



Electricity and Gas Market Development in Serbia

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Introduction

Introduction

The development of electricity and natural gas market:

- a condition for the security of supply and sustainable development in Serbia
- a condition for an increase in investment in energy infrastructure and competition development
- market development has to be encouraged
- various obstacles in the electricity and gas market

Energy Law provides sustainable development

- Energy sources diversification
 - Renewables
 - Environmental Protection
-
- Encouraging E&G liberalized market development
 - customer interest
 - investors' interests
-
- Security of supply increase
 - Sustainable energy development
 - Efficiency of the energy sector increase

Energy Law (EL)

Legal framework

Legal Framework

- 1) EU 3rd Energy package, directives and regulations
- 2) Decisions of the SEE Ministerial Council
- 3) 2014 **Energy Law**
- 4) Bylaws are in preparation and adoption process

The new Energy Law

- Approved in December 2014
- 3rd EU Energy package
 - Directives inserted into EL
 - Regulations incorporated as a mandatory content of by-laws
- Other national laws (public enterprises, activities of general interest, public procurement)
- Precisely defined competences and responsibilities of relevant institutions, operators and market participants
- Strengthened the independence of the Agency and expanded jurisdiction

Existing Bylaws - 3rd/2nd Energy package

Electricity	Natural gas
✓ TSO Grid Code	✓ TSO Grid Code + elements of Market Code
✓ Market Code - Balance responsibility	
✓ Rules for the allocation of cross-border transmission capac.	
✓ DSO Grid Code	✓ DSO Grid Code
✓ Supplier switching rules	
✓ Methodologies for determining the regulated supply price	
✓ Methodologies for determining transmission & distribution use-of-system charges	

Regulatory body (AERS)

The Regulatory body (AERS)

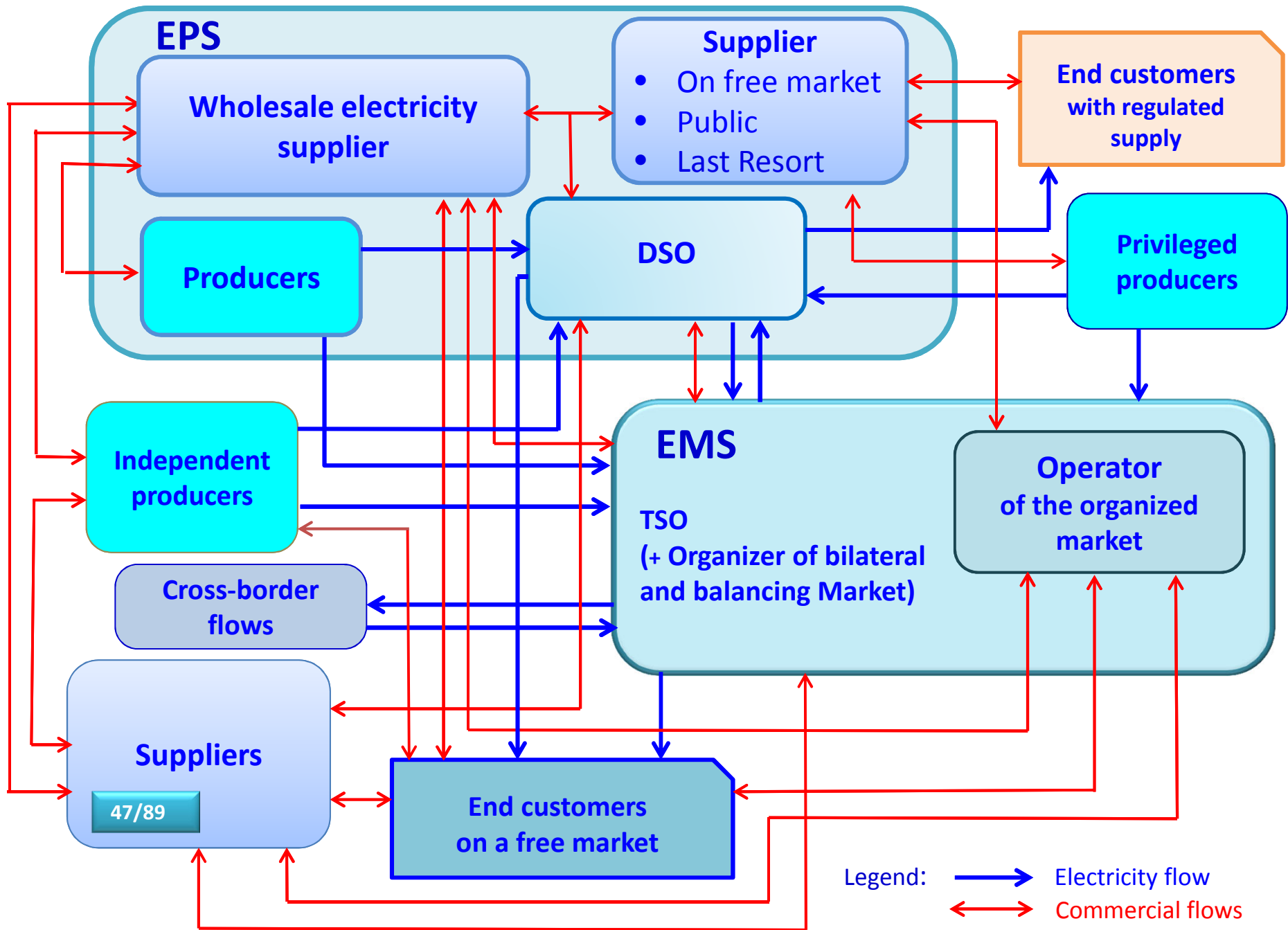
- Established in 2005 by the 2004 EL
- Agency functioning is independent of:
 - state executive authorities and other state bodies and organizations
 - Legal and natural persons engaged in energy activities
 - 2014 EL expanded the competence and strengthened its independence
- Reviews of the Agency work:
 - Competence + international contribution
 - Independence

