



# Electricity market integration in EU and SEE

## Part 1

**Alberto Biancardi**



## **Summary**

**A common challenging objective**

**A pan-European process**

**An appetite for efficiency**

**Several obstacles**

**A possible perspective**

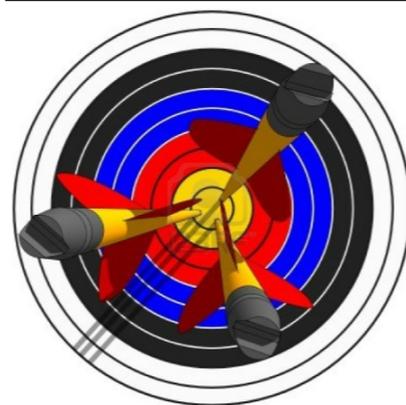
**The purpose of the workshop**



## A common challenging objective

***"The internal market should be completed by 2014 so as to allow gas and electricity to flow freely"***

**(Conclusions on Energy, European Council 4 February 2011)**



***"The objective [of the Energy Community Treaty] is the creation of a competitive integrated energy market between the Contracting Parties and their EU neighbors, and ultimately, its integration with the single EU energy market"***

**(Energy Strategy of the Energy Community)**



## A pan-European process

**Seven European Electricity Regions are converging towards a single market model.**

**The Balkans Region is the eighth region participating in the convergence process.**



**Starting points are different and each region is following a specific path.**

**As transition costs are not negligible, convergence requires strong commitment to all agents involved.**



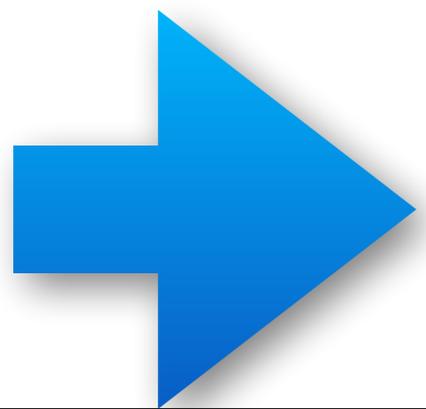
## **An appetite for efficiency**

**European market integration is based on interconnection development.**

**Investors look for proper remuneration mechanisms.**

**The economic crisis imposes severe budget constraints: an increase in electricity bills is not affordable.**

**Efficiency gains are the best way to self-sustain integration.**



**All Countries are seeking to minimize costs due to the transition to the single market.**

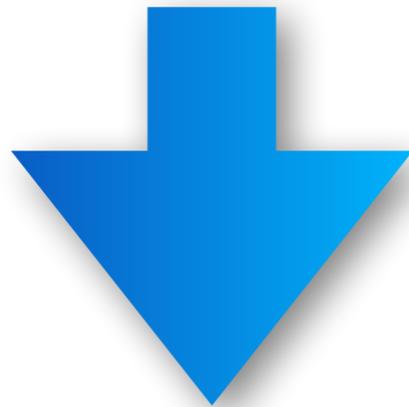


## Several obstacles

**Different national regulatory frameworks**

**Different degrees of political commitment**

**Different speeds in liberalizing the market**



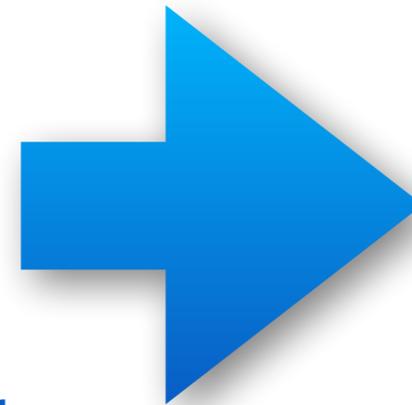
**All differences have to be harmonically integrated**





## A possible perspective

**Ensuring the full integration of the Italian electricity market into the European market is among the main objectives of the National Energy Strategy (SEN) set forth by the Italian Government.**



**AEEG, as a lead regulator of CSE Region and co-chair of Day Ahead Market Coupling project, fully supports the integration process.**

**Strengthening regional and cross-regional cooperation is the way to cope with all the ongoing obstacles.**





## **The purpose of the workshop**

- Comparing regional experiences concerning market integration.**
- Verifying whether solutions found in the seven regions can be transferred and adapted to the eighth region.**

**-Highlighting all cooperation opportunities not yet exploited.**

**Pointing out the importance of drafting a detailed road map for day ahead market coupling also for the SEE Region.**





**Thank you!**



# Electricity market integration in EU and SEE

## Part 2

**Salvio Lanza**



## **Summary**

**The structure of the workshop**

**The agents involved in the integration process**

**The list of issues:**

- distance from the target**
- the role of institutions**
- best practices in market organization**
- threats and opportunities**



## The structure of the workshop

### Round table 1 Market design



**The effort of Regulators  
to harmonize rules  
&  
the point of view of  
market participants and  
market institutions**

