

# **National Energy and Utilities Regulatory Commission of Ukraine: the latest regulatory developments**

## **45 ECRB Meeting**

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Commissioner  
NEURC, Ukraine

# **Energy Sector Reforms**

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## Current Key Context

- **Electricity Market:** key challenges, RES challenges, TSO unbundling, secondary legislation, market functioning, legislative initiatives, REMIT
- **Gas Market:** new certified TSO tariffs, DSO tariff review, PSO changes
- **Regulator status:** sustainability and independence
- **Response to COVID -19**

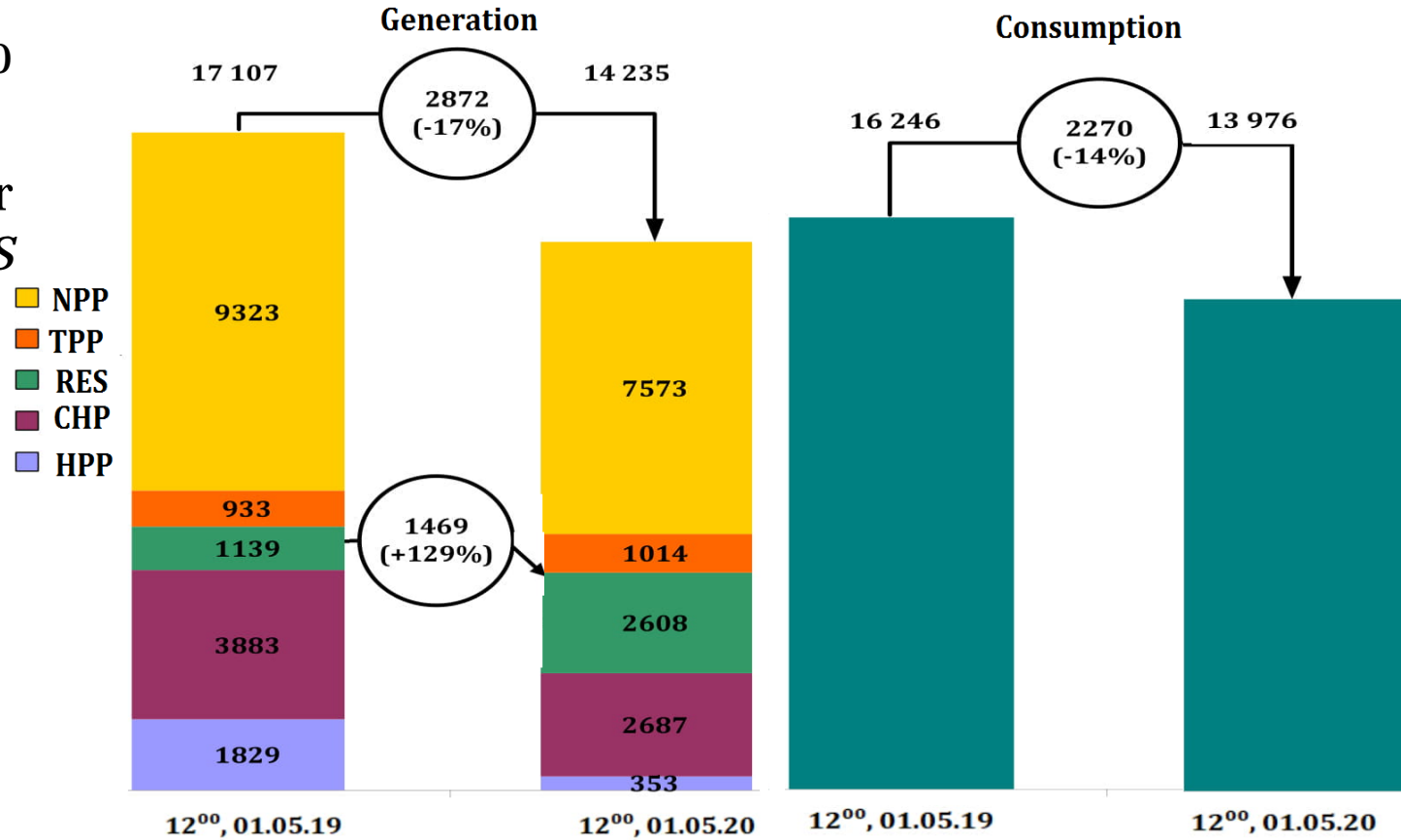
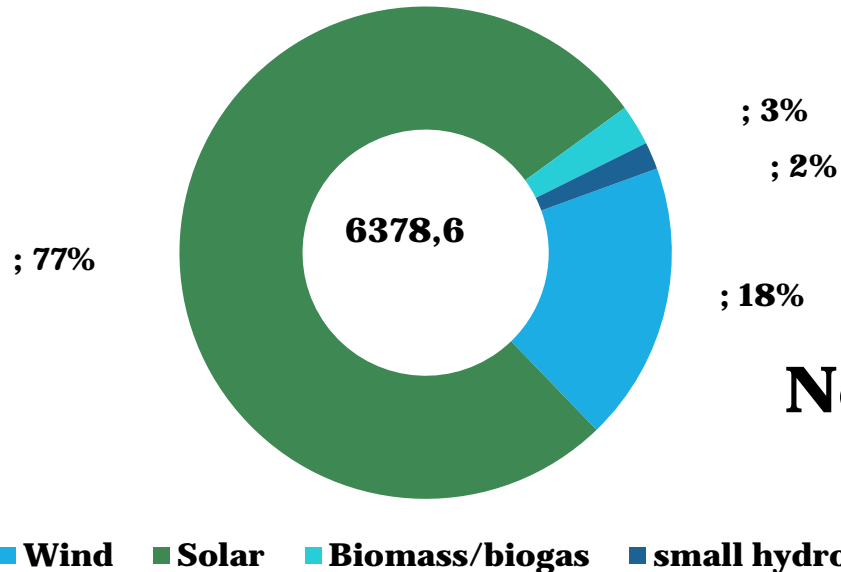
## Key challenges

