requirements and Market-Distorting Fees (January 2019)**: https://efet.org/Files/2019_01_21%20-%20EFET%20-%20CESEC%20Plenary%20-%20Electricity%20Trading.pdf
- Market Inefficiencies in the **Contracting Parties of the Energy Community (May 2019)**: https://efet.org/Files/SEE%20EC%20market%20distortions_May%202019_final.pdf

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Some of the main **obstacles** that have a direct impact on wholesale prices are:

- Obligatory establishing of a **local company**,
- **Licence requirements** for wholesale trading (and retail sales),
- Registration at **multiple places** for cross-border capacity allocation, etc.

Beside one-off access fee [€] and additionally annually paid fee [€], market-distorting signals and additional burdens are:

➤ Transaction and/or turnover(!) based fees [€/MWh].

All of the above is collected in various combinations, ways and amounts (depending on country) by NRAs, Market Operators, TSOs, etc.

In addition to all previously stated, there are (somewhere substantial) needs for **financial Guarantees** for System and/or Market Operator that are costly (one-time cost of issuance + cost of around **1.5%** of the Guarantee amount, on a yearly level).

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Conclusions and Recommendations

In order to make stable and attractive (regional) market environment, and to avoid if not all then most of market distorting signals, market institutions / companies in question: NRAs, MOs, TSOs, PXs, etc. should do the following:

- Liberalization of the licencing regimes
 - Abolishment of at least “hard” licencing requirements,
- Speed up and ease all registration processes,
- Diminish or at least minimize transaction and turnover based fees,
- Avoid sudden changes, especially increases, of any fees or other similar costs, as well as all other changes that can influence trading and trading-related activities.