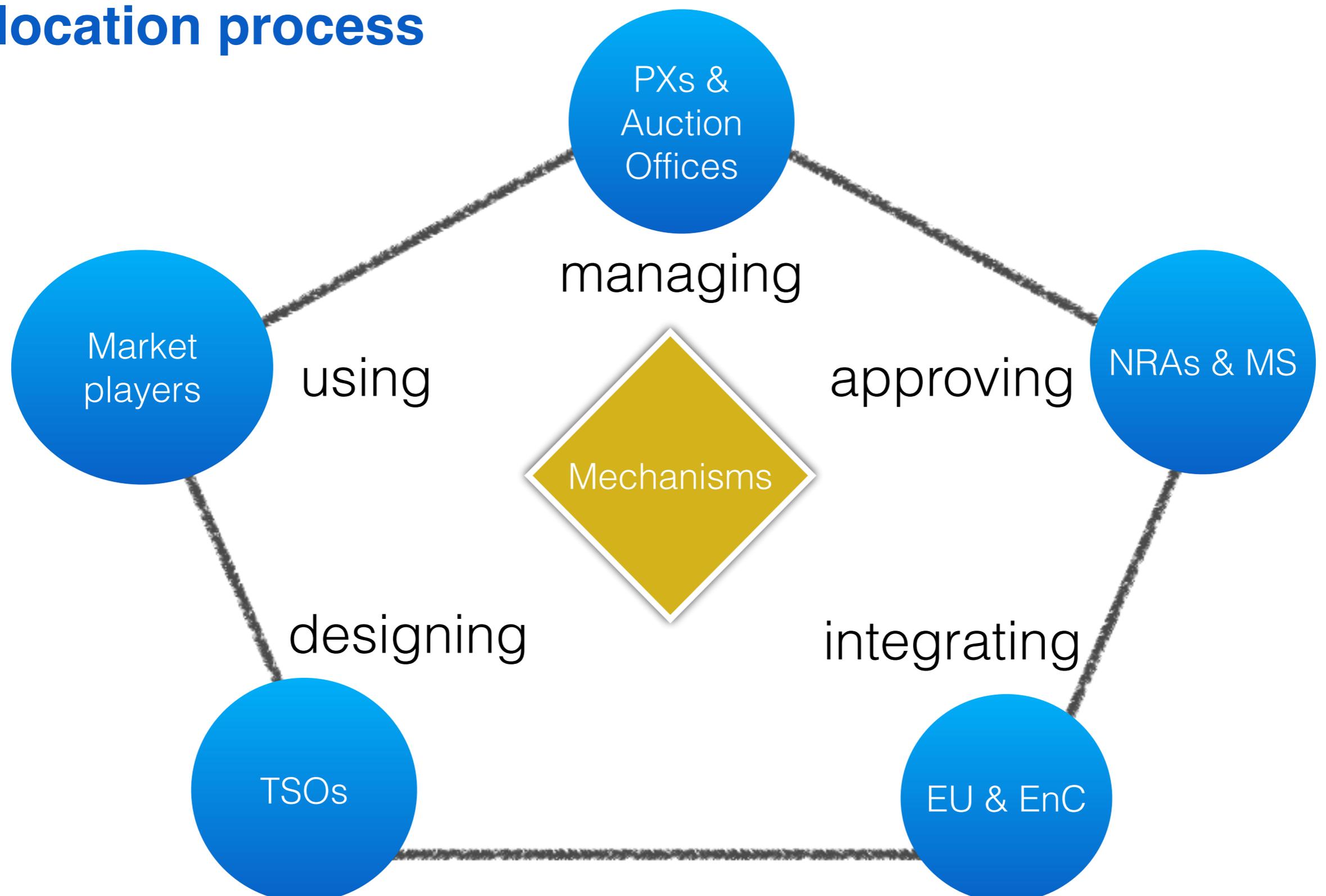
### Round table 2 Grid integration



**Physical integration and  
transmission rights  
allocation: the role of  
TSOs  
&  
the cooperation among  
Regulators**



# Agents involved in the transmission capacity allocation process





## Distance from the target

**State of the art in the process of wholesale electricity market opening and integration in the 8th Region:**

- Where is the Energy Community standing in implementing the objective set by the third EU Package?**
- Is 2015 a realistic deadline for Contracting Parties?**
- Are retail markets able to reflect wholesale price signals?**

