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Implementing the Electricity Market Law in Ukraine

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Kiev 26.06.2018

Current Status



- ❑ On April 13 2017, the new Electricity Market Law, Law No 2019-VIII, was finally adopted
- ❑ Since then a series of secondary legislative acts have been approved or are under preparation
- ❑ <https://www.energy-community.org/implementation/Ukraine/secondary.html>

EnC info on Secondary Legislation

Secondary legislation status: electricity (last update 19.04.2018)

Law on the Electricity Market of Ukraine No. 2019-VIII, 13.04.2017

Legal act	Primary legal basis	Bodies in charge		Adoption / validity status	Comments / compliance status
		adoption / approval	drafting		
Decision on creating the Coordination Centre on Reform Implementation	TITLE XVII (7)	Cabinet of Ministers of Ukraine	Cabinet of Ministers of Ukraine	Adopted / CMU Resolution No 559 , 09.08.2017	➤ No relevance to Acquis compliance
Energy Strategy of Ukraine	Article 5(3)(1)	Cabinet of Ministers of Ukraine	Ministry of Energy and Coal Industry of Ukraine	Adopted / CMU Resolution No 605-p , 18.08.2017	➤ No relevance to Acquis compliance
Procedure for holding tenders for SoLR and USS	Articles 5(3)(5), 63(2), 64(2), TITLE XVII (16)	Cabinet of Ministers of Ukraine	Ministry of Energy and Coal Industry of Ukraine	Not adopted, Deadline: 11.06.2018	➤ Adoption procedure yet to be initiated
Procedure for granting exemption for new cross-border transmission lines	Articles 5(3)(6), 24(10), TITLE XVII (16)	Cabinet of Ministers of Ukraine	Ministry of Energy and Coal Industry of Ukraine	Not adopted , Deadline: 11.06.2018	➤ Adoption procedure yet to be initiated

TSO unbundling (1 of 2)



- ❑ Decision and procedure regarding certification of the TSO, approved by NEURC last August
- ❑ Still though the TSO is not unbundled in a way to allow certification under the OU regime
- ❑ Recently, amendments on the Electricity Market Law, were proposed in view of introducing the concept of the “financial management rights” over the assets
- ❑ Though this should be seen only as a transitional measure to be replaced in due time by clear ownership rights

TSO unbundling (2 of 2)



- ❑ Naftogas unbundling delays cause delay and uncertainties in Ukrenergo unbundling
- ❑ Cross sectorial unbundling requirements
- ❑ To unbundle the control of the state over energy state owned companies

DSOs unbundling



- ❑ Methodology (procedures) on setting the electricity distribution tariffs was approved last summer by NEURC (RAB methodology)
- ❑ Such methodology is aimed to apply both for as long as the bundled regime exists but also later under when Oblenergos will be unbundled
- ❑ EnC has been thoroughly reviewing this methodology and there are serious compliance concerns
- ❑ Our assessment and proposals have been recently submitted to the Ukrainian authorities
- ❑ Roadmap for state-owned Oblenergos unbundling and privatization

New Wholesale Market Model and Rules



- ❑ Day Ahead and Intra-day Market rules approved by NEURC on March
- ❑ The same day the Rules regarding reserves, real time balancing and imbalances settlement were approved
- ❑ EnCS has provided technical assistance to NEURC, Energorynok and Ukrenergo in drafting, preparing and analysing the consequences of different options
- ❑ The Rules adopted carry compliance concerns
- ❑ EnCS was commented on them and is closely following the details of their implementation
- ❑ Main concern: How cross border trade will be allowed to take place (first explicitly and then implicitly)
- ❑ Wholesale Prices: reveal costs –offer unbiased signals to investors

Cross Border Issues



- Procedure for allocation of transmission capacity at cross-border lines, including standard contract for access to the capacity
- Draft uploaded by NEURC
- Compliance issues raised by EnCS
- Methodology for calculation of available transmission capacity on cross-border lines and algorithm for calculation of the total capacity and reliability margin- technical assistance by EU4Energy

