

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

## **43 ECRB Meeting**

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# **Energy Sector Reforms in Ukraine**

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# New Electricity Market: Secondary Legislation

Latest documents adopted by NEURC according to the Electricity Market Law:

April 2019

- Ancillary Service Pricing Methodology (adopted 26/04/2019);
- Procedure (methodology) on setting electricity transmission tariff (adopted 22/04/2019);
- Procedure (methodology) on calculating the tariff for dispatching, including costs of commercial metering administrator and settlement agent services (adopted 22/04/2019);
- Set of legal acts regulating the activity of the guaranteed buyer and purchase of electricity at the "green" tariff (26/04/2019)
- Procedure for publishing information about the shares of energy sources used for electricity production and its impact on the environment (26/04/2019)

June 2019

- Changes to Market Rules and DAM and IDM Rules (*price caps*) – 24/06/2019;
- Changes to Transmission network code (*in terms of testing equipment of AS providers; procedures for interaction between TSO and market participants*) – 21/06/2019

July 2019

- Methodology on payments for the commercial metering services provided by the DSO (09/07/2019)

September 2019

- Reporting forms for **monitoring** electricity market participants activity and instructions on their filling – *for wholesale market functioning* (adopted 24/09/2019):
  - for TSO;
  - for Market operator;
  - for Guaranteed buyer;
  - for producers;
  - for traders.

# DSO Unbundling Process

- Decisions on approval **19** compliance programs for DSOs
- Decisions on approval **19** compliance officers for DSOs
- **4** compliance programs and compliance officers are still under consideration



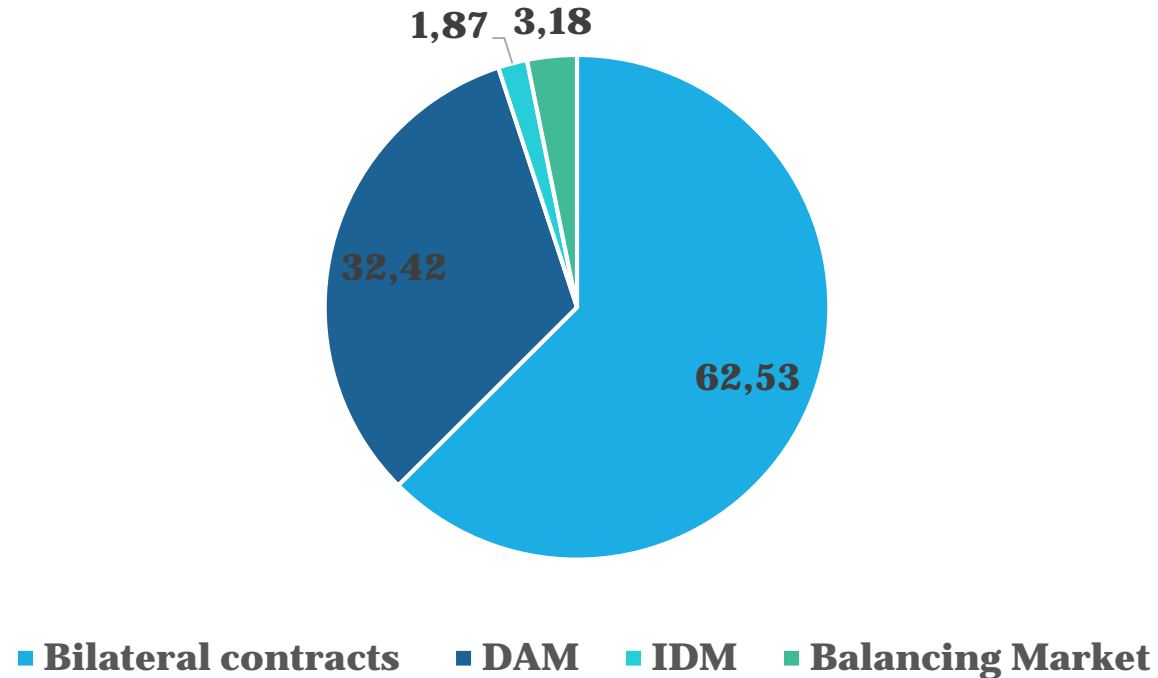
# Electricity TSO Unbundling Process

- Corporatization of TSO (reorganization of State enterprise “Ukrenergo” into Private Joint Stock Company)
- 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 and sent to Energy Community Secretariat