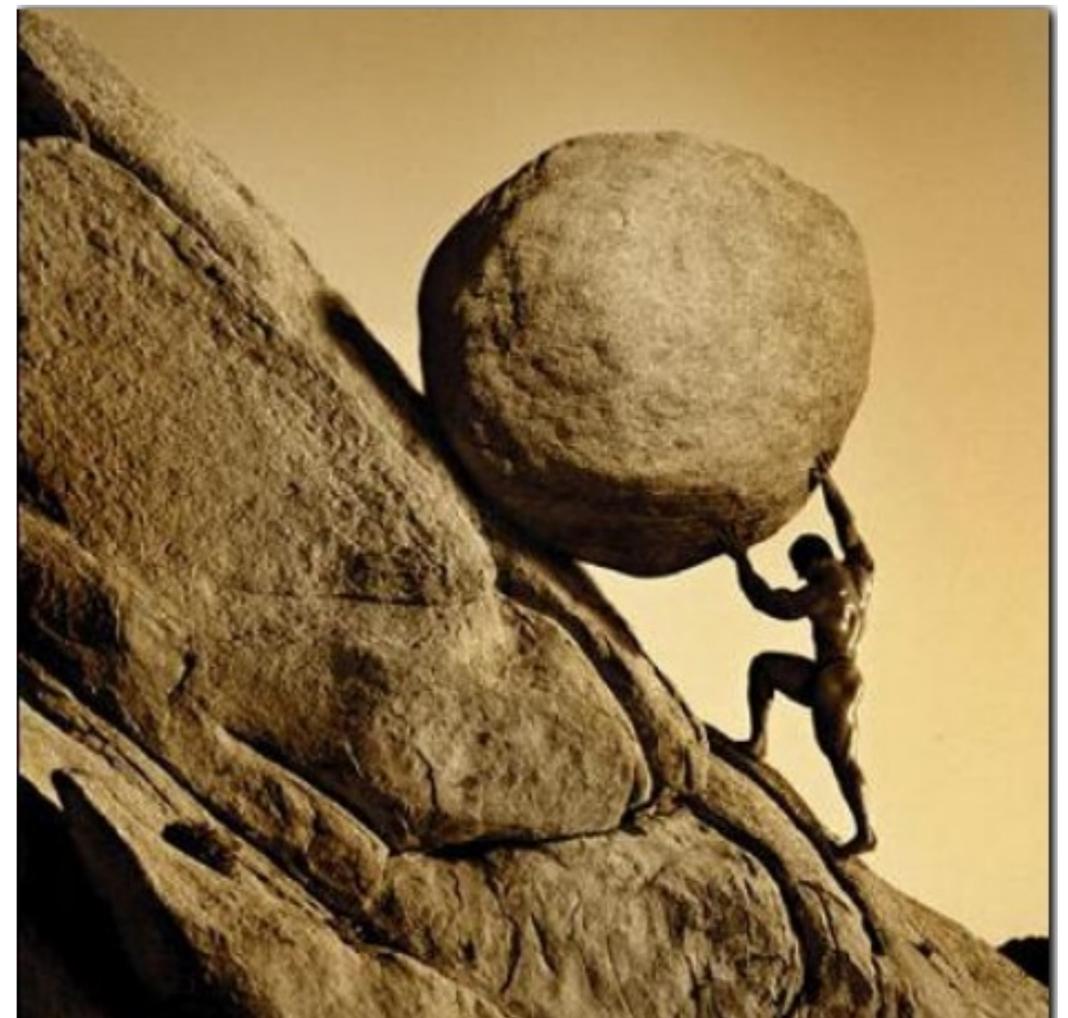




## The role of institutions

### Overcoming resistances against rules harmonization:

- Do Regulators have enough power and capacity to cope with the main obstacles to the liberalization and integration process?
- What are the strengths and weaknesses of ECRB?
- How can the cooperation between ACER-ECRB be improved?





## Best practices in market organization

### Optimal market design:

- What are the main lessons learned from CASC experience and from Italy-Slovenia market coupling ?
- What is expected from SEE CAO?
- Which is the best scale for a PX, national or regional?
- How may the cable Italy-Greece be better exploited and the cable Italy-Montenegro be affected by market integration?

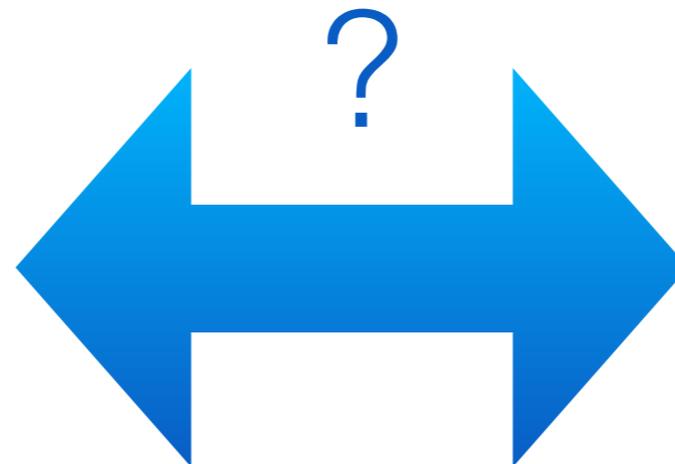




## Threats and opportunities

**Gains from trade and business opportunities:**

- Which advantages are envisaged by market players?
- Which obstacles must be removed?
- Which are the opportunities for financial support?





**Thank you!**