- **Drop in demand**, deepened by to **COVID-19**
- Rapid **RES share increase** of under **demand falling** conditions incl. **financial aspect** (*+ 20 bln UAH in 2020 compared to 2019 or + 78%*)
- **Low competition** on market segments incl. due to **PSO design**
- Never paying customers (*of SoLR, mines, water-pumping enterprises* )
- **Old debts** settlement + new debt accumulated
- Electricity **TSO unbundling model**

# RES challenges

- RES rapid growth (as of April 1, 2020: **7,1 GW**)
- High level of “green” tariff (from 17 to 10 eurocent/kWh)
- High level of debts of Guaranteed Buyer (only **33%** (5,8 bln UAH) are paid to RES from the beginning of 2020)

Installed capacity MW



**Negotiations on Memorandum with RES investors**

➔ Changes to the primary legislation

■ Wind ■ Solar ■ Biomass/biogas ■ small hydro

# Electricity TSO Unbundling Process

## Prehistory

- Submission of the request to NEURC on **certification** of TSO (14/08/2019)
- **OU** model
- On **October 7, 2019** the Preliminary Decision on certification was adopted
- **Preliminary Decision** was sent to Energy Community Secretariat



## Current status

- **EnCS** by its decision dated 05.02.2020 N<sup>o</sup>1/20 **rejected** Ukrenergo **certification according to OU model**, (*TSO does not own (or has equivalent rights) transmission system assets*) **and recommended the ISO model**
- On March 26. 2020 the **draft law** on amendments to certain legislative acts of Ukraine was **registered in Verkhovna Rada of Ukraine** in order to enable the **ISO unbundling model**. At the last meeting of the Energy Committee of the Verkhovna Rada of Ukraine (**June 4**), the draft Law N<sup>o</sup>3364-1 **was supported and submitted to the deputies for the first reading.**



# Electricity Secondary Legislation

Latest key documents:

13/03/2020

- Adoption of **Generation adequacy report**

03/04/2020

- Adoption of **Capacity Allocation Rules and Congestion Management Rules**
- Adoption of **Ten-year network development plan** (for 2020-2029)

