

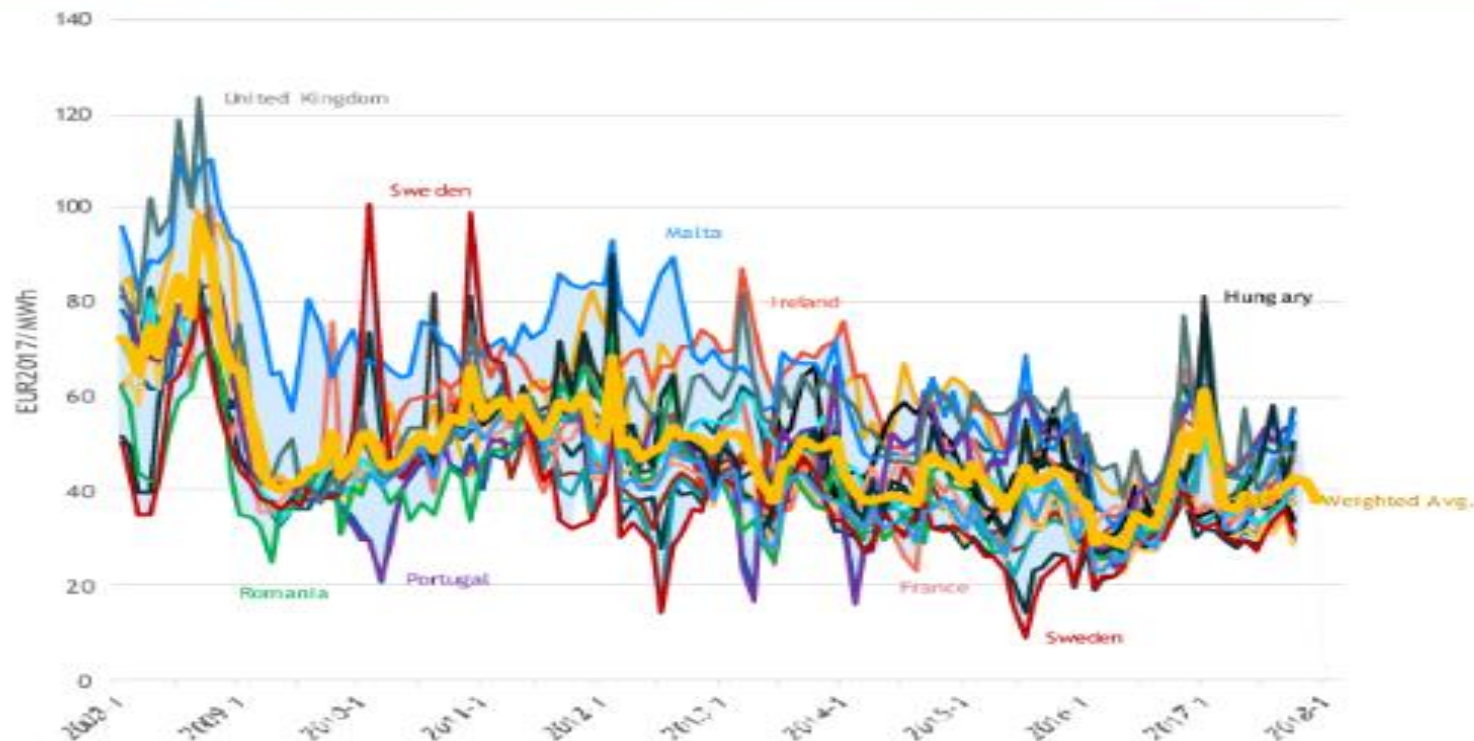


Towards a Regional Electricity Market – Energy Community beyond 2020

**Panel debate II- What is driving prices and will
market integration trigger price convergence**

Wholesale prices 2008-2018

Table 0-2: EU28 wholesale electricity prices 2008-2017, individual Member States lines visible, outliers named

