

Barriers and Constraints in the Electricity Market in Ukraine

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Round table meeting on electricity supply and trade under the new market model

Panel III: Cross-border Trade in Electricity



23rd September 2021

The Ukrainian legislation is not harmonized with the EU rules and standards regulating cross-border trade in electricity



The requirement to pay a transmission tariff subject to the volume of exported energy.



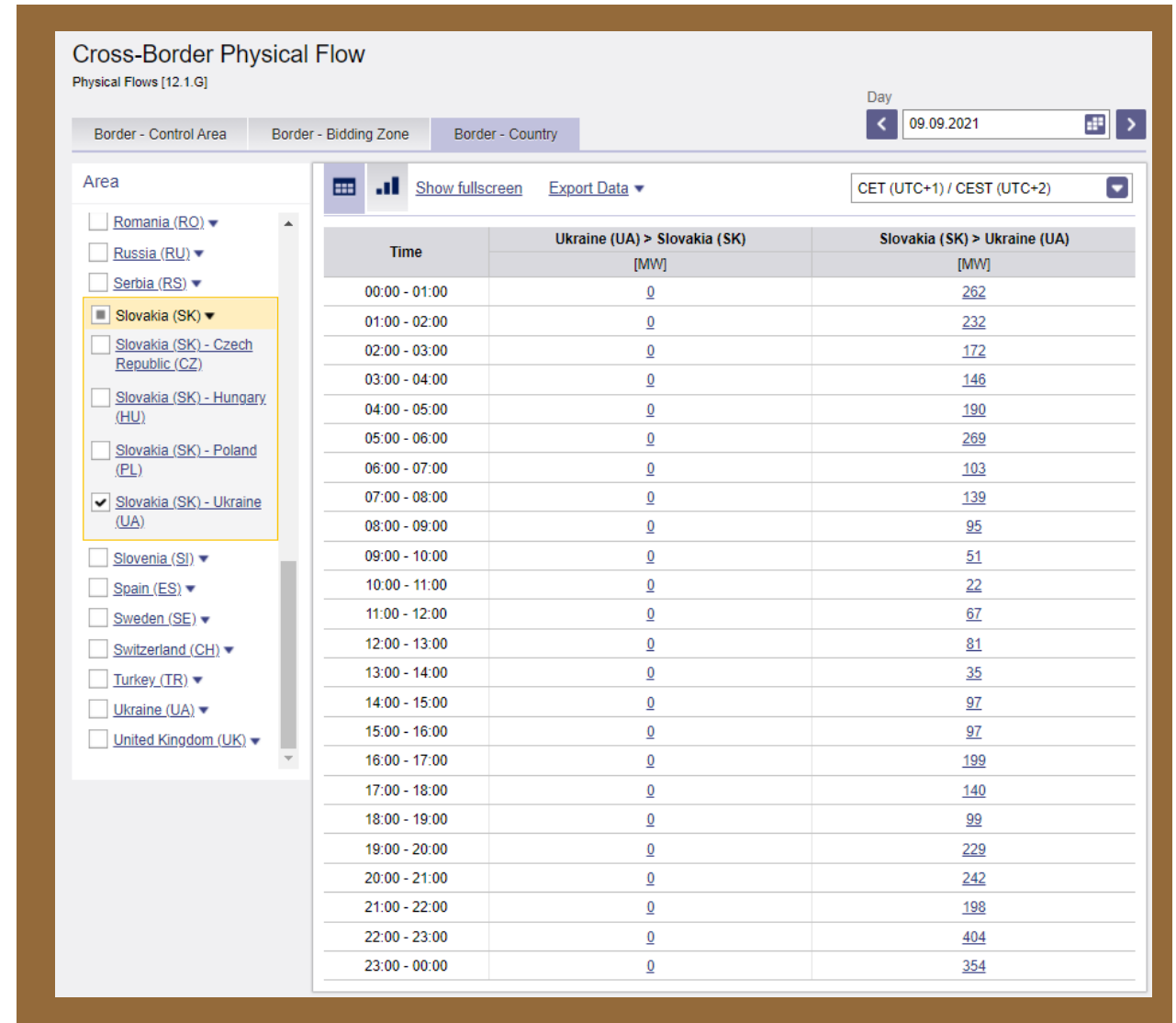
The requirement to pay a dispatch tariff associated with electricity import/export.



Rules regulating constraint management, and Allocation Procedure for interconnections.

Case: Physical Flow Ukraine –Slovakia as of 9th September 2021 (ENTSO-E Data)

- Clearly, TSO NPC «UKRENERGO» did not provide services to export electricity to Slovakia.
- At the same time, one can observe a significant flow from Slovakia to Ukraine.
- Did TSO provide the service, for which it intends to charge? Clearly NOT!
- That day the exporters nominated some 1,352 MWh of interconnection transmission capacity.



Who should compensate for the TSO's costs associated with export/import?

Transmission tariff is a sore subject for exporters yet also the Transmission System Operator



Having signed and ratified the EU-Ukraine Association Agreement, Ukraine undertook to ensure full compliance of internal procedures and rules with the respective EU standards.



Regulation (EC) No 714/2009 of 13th July 2009 provides for a clear mechanism for compensations of costs associated with cross-border transmission between TSOs.



