

The establishment of the Albanian Power Exchange

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Energy & Water Advisory - IFC

10th SEE Energy Dialogue

Belgrade – 14 June 2017



IFC

**International
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IFC is a member of the World Bank Group promoting private sector development



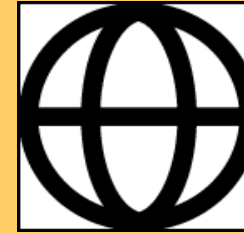
International Bank for Reconstruction and Development
1945
Lends to governments of middle income developing countries. Total loans outstanding in 2009 were c. \$106bn



International Finance Corporation
1956
Provides loans, equity, and Advisory services to stimulate private sector investment in developing countries. Total investments in 2009 were c. \$24bn



International Development Association
1960
Provides concessional loans/guarantees to governments of the poorest countries. Total credits outstanding in 2009 were c. \$113bn



International Centre for Settlement of Investment Disputes
1966
Settles investment disputes between foreign investors and host countries



Multilateral Investment Guarantee Agency
1988
Provides political risk insurance / guarantees against losses from non-commercial risks to facilitate FDI in developing countries

World's largest multilateral private sector investor in emerging markets

- US\$52 billion investment portfolio
- US\$18.8 billion in long term investment provided in FY16

Since 1956 the Leading Investor in Emerging Markets Power



350+ power investments in over 65 countries.

- **Generation** – 40,000+ MWs to date
- **Transmission** – on a select basis
- **Distribution** – reaching > 160 million customers
- **Early stage start ups** in the renewable energy space
- **Financial intermediaries** (banks, PE funds) who reach smaller assets/companies
- **Platforms, HoldCos and sub-sovereign entities** with regional or global footprint.

Comfortable in **markets under reform**, with **first-in-kind projects**.

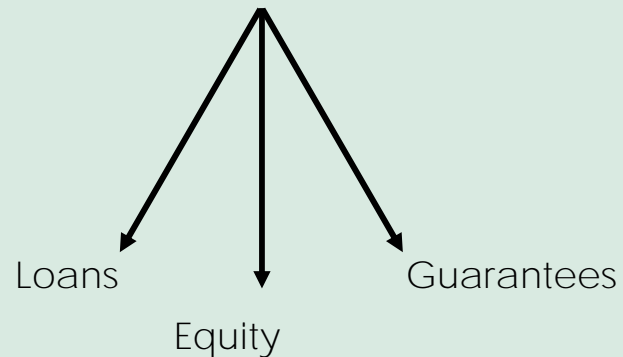
Renewable energy accounts for ca. 2/3 of IFC's US\$5.8 billion power portfolio

- **Wind Power** – Over 50 investments supporting 3,600+ MW of capacity
- **Solar Power** – Over 77 investment supporting 1,600+ MW of capacity

IFC's Key Roles

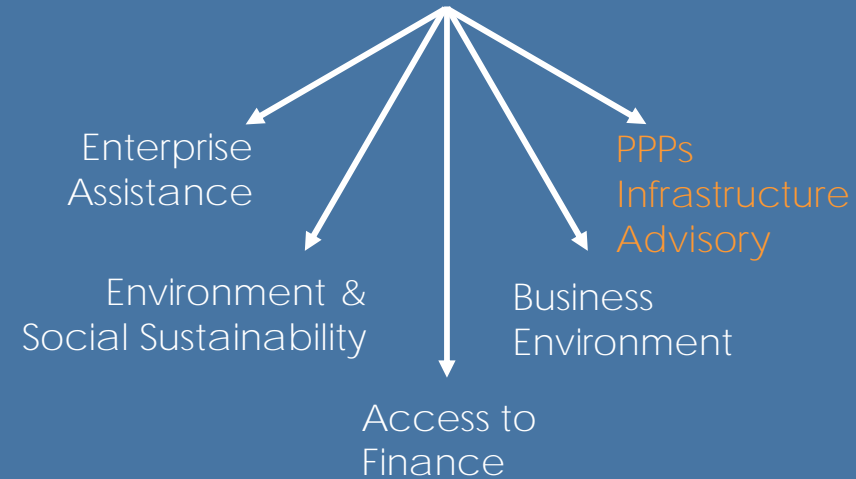
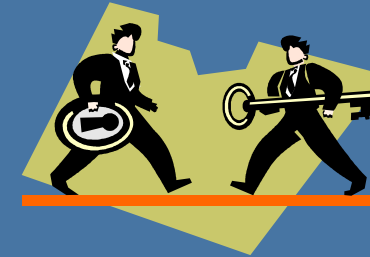
Financing