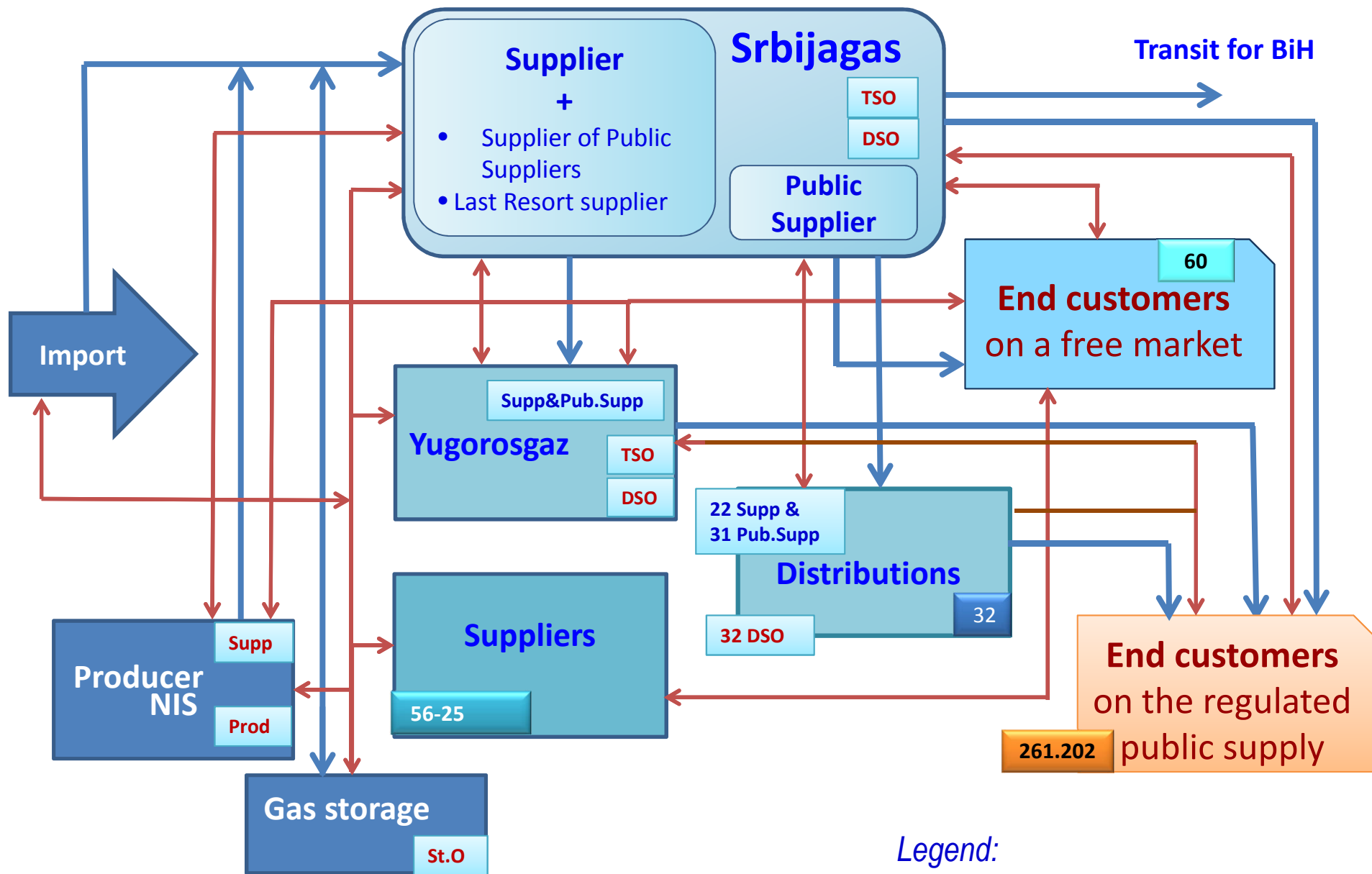
Electricity and Gas Market

Market Participants

Electricity	Natural gas
Generation	Producer
Wholesale Supplier	Supplier
Supplier (for final customers)	Public supplier
Final customer	Final customer
Market operator (spot market)	
TSO	TSO
DSO	DSO
Closed DSO	Storage facility operator

Market Models ↓





Legend:

→ Gas flow

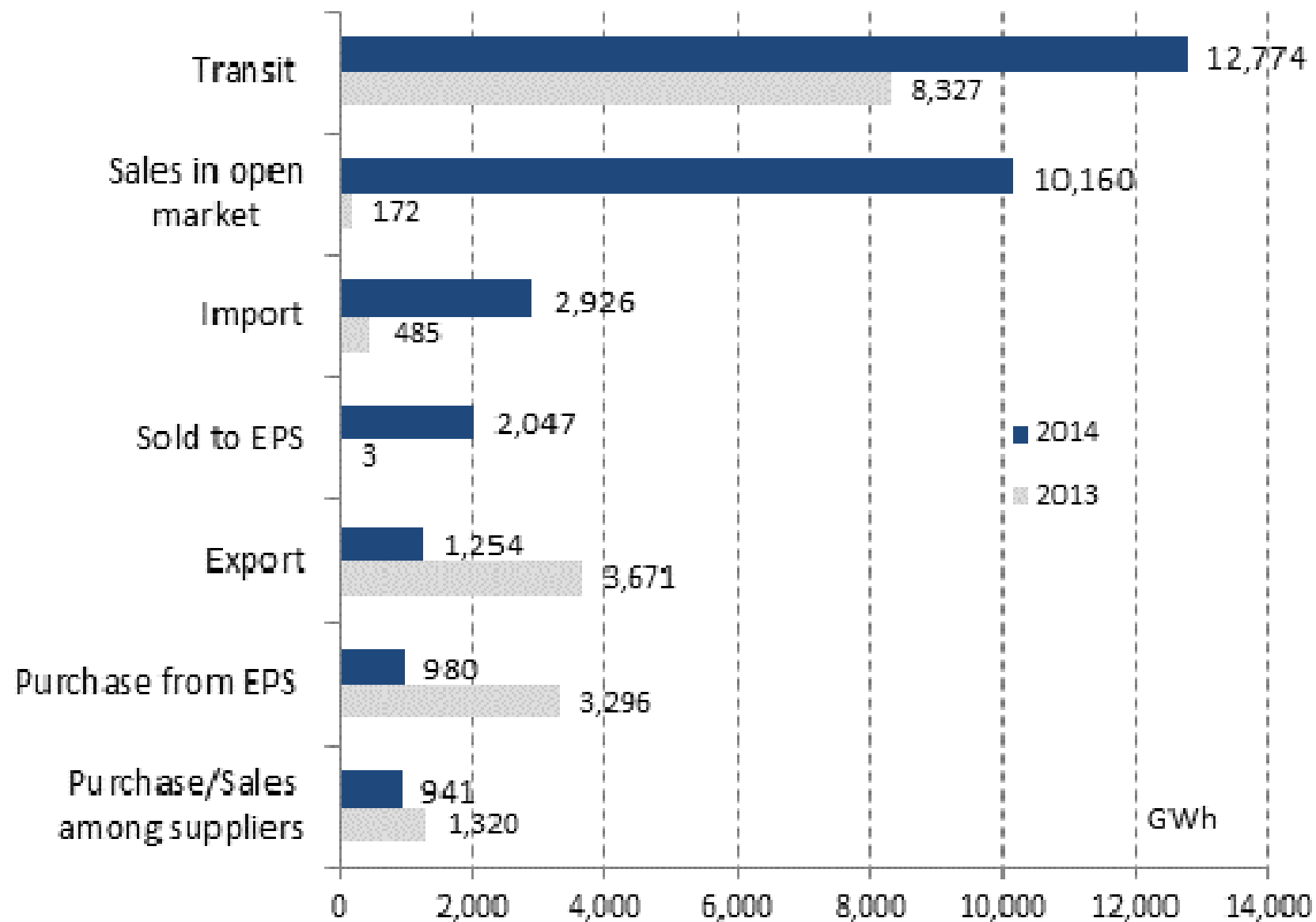
↔ Commercial flows

A Activity

Suppliers

Licensed/other activities	Electricity	Natural gas
Wholesale Supplier	89 / 47 / 7	
Supplier (for final customers)		
Guaranteed Supplier	1 (EPS)	
Supplier of Last Resort	1 (EPS)	
Supplier		56 (25+31)
Public supplier		34
Supplier of public suppliers		1 (Srbijagas)
Supplier of Last Resort		1 (Srbijagas)

Electricity suppliers' main activities 2013-2014



TSO & DSO Role at the Market

- Guarantees the ability and accuracy of measurements –importance of unbundling
