# Impact of the price surge in the Energy Community

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# *Content*

- Why this price surge is different
- Step back into the main characteristic of the Energy Community markets
- Impact of the price surge in specific CPs
- Conclusion

# *Intro into crises*

- Unprecedented surge in energy prices
  - Global and all energy commodities
  - Spot markets
  - Forward markets (month-ahead, seasons-ahead and years-ahead)
- Ongoing energy transition toward clean technologies
  - **Long lasting (9 months in it, expected to continue in the coming months)**
    - April base forward prices in German market trades around 205 EUR/MWh
    - Q2 2022 trades around 221 EUR/MWh
    - Cal 2023 and onwards trades below 163 EUR/MWh; Cal 2024 115 EUR/MWh
  - Do market fundamentals show scarcity!?
    - Political, geopolitical matters and war add to uncertainties – which is reflected on the price

# Step back: Quick facts about WB6 market

Markets integrated through explicit allocation on long and short term

~ 8000 MW NTC (very conservative calculation); more than half is between CPs-MSs

Capacity allocated mainly by CAO; few by TSOs & JAO


Market Coupling projects under preparation
Integration within SDAC target

Reliant on coal (currently no CO2 price applied apart from ME)

Markets not liquid; only RS operates DAM; at least 2 CPs announced DAM this year

# Step back: Quick facts about UA and MD markets

As of 16 March 2022 synchronised with Continental Europe grid

~ over 2000 MW NTC with EU (currently no commercial exchanges)
~ over 400 MW NTC with MD


Capacity allocated unilaterally

No transparent forward market with standardised contracts (MD: no balancing mechanism)

Reliant on nuclear and coal (currently no CO2 price applied very small tax on coal)
MD reliant on gas (in left-bank of the country)

DAM/IDM in operation in UA (not in MD)
Relatively liquid, but many restrictions

***(* Georgia)***

# *General observation*

- Incumbent electricity producers (except those that use gas) only indirectly affected
- Net importing countries affected
  - High import price
- Net exporting countries (producers captured highest revenues ever)
- Consumers under regulated prices/universal supply – started to feel the pain (probably even more in the next price review)
- Suppliers supplying end users under the market prices affected significantly
  - Exposed to high spot prices, while selling at fixed rates to end users

***Economic welfare not distributed adequately across interconnected markets***

# Impact and measures in the CPs (1)

## AL:

- Net importer and high exposure on hydro resources
- Importing at high regional prices
- Emergency state declared in AL in October 2021
  - 200mln EURs put as a support by the Gov until April 2022
  - PSO put on state-owned producer to accumulate the potential surpluses and sell only for the purpose of PSO

## BA:

- Coal-based incumbent producers recorded highest revenues
- Retail not affected due to local supply

# Impact an measures in the CPs (2)

## KS:

- Net importer especially in the winter periods (high exposure on old availability of power plants)
- USS imported at high prices and requested urgent review of regulated tariff
- Two big industrial consumer supplied at market prices have stopped/reduced production. Impact on TSO/DSO due to electricity losses
- Government declared emergency state in December 2021 and put a subsidy of EUR 120mln
- ERO changed the tariff structure and increased the revenues for USS (circa 20% considering the subsidy) to recover the higher costs associated mainly with import
    - HH consumers that consume more than 800kWh/month pay higher price)

## ME:

- Little or no imports currently, so no impact currently on USS
- Impact on TSO/DSO due to electricity losses
- Currently no specific measures were undertaken

## GE

- Importing at high price, but still no measures undertaken
- Market launch is postponed until September 2022

# Impact an measures in the CPs (3)

## MD:

- Largely dependent on electricity produced from gas in left bank of the country
- Issues with gas supply, and higher gas price, impacted electricity market
- In October 2021 the Gov declared emergency state and provided subsidy to gas consumers (paying partly the difference of the price increase)
- In March 2022 ANRE approved new electricity tariffs with an average increase of 18%

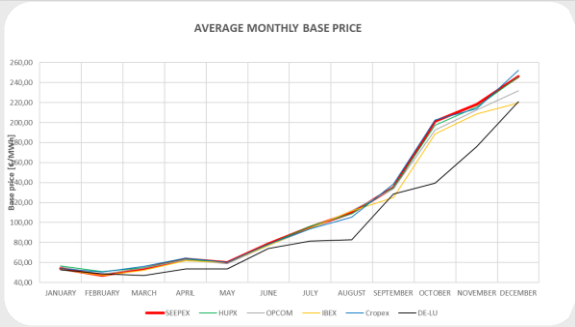
## MK:

- Diverse production sources in the country / net importer (35-40% of demand) - impact in universal supply prices – price increased in in Jan 2022 for 12%. Impact on TSO/DSO due to electricity losses
- State of emergency declared by the Gov with support to incumbent producer and TSO (EUR 255 mln)
- Industrial and other consumers supplied at market prices (namely import) significantly affected
- Some of the wholesale contracts where cancelled / cancellation of retails contracts
- Issues in the balancing markets due to open position closed on the balancing market (issue: balancing price < market price) – procedure for revoking the licenses initiated

# Impact an measures in the CPs (4)

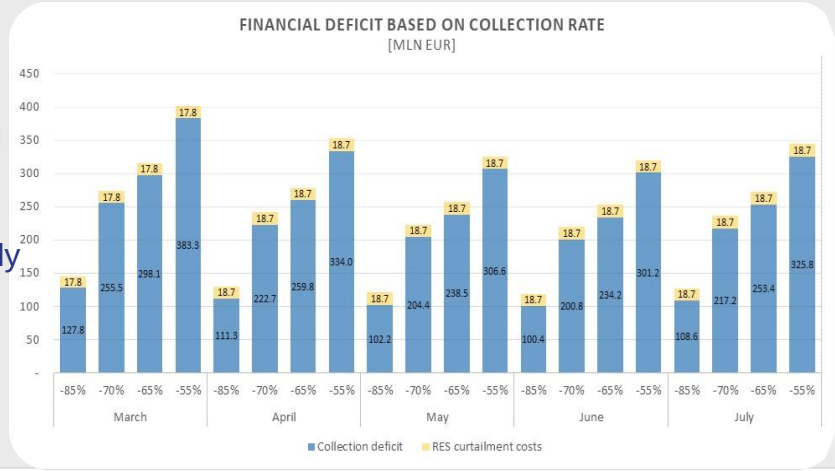
## RS:

- Impact on market prices (on DAM)
- TSO undertook changes on financial security to cover the exposure on balancing
- Impact on retail free market - Gov capped prices through state owned incumbent
  - Capped at 75 EUR/MWh / SoLR capped at 97 EUR/MWh




## UA:

- Wartime measures in place (Martial Law) - lower demand and collection rate (DAM price dropped at min)
- Some measures introduced; floor on the DAM price, supply of gas at regulated price for TPPs
- Financial liquidity of the sector is at risk



# Conclusion

- 4 CPs declared state emergency and provided support to consumers (through companies in charge for importing)
  - Subsidy to companies for importing at high price and sell at lower price to consumers (main measure)
- 3 CPs increased the USS tariffs
- TSO/DSOs and balancing mechanisms impacted in all CPs – so very likely price increase will come on all CPs at the regular tariff reviews (even the exporting ones)
- Due to Russian invasion, Ukrainian market is facing issue with financial liquidity and support from outside is needed.

# *Thank you for your attention!*

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