IFC is the world's largest multilateral provider of financing for private enterprises with over US\$26 billion in outstanding investment commitments



Technical Assistance & Advisory Services

IFC also provides technical assistance and advice to governments and businesses



European IEM status 10/2016 - Albania commitments

The European Electricity Market target model ensures the completion of the **EU Internal Energy Market for electricity**. Common rules and standards for each timeframe: Day Ahead (DA), Intra-Day (ID), Balancing and Forward Market. **A fair and transparent day-ahead power price is an key factor for the models success.**

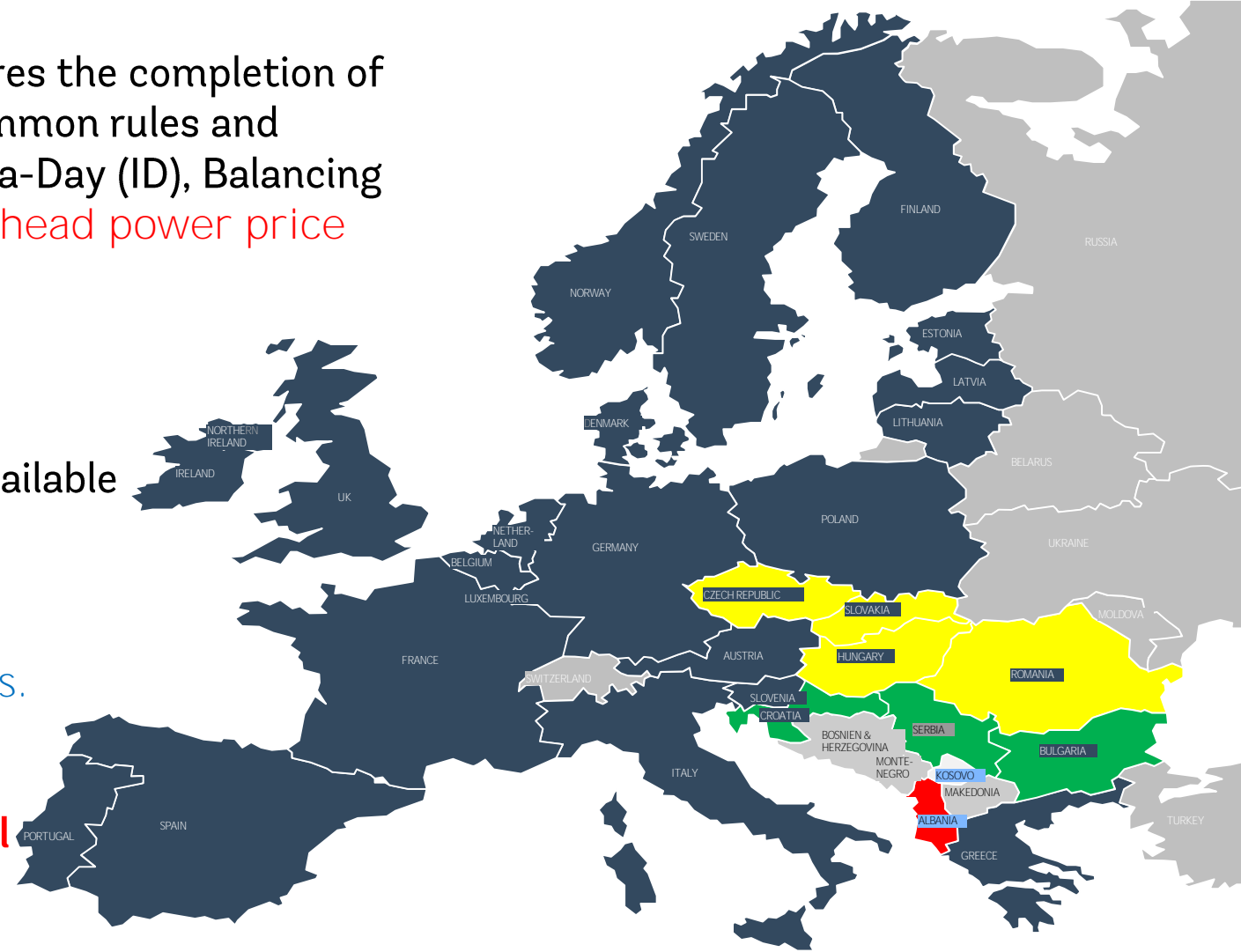
Multi-Regional Coupling (MRC)

- Price Coupling of Regions (PCR)

Coupling of regions and efficient management of available x-border capacities between hubs and countries

IEM with MC increases liquidity, efficiency, social welfare and transparency of prices & flows.

