

By establishing an effective organized electricity market, Serbia will formally establish itself as a focal point for electricity trade in the region. As announced by the Ministry of Energy, the Energy Agency, as well as the public company “Elektromreza Srbije” (EMS), which is the project leader, the stock market should be established next year.

Milos Mladenovic, corporate director for international and regulatory relations in PC “Elektromreza Srbije,” introduced the concept of the future electricity market in Serbia, under the name of SEEPEX.

- EMS will take all necessary measures in cooperation with potential partners for the establishment of organized electricity market, in order for everything to start to work at full capacity by the end of the third quarter in 2014. The concept of organized electricity market primarily relates to the establishment of the “day-ahead market,” which would initially refer only to the balancing area of Serbia, which could later be joined also by potential participants from neighboring countries, through implicit auctions, ie. through linking trade with transmission cross-border capacity, and the potential involvement of reputable strategic partners from the EU and the region in the ownership structure, - says Mladenovic.

Our source points out that the proposed concept of establishing a stock market in Serbia is fully in line with the adopted model of European market, as well as with Action Plan for the establishment of a regional electricity market in South East Europe, with the application of which is already underway within the institutions of the Energy Community of South East Europe and the ENTSO-E regional group.

- EMS is through its active performance and leading role of its representatives in the relevant regional and ENTSO-E bodies also managed to formally impose SEEPEX as a regional pilot project, which was officially recognized by the conclusions of the 18<sup>th</sup> Athens Forum, held on 15<sup>th</sup> and 16<sup>th</sup> June 2013 - notes Mladenovic.

The importance of SEEPEX

Successful implementation of the organized electricity market in the region would bring numerous benefits for both suppliers and customers.

- The greatest benefit to the wider community is, of course, the establishment of reliable and referent market price, which will represent a clear economic signal, and thus the main precondition for the establishment of stimulating investment framework, and not only in energy but also in other areas of the economy.

When it comes to market participants, ie. suppliers, and EPS as a potential “market maker” who will actively participate in the organized market, SEEPEX will, according to Mladenovic, provide the service of “efficient and customer-oriented business infrastructure, provide easy access to markets in the region, pooling liquidity, and therefore and greater financial security and risk reduction, a significantly reduced costs (less administration, modern technologies, reducing the risk of contracting), and a wide range of portfolio of high

quality services in the electricity market.”

- This will indirectly benefit the customers too, by reducing the costs of supply, and therefore the lower selling prices of electricity – says our source.

Conditions for establishing of electricity stock exchange

Precondition for stock exchange is to start working liberalization of electricity market.

Earlier this year began partial liberalization for customers at high voltage, since the beginning of the next it was announced the inclusion of medium-sized enterprises, and from 2015 households will be able to choose their electricity supplier too.

Mladenovic says that the liberalization of electricity market is necessary, but not sufficient condition for the establishment of a liquid organized market.

- The feasibility of the project depends on a number of risk factors, and the most important are: internal constraints related to technical solutions and procedures of Exchange itself, as well as quality of managerial and operational staff expert, financial constraints related to market liquidity, price policy, as well as portfolio and creditworthiness of participants, technical limitations in the transmission system that is primarily related to congestion on cross-border capacities, so that foreign participants would be allowed to participate in the organized market.

Interviewee of “eKapija” points out that many of these risk factors, especially technical and political constraints related to the expansion of the region, may, with the full involvement of the professional staff which EMS has, can be reduced or completely eliminated by establishing the planned strategic partnership with one of Europe’s leading exchanges in this field.

Connecting to European stock exchanges

Our source said that in EU as a Target model for “day-ahead market,” with cross-border capacity, it was adopted the concept of so-called implicit auction, by applying the model of “connecting markets with price and quantity” (Price Market Coupling).

- In addition to using of this model contributes to efficient usage and maximization of available cross-border capacity on the “day-ahead” time frame, it also, through the establishment of relevant reference price is the basis for the efficient functioning of the market in different time frames, especially in the long run.

Mladenovic says that a necessary condition for the implementation of the model between two or more market areas, is the establishment of organized “day-ahead” market in each of them, as well as implementation of a harmonized market mechanism through which market areas through available cross-border capacity merge into one. The available capacity is used so that the offers of market area with a lower price “spill over” into a market area with a higher price, up to an amount equal to the available transmission capacity.

- According to the relevant legislation defined by so called Third energy package of the EU and of Target model, the preparation of binding the Network Rules at EU level is in

progress, and also, at the level of South-Eastern Europe under the auspices of the Treaty establishing the Energy Community, prepared on the same basis and so called “regional action plan for the establishment of a single market in the SEE region.” Keeping all this in mind, the concept was also prepared for further expansion of SEEPEX in the region and merging with neighboring markets.

After establishing SEEPEX and beginning of functioning of the electricity market in Serbia, it is planned to formalize already initiated actions to merge the market with neighboring markets in the region as soon as possible. Mladenovic says that the first potential partner is HUPX (Hungary Stock Exchange).

- That cooperation can be reflected, as in a common approach to the existing pan-European initiatives for the establishment of a single European electricity market (PCR Initiative), as well as in other forms strategic partnership.

Who would be the operator of SEEPEX?

EMS has the power to carry out all necessary implementing actions, which are in the final stages, and according to Mr. Mladenovic, the first necessary next step to enable the establishment of the market operator as an independent company is that the Serbian government implements concrete steps and take the necessary measures in this direction, what is in full swing, and what can be expected by the end of this year.

Source; Serbia Energy