# Wholesale Electricity Market Opening (1)

*Structure of the Electricity Market of Ukraine as of July 1, 2019*



Launching **new market model** from **July 1, 2019** (bilateral contracts, DAM, IDM and balancing market) in spite of all



## Wholesale Electricity Market Opening (2)

- New type of licenses issued by NEURC according to the Law (as of 30/09/2019):
  - **1** - for Market Operator (*DAM and IDM administrator*);
  - **1** - for Guaranteed buyer (*BRP for “green” tariff producers*);
  - **4** – for Traders

In total 846 licenses for generators (mostly RES producers), 32 licenses for DSOs and 572 licenses for suppliers



## Wholesale Electricity Market Opening (3)

### *Bilateral contracts*

Mandatory bilateral auctions through an electronic platform (Ukrainian energy exchange <https://www.ueex.com.ua>) for state-owned generation companies

Privately-owned generators (mostly thermal power plants) can trade freely

More than **50 %** of electricity is traded on bilateral basis



## Wholesale Electricity Market Opening (4)

### *DAM and IDM*

More than **200** participants on the markets

All generators (except RES) are obliged to sell 10% of their monthly average production on DAM until **July 1, 2020**

Price caps on the DAM and IDM:

From 00:00 to 08:00, and from 23:00 to 24:00 – **33,1 Euro/MWh**

From 08:00 to 23:00 – **70,8 Euro/MWh**

Results published on the Market Operator website <https://www.oree.com.ua>

## Wholesale Electricity Market Opening (5)

### Balancing Market

Balancing market – energy only

Price caps:

*Until the synchronization with ENTSO-E, market participants in their bids have to submit a price not less than 85% and not more than 115% of the established DAM price limit*

TSO is an administrator of Balancing Market

**Balancing Market** is not operated in a proper manner (software issues)

**Ancillary Services Market** is not launched at all

## Wholesale Electricity Market Opening (6)

- **Proposals for Governmental Decision on PSO**
- **Responding to and resolving problematic issues in real time**
- **Addressing to all stakeholders remaining open issues:**
  - **Settlement of debts**
  - **Launching ancillary services market**
  - **Support for CHPPs**

# Natural Gas Market (1)

The Regulator is constantly implementing measures aimed at improving the provisions of secondary legislation adopted to comply with the requirements of the Law of Ukraine "On the Gas Market", taking into account the norms of the Directives and Regulations of the European Union

- From the 1<sup>st</sup> of March 2019 **daily balancing of gas transmission system** is implemented in practice:
  - This step finalizes one of the key reform in the energy sector and from now Ukraine is completely synchronized with the model applied to the gas balancing zones within the borders of EU;
  - Gas transmission system has passed the first 6 months of work in the daily balancing mode, it works steadily and in full accordance with the legislation

## Natural Gas Market (2)

➤ In order to implement the provisions of Commission Regulation (EU) 2017/460 of 16 March 2017 NEURC has developed a draft resolution *"On Approving Changes to the Methodology for Determining and Calculating Tariffs for Natural Gas Transportation Services for Entry and Exit Points Based on Long-Term Incentive Regulation"* and it provides the following:

- Changing the approach to the calculation of tariffs - the introduction of a matrix approach;
- Changing the mechanism for the calculation of the adjustment of the necessary income;
- Introducing a mechanism for determining the auction price.

These changes imply the same approach to the calculation of tariffs for all entry/exit points through the introduction of a new capacity weighted distance reference price methodology.

# Gas TSO Unbundling Process

- Submission of the request to NEURC on **certification** of TSO (04/10/2019)
- **ISO** model selected
- Documents are under consideration



# Implementing legislation on energy regulator

- Adoption of Rules for Consideration of Consumer Appeals on the Activities of Energy and Utility Market Participants



- 01/08/2019 Report on Revenues received by TSO (Ukrenergo) from activity of cross-border capacity allocation on NEURC's website <http://www.nerc.gov.ua/index.php?news=9284>



## Issues remained

- **Electricity TSO** certification
- **Gas TSO** certification
- **Efficiency** of the **electricity market**, changes to Electricity Market Law
- Changes to the **Law on Regulator**





**Thank you for your attention!**