By October 2016 all Europe with the exception of the WB5 have established PXs in each national hub.



Benefits for Albania from an organized DAM

- Albania is almost 100% by hydropower which is totally dependent on inflow, but can start and stop production fast
- Albania currently is basically an importing country paying above market prices for imports
- Neighboring systems have mainly thermal generation, able to deliver the same output in dry and wet years.
- Market coupling with regional systems will provide mutual benefits. Albania, with its flexible hydro power plants, will easily adjust to demand variations and produce peak load for the Regional Market

*A Day-**Ahead Market will unlock the high value of Albania's flexible hydro power plants** in the regional market and reduce average cost of electricity imports*

***Will minimize the countries' net import bill for electricity** - Will provide a market place for IPPs and a transparent price for future investments*

Albania will take leading position in development of regional power market

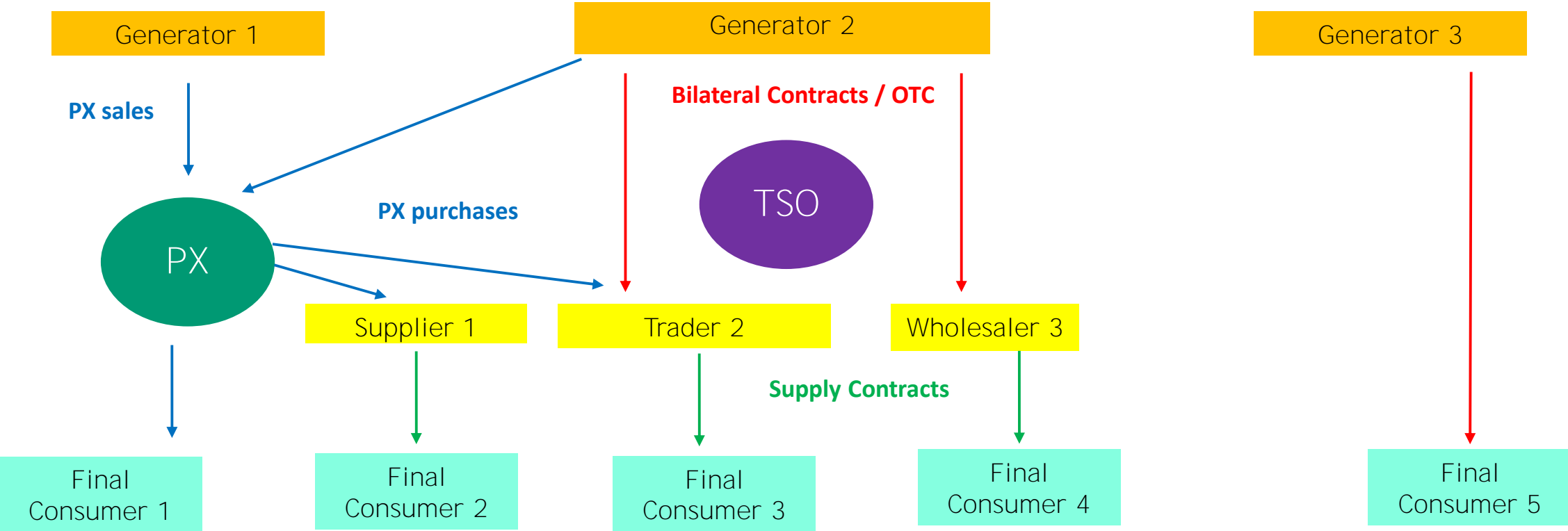
Legal framework and regulatory developments

- Power Sector Law transposing the **“Third Package”** - 2015
- Market Model - August 2016
- New RES Law where RES sell to APEX and CfD - January 2017
- Certification of OST and membership of ENTSO-E - March 2017