29/04/2020

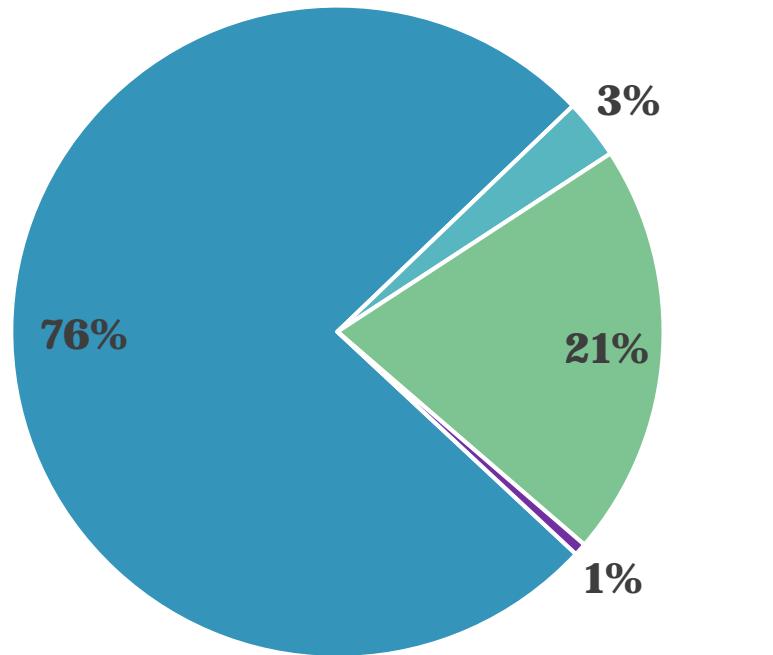
- Pre-approval of changes to the **regulatory framework** for the introduction of **incentive regulation** for distribution system operators

# Wholesale Electricity Market Functioning (1)

## New market model

from **July 1, 2019**

### Structure of the Electricity Market of Ukraine in the second half 2019



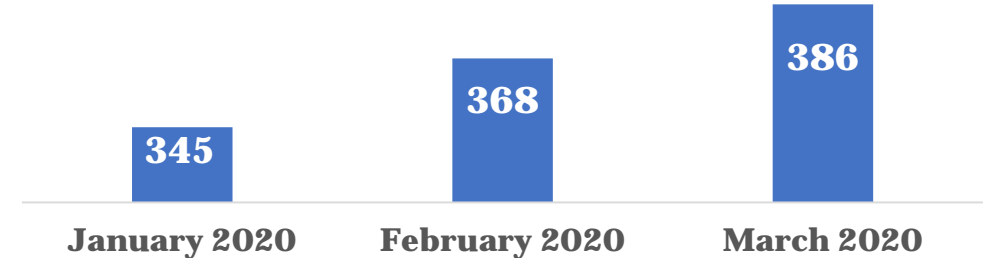
- Bilateral contracts
- DAM
- Balancing Market
- IDM

Source: TSO data

## DAM and IDM

Administrated by **Market Operator** [www.oree.com.ua](http://www.oree.com.ua)

Number of active market participants on **DAM&IDM**:



**Price caps** on the DAM and IDM are **extended** for undefined period

## Balancing Market

Administrated by **TSO** <https://ua.energy/>

Average number of **BSPs** - **15** (in 2019)

### **Price caps:**

*Until the synchronization with ENTSO-E, bidding prices of market participants should be not less than **35%** and not more than **105%** of the **DAM price***

