

ENERGY AND WATER SERVICES REGULATORY COMMISSION
OF THE REPUBLIC OF NORTH MACEDONIA



RECENT DEVELOPMENTS

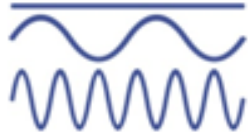
NATASHA VELJANOVSKA
Member of ERC

50th ECRB Meeting

30 November 2021, 10:00-17:00

RAE premises – Athens, Piraeus 132 and virtual





ENERGY AND WATER SERVICES REGULATORY COMMISSION OF THE REPUBLIC OF NORTH MACEDONIA



- The Financial Plan of ERC for 2022 was submitted to the Parliament of the Republic of North Macedonia for approval. The proposed fee of 0.0522% for 2022 is 18.36% higher compared to the fee of 0.0441% for 2021, approved by the Assembly of the Republic of Northern Macedonia.
- The plan is to have 5 new employments in 2022.
- New Law on Communal Waste introducing new authorizations for ERC in setting the tariff for determining the municipal waste management service.
- Changes of the Energy Law are open for public comments on www.ener.gov.mk.
- The Agency for the Cooperation of Energy Regulators (ACER) admitted the Energy and Water Services Commission of North Macedonia (ERC) to join its Electricity Working Group as observer. An Administrative Arrangement allowing ERC experts to participate in the ACER Electricity Working Group will formalize the observership status.

SECONDARY LEGISLATION

- From the period of 14th of September 2021 to 30th of November 2021 ERC approved:
 - ✓ Changes of the Electricity Balancing Rules,
 - ✓ Rules for procurement of electricity for covering losses in the electricity transmission system of JSC MEPSO (TSO),
 - ✓ Rules for allocation of cross-border transmission capacities at the border between North Macedonia and Bulgaria for 2022,
 - ✓ Rules for allocation of cross-border transmission capacities at the border between North Macedonia and Serbia for 2022,
 - ✓ Rules for intra day allocation of the cross-border transmission capacity on the border between the control areas of Operatori i Sistemit te Transmisionit Dhe Tregut (KOSTT) and Makedonski elektroprenosen system operator JSC MEPSO (MEPSO) for 2022,
 - ✓ Changes of Grid Code for distribution of thermal energy.

- Issuing, changing and revoking of the licences for performing energy activities,
- Issuing, changing and extension of the resolutions for temporary status of preferential producers with feed-in tariffs,
- Issuing resolutions on complaints,
- Setting the water services tariffs for the regulated period 2022-2024.

ELECTRICITY CRISIS (1/3)

- Small consumers and households benefit from the universal service obligation of the universal supplier EVN HOME which is a privately owned company. ERC sets the prices for the universal supplier. However, the universal supplier is not highly exposed to the wholesale electricity prices since most of the electricity offered by the universal supplier derives from the largest domestic electricity producer, a state-owned company (JSC ESM) that is obliged to offer electricity on tenders opened by the universal supplier in a percentage set in the Energy Law, which gradually decreases from 'at least 80% of the total annual needs of the universal supplier in 2019' to 'at least 30% of the total annual needs of the universal supplier in 2025'. If the prices of the largest electricity producer are the lowest, the universal supplier shall conclude a power purchase agreement. The remaining electricity needed, but not covered by the largest electricity producer, is purchased by the universal supplier from other traders, suppliers, or producers.
- Industrial consumers and other consumers that do not fall into the category of small consumers that are supplied under market prices, are significantly exposed and directly impacted. Furthermore, some of the suppliers were faced with termination of their bilateral agreements for purchase of electricity from their foreign traders, as well with changes of prices, previously set in their bilateral agreements, initiated by their foreign traders. These circumstances had large impact on the consumers of such suppliers. For instance, some of the consumers were left without a supplier, in most cases, with a very short cancellation period offered by their supplier and had to go back to the universal supplier or supplier of last resort (with price 1,5*HUPX day a head). Other consumers received new offers with increased prices, although their purchase agreements with fixed term tariff were still in force i.e. the contract period has not ended.
- The balancing market was also highly impacted by the wholesale electricity prices. The balancing price is set in accordance with the methodology for setting the balancing price regulated in the Electricity Balancing Rules. The Balance Service Providers (BSPs) submit offers on the auctions performed by the TSO (JSC MEPSO). At some point the balancing prices were lower than the market prices due to the lack of correlation with market prices. Under such conditions, few market participants did not close their position in the market and supplied their customers, on short term or continuously, through imbalances, utilising therefore all the balancing capacity available to the TSO in continuation for 24 hours. This brought hydro-accumulation at the historically lowest level. Also, TSO (JSC MEPSO) received several warnings from ENTSO-E.

