The new Energy Law in Serbia

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BACKGROUND

The "old" Energy Law (2004) #1

- Implementation of the 2nd Package
  - IEM Directives 2003/54/EC, 2003/55/EC; R1228/2003
- New market architecture (deregulation)
- New governance structure & reallocation of responsibilities
  - Parliament - Government - Ministry - Agencies
- New institutions
  - AERS
  - (SEEA)
- New industry structure
  - EPS_{old} = EPS_{new} + EMS + non-core
  - NIS_{old} = NIS_{new} + Srbijagas

The “old” Energy Law (2004) #2

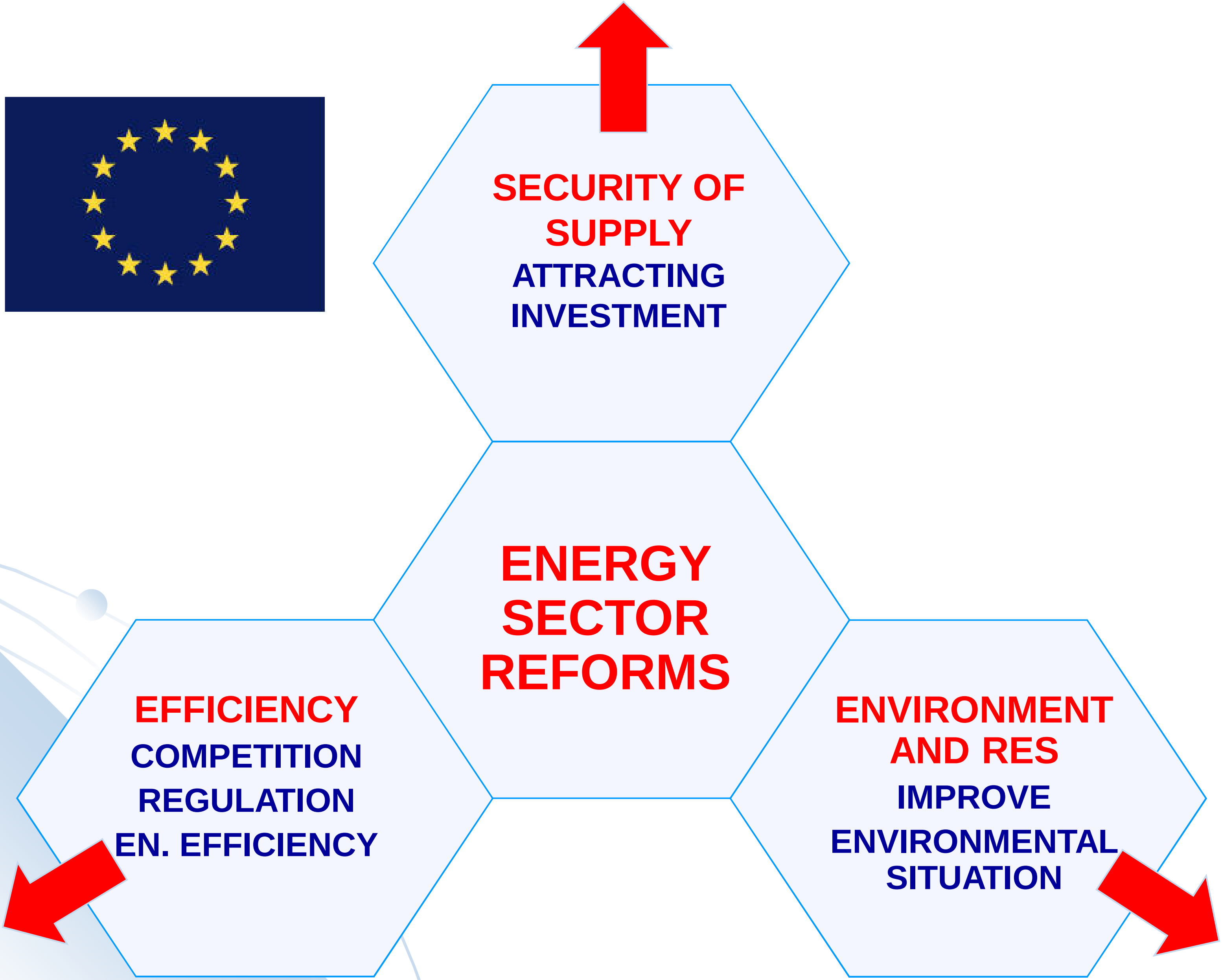
- **Not fully compliant with the IEM Directives**
  - **Legal unbundling (EE: DSO-Supplier; TSO-Supplier)**
  - **Regulated prices for large consumers (industry)**
  - **Role of the regulator (some provisions missing)**
  - **TPA exemptions (missing provisions)**
- **Not fully implemented**
  - **Market rules for electricity**
  - **Network Codes for natural gas**
  - **Development plans for network operators**
  - **Accounting unbundling in electricity DSOs**
- **Outdated**