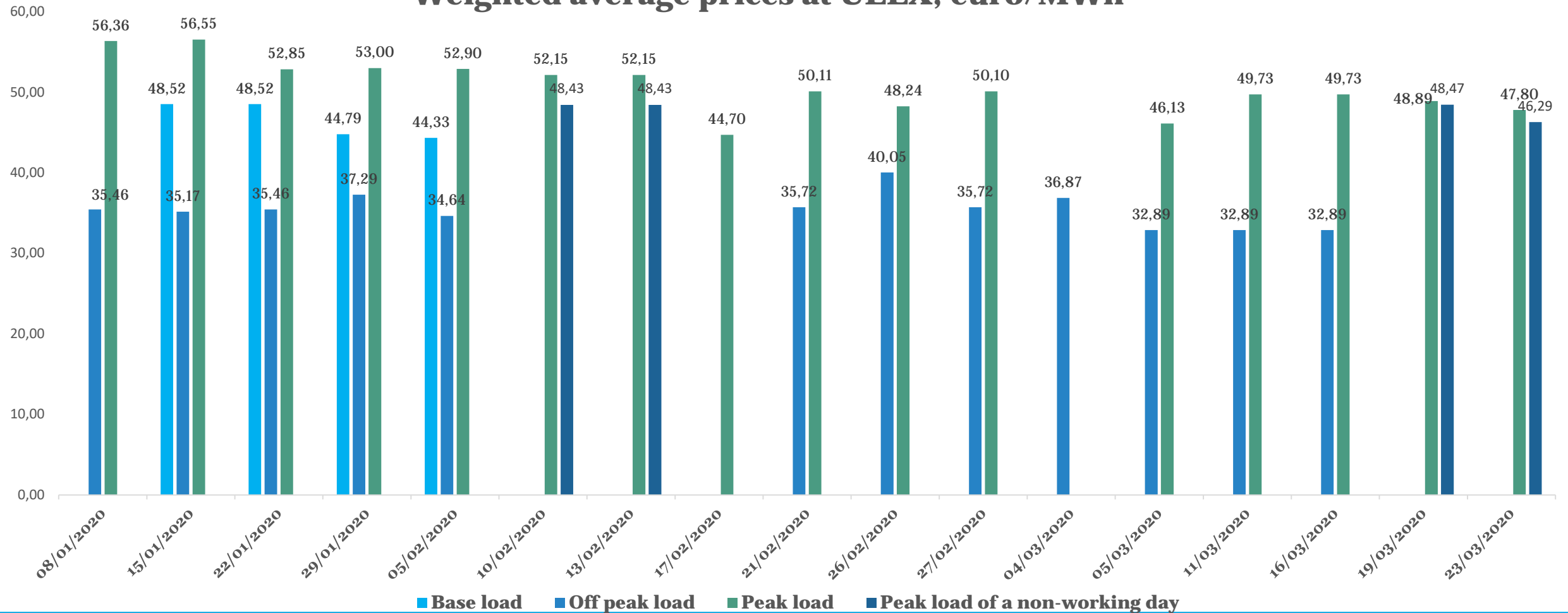
**Insufficient balancing responsibility for RES** is still an issue



