

Encouraging the production of electricity from the facilities having the status of privileged producers was officially started in Montenegro on 1st May this year. This moment had been preceded by multiyear activities concerning the development of regulations of the Montenegrin Government, documents of the Energy Regulatory Agency (REGAGEN) and the Montenegrin Electricity Market Operator (COTEE). The Articles 20 and 21 of the Energy Law of 2010, as well as the Chapter VIII of the Market Rules, have specified all the details about encouraging electricity production from renewable energy sources, as well as the rights and obligations of privileged producers, end-buyers, suppliers, as well as the Montenegrin Government, the Market Operator and network operators.

In May 2011, the Government of Montenegro adopted the "Rulebook on Types and Classification of the Power Plants for Electricity Generation from Renewable Sources and High Efficiency Cogeneration", and immediately after this document, in July of the same year, the „Regulation on the Manner of Acquiring the Status and Exercising the Rights of a Privileged Producer" was adopted, and finally, in September 2011, the „Regulation on the Tariff System for Determining the Incentive Price of Electricity from Renewable Energy Sources and High Efficiency Cogeneration" was also adopted. From the fall of 2011 until January this year, the adoption of the "Regulation on the Fee for Encouraging Electricity Production from Renewable Sources and Cogeneration" had been waited for and, finally, in April this year, the „Rulebook on the Amount of Fee for Encouraging Electricity Production from Renewable Sources and Cogeneration in 2014" was adopted. By adopting these five regulations, the Government of Montenegro fulfilled their obligation from the Article 21 Clause (5) of the Energy Law, referring to the types and manners of encouraging production from renewable energy sources and cogeneration, the manner of determining the amount of fee for encouraging electricity production from renewable energy sources and cogeneration, a detailed manner of calculating the proportionate share of the supplier, as well as the manner of distributing the funds collected from the fees. The total fee paid by the end-buyer of electricity as an addition to the electricity price is calculated by multiplying the fee amount, determined by the above mentioned "Rulebook on the Amount of Fee" and which equals 0.00652 c€/kWh, with the measured consumption of active power achieved by the buyer within the billing period. The fee amount is determined annually by the state administration organ in charge of these affairs. So, this is the manner of raising funds from every invoiced kWh (net consumption) which are then used for covering the costs incurred by encouraging electricity production from the facilities having the status of privileged producers, as well as for their balancing costs. This procedure of fund raising has been precisely harmonized with the two mentioned regulations of the Montenegrin Government adopted this year.

Immediately after the completion of these regulations of the Montenegrin Government, the first Contract on the purchase of electricity was concluded between the only privileged

producer so far, Hydroenergy Ltd. Berane (Hidroenergija d.o.o. Berane in Serbian) and the Montenegrin Electricity Market Operator (COTEE), which came into force on 1st May 2014. We will briefly present the procedure which a market participant who wishes to become a privileged producer must pass.

A future electricity producer, who has started and finished his production facility with all necessary and proper documents, who has successfully performed trial run and functional testing on the basis of the approval of the Directorate for Inspection Affairs, should submit a Request to the Energy Regulatory Agency for acquiring the status of a privileged producer. Having considered the Request, the Agency makes the Decision on status awarding and enters the participant into the register of privileged producers. The privileged producer is assigned a label of the facility category and type, the approval of the incentive price at which the electricity from his facility will be purchased and its amount, date of obtaining the status of a privileged producer in accordance with the Article 78 of the Energy Law. This register is a public document and it can be found on the web site of the Agency.

Before being entered into this Register, the privileged producer was obliged to join in the electricity market with COTEE, where he was assigned the requested membership category, and to conclude the "Contract on defining the conditions for concluding contracts on the purchase of electricity" with the same energy subject. This, let us call it a pre-contract, gives the investor a guarantee that his energy will be purchased after obtaining the status of a privileged producer and concluding the Contract on the purchase of electricity. And finally, the privileged producer concludes the "Contract on the purchase of electricity" with COTEE, thereby defining the details such as: the planned annual production, electricity price, electricity measuring and reading method, balance responsibility, payment of energy etc. In order to differentiate the electricity generated by privileged producers from the rest of the generated electricity „according to its origin“, the Regulatory Agency, also in accordance with the Law and the Market Rules, has introduced the Guarantees of Origin Register placed on their official web site. By entrance into this Register, the Regulator officially approves the acquired right of the privileged producer to sell the electricity generated in the facility having the status of a privileged producer at the incentive price, in accordance with the Energy Law and the Market Rules. The privileged producer proves to the buyer (COTEE) the "noble origin" of his energy with the guarantee of origin issued by the Regulator.

It should be noted that the price of a kWh generated in the facilities having the status of privileged producers is the only electricity price which is not in the competence of the Energy Regulatory Agency. The price of this energy is determined by the Government, because the energy produced by privileged producers is an important segment of the Energy Development Strategy, an objective of energy development and a part of the national objective reflected in the percentage of energy generated from renewable energy

sources with respect to the final energy consumption. Montenegro accepted this national objective as an obligation at the 10th Ministerial Meeting of the Energy Community held in 2012.

Simply said, encouraging electricity generation by privileged producers in Montenegro is reflected through a guaranteed price and a guaranteed purchase of the entire electricity, as well as a lack of balancing obligation. The Law has envisaged that the entire electricity from the facilities having the status of privileged producers is purchased by COTEE and that they pay every producer according to an adequate incentive price, in accordance with the Regulation on the Tariff System. COTEE sells the same energy to suppliers in the percentage quantity and at a price defined in the Contract COTEE-Supplier, i.e. an average weighted price for every supplier. The funds used by the suppliers to pay the taken over electricity to COTEE have been raised from the fee for encouraging electricity generation from renewable sources.

The two above mentioned regulations of the Montenegrin Government, adopted at the beginning of this year, precisely define the manner of collecting the encouraging fee, its amount, the manner of taking over the electricity from the privileged producer by the supplier, the transfer of funds raised from the fee and finally, the disbursement of funds for generated electricity. In May this year, this mechanism will be subjected to testing for the first time with the first privileged producer Hydroenergy Ltd. Berane. All future investors in small power plants, before starting the facility erection, should carefully assess the state and configuration of the network to which the newly built unit should connect. It happens that the investor neglects these details and afterwards faces unplanned expenses or technical limitations for transferring the generated energy to the existing infrastructure. There were cases in which the owner of a power plant, after its completion, invested and built the energy network so as to make an optimum use of his plant. New problems arise when the necessary infrastructure is finished, and the privileged producer does not have a network management license and he has to give it over to a licensed energy subject etc. So as to avoid these situations and unnecessary expenses, before starting the erection of a power plant, investors and concessionaires need to consider carefully and professionally, all the circumstances related to the connection of the future facility to the network, to consult COTEE, the Regulatory Agency, the Ministry of Economy and the EPCG (Electric Power Industry of Montenegro). In addition to the five above mentioned regulations of the Montenegrin Government, future builders must also become familiar with the "Rulebook on Detailed Conditions which a Legal Entity Should Fulfil for Measuring and Researching the Potentials of Renewable Energy Sources" as well as with the "Regulation on the Manner of Issuing, Transferring and Withdrawing the Guarantees of Origin for the Energy Generated from Renewable Energy Sources and High Efficiency Cogeneration". All Government's regulations have not been listed here, or the documents of REGAGEN and COTEE, referring

to encouraging electricity generation from renewable energy sources, but they can all be found on their official internet addresses.