

Electricity market and regulatory framework

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Bosnia and Herzegovina

Responsibilities for the electricity sector are divided between the central government and the entities - Republika Srpska and the Federation of B&H. At the central level, the State Electricity Regulatory Commission regulates the transmission of electricity throughout B&H, as well as the export, together with supply and distribution in the Brcko District.

At the entity level, the governments of Republika Srpska and the Federation of B&H adopt policies, while the RS and B&H Ministries of Industry, Energy and Mining are responsible for implementing energy policies; The Republika Srpska Regulatory Commission and the Federal Energy Commission represent the independent regulatory bodies of the entities deciding on licensing and regulated tariffs.

From 1 January 2015, consumers can choose their supplier. Directive 2009/72/EC relating to common rules for the internal market in electricity has not been implemented by the deadline of 1 January 2015. The FB&H Law on Electricity is generally in line with the Directive, but it has not been fully implemented.

State-owned companies are major players in all sub-sectors.

Despite opposition from the Energy Community Secretariat, the FB&H has approved loan guarantees of EUR 614 million issued to China's Export-Import Bank for the construction of a 450 MW block of thermal power plants, prompting the Secretariat to initiate misdemeanour proceedings.

The generation structure in 2017 is dominated by thermal power plants, generating 12,019 GWh, followed by hydropower plants, with 3,987 GWh, while other producers generated 432 GWh. Exports and imports amounted to 5,187 GWh and 3,346 GWh, respectively.

Croatia

The regulatory framework for the Croatia's electricity market is the Energy Act of 2012 and the Electricity Market Act of 2013, adopted as part of the final preparations for EU membership. Considering that Croatia has been an EU Member State since July 2013, the national electricity market is fully compliant with EU directives.

The bodies responsible for the energy sector are: the Government, which introduces policies

and the strategy; Ministry of Environment and Energy, in charge of drafting Croatia's energy policy; Croatian Energy Regulatory Agency (HERA), an independent institution in charge of regulating energy activities; and the Hydrocarbon Agency (AZU), the government agency responsible for regulating and overseeing hydrocarbon exploration and production in Croatia.

Croatia has adopted the ITO market unbundling model, whereby the Croatian TSO is separate from the Croatian Electric Power Company (HEP Group) and owns the transmission network. The Croatian TSO participates in the Regional Initiative for the Coordination of Security of the Energy Community and the Office for Coordinated Auctions in Southeast Europe and the Compensation Mechanism of the ITC Agreement.

The most recent activities were aimed at merging with the European electricity market and transitioning from bilateral trade to wholesale, while the Croatian Electricity Exchange, CROPEX, has also become operational.

The Croatian electricity market operator (HROTE), which maintains a register of certificates of origin, became a member of the Association of Issuing Authorities, which paved the way for international trade in certificates of origin. Several merchants, suppliers and manufacturers have been licensed.

The installed capacity of power plants in Croatia is 4,627 MW, not counting 275 MW of the Krško nuclear power plant in Slovenia, where Croatia has a 50% share. Almost 85% of electricity is generated by the HEP Group, mostly from hydro and thermal power plants.

Due to unfavourable hydrological conditions, generation of hydroelectric power plants in 2017 was 5.4 TWh, which is a lower result compared to 2014, with a 10-year record of 8.4 TWh.

In the past several years, total consumption decreased from 19.6 TWh to 17.5 TWh. Electricity imports account for 25% of total consumption, but according to the Croatian transmission operator, electricity imports will increase to 43% over the next four years.

Montenegro

The regulatory framework for the electricity sector is primarily set out in the 2016 umbrella Energy Act, which deals with the generation, transmission, distribution and supply of electricity. The Energy Policy of Montenegro until 2030 and the Energy Development Strategy until 2030 describe the policy and development goals of the energy sector, together with the 2016-2020 Action Plan. Also, there is a decision on the long-term energy balance of Montenegro for the period from 2017 to 2019, which refers to electricity, coal and petroleum products, as well as implementation measures.

Competent authorities for regulating the electricity sector in Montenegro include: the Government, as a policy maker; The Ministry of Economy and Energy, responsible for implementing policy documents and laws; and the Energy Regulatory Agency, an

independent regulatory body that decides on licensing, tariff methodology and regulated tariffs.

Households were given the right to choose their electricity supplier in early 2015, while the by-laws regulate supplier change. Since 2015, no new suppliers have entered the electricity market.

The market is dominated by state-owned companies. However, the renewables sector has attracted private investment. Masdar has acquired a stake in Krnovo's first operating wind farm. Mozura Wind Farm is due to be commissioned in late 2019. The construction of the Briska Gora Solar Power Plant (with an installed capacity of over 200 MW) has been awarded to the consortium EPCG and Finnish Fortum.

The share of coal-fired power plants in the planned generation in 2017 is 39%, hydro power plants 52%, wind power plants 9% and solar power plants 0.06%. The planned exports and imports are 678 GWh and 819 GWh, respectively.

North Macedonia

The regulatory framework in Northern Macedonia is based on the Energy Act of 2018 and the accompanying secondary legislation. The law covers energy policy, electricity market structure and consumer protection. Policy documents include the 2030 Energy Development Strategy and the Energy Efficiency Improvement Strategy.

Key authorities in the energy sector are: the Government, responsible for energy policy and the adoption of secondary legislation; Ministry of Economy, responsible for implementing and monitoring energy laws and policies, and submitting amendments and new laws to the Assembly; the Energy Regulatory Commission, an independent regulatory body issuing licenses and regulating prices and system tariffs; and the Energy Agency, which supports the implementation of the country's energy policy.

The electricity market in Northern Macedonia has been completely unbundled since 2006. MEPSO, under state control, is in charge of the transmission system, while the private company EVN Macedonia (part of the Austrian EVN group) operates the distribution system.

About 1,500 companies are currently eligible for supplier selection. The Energy Act transposes Directive 2009/72/EC, while the electricity market liberalization process is ongoing. The consortium of EVN Macedonia and EVN Electricity has been selected as the universal supplier. The state-owned energy company ELEM is obliged to offer 80% of the electricity generated to the universal supplier in 2019, while the remaining amounts will be purchased by the universal supplier in the free market. This percentage will fall every year until it reaches 30% in 2025.

The share of coal and natural gas thermal power plants in the planned generation in 2017 was 69%, hydropower plants 28% and other plants 3%. The planned imports are 1.840 GWh.