# Wholesale Electricity Market Functioning (2)

## Bilateral contracts market prices

Weighted average prices at UEEEX, euro/MWh

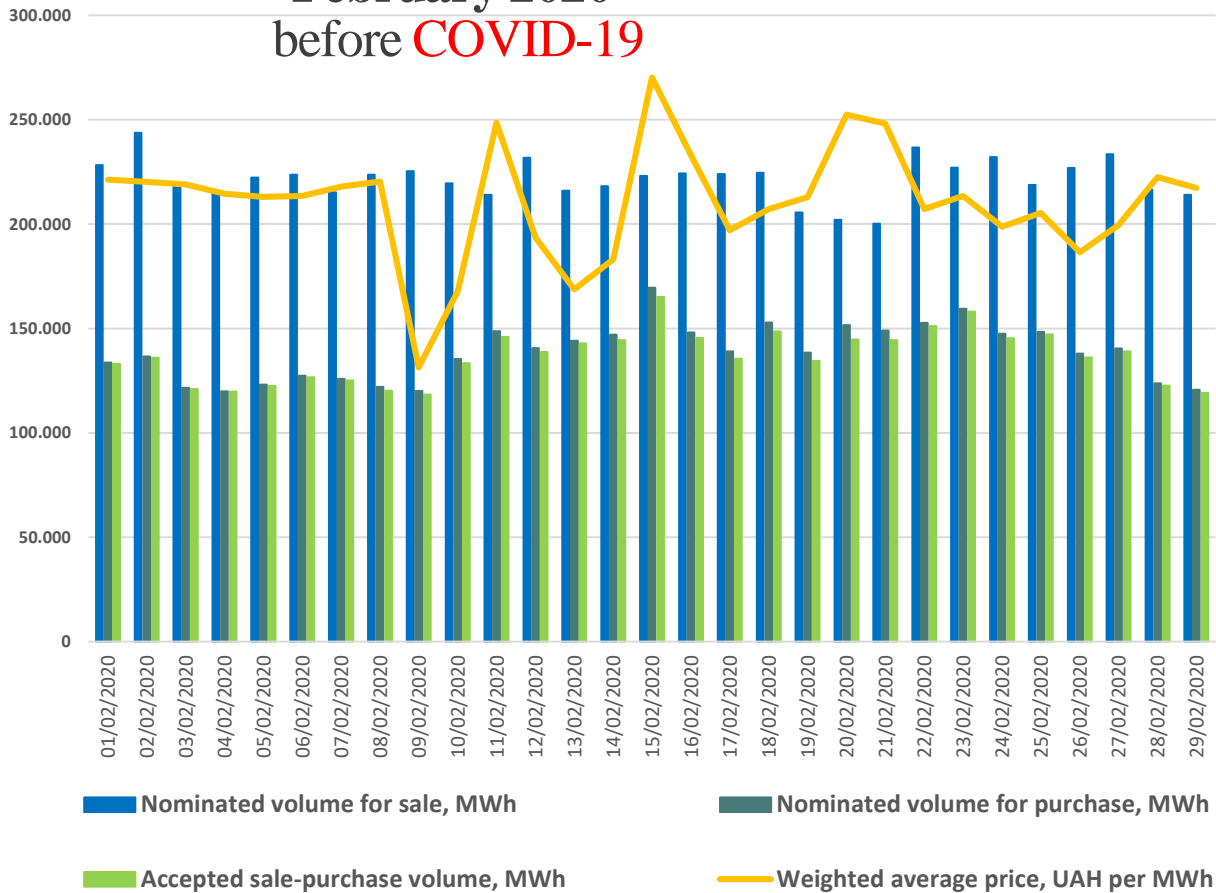