Evolution of the applicable energy acquis

2004 Energy Law	2005 EnCT	2011 EnCT
2003/54/EC	2003/54/EC	2003/54/EC
2003/55/EC	2003/55/EC	2003/55/EC
≈ 1228/2003	1228/2003	1228/2003
		EC Decision 2006/770/EC (CMG)
		2005/89/EC (SoS EE)
		1775/2005
		2004/67/EC (SoS gas)

WHAT'S NEW IN THE NEW LAW

The energy sector reforms in Serbia



Accelerating energy sector reforms

- **Improved governance of the energy sector**
  - Strategy, Program, Balance, NAP, TYNDP
  - RES NAP; national targets for RES
  - Clearly allocated responsibilities btw. institutions
- **Enhanced market architecture & structure**
  - Bilateral market, balancing market, PX…
  - Legal unbundling of network operators
- **Emphasis on competition**
  - Expanding and enhancing the competitive market
  - Market based procurement of losses
  - PSO clearly defined and not detrimental for competition
  - Rules for supplier switching

Full compliance with the EnC Treaty

- **Phasing out regulated end-user prices for industry**
- **Clearly defined PSO**
- **Strengthening the role of the regulator**
- **Unbundling of the network operators**
- **Transparency requirements- TSO**
- **Access to interconnectors**
- **Enabling TPA exemptions**
- **Compliance programs for TSOs, DSOs, SSOs**
- **Regional cooperation of TSOs and regulators**
- **Security of supply**

Troubleshooting

- **Experience in implementation of the EL 2004:**
  - More efficient procedures for approval of regulated prices (final approval shifted to AERS)
  - Clear procedures and improved investment climate for RES; guarantees of origin
  - Clearly defined contents of the secondary legislation
  - Removing legal obstacles for effective implementation (bilateral market, balancing market, balancing responsibility, ancillary services)
  - Defining the interface btw. TSO and DSO
  - Merging transmission and transmission system operation in one licensed activity
  - …

Main challenges

Challenges #1

- **Institutional capacity (Gvt, MIE, AERS)**
  - Numerous pieces of secondary legislation to be developed in short term: 4 months – 1 year
  - Analytical inputs and impact assessment critical (RES!)
  - Need to establish new processes within the institutions (additional HR, finances and equipment needed) in parallel with cutting expenses for state administration
- **Vulnerable customers**
  - Prerequisite for price reform
  - 2012 critical – possible widening the cost-price gap detrimental
  - Social Action Plan (incl. energy efficiency) – priority!

Challenges # 2

- **Implementation by the industry (TSOs, DSOs, suppliers)**
  - Human resources
  - Significant analytical inputs needed (ex. TYNDP, load profiles, corporate structure, strategic planning…)
  - Metering (installing and replacement) - condicio sine qua non (GAS!)
  - Legal unbundling (TSO-supply; DSO-supply)- splitting assets and liabilities may be a time consuming process
  - Software (PX, gas balancing, supplier switching, guarantees of origin, transparency requirements, QoS data acquisition, regulatory accounting….)
  - …and means to finance all of these!

Challenges # 3

- **Infrastructure investment**
  - Electricity generation – unfavorable demand-supply ratio in Serbia and the region; new entrants needed
  - Transmission – cover the need for transmission derived from new generation, increased transits and large scale RES penetration in Serbia and region
  - Transport – need for diversification of gas supply sources and routes
- **The 3rd Package**
  - 3rd Package implementation in the EnC by 2015
- **Bugs?**

Final remarks

Final remarks

- **The new Energy Law- a major step forward (ECS, EC)**
  - Boosts further market development
  - The 2nd IEM package fully (?) transposed
  - Flaws identified during implementation of the EL 2004 removed
- **Transposition vs. implementation**
  - Drafting the law was the easier part of the job…
  - Significant efforts expected from the institutions and industry
  - Change management crucial
- **The 3rd Package**
  - Start the work on amendments a.s.a.p

Thank you!

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