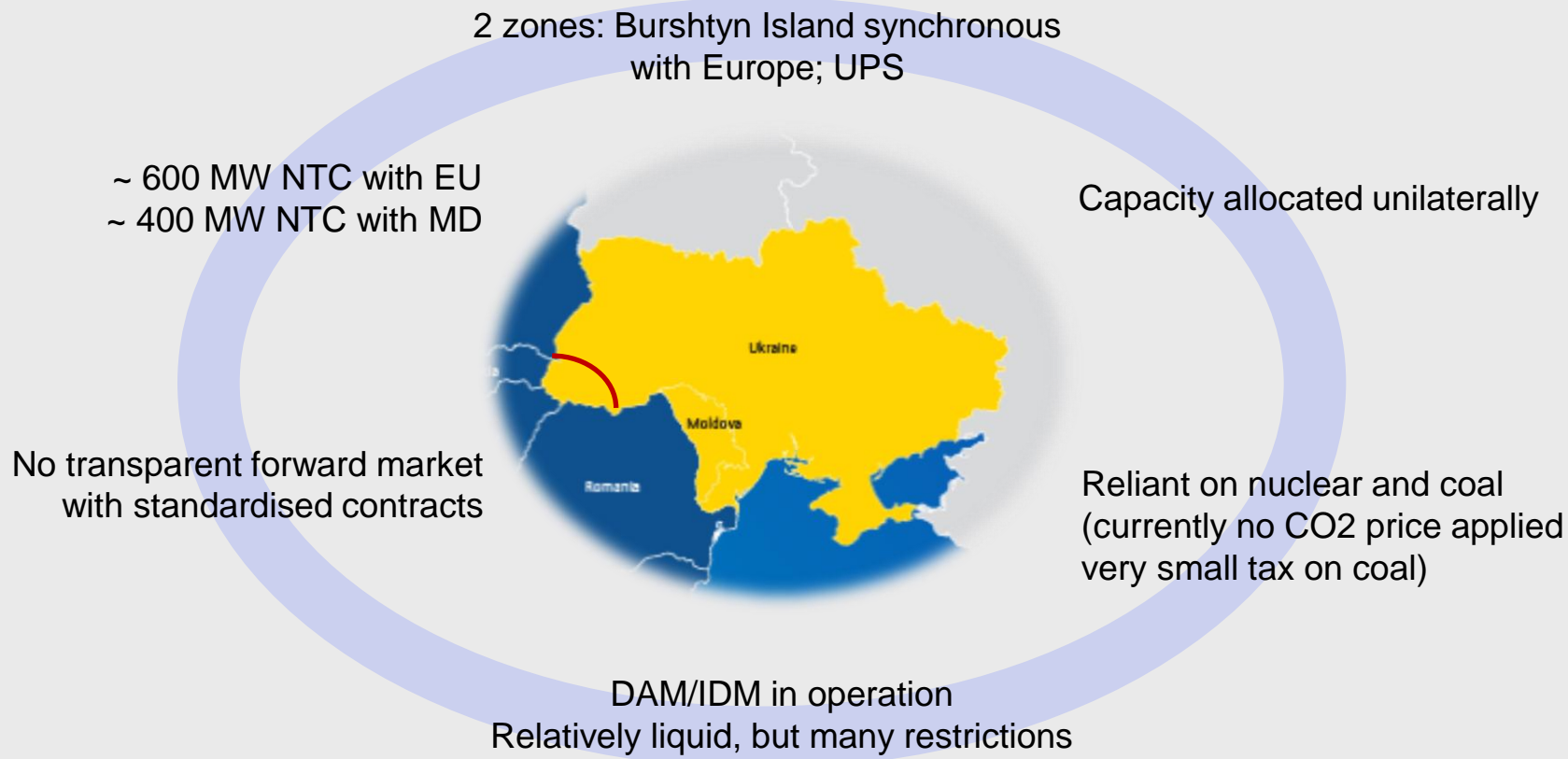


CROSS-BORDER TRADING IN UKRAINE

ARBEN KLLOKOQI & INNA SURZHOK
ENERGY COMMUNITY SECRETARIAT

Roundtable on Electricity Supply and Trade in the New Market Model, 23 Sept 2021

Quick facts



Unilateralism produces differences

- Burshtyn Island is synchronous with Continental Europe – interconnected with 600 NTC to RO, HU and SK
- Unilateral auctions (unbundled product allocated) by the TSOs

RO/HU/SK TSOs allocates their branch
Congestion price is set for this branch

Ukrenergo allocates their branch – different rules
Separate congestion price is set for this branch

X-border fee is charged by EU TSOs for the flow

Access fee is charged by Ukrenergo for the flow



Market participant shall obtain capacity on both sides (or find a partner) to be able to trade/flow
Pay 2 congestion rent + 2 x-border access fees

Way forward

- All agree => Joint auctions!
- ECS is facilitating discussions between TSOs, where NRAs also take place
- 3 years ago – Law was seen as an obstacle to launch joint auctions, given participation of the non-UA market participants was not ensured
 - April 2021 the Law was amended and joint auctions are now possible
- Just before summer we re-launched the discussions with EU TSOs/NRAs
 - Discussion is going in the right direction, but there is no certainty yet – we already see changes proposed to the unilateral process in UA!
 - We are now commenting the draft auctions rules and agreements
 - Aim is by the end of H2 next year to launch joint auctions!