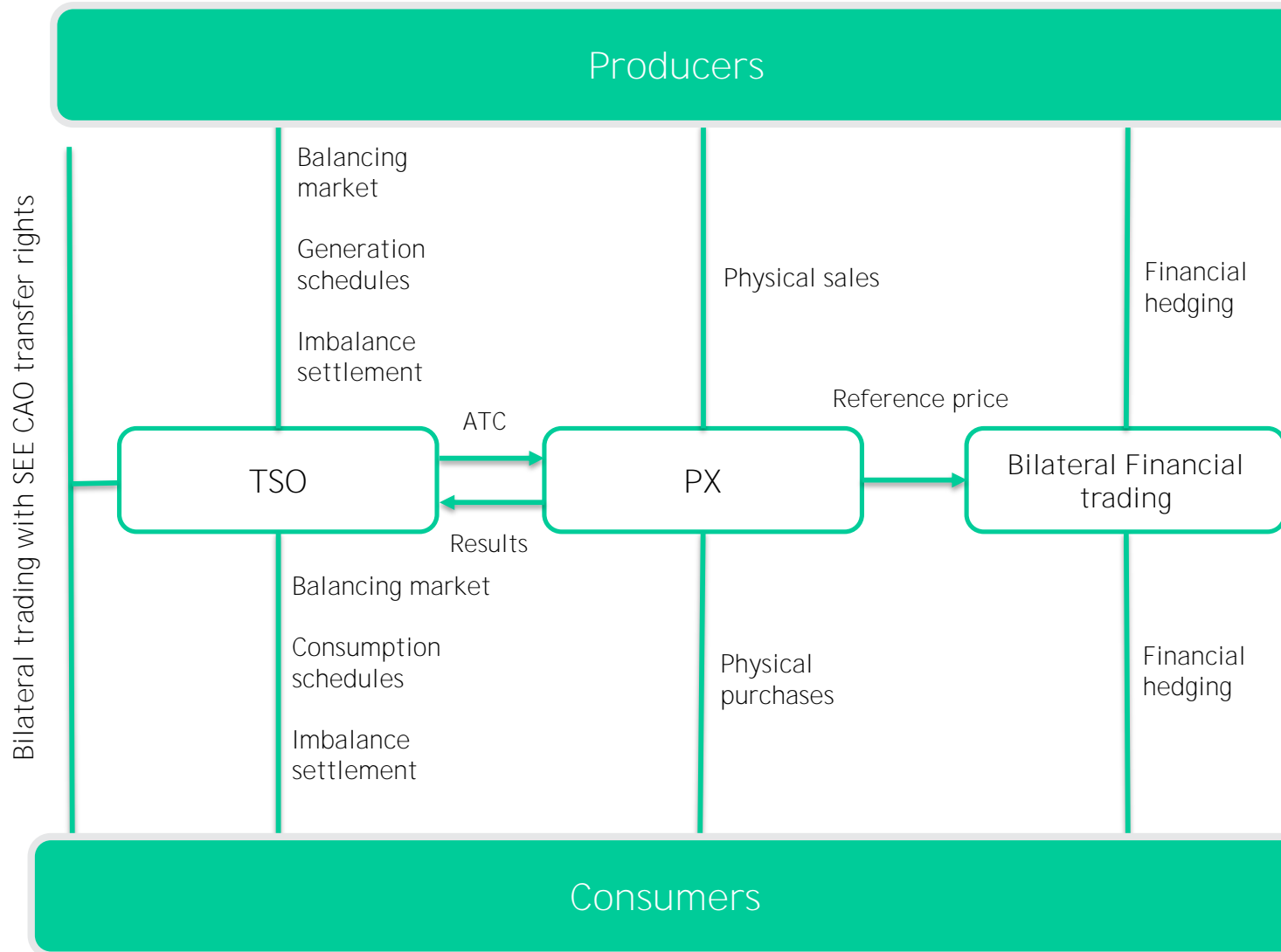
Other important legal/regulatory acts which set the rules for the establishment and functioning of the APEX are pending:

- ✓ Amended PSL - September 2017? - interrupted because of elections
- ✓ Market Rules already prepared and sent for approval, it should be in place by end of October '17
- ✓ Decision by Council of Ministers establishing APEX - November 2017
- ✓ Balancing Market Rules under preparation with a TA financed from IFC. It should be in place by end 2017.

