



Current developments in the electricity sector in SEE

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THE REGIONAL SCENARIO: GETTING SHORT

- **Demand growth is substantially higher than in other regions**
- **28% of net installed capacity is hydro, with 30% - 60% availability**
- **Already 60% availability of all hydro plants' available capacity might not cover the peak demand**
- **Existing TPP-s have 20% lower availabilities than new units**
- **10 GW to be rehabilitated or decommissioned due to aging**



THE REGIONAL SCENARIO: TO MAINTAIN BALANCE

- **Higher energy savings to moderate demand growth**
- **Significant steps to increase generation**
 - **Rehabilitation only will be insufficient**
 - **Massive new investments are necessary**
 - **Highly efficient (45%) modern coal units**
 - **Clean coal technology, capture ready**
 - **Wider penetration of gas to electricity generation**
 - **New nuclear plants/blocks, if/when publicly acceptable**
 - **Renewables**
- **Encouraging generation investments is the key issue**



- **The responsibility of national governments is to establish and maintain the regulatory framework for long term supply security upon a functioning liberalised power market concept.**
- **Only consistent regulation can maintain the market environment to would-be investors of generation assets lasting over 10 government cycles.**
- **Reliable price signals supporting sustainable investment returns can only come from a transparent wholesale market.**



REGULATORY CONTRIBUTION TO FUNCTIONING MARKETS IS OF KEY IMPORTANCE

- **Simplified trade licencing**
- **Consistent market rules**
- **CBC methodology**
- **Restricted price interference**
- **Legislative reliability**

**REGULATORY CONTRIBUTION HAS A MIXED
RECENT TRACK RECORD**



2007

- **April: Slovakian import fee (never collected)**
- **May: Hungarian import fee (collected till December 31st)**
- **July: Slovakian export fee (still open)**
- **September: Hungarian export fee (abolished)**
- **October: Polish termination of end consumer tariff regulation, restored in December**
- **October: Hungarian MVM auction with price cap**
- **November: HU-SK 350 MW AAC Saturday restoration**
- **December: Hungarian compulsory off-take (approved on 23rd, published on 29th, effective as of January 1st, 2008)**



2008

- **January: Bulgaria cancels export contract as well as in country deliveries in order to „preserve internal balance“**
- **February: Bulgaria proposes change of market rules forcing regulated deliveries over free market**
- **March: Hungarian government initiates review of recent market regulation due to high prices**
- **April:?**



GENERAL OBSERVATIONS & TENDENCIES

- **Political commitment to liberalisation and regional markets quickly weakens or disappears at rising prices**
 - **Price capping to end users**
 - **CB trade restrictions**
often against Regulator's advice
- **Politicians are often unprepared („fried snowball effect“)**
 - **Market liberalisation \neq low prices**
 - **Power cost \neq power price**
- **Power trading still seem to have an unpleasant odour**
 - **„Profit priority over system security“**
 - **„Trading drives prices up“**



WHAT DO TRADERS NEED IN SEE?

- **Governmental and regulatory commitment**
- **Consistent and reliable market regulation**
- **Single European trading licence**
- **More and tradeable generation**
- **Prices developing only upon market dynamics**
- **Well functioning cross border mechanism**



WHAT DO TRADERS NEED IN SEE?

- **Well functioning cross border mechanism**
 - **Acceptance by all involved**
 - **Regulators' approval**
 - **Transparent, market based methodology**
 - **AAC abolishment**
 - **Firm rights**
 - **Maximised capacities**
 - **Various time horizons**
 - **Intraday trading**
 - **Secondary trading**
 - **Transparent procedures**
 - **Tested by traders**