Topics discussed

Ref	Topic	TSOs' view				ECS comment
1	Joint allocation in Burshtyn	All stakeholders agree on joint allocation, aiming 2022 as go live.				
2	Auction office	Offered its platform for Y, M and D auctions	Proposed a split: Long term one TSO, the other - Daily. Hence no service fees	Agrees to use Ukrenergo's platform for all	Proposed to split	Ideally all go through single platform, but fallback can be split on certain borders as proposed
3	Agreements between TSOs'	Bilateral with each TSO	Bilateral	Bilateral	Bilateral	As the preference is for bilateral agreements, ECS discussed with MAVIR of TEL to utilise the approach on the interconnection with (RS).
4	Allocation Rules	HAR with annexes per border (or region)	HAR with annexes per border (or region)	HAR with annexes per border (or region)	HAR with annexes per border (or region)	ECS proposes to use SEE CAO approach and this will be explained further in the following meeting.
5	Agreement on NTC	Coordinated among 4 TSOs	Bilateral NTC agreement	No view	Bilateral NTC agreement	As the preference is for bilateral agreements, ECS discussed with MAVIR of TEL to utilise the approach on the interconnection with (RS).
6	Allocation products	Yearly, Monthly and Daily (firm) In addition, Daily non-firm	Yearly, Monthly and Daily (firm) Daily non-firm requires more clarification.	Yearly, Monthly and Daily (firm) No support got Daily non-firm, but rather intraday allocation as FCFS, free of charge, but rights with obligation.	Yearly, Monthly and Daily (firm) No view on non-firm	Considers important to ensure efficient utilisation of all available capacity, be it as a non-firm or as intraday capacity.
7	Firmness of the rights	Proposes firm with UIOSI and, in addition Daily non-firm	Agrees on UIOSI and return as well in line with HAR.	Proposes HAR provisions on firmness of forward rights. Replacing Daily non-firm with intraday.	Agrees on UIOSI but needs more clarification on non-firm Daily capacity proposed by Ukrenergo.	Firmness is important and compensation in case of curtailment should be defined. Further discussions on non-firm capacity are needed.
8	Congestion revenues & tax issues	Ukrenergo requested full VAT exemptions on cross-zonal rights. Sharing 50:50 of congestion revenues	Sharing 50:50 of congestion revenues, while no service fee in line with point 2	Sharing 50:50 of congestion revenues	Sharing 50:50 of congestion revenues	Ukrenergo needs to update stakeholders on VAT exemption
9	Consultation and approval by NRAs	Ukrenergo needs up to 4 months in relation to platform update. NEURC needs up to 3 months for approval	Up to 3 months are needed for consultation, evaluation and approval	Up to 4 months are needed for consultation, evaluation and approval	Up to 4 months are needed for consultation, evaluation and approval	In summary we should assume 4-5 months for consultation, evaluation and approval. Ideally this can be coordinated (at least per border).
10	Roadmap			TSO considers that 10-12 months might be needed for go-live		To be discussed at the next meeting.

Next steps

- Meeting ideally next week – tbc
 - To discuss the open matters:
 - Inter-TSO bilateral agreements
 - cooperation of NTC
 - nominations
 - auction office for specific auctions
 - Congestion revenues
 - Auctions rules
 - Firmness / curtailments
 - Allocating also non-firm capacity

- One of the step in the implementation of the Road Map on MD-UA market integration (agreed in 2019) <https://www.energy-community.org/dam/jcr:5ce5cbad-0841-4b50-876c-78026fce9950/EnCS.pptx>
- Activities MD 2.1 and UA 2.1 of the EU4Energy (Phase II) Work Programme for 1st year <https://www.energy-community.org/regionalinitiatives/EU4EnergyII/WPs.html>
 - Kick-off meeting *[19 August 2021]*
 - gap analysis of the legislation related to the cross-border capacity allocation between Ukraine and Moldova *[ongoing]*
 - recommendations on establishing of the joint capacity allocation process (including TSOs arrangements related to the joint capacity allocation process) between Moldova and Ukraine *[till the end of November 2021]*

The background is a dark blue image of the Earth from space, with glowing blue lines representing energy or data connections crisscrossing the globe.

Thank you!

Arben.Kllokoqi@energy-community.org

Inna.Surzhok@energy-community.org

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