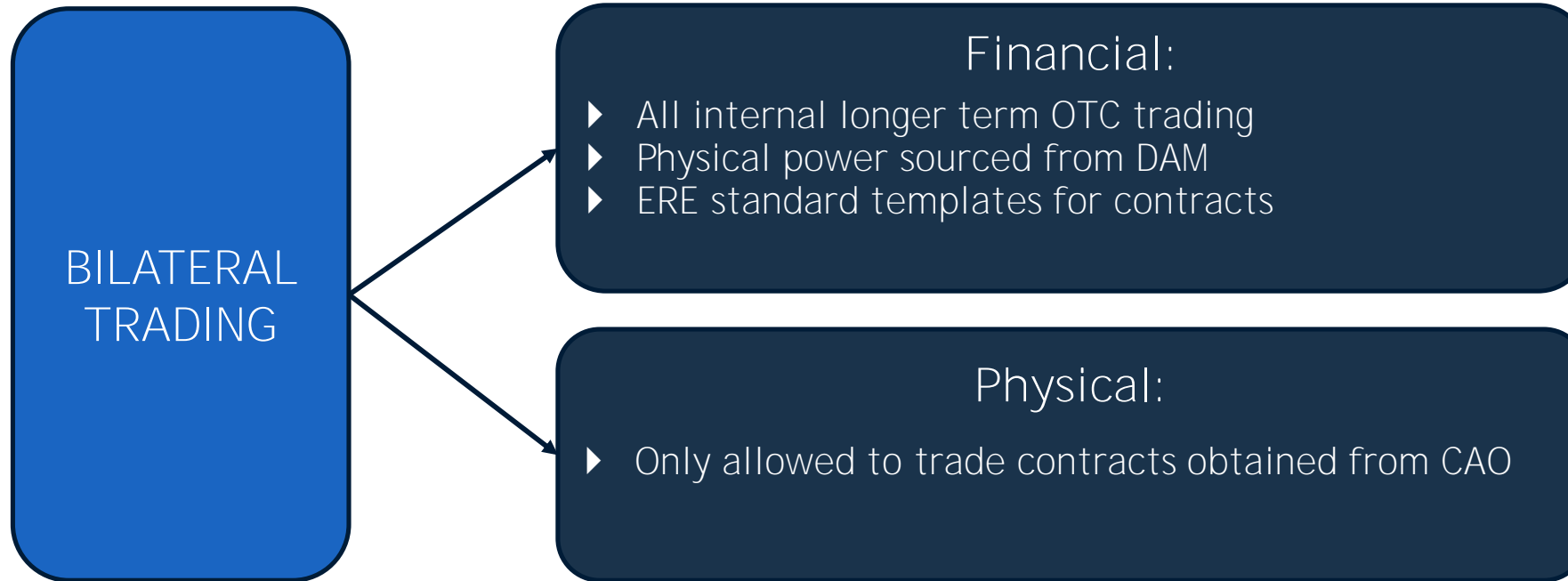
Commercial Relationships in competitive Markets



