

## EASTERN PARTNERSHIP PLATFORM 3: “Energy Security”

4 th WORKSHOP OF EASTERN  
PARTNERSHIP ENERGY  
REGULATORY BODIES

26- 27 March 2015 – Chisinau

“UNDERSTANDING THE IMPACT  
OF REGULATORY INCENTIVES”

# EURELECTRIC represents the EU electricity industry – all across the electricity value chain

**ENERGY POLICY  
& GENERATION**



**ENVIRONMENT  
& SUSTAINABLE  
DEVELOPMENT**



**MARKETS**



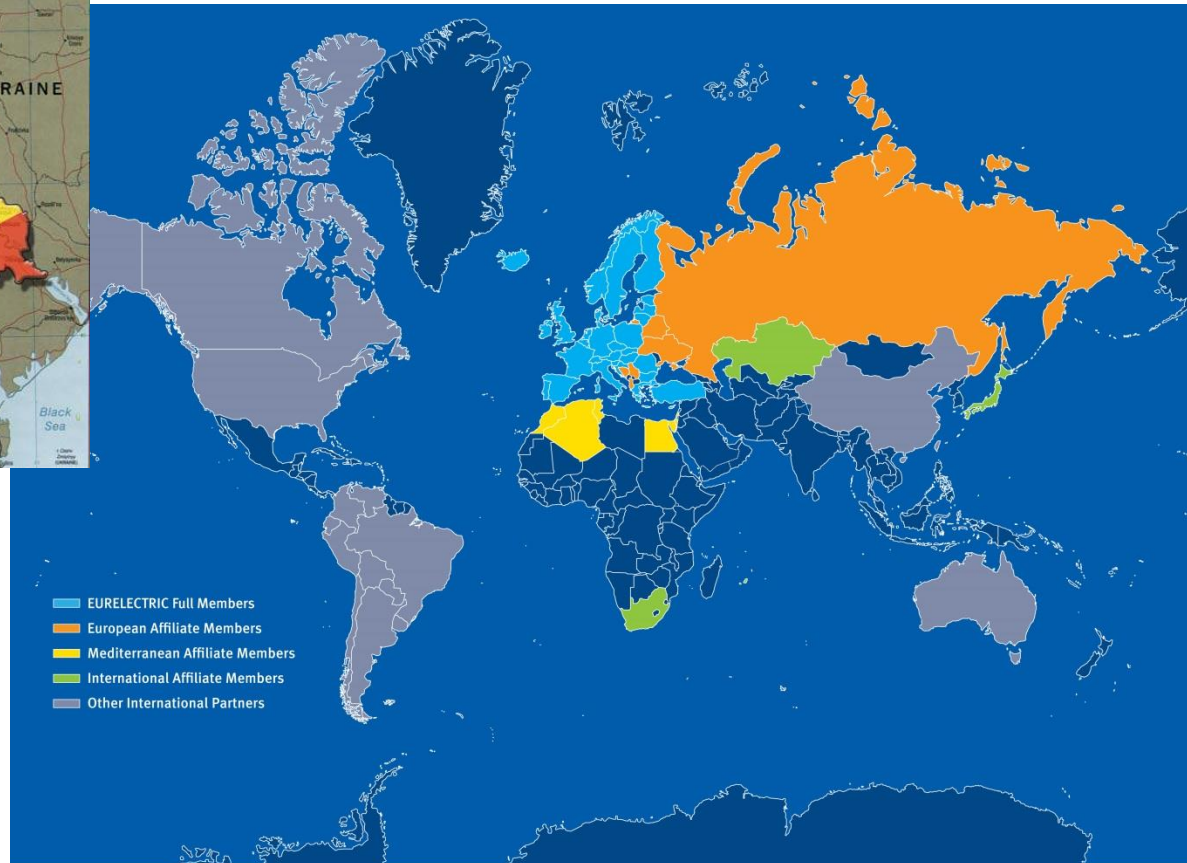
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# EURELECTRIC – a pan-European association with partners around the globe- including Moldova