ELECTRICITY CRISIS (2/3)

- On 30th of October 2021 the Government of North Macedonia issued new Decree determining the criteria and conditions for declaration of crisis in the electricity sector.
- On 2nd of November 2021 the Government of North Macedonia declared a state of electricity crisis effective until 9 December 2021.
- The state of electricity crisis was declared due to electricity shortages on the domestic market, caused by occasional outages of major production facilities, lack of coal for production of electricity, and the inability to prevent possible outages with reserves in the electricity production.
- The Government's decision enables measures and activities to be taken, including financial intervention to purchase additional quantities of electricity. It determines the rights and obligations of state-owned power producer Elektrani na Severna Makedonija (JSC ESM) and transmission system operator (JSC MEPSO).
- The Government enabled the transfer of budget funds. ESM received EUR 65 million, mostly for electricity imports.
- The Government requested the Ministry of Labor and Social Policy, in coordination with the Ministry of Economy to prepare measures for support for the socially vulnerable categories to use additional means of protection against energy poverty.
- The Government also requested from the Ministry of Economy, in cooperation with the Public Procurement Bureau, to propose a solution for state institutions to purchase electricity from JSC ESM at lower prices than those on the open electricity market.

ELECTRICITY CRISIS (3/3)

- On 25th of November 2021 the Government of North Macedonia gave its consent to the JSC ESM to activate TPP Negotino with operation for temporary additional production of electricity in conditions of electricity crisis.
- The Government agreed to conclude an agreement for business and technical cooperation between JSC ESM and JSC TPP Negotino for the supply of fuel oil and electricity production, in the period December 2021 - April 2022, with the possibility of further cooperation if there is a need.
- According to this agreement, which will regulate the rights and obligations of both parties, JSC ESM will procure the necessary amount of fuel oil for the operation of TPP Negotino and will take over the entire electricity produced.
- The produced electricity in TPP Negotino, JSC ESM will use in part for the universal supplier for the needs of supply of households and small consumers in cases of shortages, part will offer for the needs of JSC MEPSO for electricity losses, while the excess electricity JSC ESM through the Chamber of Commerce will offer it for sale on the open market to domestic businesses, at prices lower than the prices on the stock exchange.
- The Government will assist in the procurement of fuel oil required for a period of one month, in which JSC ESM will participate with its own funds. The working capital that will be realized with the production of electricity in the first month, will be used by JSC ESM for procurement of fuel oil for further production, if there is a need for it.
- This decision will enable strengthening of the domestic electricity system and increase of the domestic production of electricity. TPP Negotino, which was a cold reserve for 12 years, will be put into operation with a total available production capacity of 180MW. The production price of TPP Negotino if it works with one boiler will be around 175 EUR/MWh, while if it works with two boilers it will be around 150 EUR/MWh. The TPP Negotino was built in 1978 and last operated in 2009. The entire process of restarting TPP Negotino will be subject to a trial period and checking all functionalities of the equipment.

MEASURES TAKEN BY ERC

- ERC has undertaken several measures:
 - ERC issued decisions against suppliers that haven't complied with their obligations set in their license, the Energy Law and Rules for Electricity Supply, for customer protection in respect of providing timely information and information of consumer's rights to choose other supplier (supplier switch) or to be supplied by the supplier of last resort and asked for a retroactive application of new higher prices. These decisions also set a timeframe for regular reporting to the regulator of their actions taken for a proper provision of relevant information to their consumers.
 - ERC issued decisions against suppliers that abused the market and intentionally lowered their nominations to use the balancing energy for supply of their consumers or did not have any bilateral agreements and used the entire balancing electricity for supply of their consumers. ERC ordered these suppliers to end their practices and initiated a procedure for revoking their licences.
 - ERC requested the State Market Inspectorate to initiate misdemeanor proceedings against the electricity suppliers.

- The tender for the electricity needs of the universal supplier is on going as well as the tenders of TSO and DSO for covering electricity losses.

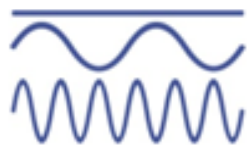
- Due to direct impact of the high electricity prices, ERC will review the electricity tariffs, upon the requests of the regulated companies.

NATURAL GAS AND THERMAL ENERGY

- The regulated companies applied for new tariffs for transmission and distribution of natural gas. The revenues and the tariffs of natural gas for the new regulated period shall be issued by ERC by end of December 2021.
- The regulated companies applied for new tariffs for thermal energy for heating in the city of Skopje, due to the high price of natural gas. The revenues and the tariffs of thermal energy for heating shall be issued by ERC by end of December 2021.

RENEWABLE ENERGY

- After the successful two tenders and auctions for the construction of 62 MW solar PV plants with premiums on private and state land in 2020, the Ministry of economy organized public call for another 80 MW. For an offered quota of 80 MW, bids were received for a total of 207 MW, which are currently being evaluated and the electronic auction should be held in December 2021.
- In this reporting period the Government issued two Decisions for strategic investment projects:
 - Akuo Energy - France will build a photovoltaic power plant with an installed capacity of 350 - 400 MW in Stip, an investment of about 270 million euros. The electricity production is estimated at 600 - 650 GWh.
 - WPD – Germany will build wind farm "Virovi" with an installed capacity of 415 MW, located in the municipalities of Staro Nagoricane and Kriva Palanka, an investment of about 500 million euros. The electricity production is estimated at 1300 GWh.



ENERGY AND WATER SERVICES REGULATORY COMMISSION
OF THE REPUBLIC OF NORTH MACEDONIA



THANK YOU FOR YOUR ATTENTION!



Natasha Veljanovska
Member of ERC

e-mail: natasha.veljanovska@erc.org.mk

URL: www.erc.org.mk

50th ECRB Meeting

30 November 2021, 10:00-17:00

RAE premises – Athens, Piraeus 132 and virtual

