

# Montenegro: Electricity market liberalization status report

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The primary legislative framework needed for establishing the organised electricity market was completed. In addition to the Energy Law, adopted in 2015, after the Paris Summit, the Law on Transmission Systems for Cross-border Exchanges of Electricity and Natural Gas and Amendments to VAT Law were adopted.

Adhere to a power exchange or, if economically justified create an own power exchange

The legal basis for designating electricity market operator is established through the Law on Transmission Systems for Cross-border Exchanges of Electricity and Natural Gas. In accordance with the Government's instruction as of June 2016, the market operator COTEE, the transmission system operator CGES and EPCG shall sign a contract on establishing a company with a task to establish a power exchange in Montenegro. However, concrete steps towards setting up the company have still not taken place.

Ensure liquidity of the domestic electricity market by appropriate regulatory measures

A regulatory approach for ensuring liquidity depends on the model for establishing an organised day-ahead market

Coupling of organised day-ahead electricity market with at least one neighbouring country

Concrete plans are not formalised yet, as they will be subject to a future agreement with a strategic partner according to the Government's decision on the organisation of a day-ahead market.

Cross-border Balancing

Legal possibility for transmission system operator to acquire balancing services from all operators in the national and in perspective of a regional market under competitive conditions

The Energy Law provides a substantial legal framework for development of the cross-border balancing market. Rules for the operation of the balancing market and a methodology for pricing of balancing services, to be developed within one year of the Law's entry into force, are required for creating competition in the balancing market.

Adoption of a market-based balancing model allowing for the non-discriminatory cross-border exchange of balancing services

The balancing model defined by the market rules allows for market-based and non-discriminatory balancing. The transmission system operators of Serbia and Montenegro started developing a model for exchange of balancing energy and as of May 2016, this model is fully implemented. However, the cross-border exchange of all balancing services will require deregulation of balancing reserve prices in both jurisdictions.

#### Establishment of a functioning national balancing market

A national balancing market exists, but only with one balancing service provider. Prices of balancing reserves are regulated until a competitive balancing market is in place and depend on the adoption of the new secondary legislation.

#### Regional Capacity Allocation

Introduction of a coordinated capacity calculation process for the allocation of day-ahead capacities based on a regionally coordinated congestion forecast

Transmission system operators of Bosnia and Herzegovina and Montenegro, established a Security Coordination Centre (SCC) in August 2015 with the view to perform a capacity calculation function. A SCC pilot project for daily capacity calculation is ongoing.

The Western Balkan countries to support signing of agreements between SEE CAO and relevant EU Member States

Stronger cooperation between SEE CAO and the relevant EU Member States is needed.

#### Cross-cutting Measures

Eliminate price regulation for customers and for other than small enterprises and household customers, and adopt national action plan for phasing out price regulation in general

The generation price of electricity is not regulated. All customers, except those connected to high voltage lines, still have access to regulated end-user prices. The new Energy Law sets an action plan for market opening and development of competition in the retail market. As of 1 January 2017, suppliers of households will be allowed to adjust their prices to a market price up to a defined cap.

Legal and functional unbundling of distribution system operators and supply companies

The Energy Law requires unbundling of distribution to be finalized by April 28, 2016. Legal unbundling of the distribution system operator was completed on June 30, 2016 by establishing a new company Montenegrin Electricity Distribution System (CEDIS). Functional unbundling is still to be completed.

Ensure independence of national energy regulatory authorities based on pre-defined indicators

With the adoption of the new Energy Law, important improvements have been made in terms of regulatory independence.

Still, the regulator lacks the full set of Third Energy Package competences, including having full autonomy over its budget, internal organisation and the power to issue penalties.

Apply for observer status in ACER based on a positive opinion of the European Commission

As a prerequisite, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

Unbundle and certify transmission system operator in line with the Third Energy Package

Unbundling of the transmission system operator has not yet happened. The Energy Law and the Law on Transmission Systems for Cross-border Exchanges of Electricity and Natural Gas define requirements for unbundling and certification of the transmission system operator. Certification rules were adopted by the regulator after the Paris Summit.

Increase effectiveness of national administrative authorities, including for competition and State aid

The effectiveness of the national competition and State aid authorities in the energy sector is not satisfactory.

Timely implementation of the Trans-European Network Regulation

The TEN-E Regulation was incorporated in the Energy Community in October 2015. Activities for the transposition of the regulation started in May 2016.