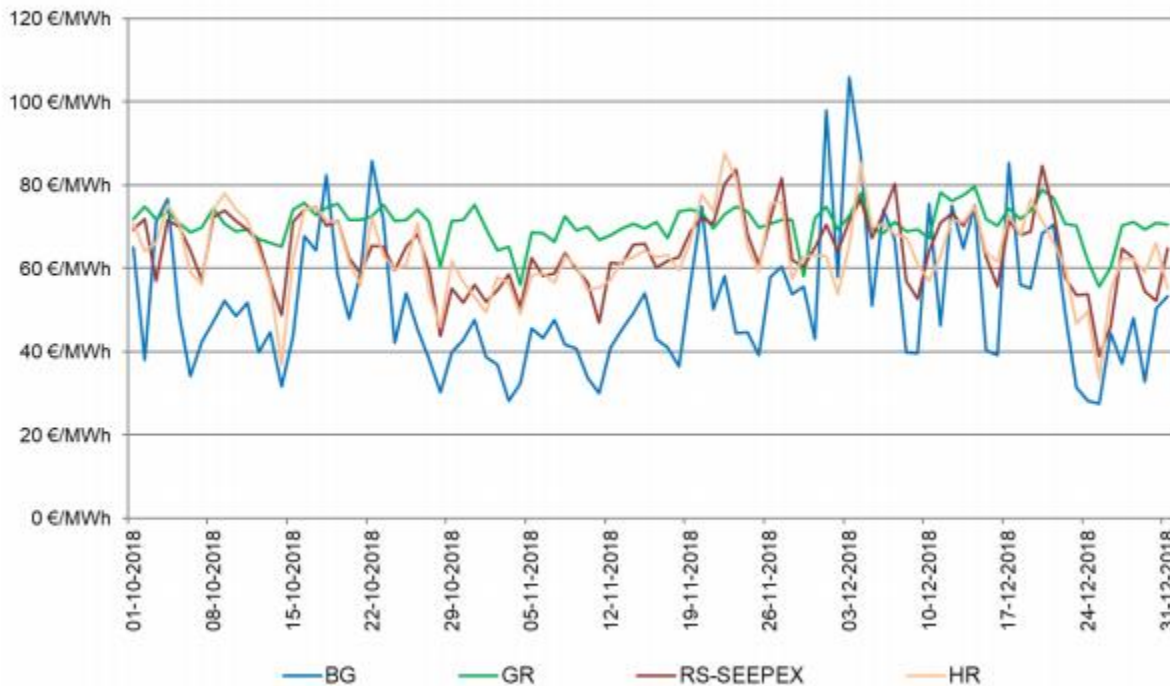


Source: Own calculations

Source: Study on energy costs, prices and subsidies and their impact on industry and households, Trinomics, 2019

Wholesale prices

Figure 37 – Comparison of daily average day-ahead prices in Bulgaria, Croatia, Greece and Serbia

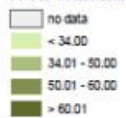


Source: IBEX, LAGIE, OPCOM, SEEPEX

Market observatory for Energy:

https://ec.europa.eu/energy/sites/ener/files/quarterly_report_on_european_electricity_markets_q4_2018_0.pdf

Prices in Euros/MWh



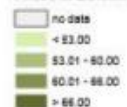
WHOLESALE BASELOAD ELECTRICITY PRICES Fourth quarter of 2017

Pan-EU Average: 49.8 €/MWh



24% increase

Prices in EUR/MWh



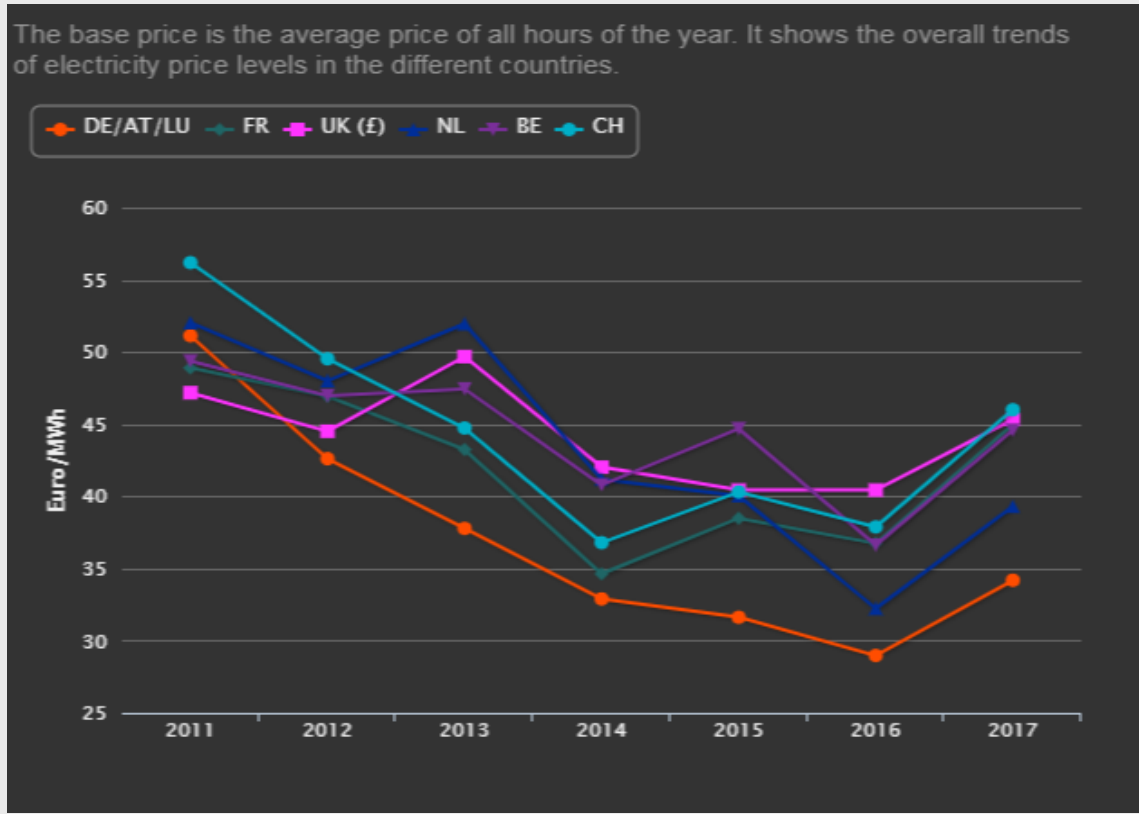
WHOLESALE BASELOAD ELECTRICITY PRICES Fourth Quarter of 2018

