

Montenegro: Distribution unbundling a positive signal for new suppliers

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Besides power utility EPCG, that was public supplier until the adoption of the new Energy Law, only Montenegro Bonus performed supply activity, and supplied Aluminium Combine KAP until March this year.

Energy Regulatory Agency stated that the spin-off of Functional Unit FU Distribution into separate company sent positive signal to potential electricity suppliers and improved conditions for their arrival.

The spin-off by itself shall not provide favorable market environment for new suppliers but that the company would have to implement its activities regarding market in a quality manner, stated ERA representatives.

Shareholders' Assembly of EPCG should have adopted the decision on the spin-off of FU Distribution into the separate limited liability company named CEDIS (Montenegrin electricity distribution system) during the session held on April 27, but the Board of Directors decided to remove it from the agenda at the management proposal.

Regarding the relation of spin off of FU Distribution from EPCG and new suppliers entering the market, ERA explained that according to the Energy Law, distribution company performs significant part of the activities regarding retail market, like metering, processing and submission of collected data, disconnections etc.

Therefore unbundling of distribution operator and EPCG which deals with supply represents a necessary condition for achieving healthy and competitive retail electricity market, stated ERA

ERA representatives also added that from the aspect of non-discriminatory behavior, it was necessary to ensure that distribution operator treats all suppliers equally, which is possible only if distribution is unbundled from supplier.

Electricity market for households was liberalized at the beginning of last year, however, there is no interest for new public suppliers on Montenegro market.

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ERA stated that it was hard to project the further competition development in the supply segment since it depends on the electricity wholesale market in the region.

Regulator representatives assessed that electricity prices in the exchanges in the region, on daily level and for the following two to three years have reached the lowest level in the past few years, which created favorable market conditions for new suppliers to enter the market.

ERA adds that in addition to the fact that Montenegro is small market, with the structure and consumption volume which is less interesting and which does not guarantee desired profit, there will be supplier that will have the interest to start operating in Montenegro.

ERA expects that the competition shall be primarily developed on larger neighboring markets that are more challenging regarding the placement of larger electricity quantity and thus, higher profit. It is important to create necessary preconditions which enable normal functioning of retail electricity market and then the entry of new supplier on the market shall be just the matter of time, transmits Serbia-energy.eu