**APDE**  
Asociația Patronală  
în Domeniul Energetic  
din Republica Moldova

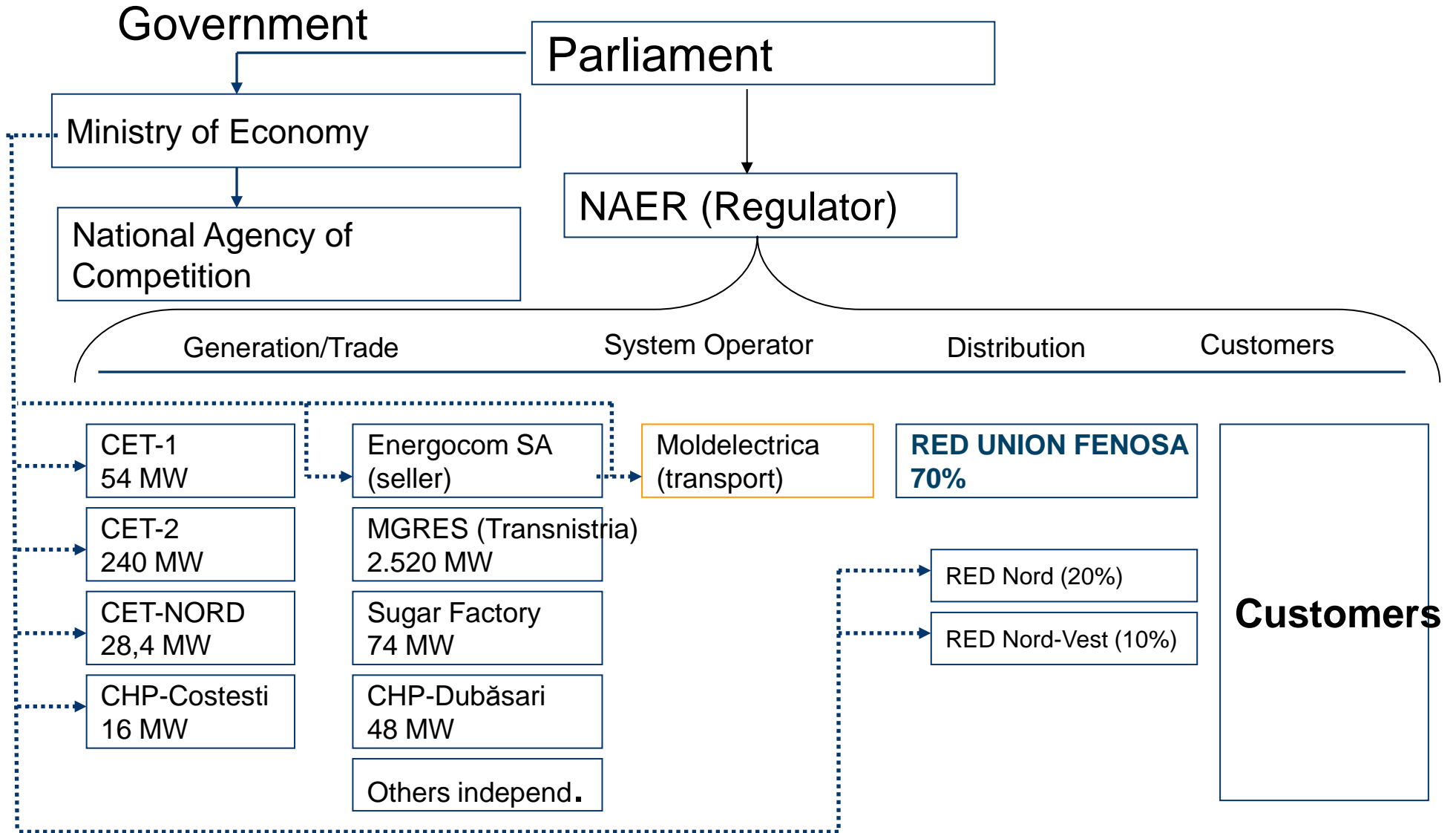
## **APDE represents the Moldova energy sector**

