



Ukraine: Electricity Market Reforms

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Draft Electricity Market Law

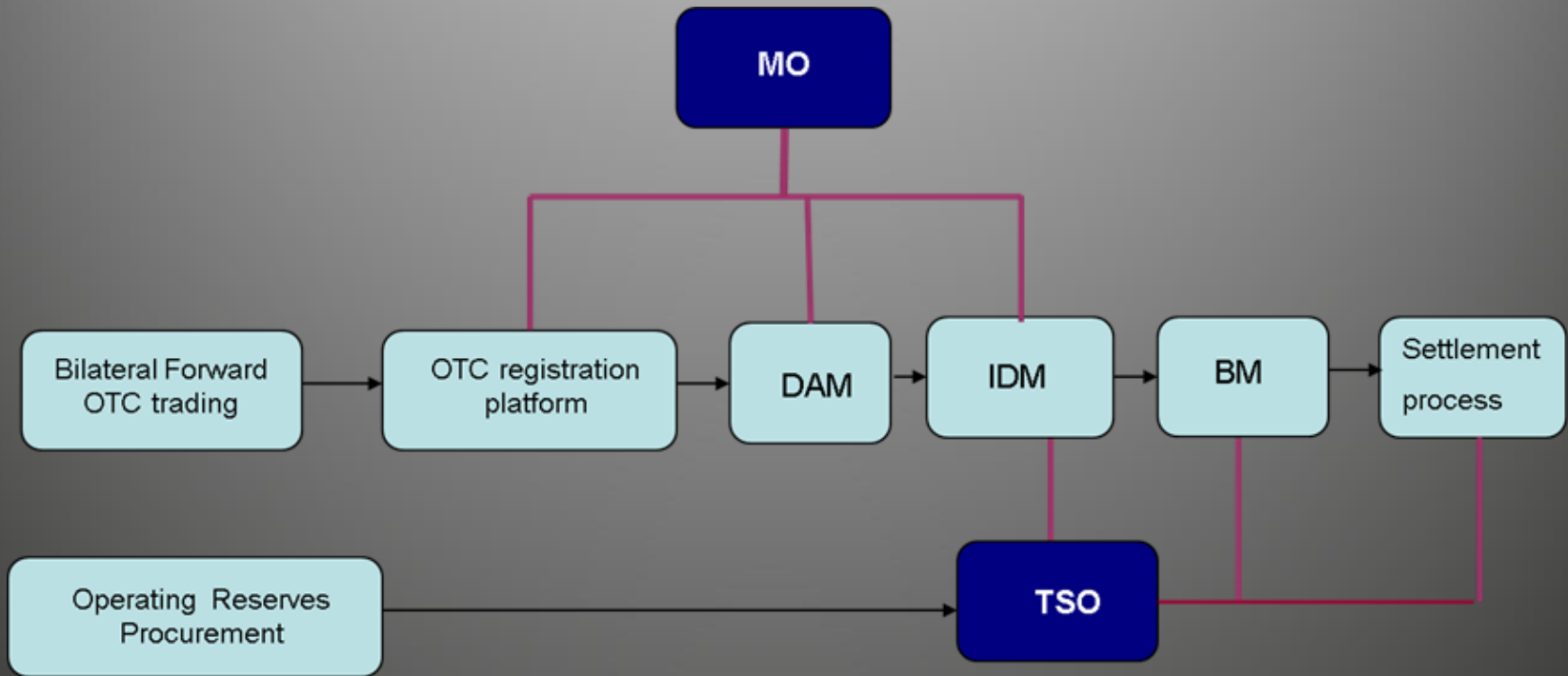
- Adoption of the new Electricity Market Law is of primary importance as it will provide compliance with the 3rd Energy Package
- The adoption of the Law will bring into force a series of reforms needed for tariffs to reveal true costs and therefore contribute the overall sector efficient operation



Electricity Sector Reform

- TSO Model: ownership unbundling
- DSOs unbundling: distribution is legally unbundled from supply
- Ukrenergo role's upgraded: responsibility for ancillary and balancing services procurement under market based mechanisms/ imbalances settlement
- Forward physical OTC market introduced
- Cross border allocation of capacity: under joint allocation processes
- Consumers protection: Universal and Last Resort Supply Services
- Residential Consumers switching supplier

New Wholesale Market Structure



Wholesale Market Reform (1)

- Target Model: Forward, DAM, IDM, RTBM
- Market based procurement for AS and reserves
- Introduction of concrete balancing products
- RES under green tariffs represented by the Guaranteed Buyer
- Guaranteed Buyer to resell to the Forward, DAM and IDM under regulated conditions
- New RES incorporated in the market

Wholesale Market Reform (2)

- DAM –Euphemia
- IDM portfolio
- RES under green tariffs enjoy priority in the DAM
- Imbalance cost for RES under support schemes is partially and progressively passed to RES operators
- Liquidity rules for the DAM

Target: wholesale prices to be revealed

Cross Border Trade

- Explicit daily PTRs auctions –participation in the DAM
- At a second stage: coupling under implicit allocation of cross border capacity
- PTRs auctions to be organized on a joint auction basis with neighboring TSOs
- Imports should be allowed when cheaper i.e. under commercial terms and not only when the Ukrainian system is expected to face shortages

Transitional Provisions

- RES support schemes' cost: to be addressed through a heavily regulated mechanism
- The Guaranteed Buyer to purchase under regulated prices nuclear and hydro power
 - Upper quantity limits set by the draft Law: 75% of the installed and operational nuclear capacity and 40% (average of previous 3 years) hydro production
 - NEURC to set the details of how this energy will be transferred to consumers and how any residual quantities will be resold in the commercial markets, the restrictions that should apply and how the price benefit will be allocated within the two bidding zones
 - Strict and complex methodology in view of reflecting the above benefits to end user tariffs



Retail Market Reform

- Vulnerable Customers and protected customers regime
- Supplier switching even for residential customers/ commercial metering methodology to allow settlements when switching even for profiled meters
- Universal Supply – service to households and small non-households
- Supplier of Last Resort- service to all customers



Thank you for your attention!!!
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