REGULATORY REPORT

Correggio Digest

July 2019

CORREGGIO CONSULTING
Rue le Corrège 93 B-1000 BRUSSELS, Belgium
info@correggio-consulting.eu
www.correggio-consulting.eu
Editor: Dr. Jan Haizmann

One-stop-shop for European regulation and market rules compliance

The regulatory environment for European energy traders is becoming increasingly complex. New compliance obligations for energy traders are constantly being put in place on both a European and a national level. At the same time, compliance with national requirements is becoming increasingly difficult as the implementation of EU rules can differ across EU Member States.

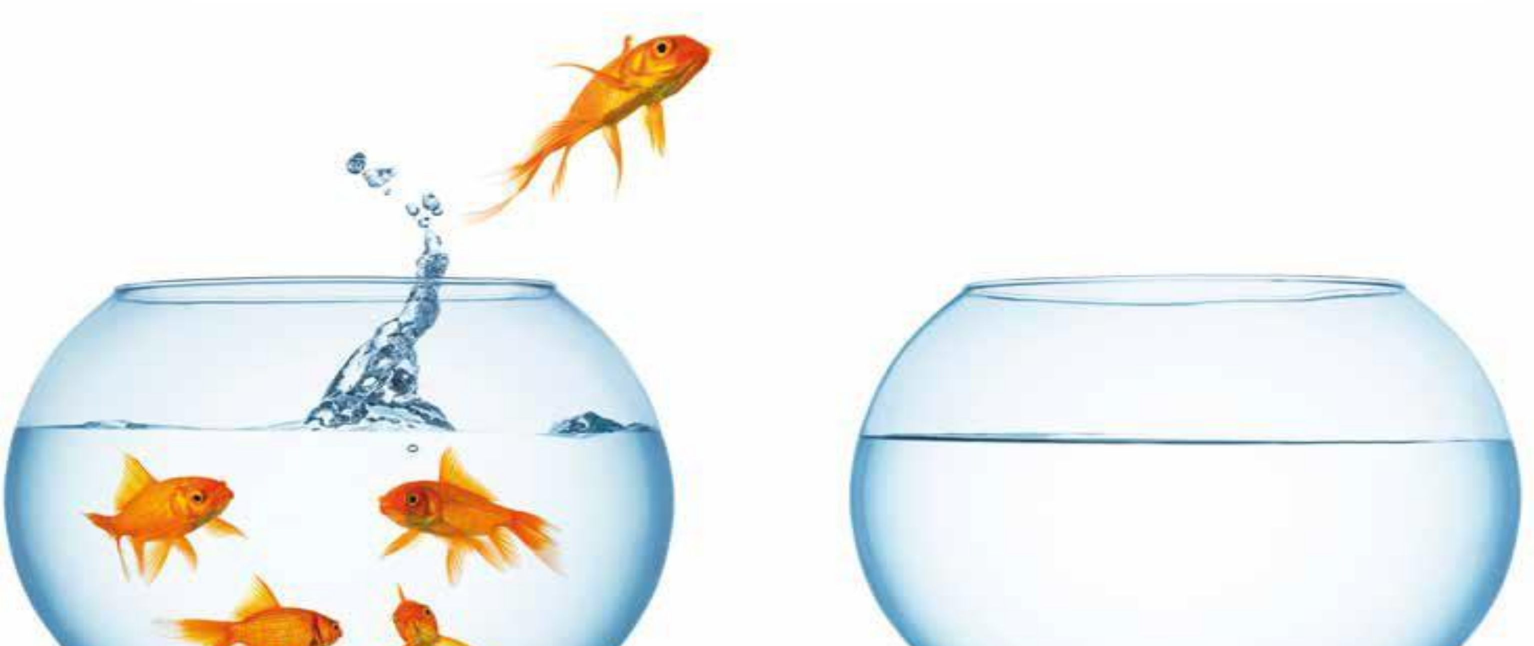
Conducting your business activities in the context of this growing and changing regulatory framework can feel like navigating through a "compliance jungle." Setting up the necessary interfaces and processes to comply with trade reporting requirements and obtaining or extending the right shipper or supply license can feel like trying to cross that jungle without a map.