- It is Structured in 4 Committees (Generation/  
Distribution, Renewables/ Energy Efficiency,  
Markets, Innovation and Science);**
- Launched on 30 September 2014;**
- APDE main Objectives are: Lobby and  
Advocacy, Facilities and Exchange, Business  
Support and Empowering**

# Energy in Moldova

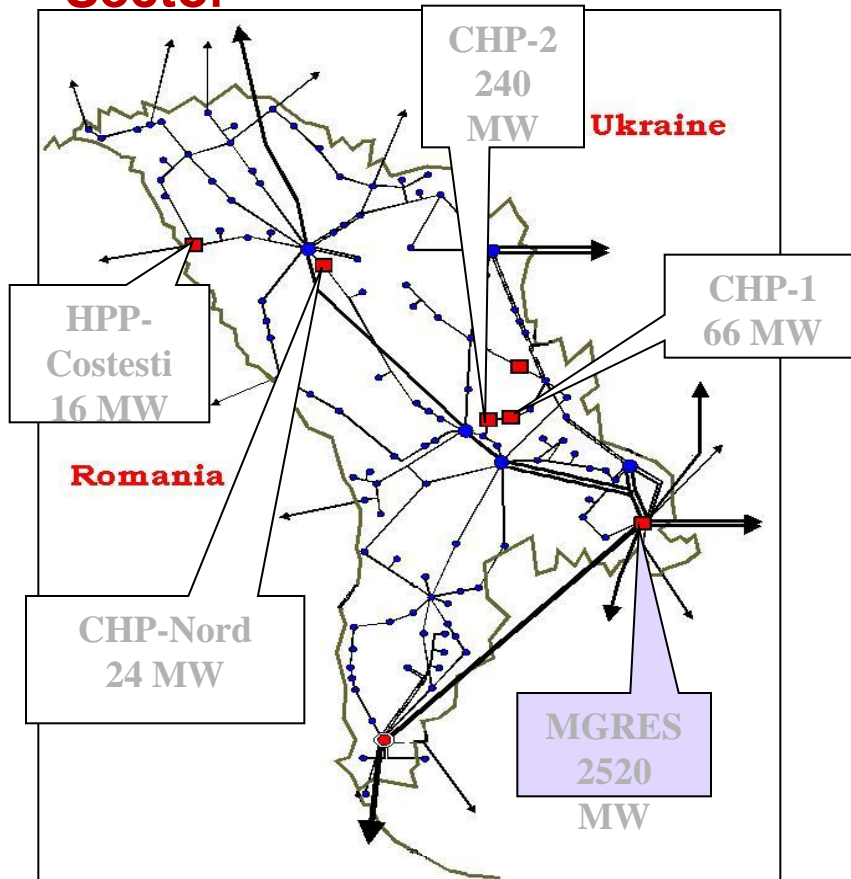
- **Moldova** =very small power market
- Country separated into two territories, right and left bank of Dnjestr river:
- Transdnistria big block generation 2500 MW, but only 4 today available (maximum of 600-800 MW)
- Fenosa Industries main private distributor of Moldova with 70%, the other 30% owned by two state-owned companies.
- **High energy intensity in Europe**- no price signal, no policy on Energy efficiency in residential, services, transport (only in industry)
- **The past has seen volatile regulatory intervention** into the market leading to distortions, high costs, inefficiency

