

Political wrangling has delayed the start of a new organisation to coordinate cross-border power capacity in southeastern Europe, which aims to boost security of supply and lower prices, a regional cooperation body said on Wednesday.

The Energy Community, which fosters energy market cooperation between the European Union and neighbouring countries, said it expected a delay of at most six months to July 2014 to the start of a single auction office for southeastern Europe.

The region has the highest number of borders in Europe, a fragmentation which boosts the costs of power as traders have to price in the risk of a lack of cross-border capacity.

“The original deadline will not be met,” the Energy Community secretariat said in its annual report, referring to the Coordinated Auction Office (CAO), to be based in Montenegro.

The office is a key part of the plan to link the isolated power markets of the region, where demand is set to soar in coming decades.

“Highly politicized conflicts, such as the dispute between Serbia and Kosovo over certain aspect of network operation contribute significantly to this regional paralysis,” it added.

The political disputes centre mainly on regulatory issues and disagreement between Serbia and Kosovo over grid operation. That dispute is further complicated by the fact Belgrade still does not recognise its former province.

Albania, Bosnia, Croatia, Macedonia, Greece, Kosovo, Montenegro, Romania, Slovenia, Turkey agreed in 2012 to set up the office. Serbia has recently hinted it was willing to join. While many traders see the region as potentially lucrative, they cite barriers such as a lack of transparency, difficulties in getting trading licenses and the need to win numerous auctions to move around power as limiting market growth.

The Energy Community also said countries were being slow to loosen the state’s grip on utilities and other energy assets.

“It has to be underlined that delays in progress are strongly home-made and mainly due to a lack of serious political commitment,” the Energy Community said of the slow pace of work on closer energy ties.

But the report said Serbian plans for a spot power exchange next year, with the aim of later joining it with other regional day-ahead markets, had sent a positive signal on the growth of the market.

A similar initiative was launched in neighbouring Croatia, which joined the EU in July, with the aim of establishing a power bourse or entering into joint venture deals by the end of this year or early 2014, the Energy Community said.

Milos Mladenovic, an official of Serbia’s grid operator EMS, told Reuters that the exchange, called SEEPEX, could become fully operational by the end of the third quarter of 2014, provided liberalisation of the power market went as planned. (Reporting by Maja Zuvela,; Editing by Michael Kahn and Patrick Lannin)

Source Reuters