Ukraine should have joined the Inter-Transmission System Operator Compensation (ITC) Mechanism long ago.



Without undertaking counter obligations NPC «UKRENERGO» will fail the certification by the ENTSO-E Standards.

Should NPC «UKRENERGO» be entitled to compensations for the access to the company's grids? Indeed, yes.

- Ukrainian consumers pay for the access to the MAVIR, SEPS and Transelectrica networks.
- At the same time, these funds do not return to the country as the ITC mechanism requires, since NPC «UKRENERGO» did not sign the respective agreements and tries to put the costs on the traders.
- Our company operates through 22 borders daily and pays no additional costs except Perimeter Fee (0,6 EUR/MWh).
- Only in Ukraine, there is this additional charge at 12.5 EUR/MWh.
- Our company is a European trader. We shall be using other tools to fight against this unfair practice, in particular complaints to the European Commission and European Court of Justice.
- Without resolving this important issue no other steps to synchronize with 3 ENTSO-E will make much sense.

The Supreme Court Decision of 8th September 2021 was shortsighted and will seriously impede the country's EU integration. It means that the Ukraine ignored its obligations and the primacy of the EU legislation over domestic law, in particular in the energy sector. The decision violated the EU-Ukraine Agreement.

Another problem is associated with allocations of interconnection capacities



The highest transmission capacity of the Burshtyn Power Plant to is 650 MW to Hungary, 650 MW to Slovakia, and 400 Mw to Romania – 1,700 MW (NTC).

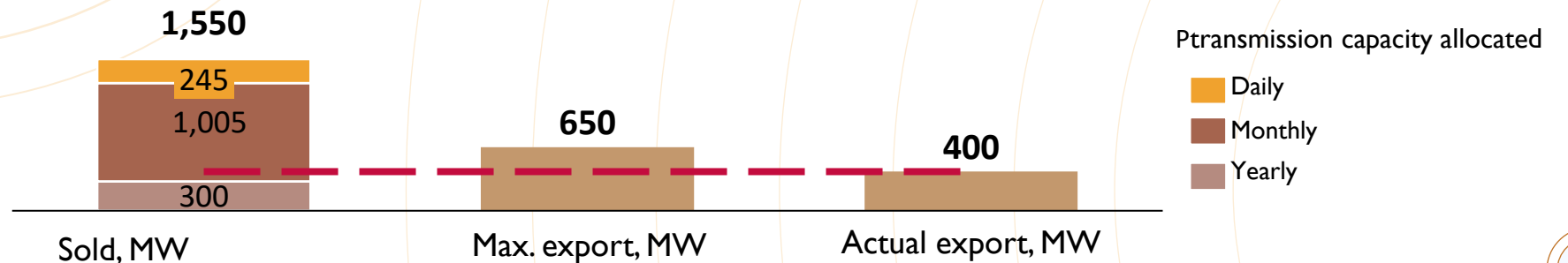


At the same time, the exported volumes of the Burshtyn Plant may not exceed the imported volumes by more than 650 MW (ATC). It means that only 650 MW in total are available for export in all directions.



At the same time, NPC «UKRENERGO» auctions 1,550 MW on average daily. Yet NPC «UKRENERGO» constrains even the results of its yearly auctions to allocate the transmission capacity. Such policy brings to naught the results of monthly actions.

Transmission capacity auctioned off, VS actual 2021



Actual available transmission capacity for export at interconnections in 2021


- Of 650 MW, no more than 400 MW are exported. From time to time, the allocated capacity drops to 250 MW.
- It is impossible to use 1,000 MW, yet NPC «UKRENERGO» allocates the transmission capacity at auctions knowing that it will not be used.

Available Transmission Capacity at Interconnection Points, 2021


Available Cross-section	%	Jan. 21	Feb. 21	March 21	April 21	May.21	June 21	July 21
Hungary								
Yearly	%	71%	75%	100%	95%	100%	84%	87%
Monthly	%	14%	33%	68%	34%	41%	12%	9%
Romania								
Yearly	%	71%	74%	100%	96%	99%	83%	87%
Monthly	%	14%	33%	100%	28%	62%	12%	12%
Slovakia*								
Monthly	%	14%	33%	40%	25%	40%	14%	8%

* No annual auction for export/import to/from Slovakia.


The changed approach to constraints (introduced in October 2021) severely violates the guaranteed supply principle




From October 2021, NPC «UKRENERGO» will be using **the proportional approach** to replace **the principle of guaranteed annual transmission capacity**. The new approach will target all right holders on proportional basis.



This new approach will make cross-border trade between states look like gambling – no one will know who will have the rights in the morning **D-1**.



This will destroy the current partnership relations with our counterparties – the recipients of Ukrainian electricity. The new approach will violate **the guaranteed supply principle**. **It will make long-term planning impossible** and thus affect the cooperation with the banks (the contracts mentioned above are mortgaged property of the funding banks). The risk of default will increase dramatically.



For instance, we own 20 MW of allocated export capacity to Hungary. Based on the approach proposed by the TSO, no more than 7 MW daily – or even 3 MW for some evening hours when prices are highest – will remain. So far, we are an electricity exporter and reliable partner. We evolve into an active consumer of electricity at HUPEX.

Thank you!