## Sector Structure



# General Framework

## Infrastructure of the Sector



*The Moldavian electric system operates synchronously with that of Ukraine*

### Interconnections

#### Ukraine:

14 lines of 110 kV and 7 of 330 kV

#### Romania:

3 lines of 110 kV and 1 of 400 kV

#### New projects of interconnection :

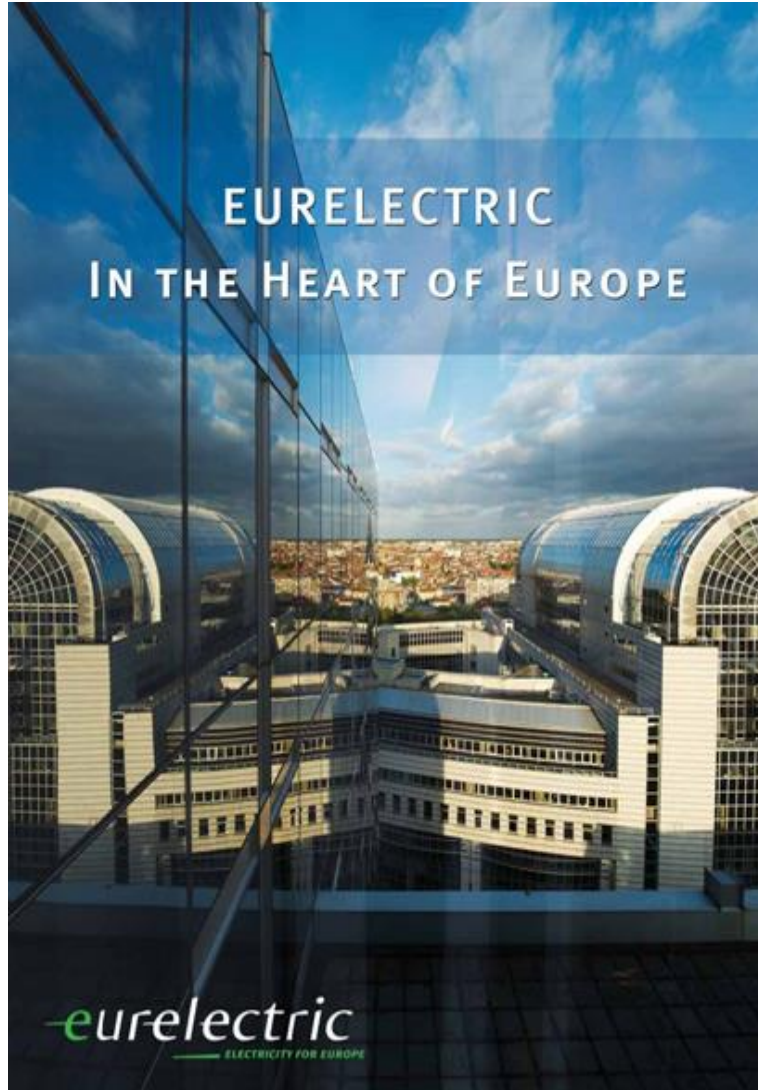
- 400 kV Balti – Suceava (Romania)
- 330 kV Balti – DnHPP2 (Ukraine)
- 330 kV Balti – Straseni 2
- 330 kV Balti – Ribnita
- 330 kV Straseni - Chisinau

Country installed capacity 3008 MW - available 1326 MW of which more than 70% is imported from Transnistria with a possibility to receive 150MW from Ukraine and 250MW from Romania (in island)

## Need for action now!

1. **Regulatory change**: improve the functioning of the regulator and set up an Energy strategy for Moldova on the horizon 2025
2. Go for **competition among market players**, in a transparent way, attract foreign direct investments through a reliable investment and policy framework
3. **Regional integration**: integrate the market in particular with Ukraine and Romania
4. **Go for Energy efficiency** and information of the public on energy policies- refrain from populism like in Bulgaria
5. Use the opportunity of benchmarking, exchange and cooperation within the **Energy Community**





## **EURELECTRICs POSITIONS**

**Working for cost-effective EU energy and climate action:**

- **An integrated European market**
- **Carbon-neutrality by 2050**

**Electricity – the backbone of a clean, competitive EU economy**

## The main goals of EURELECTRIC

- **Carbon neutrality by 2050** → emissions market
- **Reliable & competitive supply** → EU electricity market
- **Investment-friendly environment** → coherent political framework for 2030



# Securing energy investments in the Energy Community

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## **EURELECTRIC's 10-step action plan**

## ***1. Protect and enforce existing investments***

**Avoid populist measures (taxes, withdrawal of licenses) on ‘foreign’ companies that have damaging effects on the infrastructure and operations**

## ***2. Reform and strengthen the Energy Community (EnC) and include private stakeholders***

- Implement the recommendations of the High Level Reflection Group of the EnC**
- Close the gap between commitments and implementation in real terms (market opening, transparency of capacity allocation, third party access)**
- A stakeholder group including the region’s energy companies**

