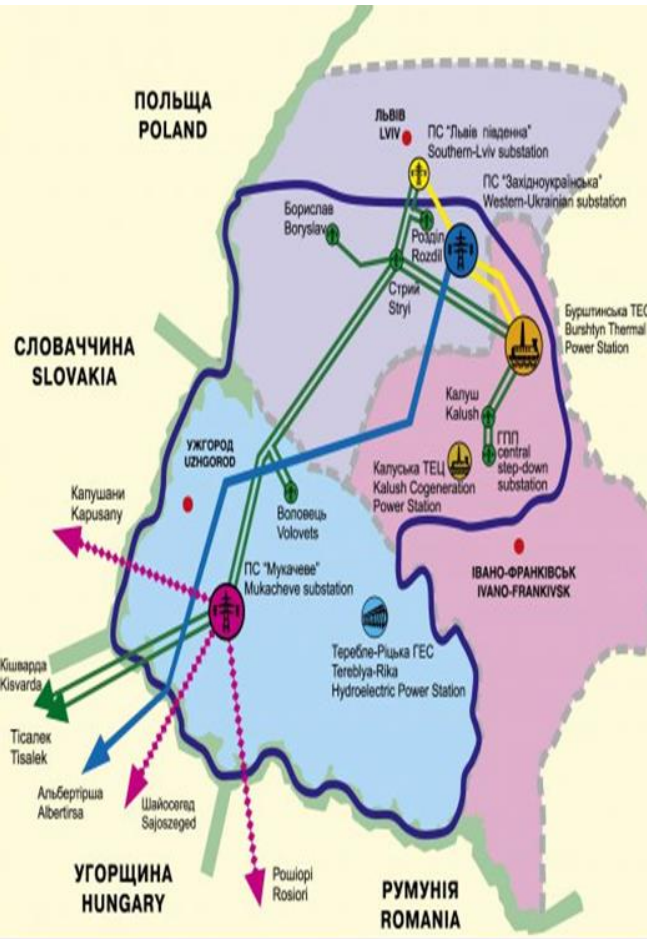




Perspectives for electricity import/ export in Ukraine, the view of the EnCS

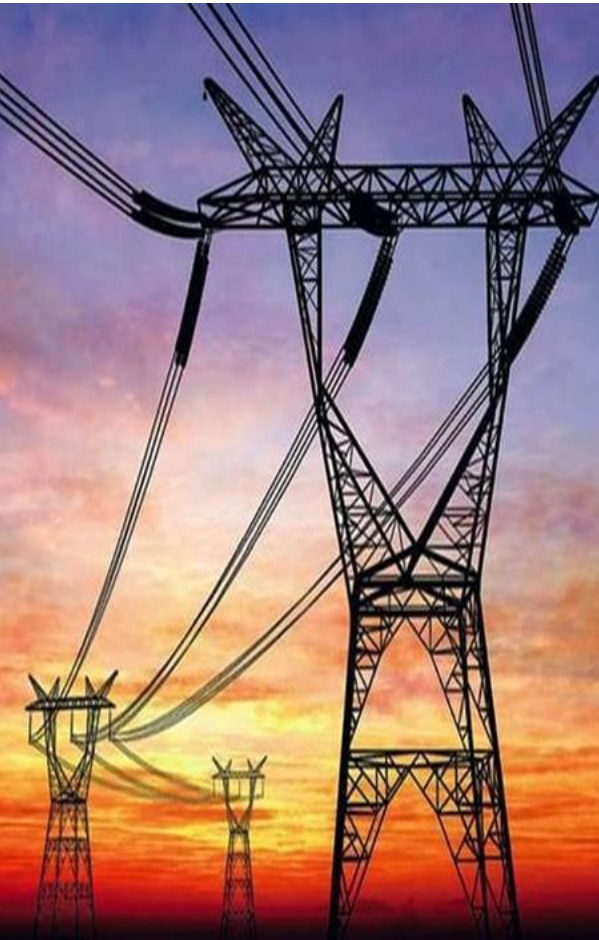
Kiev, 22.09.2017

The Burstyn island paradox



- ❑ *Burstyn island operates on a totally isolated mode from the IPS of Ukraine*
- ❑ *In the past, exports were performed from all three active interconnections in the Burstyn island :*
 - UA-RO
 - UA-HU
 - UA-SK
- ❑ *Electricity generation costs in Burstyn area are assessed to be quite high*
- ❑ *Paradox:*
 - *power flowing from the more expensive area to the cheaper one*
- ❑ *Exporting prices so far did not reflect the true costs of this area*
- ❑ *Subsidization process at the wholesale level: not compatible with European and Energy Community Acquis - needs to be repaired*