- Maintains a database of suppliers, contracted metering points and the expiration date of the contract
- Informs the Public and the Last resort suppliers if the measuring point is not covered by contract
- Provides metering data to customers and their suppliers
- Load profiles

Final customer's supply contract

➤ *Full supply*

- customer pays for the quantity consumed during calculation period
- for a definite or indefinite period

Households have full supply contracts !

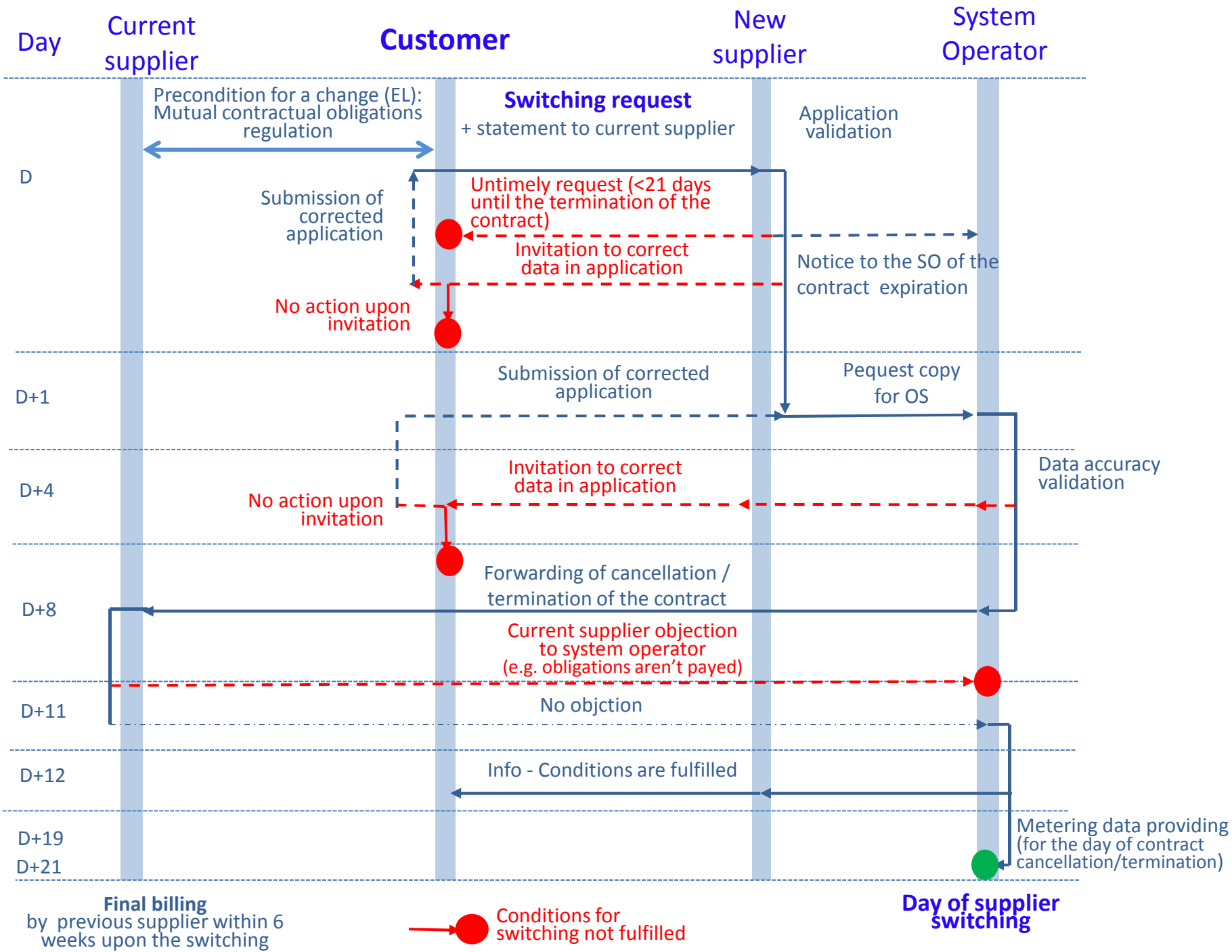
➤ *Supply with quantity determined in advance*