ELECTRICITY MARKET STRUCTURE



RULES FOR THE BILATERAL CONTRACTS



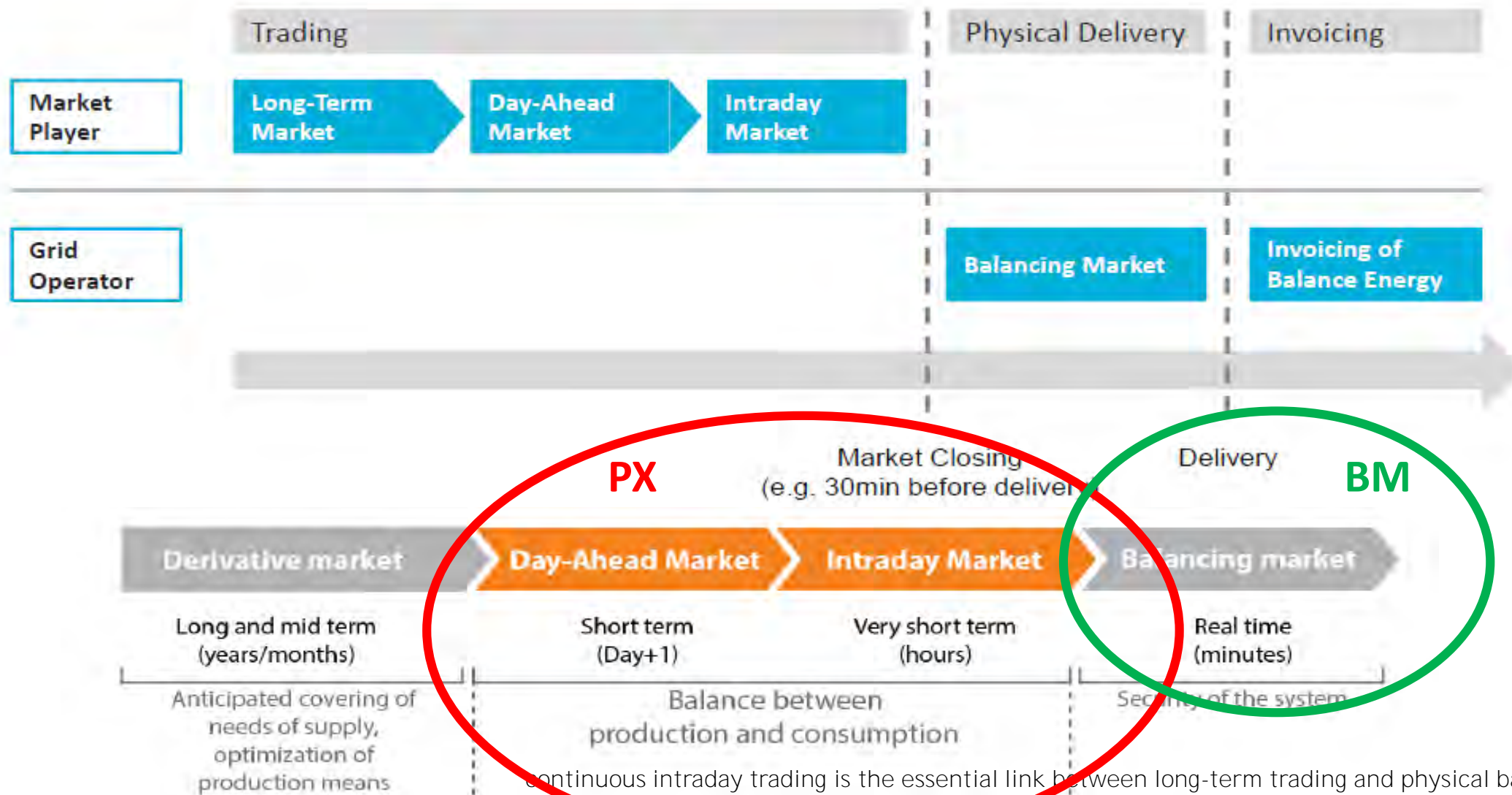
Confidentiality of bilateral trading of the Cross-border Contracts

- The electricity sale - purchase of cross-border contracts from SEE CAO will be non-regulated
- Content established by the parties through direct negotiation
- The contracting parties, the quantities of electricity and the prices from the negotiated contracts represent confidential information. As far as the provisions of this Market Rules, Grid Code and other relevant regulations require that such information has to be declared to the TSO at the day-ahead timeframe and shall be nominated together with the day-ahead trades concluded in the organized market.

Ownership model

- ▶ OST should own the majority stake in the Albanian Power Exchange as local ownership and control will be important. With the TSOs being owners, the integration towards the system operation will also be secured. Experience from other markets show that ownership and involvement of the TSO has been one of the key success factors. **Other neighbouring TSOs will be invited to participate on equal footing with OST.**
- ▶ A professional **service provider**, i.e. is the company providing the trading platform, could be a minority owner. This would ensure professional operation of the APE from day one and would typically be one of the existing power exchanges in Europe. One could thus consider to invite the preferred service provider as an owner, in order to ensure their full attention, interest and assistance in developing the market.