### ***3. Make the regulatory agencies fit for purpose***

- **Regulatory stability is key requirement for investors:**
  - **Financial independence of regulators**
  - **Capacities and competences**
  - **Staff ACER**

### ***4. Transparency creates responsibility***

- **Transparency for market operations**
- **Transparency to remove price distortions and cross-subsidies**
- **Transparency on the energy policies/strategy**

## ***5. Enable cost-reflective energy prices***

- Existing price levels do not attract investments
- Make energy prices transparent to customers to incentivise responsible customer behaviour

## ***6. Eradicate energy poverty through a well targeted social policy***

- Tackle fuel poverty through social targeting: suitable credits plus fiscal incentives as lead to change
- Get electricity prices out of social policy
- Improve the system efficiency by improved cost allocation
- A regional internal market for better customer deals

## ***7. Incentivise risk sharing facilities and public support for priority infrastructure***

- **Parallel action: regulatory improvement and hedging investment risk.**
- **Public Private Partnerships**
- **Projects of Energy Community Interest**

## ***8. Enhance participation in European institutions and industry bodies***

**The connection role of ACER, ENTSO-E, ENTSOG, EURELECTRIC**

## ***9. Bet on energy education***

**Provide dedicated training for key energy decision makers within the EnC to improve competence**

## ***10. Include private stakeholders to monitor progress***

**In the EnC annual implementation report**



# Status Quo EU Energy Transition: key challenges for the European electricity market

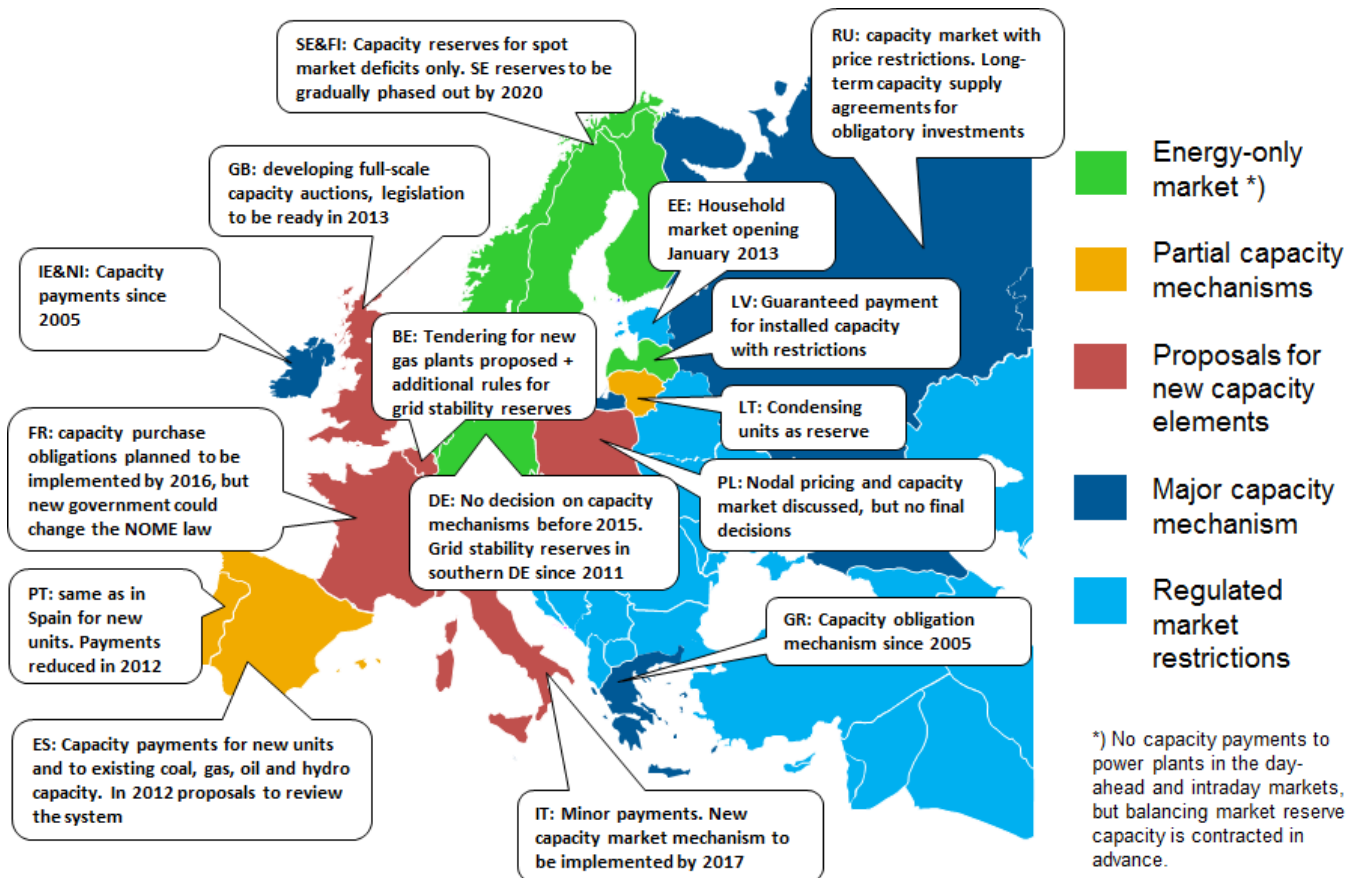
- **Costs!** The energy transition costs are too high - regulatory change needed!
- **Regulatory intervention!** Growing national and EU **regulatory intervention** and less market (U turn from liberalization agenda, and from EU market integration)
- **System approach is lost!** Progress in **market integration and necessary system solutions (grids ...)** is too slow to accommodate growing share of **variable renewables: system risks and costs growing**
- **Lack of European and market perspective** in defining energy policies by Member States resulting in sub-optimal and costly policy choices