- customer pays for the contracted quantity
- for a definite or indefinite period

At one metering point, they can not be combined !

Supplier switching rules

- Adopted in July 2015 - Agency
- In accordance with the 2014 EL (3rd EU Energy package)
- Basic characteristics:
 - it defines the conditions and procedure
 - common rules for electricity and gas
 - customer's contract on full supply
 - obligations and deadlines for: selected new supplier, system operator, current supplier and final customer
 - switching procedure is launched by a customer who finds a more favourable supplier by filing an application to a new supplier
 - free of charge for customers
 - takes 21 days max



Electricity retail market share 2014

Gross consumption is 34.0 TWh

TWh

REGULATED MARKET ↘		COMPETITIVE MARKET ↗	
Households	14.1	Customers on competitive market	8.3
		TPP, HPP consumption	0.5
Small customers	5.6	TSO losses	1.0
		DSO losses	4.5
Total	19.7		14.3

Final consumption is 28.5 TWh

Market openness is 31% (of final consumption)

Expected: new 2TWh on free market

Gas retail market share 2014

Gross consumption is **2,002** mil m³

mil m³

REGULATED MARKET ↘		COMPETITIVE MARKET ↗	
Households	179	Customers on competitive market	804
Small customers	976	TSO losses	7
		DSO losses	14
Total	1,155		825

Final consumption is 1,981 mil m³

Market openness is 40.6% (of final consumption)

Expected: In 2015, there has been a significant decline in the quantity on the regulated market due to limitation on the consumption of small consumers at 100,000 m³/year

Regulated supply price perspective

Regulated electricity supply price

➤ Current state:

- lower than the economically justified prices
- all eligible costs are covered
- insufficient approved profit for further development

➤ Perspective:

The Agency shall yearly analyse the need for the further prices regulation (the first report until 1 May 2017) on the basis of:

- achieved competitiveness level at domestic market
- accomplished level of protection of energy vulnerable customers
- development of the regional electricity market and
- assessment of available cross-border capacities

Regulated gas supply price

➤ Current state:

- all prices are based on market price of imports and domestic production
- all eligible costs are covered
- approved profit is on the level of the usual values for this type of activity

➤ Perspective:

- Natural variations of market prices
- There is no obligation to move toward the abolition of regulation

Consumers protection

Consumers protection

- **Law on Consumer Protection**
- **Energy Law**
 - many provisions defined obligations to protect the rights of consumers
 - the obligations of the suppliers of end customers regarding: human resources, technical equipment, means of communication with consumers, transparency...

Recommended content of the bill

The bill must indicate:

- 1) Network access in line with tariffs
- 2) Energy consumption in line with tariffs

In order to provide a possibility:

- To compare the bids of suppliers
- Of influencing the use-of-system charge by changing the way of spending

Latest news

Latest news

- SEEPEX - Organized electricity market in Serbia and Southeast Europe - officially registered at the Serbian Business Registers Agency
- SEEPEX owners or shareholders: EMS Serbia and the European Power Exchange EPEX SPOT
- First transaction will be made at the end of November this year

Thank you for your attention!



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www.aers.rs