Pan-EU Average: 61.7€/MWh



Source: Eurostat, National power exchanges

Price in coupled EU markets

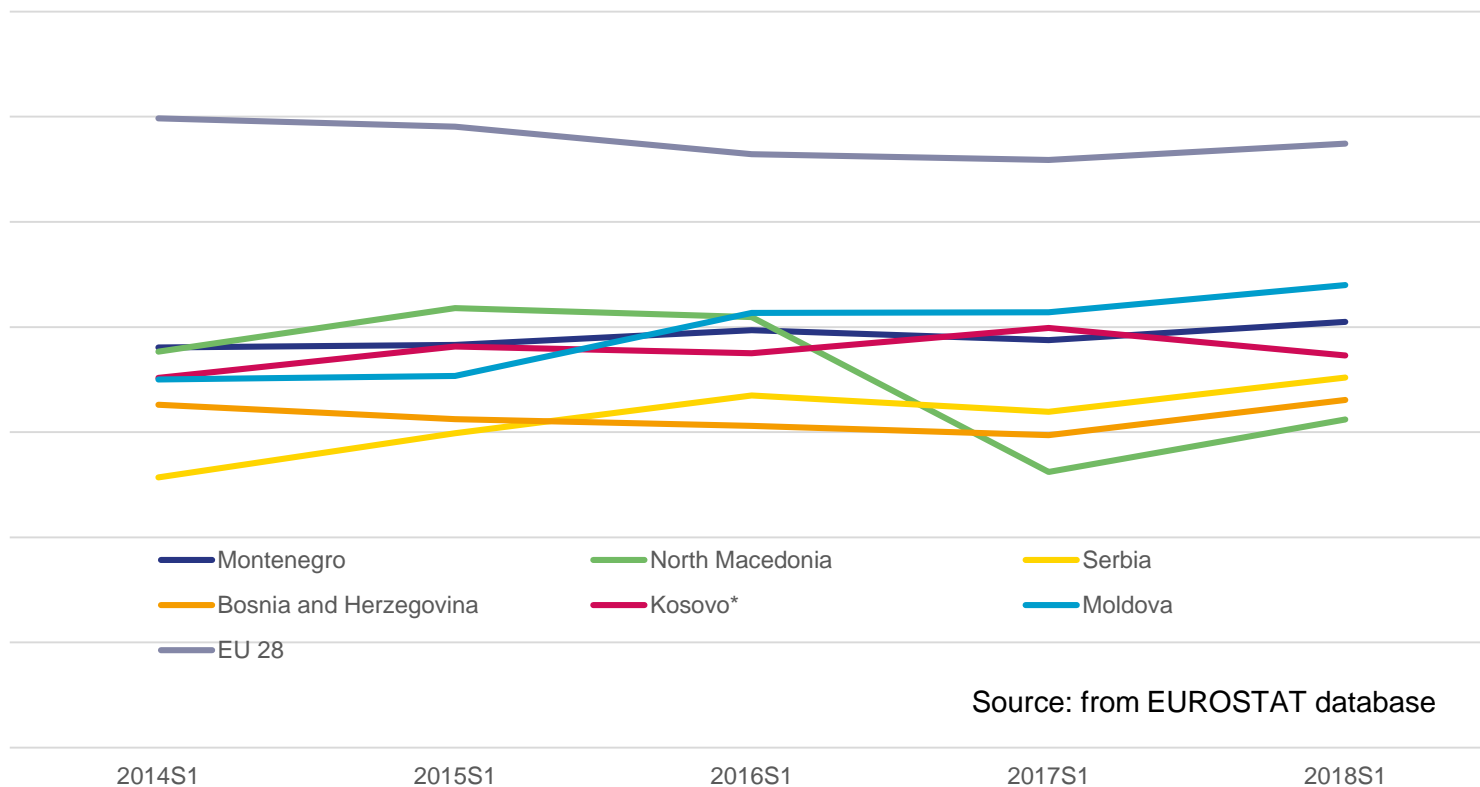


Epexspot <http://www.epexspot.com/dib/>

	SYS
2018	43,99
2017	29,41
2016	26,91
2015	20,98
2014	29,61
2013	38,10
2012	31,20
2011	47,05
2010	53,06
2009	35,02
2008	44,73
2007	27,93
2006	48,59
2005	29,33
2004	28,92
2003	36,69