Commercial imports not allowed



- ❑ *Ukraine so far allows imports only for security of supply reasons*
- ❑ *The Ministry has to approve any import operation*
- ❑ *The process and the price paid are heavily regulated*
- ❑ *Commercial opportunities based on the price differential are not applied in the country- breach of EnC Acquis!*
- ❑ *In the new market model, as supported by EnCS, different prices will be reflected in the various time frames allowing for comparisons of prices between different areas (in corresponding timeframes)*
- ❑ *This process will allow exploitation of any possibilities for commercial imports*

First Step: explicit auctions in all borders and both directions



- ❑ *The new market model calls for explicit cross border allocation of capacity, in all borders (in both zones) and in both directions*
- ❑ *Methodologies adopted are compatible for future implicit auctions (coupling)*
- ❑ *Reference wholesale prices will be revealed in each zone*
- ❑ *The cost of generating power in both zones will be determined under market based mechanisms*
- ❑ *Market participants will be able to assess the possible opportunities to trade with neighboring countries towards the each time more beneficial (for consumers) direction*
- ❑ *Moldovian and Ukrainian TSOs are discussing the possibility for the Moldavian TSO to use Ukrenergo's platform for explicit auctioning of cross border capacity - EnCS is providing technical assistance in drafting appropriate Cross Border Allocation Rules in Moldova based on the above arrangement*

Second Step: Coupling (implicit auctions)



- ❑ *Coupling is different than using interconnections capacity and scheduling cross border trade explicitly through interconnectors*
- ❑ *Day Ahead market coupling allows for the same algorithm to resolve supply and demand in both areas at the same time and if enough interconnection capacity exists it will come up with a single price applied in both areas*
- ❑ *This process is maximising the cross border trade in terms of volume and social welfare*
- ❑ *The new market model requires software solutions fully compatible with coupling options for both spot markets*

Coupling with Moldova



- ❑ *One major opportunity for Ukraine to expand its market is the case of Moldova*
- ❑ *Moldova needs Ukraine (no market can ever be created in Moldova without taking on board electricity flowing from Ukraine or alternatively from Romania)*
- ❑ *Ukraine needs Moldova as it comprises a 2nd route to Europe through Moldova's B2B interconnection with Romania*
- ❑ *EnCS has identified these synergies and therefore it proposes fully harmonised wholesale electricity market arrangements in the two countries to allow for coupling, the soonest possible*

The Energy Bridge project



- ❑ **Advantage: brings low cost generation capacity in the Burstyn island territory (however this is a byproduct)**
- ❑ **Disadvantages:**
 - **Technically difficult, issues with reserves**
 - **Making other TSOs being responsible for the stability of the system**
 - **Political Resistance (Germany, Austria, Poland, Lithuania)**
 - **Regulatory concerns: is the plan assuming that the reconstructed AC line with Poland will need to be exempted from third party access?**

Export opportunities in the new era



- ❑ **All above issues signal the benefits for connecting the Burstyn island with the IPS system of Ukraine**
 - **initially through a B2B connection**
 - **in the future under a total synchronisation**
- ❑ **B2B connection of Burstyn offers serious advantages:**
 - ❑ **It can be implemented fast**
 - ❑ **It will allow for cheaper energy to flow to the Burstyn area and from there to ENTSO-E countries without violating EU Acquis**
 - ❑ **It serves exporting opportunities both during explicit and implicit auctions**
 - ❑ **It allows for more than one power unit to find way out to more than one European countries**
 - ❑ **It can be combined with future full synchronisation works**



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*Thank you
for your attention!*

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