Regulatory compliance obligations triggered by being a physical gas shipper, electricity grid user, or trader, requires increasing financial resources to meet ever increasing obligations, whereas the current market environment calls for cutting costs.

CorreggioNET

- Facilitates access to new energy markets through the provision of up-to-date information on market access rules and procedures at the wholesale level;
- Offers a comprehensive, structured overview of national regulations triggering compliance obligations for energy market participants in English, and allows for tracking the original sources;
- Enables savings on compliance and reduction in overhead costs through offering continuous regulatory monitoring in energy markets of your choice.

Correggio Consulting, in partnership with PONTON, have consolidated efforts to support you with the CorreggioNET service.



CorreggioNET (CN) offers the following services:

CN Digest Service

Offers regulatory updates on energy market developments through the monthly Correggio Regulatory Report, available upon request as part of the CorreggioNET service.

CN Monitoring Service

Enables subscribers to monitor obligations applicable to the markets in which they are active.

CN Regulatory Hotline Service

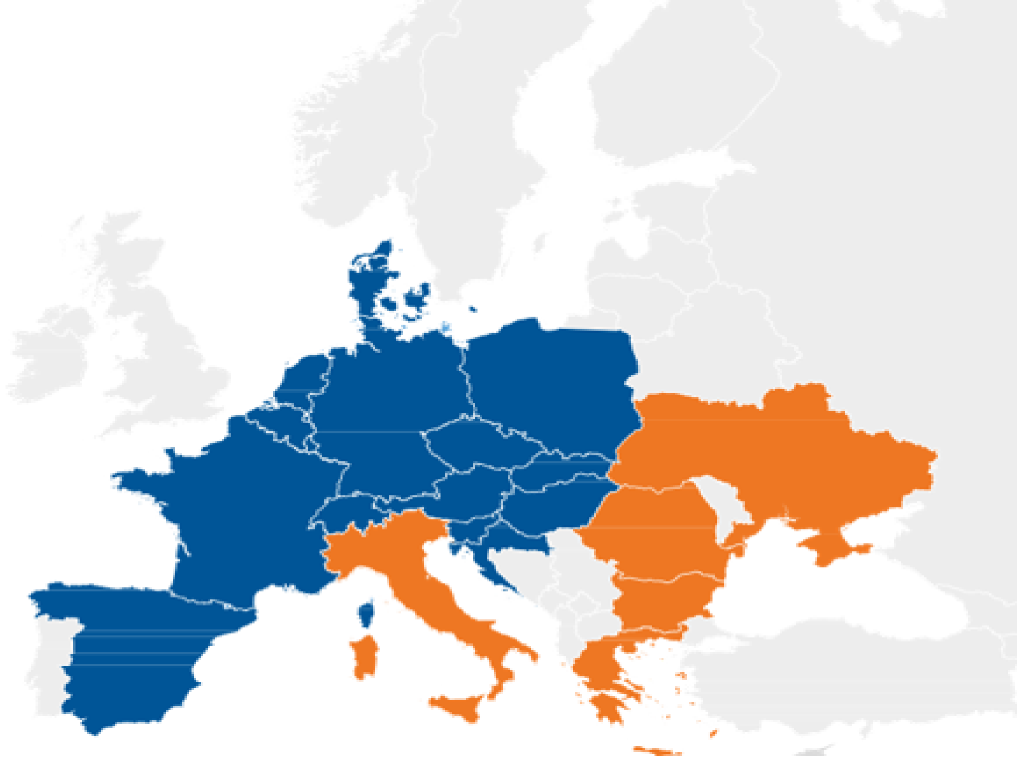
Offers additional information on applicable compliance obligations with a qualified regulatory specialist.

CN Alert Service

Alerts subscribers to new or revised obligations applicable to the markets in which they are active

CorreggioNET's geographical scope: power and gas market coverage

Over time, we plan to extend the services of CorreggioNET to cover all EU markets and beyond, in line with the business needs of our subscribers.



Want to learn more?

Get a free trial at www.correggionet.eu

Contact us

CorreggioNET
c/o Correggio Consulting Limited

Rue le Corrège 93
1000 Brussels, Belgium

Phone: +32 (0) 470 71 10 95
E-Mail: info@correggionet.eu

Regulatory Hotline for CorreggioNET subscribers:

Phone: +32 (0) 470 71 10 95
E-Mail: support@correggionet.eu

Contents

LETTER FROM THE EDITOR

Clean Energy Package – the trigger for big changes?