# Wholesale Electricity Market Functioning (3)

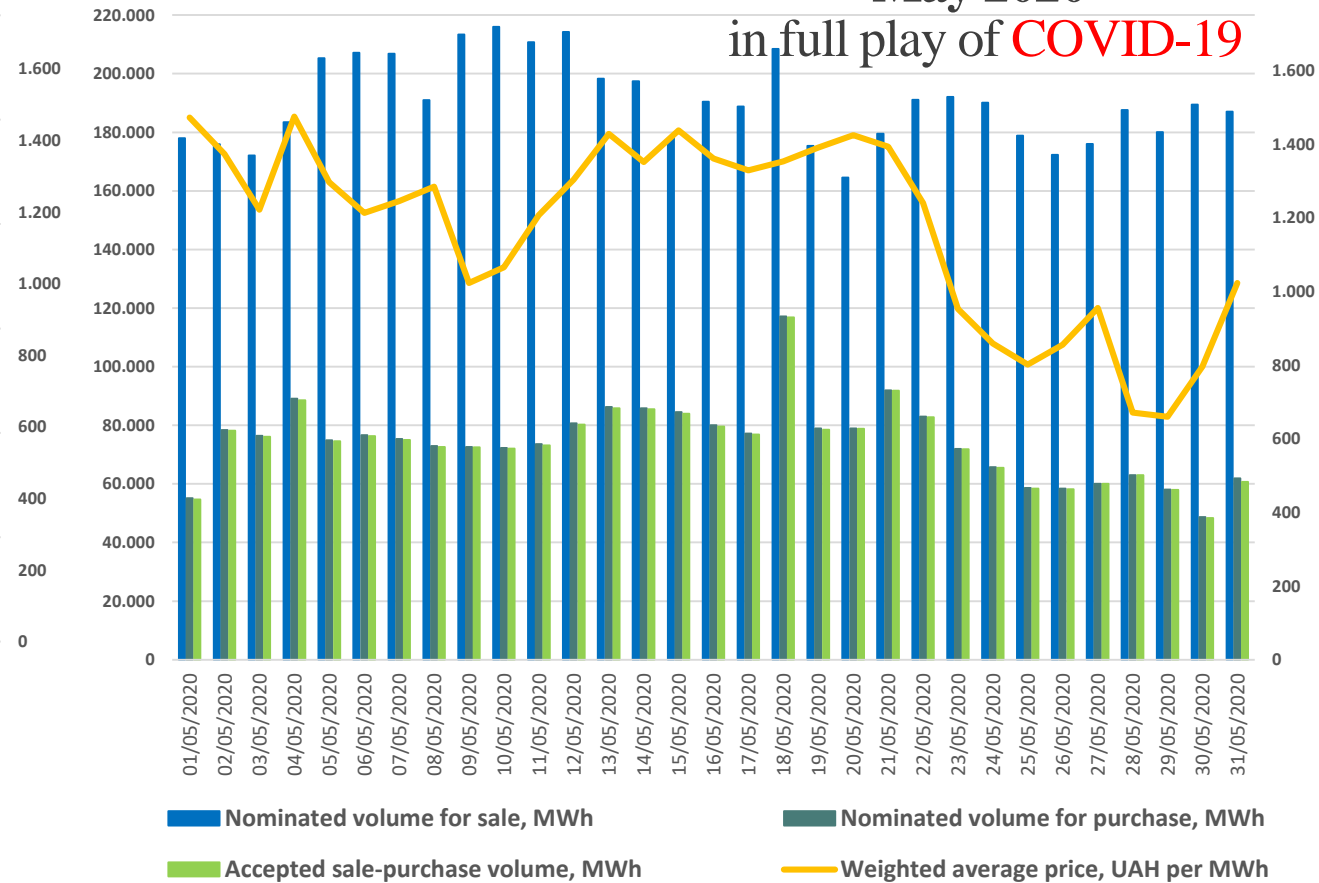
Aggregated **BIDS** for sale and purchase  
(Bidding zone: Integrated power system of Ukraine)

