

SEE, Albania: West Balkans cross border capacity coordination initiative

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The SEE region's TSOs are at an initial stage of a coordinated capacity calculation process and the development of the electricity balancing market in the SEE Region is characterized by the nationally oriented approach. The integration of national electricity balancing markets in an efficient manner can provide security of supply at the same time lowest cost and significantly enhance technical performance and competition.

In regard the economic impact an assessment study called "Enormous cost savings to be attained through balancing market integration in South East Europe, EKC Study, 16 Feb 2015" demonstrates what steps need to be taken to achieve an integrated regional balancing market in the electricity sector. Current the prices for balancing energy are regulated in Macedonia and Albania. There are market based prices in Serbia (directly linked with BSP offers), and in Montenegro and Bosnia and Herzegovina they are calculated on the basis of costs for covering the imbalances. Then there is no full balancing responsibility in all countries.

Therefore, there is an insufficient level of competition: usually one dominant BSP per country. Imbalance settlement price often not market-based: therefore, there is no full incentive for BRPs for better balancing, nor the full cost-reflectivity to align the costs of provision of balancing services (by the BSPs). In same time even there is a high level of balancing reserve (7-28% of generation), no cross-border balancing except for the emergency energy, which is treated as Balancing Energy exchange, but activation time is > 1 hour.

Focusing here only to Albania the country operates at the same time as Control Area and a Control Block. OST as Albanian Transmission System Operator is obliged to provide System services for the entire control area. Balancing mechanism and imbalance settlement practice is applied in line with the Market Rules, as amended in 2012. Reservation of balancing capacity, FCR, FRR services and the corresponding activated energy is not market-based and it is a part of Ancillary Services.

Public Generation Company (KESH) is the only BSP in Albania, which provides services through Ancillary Service Agreement concluded with TSO. TSO is not entitled for emergency imports, which is a sole obligation of KESH. The structure of production in which a dominant role is played by the hydro units, provides a good basis for the provision of FRR and RR. Generators, suppliers, eligible customers and DSO, except KESH, represent Balance Responsible Parties in Albanian Control Area.

Balance responsible obligations are based on transmission fee contract. DSO is obliged to import electricity for covering its losses. DSO will pay for negative imbalance and positive

imbalance will not be compensated. Other BRPs: are paid with regulated price for positive imbalances in the tolerance band and are paying for negative imbalance with import price for the current month multiplied by the corresponding coefficient, or with the price of energy that KESH buys from concessionary IPP (small HPP).

Then the integration of country with the balancing markets in WBs would increase the competition, i.e. number of BSPs o increase the technical possibilities for the provision of balancing capacity and lower the level of required reserve (common dimensioning, reserve sharing). The lower the overall balancing costs, due to lower reserve and to the competition of bids for balancing energy, and align the costs for the provision of balancing services with the cost for making them available.

Compulsively the study quantifies the benefits to be gained in order to incentivize regulators and transmission system operators to reform their balancing regimes and to correctly prioritize the integration path taken. For example, the annual saving potentials of 45 million Euros for the control block comprising Serbia, Kosovo*, Montenegro and Macedonia would be attained in case of a common dimensioning and sharing of balancing reserves and the introduction of imbalance netting.

Without further stopping to the reason for balancing reserve, the integration roadmap for the balancing integration in SEE region provides a feasible and logical sequence of integration steps of specific balancing models. Even it is hard to precisely predict the geographical pattern of integration, however, it is expected that integration would start on the basis of current LFC blocks (SMM, SHB). Kosovo* could be defined as a LFC area in the SMM block, then followed with Albania joining SMM block, towards further integration at the level of the SEE region.

In regard of the last one the enactment the new Law of the Electricity Sector no 43 on 30th April 2015 which aim a fully aligned with Directive 2009/72/EC dated 13 July 2009 "On common rules for the internal market in electricity", on the part of Market Rules establish that ERE, upon proposal of the Transmission System Operator and in collaboration with all participants of the electricity sector, shall adopt the Electricity Market Rules, within 1 (one) year from the date of entry into force of this law.