Complete Markets in all time horizons



continuous intraday trading is the essential link between long-term trading and physical balancing

Challenges for the establishment and functioning of APEX

- ✓ The cooperation of all National Actors defined in the Electricity Market Model to assist the establishment and legal procedures for the creation of the APEX structure;
- ✓ Approval of the Amended PSL and New Market Rules;
- ✓ Service agreement with European operator;
- ✓ Agreements between market participants to be approved by the National Regulator (ERE)
- ✓ Establishment of the CfD financial contracts Models and other OTC contracts based on best European standards and practices;
- ✓ Implementation of the Balancing Market
- ✓ APEX licensing;

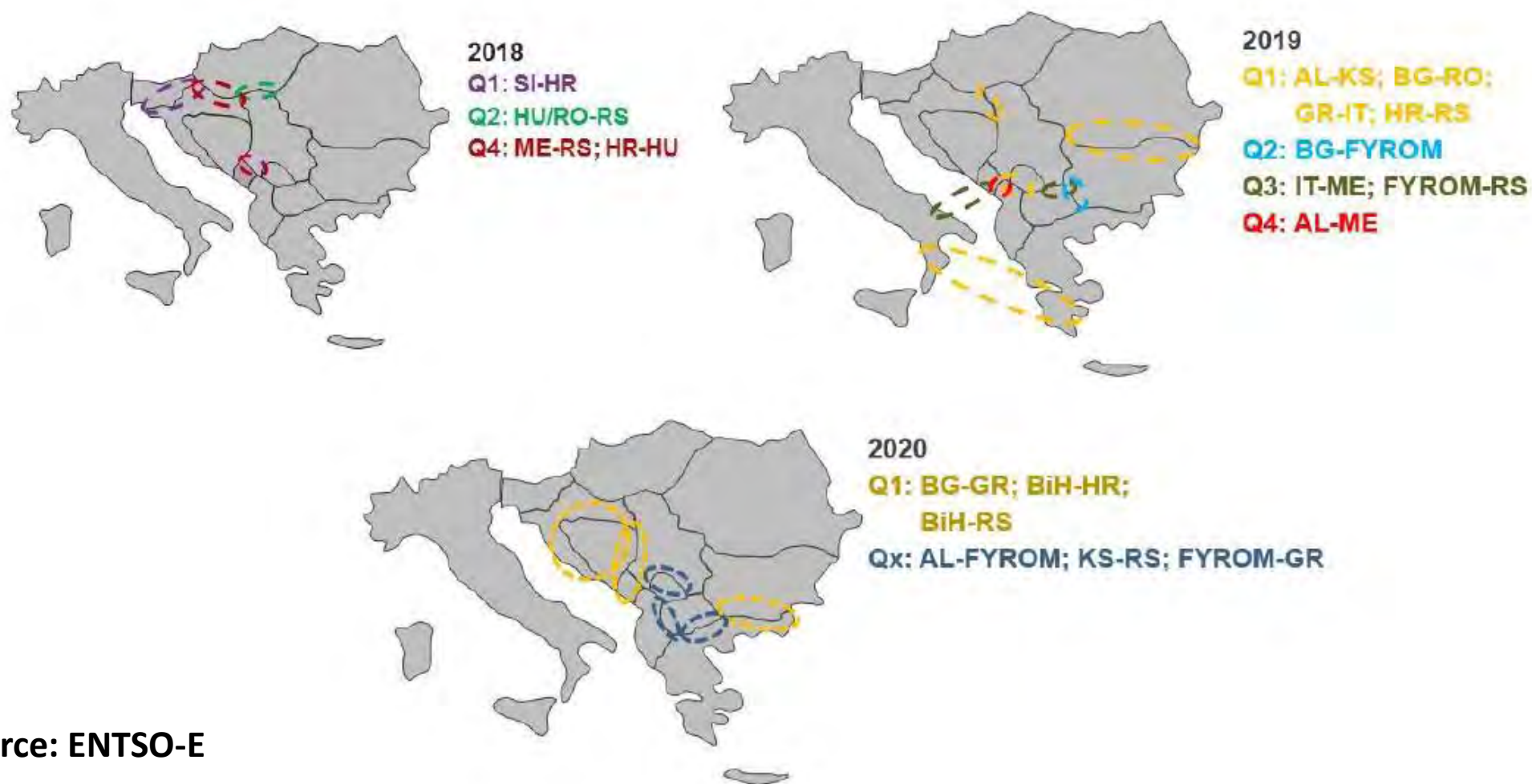
WHAT could be challenging;

- Political hamper towards the liberalization of the markets
- VAT law

Establish the APX Company - **“Dry Run”** - 1 MAR 2018?

Commercial Operation - 1 JUL 2018?

Tentative roadmap to regional SEE market



source: ENTSO-E

Thank you for your attention

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