## Day-Ahead Market

February 2020  
before **COVID-19**



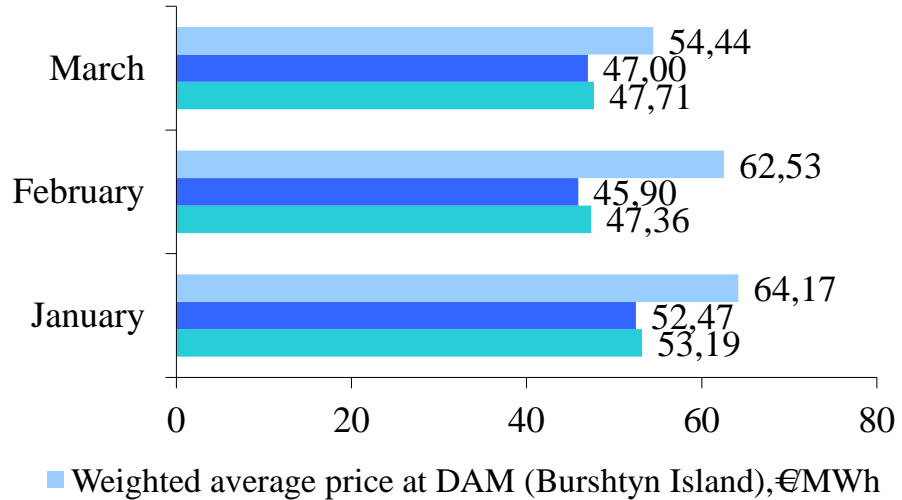
May 2020  
in full play of **COVID-19**



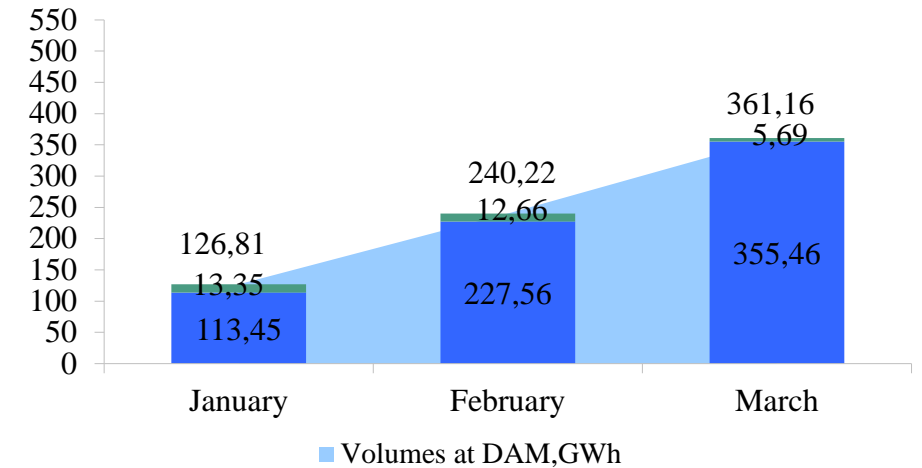
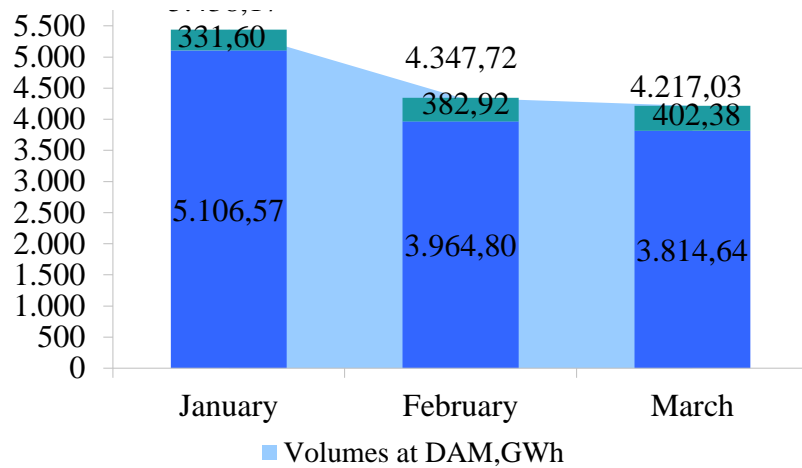
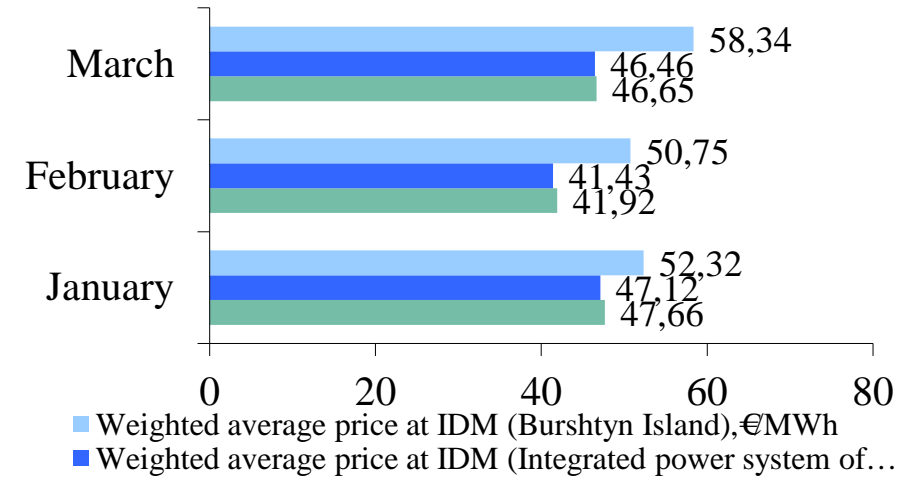
Source: Market Operator

# Wholesale Electricity Market Functioning (4)

## Day-Ahead Market price and volumes



## IntraDay Market price and volumes



Source: Market Operator

## Legislative initiatives

- **Draft Law # 2386** of 06/11/2019 (on debts in the wholesale electricity market) – *adopted* by the Parliament in the first reading on **April 30, 2020**
- **Draft Law # 2284** of 17/10/2019 (amendments to certain legislative acts of Ukraine on simplification of investment attraction and introduction of new financial instruments) – **June 3, 2020** *approved* by the Parliamentary Committee for the second reading
- **Draft Law # 3199** of 11/03/2020 on the **amendments to Electricity Market Law** (*concerning long-term contracts with electricity producers according to a separate decision of the Cabinet of Ministers of Ukraine*) and several other initiatives of changes to Electricity Market Law (*not registered yet*)
- **Draft Law # 3364** of 21/04/2020 on amendments to certain Laws of Ukraine concerning the settlement of non-payments in the electricity market and the issue of TSO certification - **June 4, 2020** **considered and supported** by the Parliamentary Committee

# REMIT

- Within EU4Energy Governance was launched a Project “*Support on normative legal acts for the purpose of transposition and implementation of the requirements of Regulation (EU) 1227/2011 (REMIT) in Ukrainian legislation*”
- Within the Project **Draft Law on REMIT** is elaborated
- Discussions with **Antimonopoly Committee of Ukraine** (provisions on cooperation and responsibility)

# Natural Gas Market

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# Natural Gas Market

## ***Transposition of EU legislation***

NEURC resolution No 370 of 11.02.2020 aimed at **EU Network Codes implementation**:

- ✓ Regulation (EU) 2015/703 of 30 April 2015;
- ✓ Regulation (EU) 2017/459 of 16 March 2017;
- ✓ Commission Decision 2012/490/EU of 24 August 2012.