## Useful experiences from the EU transition

- 1. RES for less: cost reduction of renewables**
- 2. Cost-effective integration of RES is crucial**
- 3. Utilities' future relies on innovation, including Energy Efficiency**
- 4. Regional cooperation as the only way forward**
- 5. Sound regulation and empowering governance - decisive for investors**
- 6. CO2 has no borders: Climate Change is world-wide issue**

# EU Transition can only be successful with a regional approach, not a national one

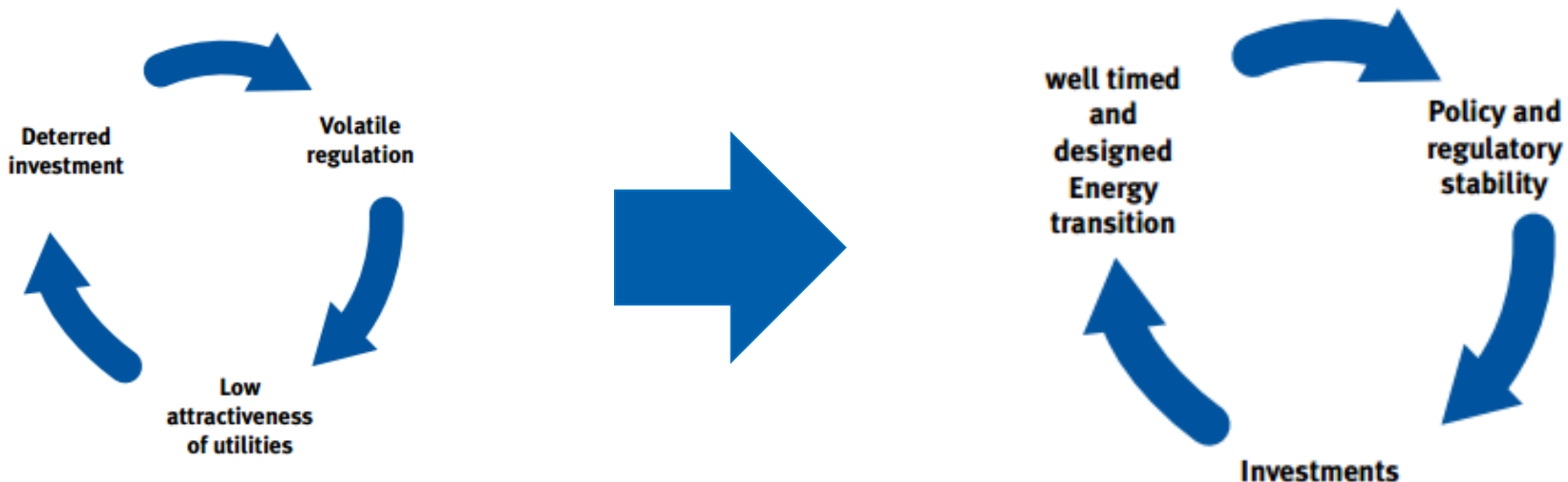
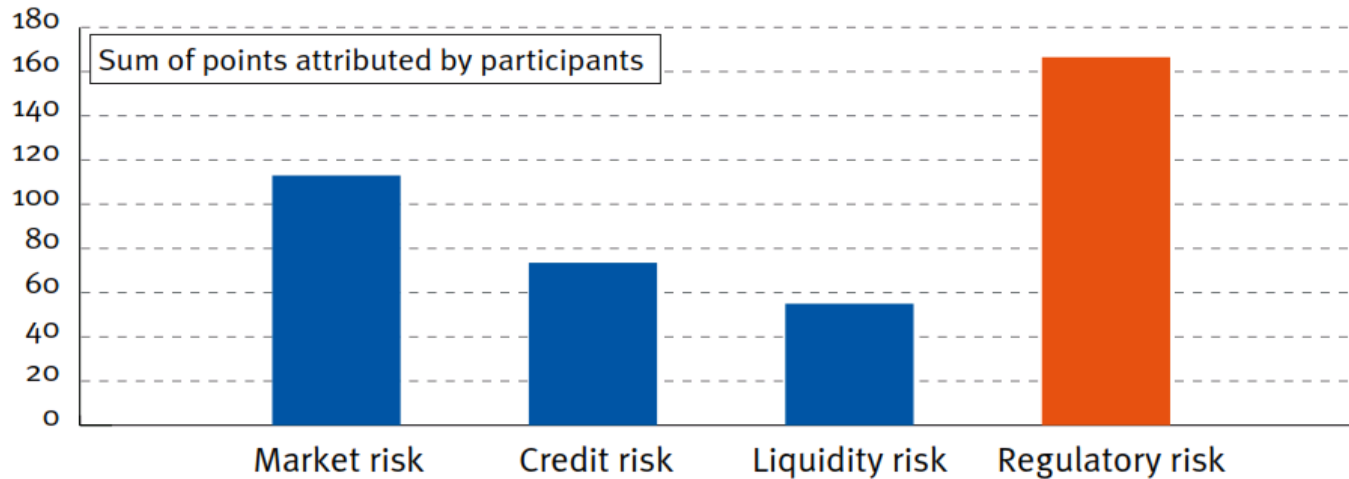
A national patchwork of CRMs, RES support, and even CO2 regimes in Europe: this is not the way forward



**Completion of the EU energy market requires a European-wide coordinated energy policy (improve Lisbon's Treaty Article 194)**

\*) No capacity payments to power plants in the day-ahead and intraday markets, but balancing market reserve capacity is contracted in advance.

# A sound regulatory framework and an empowering governance is decisive for investments



# CO2 has no borders: the jump on the decarbonisation pathway is worthwhile for fostering clean investments and access to energy

**But climate policies must be cost-effective, this requires**

- 1. Focus on emissions reduction (not renewables, imports)**
- 2. Economy-wide targets (not just a few sectors)**
- 3. Regional (EU-wide) instruments (not national)**
- 4. Market instruments (not command)**
- 5. A steady pace of change (early + high ambition, not delay + low ambition; stable framework, not stop/start)**



# Way forward EURELECTRIC-Moldova

- Improve the good relations with the national representative of Moldova, APDE which is EURELECTRIC Affiliate Member
- We will monitor regulatory implementation from a business perspective and share experience
- Energy Community is our partner: a common event on investments in the Neighbourhood Area on October 28<sup>th</sup> in Brussels

