

## **Power market liberalization in Serbia is an obligation, says Ljiljana Hadžibabić, a member of Energy Agency Council of Serbia**

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If the market does not open according to the Energy law, it will mean that someone has broken the Law. – Operators and system distributors have great responsibility.

Opening of the electricity and gas market is the obligation that Serbia accepted by signing the Contract on establishing Energy Community which is one of the preconditions for accession to the European Union. Strict deadlines for limiting the regulated market was the explicit request of the European Commission during the preparation of the Energy Law- said in the interview Ms. Ljiljana Hadžibabić, a member of the Energy Agency Council of Serbia.

She points out that the aim of market opening is to abolish the policy of regulated prices in the course of creating unique European market on the principle of competition. Market liberalization is going to create, as our interlocutor says, better conditions for investing i.e. to secure supplying in the following years. Because of the low sale price, the potential investors delay investing in production capacities as they cannot recover invested funds efficiently, and EPS does not have financial sources for further development.

### **What is the role of the Energy Agency?**

Liberalized market differs from the regulated one only in that the energy price is not regulated but is established in the market. All other elements important for the development of the activities in the market are regulated by the rules on the transmission, distribution and the market that are approved by the Agency, as well as the rules regulating change of the suppliers and methodologies for determining the price of accessing the network which also

falls into the Agency competency. One of the most important activities is overseeing the market functioning and regulated energy subjects. The Agency has no influence on the current market price; it analyzes it post factum, in order to influence creating better conditions for the future market functioning by the documents and activities that are in the scope of its competences. There are also other institutions that monitor the regularity of market functioning such as Commission for Protection of the Competition that checks whether there is an abuse of dominant market position.

**How much did the first days of January and the reactions of customers that buy high voltage electricity prove that Serbia is not completely ready for opening the electricity market?**

There were some delays, but there are conditions for opening the market. The operator of the transfer system that is the key support to the market is completely ready. There are more than 20 active suppliers. All necessary documents are adopted after expert and public discussions were held. Since 2008, all buyers except for the households' costumers have been in position to buy electricity on the free market. Since August 2011, it has been known what dynamics is applied in revoking the right of the customers to regulated price.

**You once said that if we had acted according to the wishes of the buyers, the market would have never been opened. Are we threatened, at least in 2013, with the scenario that the market is not going to be open?**

I hope that there is no such a threat. If the market does not open in the way and manner prescribed by the Energy Law, it will mean that somebody broken the Law. It is envisaged for the market to be opened in three stages, at first for thirty largest consumers, during the next year for about 50.000 consumers and in 2015 for the households. If problems in the market functioning occur, the regulations are going to be improved.

**Are the customers' complaints, which refer to insufficient time for preparations, unfair price increase and problems to understand the regulations that are being imposed to them, justified? Why did they react?**

It could be said that timely organized preparations of customers did not happen. All energy entities and expert public took part in creating conditions for market opening, but the general public did not get enough information. Customer disapproval was heard at the end of last year, after which communication was intensified among customers, energy entities, the ministry and regulators. It is true that the market rules were adopted at the end of 2012, but the draft of the rules was known since the mid-year, when PE EMS put it on public debate. It would have been good that the alternative supplier had been introduced earlier, because the buyers that are neither eligible for regulated price, nor have the contract with any of the suppliers, according to the Law, have the right to 60 days of secure supply, and only after expiration of that period they could be cut from the supply network. The Government prepared Regulation draft for determining temporary alternative supplier and proposed interim price for those who still do not have the chosen supplier. Even if we had more time, everyone would insist on their own interest: buyers on maintaining the lower price, suppliers on selling the energy at higher price. If the price soars, EPS seriously risks on losing some of

the best customers.

### **What are the experiences with the market opening in the region and Europe, were there similar reactions?**

The experiences differ. In the countries where the regulated price was relatively high, the market opening brought lower prices. In the opposite situations there was some disapproval. For example, in France, temporary “transition tariff” was introduced. In Slovakia, prices jumped in the beginning and then started to decrease gradually. It is expected that during the second half of the year it would be clear whether that the prices EPS proposed are realistic on the market. Until then, other suppliers are going to get better idea of the situation and then enter into the market competition. The customers that are currently entering the market are the largest and the most attractive for the suppliers, and the rules on change of the supplier envisage very simple procedure. In the EU countries, the market opening was more gradual. European Commission on the basis of their experiences believes that the process can be finished much faster in our region.

### **Some consumers i.e. those using high voltage, have already had the possibility of buying electricity from other suppliers than EPS. Is the price the only reason against the entering the market?**

I believe that the price is the dominant reason, but there are also reasons like comfort, inertness, habits... It was expected that buyers have already started to explore different possibilities, that they monitor the market, observe the disadvantages and advantages. As far as I know their objections primarily refer to the offered price. The Regulatory Committee of the EU in 2008 already recognized that the greatest obstacle for market opening is the possibility given to all the consumers, including large industrial consumers, may keep with the regulated price regime. World Bank Study from 2009 confirmed this attitude.

### **In the next year, the market opening should further expand. Is it now the right time for education (of the customers) and how could they prepare themselves?**

At the beginning of 2014, about 50, 000 end buyers are going to enter the market. Some 43% of the total consumption in is going to be bought in the free market. It should be started right away with the preparations for the next phase. Operators of the distributive system bear great responsibility for quality predictions and knowledge on the consumption profile, adequate measuring, and communication with the transfer operator, suppliers and customers. Both suppliers and operators should inform consumers on their rights and obligations as soon as possible.

### **About 20 electricity vendors are active in Serbia. Why does not any of them fight for high voltage customers? What is your opinion?**

It largely depends on the prices offered by EPS. Active suppliers trade or transit through Serbia much greater quantity of energy than those ten consumption percent that are delivered to the end beneficiaries from the transfer system. There are some of them that are very experienced and successful and I believe that they soon are going to start competing on

the market.

Can we expect the critics from European Commission and EU because the market did not start functioning as it should have? In all the reports of EC on the progress of Serbia towards European integration, very significant role is given to the energy. It is certain that we would get the serious objection if the market would not have been opened by the planned dynamics.

### **How much is the market opening really the chance for EPS to be the competitive supplier in this region?**

Public liability of EPS for supplying the beneficiaries on the regulated market would decrease. In that way, with the remaining energy, EPS can be competitive on the European market because of its very favorable production structure as well as its own source of primary energy.

### **What are the experiences in the “households” category? How much is that type of customers attractive for the vendors and are they ready for changing the supplier?**

Even in the richest countries with the developed market, small customers and households have the right of regulated supply. Regulated price is often higher than market price, but it does not require additional effort of the customer. The most households do not change the supplier, but there are enthusiasts.

### **The Draft Regulation on energy-protected customers is determined. How much did that bring us closer to the developed countries and is it the right solution?**

According to the EU Directives and the Decisions of the EU, also the countries of our region have to shift the obligation of taking care for the energy needs of the poor from the energy companies. There is no recommended model implemented in the developed societies, but depending on the specificity of the country, different types of the protection are applied, that are more or less successful. Solutions suggested in the Regulation on energy protected customer are the result of the starting common basis in the Region and the experience of our Ministries of Energy and Social Policy. In this way the poorest households are being helped in the most adequate way, but the reason on limiting the regulated price for all customers because of the poorest is also eliminated.

### **The independent are welcome**

### **Is the existence of independent electricity producers right solution for the market opening?**

Independent producers in Serbia are welcome, but before their strength become important, we should have the open market already. The increase of the production capacities shall contribute to intensifying of the competition, but only under condition that they do not sell the electricity to EPS according to the long-term contracts.



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