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Do electricity market reforms in Ukraine gain ground?

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Current Status



- ❑ On April 13 2017, the new Electricity Market Law, Law No4493, was finally voted in the second reading
- ❑ The new Law brings:
 - substantial reform in the operation of the wholesale and retail electricity markets and
 - radical restructuring of the key entities of the sector

Main pillars of reform



- ❑ **The Ownership unbundling requirements for the TSO, Ukrenergo**
- ❑ **The Legal unbundling requirements for the DSOs, Oblenergos**
- ❑ **The Implementation of a new wholesale market model, foreseen to operate in compliance with the EU target model**
- ❑ **The transition to de-regulated and cost reflective retail prices and**
- ❑ **The implementation of fair and transparent processes for cross border trade and cross border capacity allocation**



❑ Ownership of assets:

- EnC is preparing a Law to amend a series of existing laws with a view to allowing TSOs unbundling and certification

❑ Ownership unbundling restrictions regarding state control and ownership of the generation and supply companies

DSOs unbundling



- ❑ **Move from the current bundled regime of Oblenergos to legal unbundling of the supply business from the DSO business**
- ❑ **Universal Supply: initially (for a transitional period) to cover the supply of households under regulated tariffs**

New Market model challenges



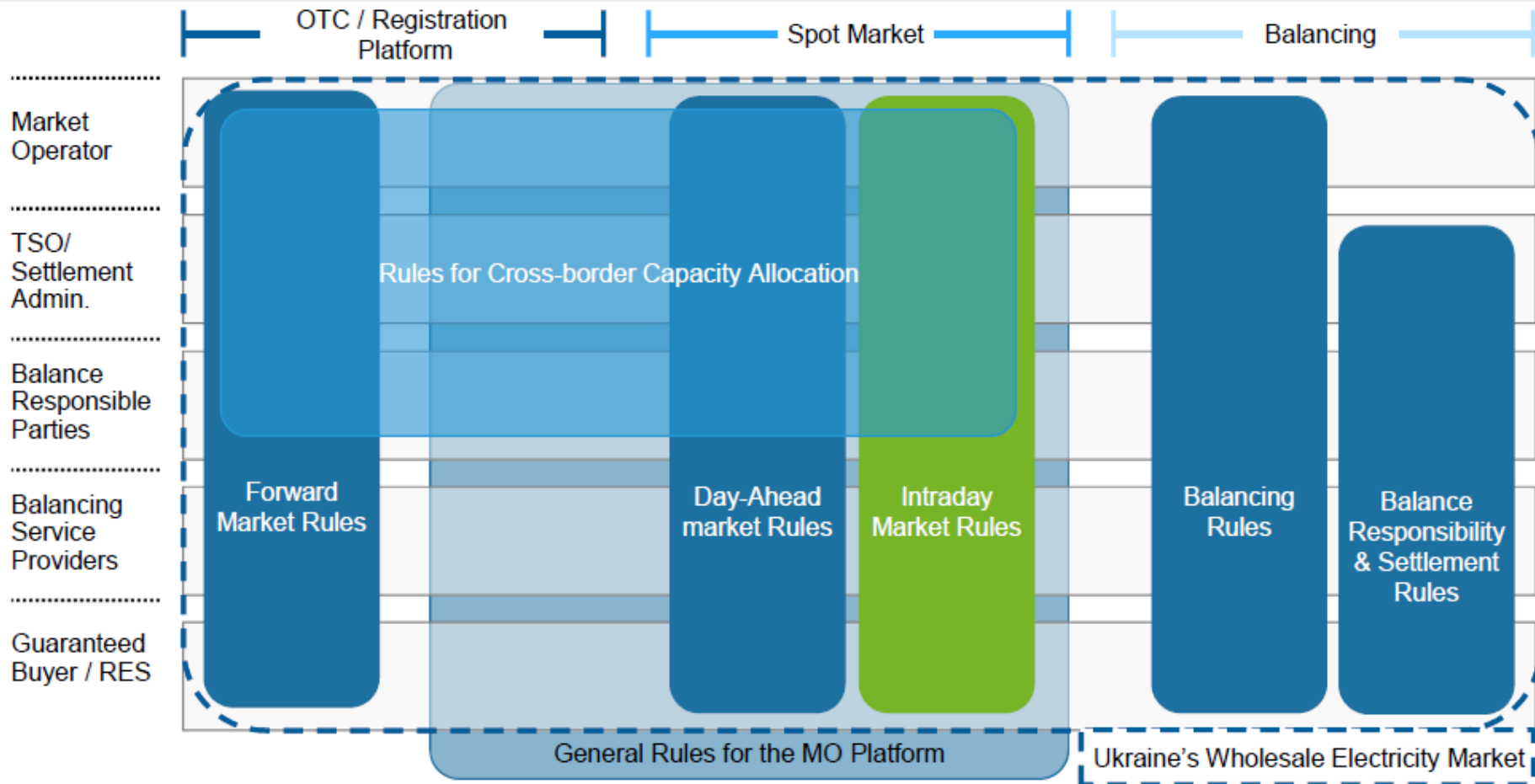
- From a Single Buyer model to a model of four different markets
- Spot Markets liquidity
- From a centrally dispatched system to a self-dispatched system
- Market based procurement of reserves
- Free bidding of generation resources
- Two non-synchronised bidding zones in one country

Wholesale market segments



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New Market model challenges



- ❑ **Software requirements:**
 - ❑ For the Forward, the DAM and IDM
 - ❑ For Reserves, balancing and settlement
- ❑ **Software tender documents**
- ❑ **Time consuming procurement processes**

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Deregulation & cost reflectivity in retail prices



- ❑ Undertaking a process of gradually liberalizing portions of the generation procurement mechanism (even before the new software is in place)
- ❑ De-regulate end- prices for large customers asap
- ❑ Remove cross-subsidization between categories of customers and take actions towards cost-reflective end-user prices for the households and small customers

Fair and transparent processes for cross border trade and cross border capacity allocation



- imports allowed under a Ministerial approval only in cases there is a security of supply problem in the country
- Under Case ECS-1/12 the Secretariat has expressed its view regarding different treatment of exports and imports
- case ECS-08/15 existing process for allocating cross-border capacity is not compliant with the Energy Community acquis

Conclusion



Overall yes, Ukraine is moving on with electricity sector reforms!

There is a lot of inertia still in the system (and thus it might take some time more) but the pieces of the reform puzzle, one by one, are put in place!



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*Thank you
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