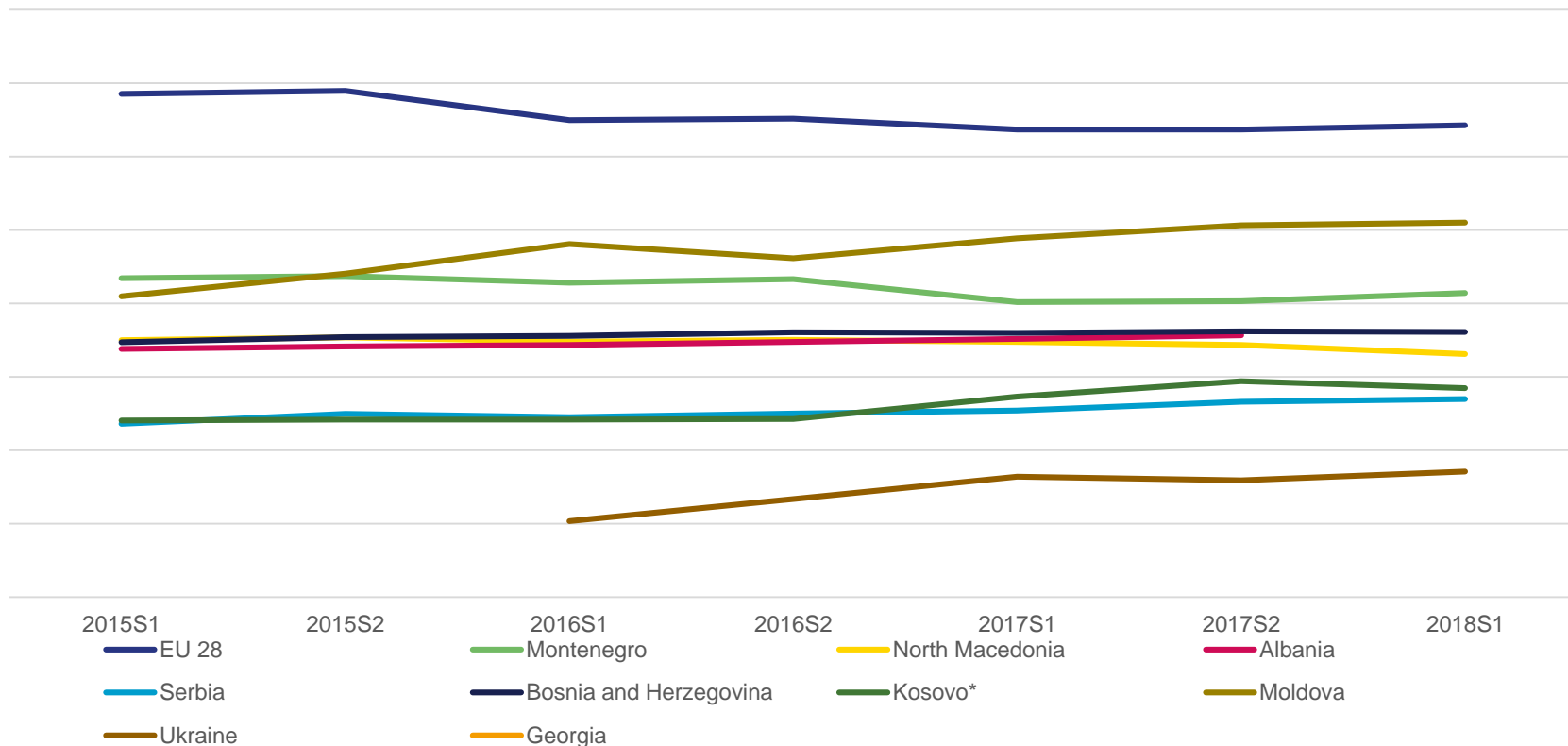
Nordpool: market data

Retail prices for industry [EUR/kWh]



Source: from EUROSTAT database

Electricity prices charged to household [EUR/kWh]



Source: from EUROSTAT database

Mladen Apostolović | EFT Group
Vladimir Kostić | EPCG
Dejan Paravan | GEN-I
Nikola Gabrovski | IBEX
Agime Gerbeti | GSE

- **How do costs of current administrative procedures impact electricity wholesale prices?**
- **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**

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

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

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).

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.