Regional Integration and coupling

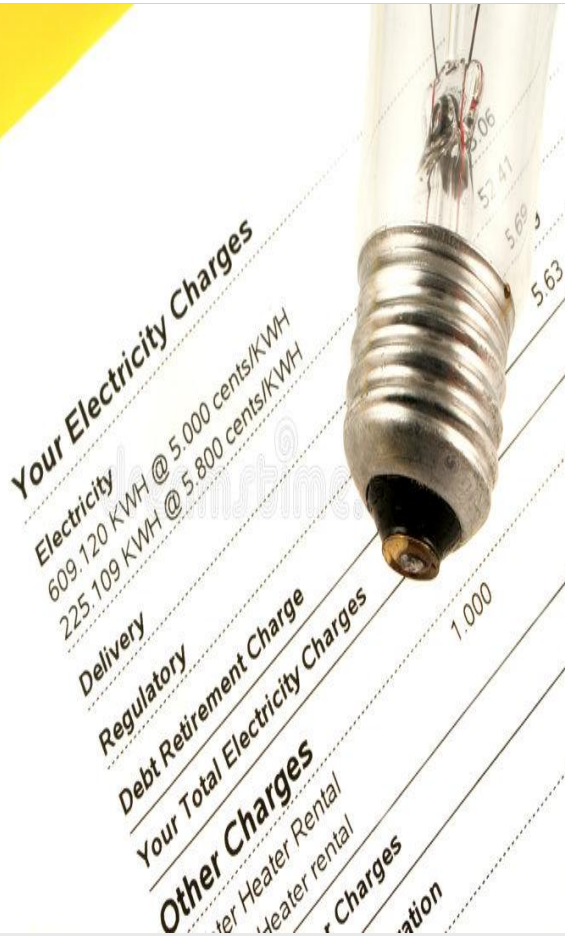


- ❑ **First step: Fair, transparent and joint rules for explicit rights allocation at the borders (coordinated with neighboring TSOs) in both zones**
- ❑ **Imports allowed for commercial reasons as well**
- ❑ **Software development: compatibility with Euphemia – implicit auctions/coupling in both zones (with European countries through Burstyn and with MD)**



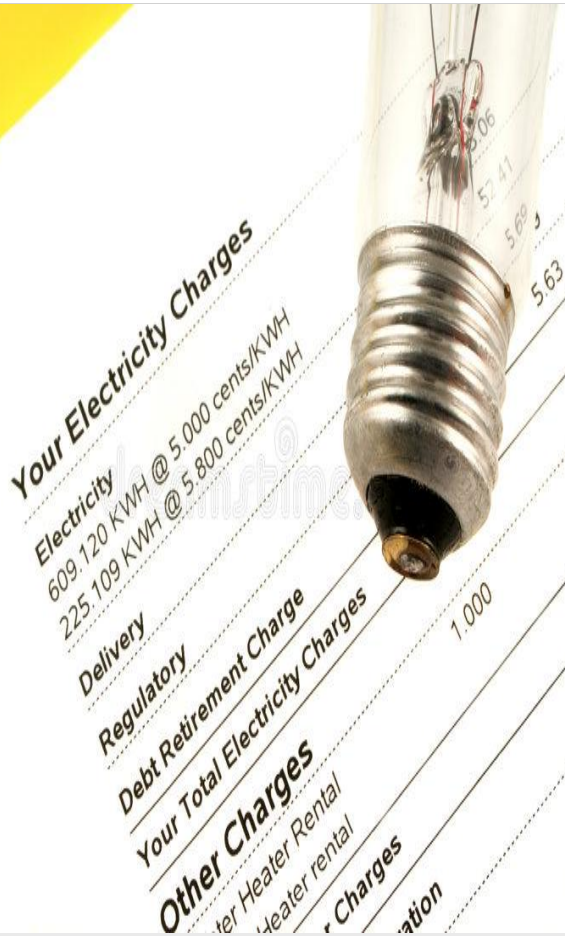
- Auctions to replace administratively set FiT
- Support under auctions though until a DAM is in operation shall be offered on similar terms with the existing PPAs
- DAM in operation: RES operators need to participate in the wholesale market –CfDs to be offered-partly protected for imbalances for as long as no liquid IDM exists
- Liquid IDM in operation: RES operators to be normally exposed to imbalances
- Transitory period: Nuclear power to pay for the increased costs of RES investments (above the market price)

Retail Sector (1 of 2)



- Retail Market Rules, including procedures for universal supply, SoLR services, supply of vulnerable customers, supplier switching, and standard contract on electricity supply were approved by NEURC on mid March
- EnCS with the help of the Slovenian Regulator provided technical assistance to NEURC in terms of assessing and modifying corresponding Rules
- Vulnerable consumers Protection
- Household consumers protection

Retail Sector (2 of 2)



- Nuclear power to subsidize, through the auctions platform?
- PSO or support offered to consumers (those really needing it) by Government?



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