## ***Tariff policy***

- ✓ **Gas transmission entry/exit points tariffs** were set for the certified TSO
- ✓ **Tariffs for DSO** were set based on a new approach (the annual booked capacity)

## ***Changes for household consumers***

- ✓ On April 22, 2020 PSO-resolution was amended - **non-regulated gas prices for households since 1<sup>st</sup> of July 2020**
- ✓ Amendments to the **supplier switching** procedure (public hearings were on 13.05.2020, final adoption is planned for June 10, 2020):
  - households are allowed to switch to another supplier with debts;
  - switching will be initiated via the TSO information platform to make it easier and quicker

# Energy Regulator

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## Amendments to the Law on NEURC

**On December 19, 2019 the Law # 394-IX was adopted** introducing changes to certain legal acts (*including the NEURC Law*) in order **to ensure compliance with the requirements of the Constitution of Ukraine:**

- **NEURC became a central executive body (with a special status) formed by the Cabinet of Ministers of Ukraine;**
- **Competitive selection process** for NEURC members (*selection committee is being formed – 3 representatives from Verhovna Rada are assigned; 1- from Ministry of energy and 1 – from Ministry of regional development are to be assigned*);
- **Rotation pending;**
- **no NEURC members dismissal in case of the Cabinet of Ministers of Ukraine resignation;**
- **NEURC decisions official publication on its web site;**
- **NEURC is finally out of the scope of Laws on Licensing and State Control** (*designed for competitive markets*)

# NEURC Annual Report

- The **NEURC Annual Report for 2019** is finalized and published on NEURC website:

[http://www.nerc.gov.ua/data/filearch/  
Catalog3/Richnyi\\_zvit\\_NKREKP\\_2019.pdf/](http://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi_zvit_NKREKP_2019.pdf/)  
*(available in Ukrainian, English version is in process)*



**2019**

**ЗВІТ**

ПРО РЕЗУЛЬТАТИ ДІЯЛЬНОСТІ  
НАЦІОНАЛЬНОЇ КОМІСІЇ, ЩО  
ЗДІЙСНЮЄ ДЕРЖАВНЕ  
РЕГУЛЮВАННЯ У СФЕРАХ  
ЕНЕРГЕТИКИ ТА КОМУНАЛЬНИХ  
ПОСЛУГ

[www.nerc.gov.ua](http://www.nerc.gov.ua)

# Technical Assistance

## ***USAID Energy Security Project***

- RAB tariffs
- Market monitoring
- Electricity market operation (*Market rules and DAM/IDM rules, Retail market rules, Grid Code*)

## ***EU4Energy***

- REMIT
- TSO (electro) tariff methodology
- Regulation EU 347/2013 transposition
- Gas exchange
- Capacity fee consultation
- *Strategic reserves*

## ***NARUC Partnership***

- Cybersecurity initiatives
- Market coupling/Regional Integration
- Improving Investment Planning through the Implementation and Enforcement of Quality of Service Standards

# Response to COVID-19

## **NEURC-office functioning:**

- most employees work remotely;
- on-line meetings, virtual access to open hearings;
- restriction to access NEURC office for unauthorized persons

## **NEURC Resolution No. 766 as of April 8,2020 (*amended 4 times*) for market participants:**

- no sanctions to suppliers and DSOs in case of late payment to TSO;
- suppliers should ensure that consumers can pay bills staying at home;
- import from countries other than the Energy Community CPs is restricted

## **Changes to the Market Rules (*to prevent market manipulations*) DAM&IDM Market Rules (*for stability of DAM functioning*)**

- price caps are changed: bidding prices not less than 35%(from 55%) and not more than 105% (115%) of the DAM price
- Proofs for physical amounts needed

## **Special “COVID-19” Law of Ukraine for the quarantine period:**

- no penalties for non-payment of public utility bills;
- no utilities shut-off in case of non-payment or partial payment;
- no forcible eviction for utilities non-payment.

**Thank you for your attention!**