12 July

Dear Correggio Digest Reader,

In mid-June, the remaining parts (all except for the new Renewables Directive, which was published in December 2018) of the Clean Energy Package were published in the Official Journal of the EU, in line with the European Energy Union Strategy from 2015. What will change going forward?

The Package provides a comprehensive update of the European energy regulatory framework, establishing a new electricity market design, as well as new rules on renewable energy and energy efficiency.

The new legislation will require significant changes to European and national laws, which would impact different businesses in different ways. The Package will affect primarily undertakings involved or invested in the generation, transmission and supply of power, as well as in balancing services. It also includes binding energy efficiency targets for the construction of buildings, sector-specific targets for the share of renewable energy in the total energy mix, and strengthening of consumer rights.

We have been waiting to see new initiatives for climate policy from Germany. The Merkel IV Government has been slow in implementing reforms and rather modest in its achievements on the law-making side, as discussed in previous editions of the Correggio Digest. The results are at odds with the needs of the Energiewende and increased frustration can be observed amongst the electorate in view of the inability of elected officials to find meaningful solutions.

Happy Reading!
Jan Haizmann
The Editor of Correggio DIGEST.

EUROPEAN UNION

>> EUROPEAN COMMISSION

1. Anxiety grows over stability of Ukrainian transit gas flows

27 June

Early signs of trouble ahead came in April this year from Ukrtransgaz (UTG), Ukraine's quasi-transmission system operator (TSO). Since March, the TSO has not been paying for the technical gas it receives. The financial troubles of the operator seem to be mainly a consequence of unauthorised gas offtakes inside the country. As debt started piling up, cash-outs for being long in the system have also been suspended, resulting in companies stopping gas deliveries. The gravity of the situation cannot be underestimated, since the countdown to the expiry of the transit contract with Gazprom has begun. The European Commission remains dedicated to coordinating the negotiations over a new deal between Russia and Ukraine, but under such circumstances this task is more difficult than ever.

Earlier this year, the Commission come up with a proposal for a new transit contract between Russia and Ukraine. The proposal envisages a ten-year agreement for a minimum ship-or-pay volume of 60 bcm per year. It is a modest proposal that would help to maintain the arrangement between Gazprom and the Ukrainian TSO. It is implied that if a contract is to be signed under the EU acquis, proper unbundling of the TSO would be required. The vertical integration of the incumbent's group, however, has been maintained by the authorities with the argument that unbundling may threaten the implementation of the Stockholm arbitration decision. Nevertheless, the payment crisis seems to be exerting some pressure – a recent announcement speaks of 1 January 2020 as a potential date for a legal split between Naftogaz and "Gas TSO LLC" – a new certified TSO for the Ukrainian gas system.

On the subject of Ukrtransgaz's liquidity (or solvency) problem, the Commission seems fairly positive that the issue will be resolved internally by Naftogaz or by the state coming to the TSO's aid. This has been further backed by the comforting news that the gas volumes in Ukrainian storage facilities are remarkably high. Both may be true, but the fact remains that UTG's falling reliability as a business partner is very bad for the future development of a gas market. The credibility of the TSO is also an argument in the discussion over a new transit contract – Gazprom will not sign a ship-or-pay contract with a counterparty that does not even have the backing of its EU partners. There is also no reason to believe that the new TSO, if it is actually established by 2020, will not inherent the same liquidity problems as those currently experienced by UTG. It seems that EU TSOs, at least, see the gravity of the problem differently. As the end of the transit contract (1 January 2020) is getting closer, ENTSO-G is preparig an action plan to deliver gas to the Member States most affected by the Ukrainian gas supply route interruption.

More information at:

http://utg.ua/en/utg/media/news/2019/ukrtransgaz-declares-a-state-of-emergency.html
http://utg.ua/en/utg/media/news/2019/ukrtransgas-transferred-the-technical-function-of-ukraines-gas-transmission-system-to-the-subsidiary.html

>> EUROPEAN COUNCIL

2. Clean Energy Package legislation finally published and in force

14 June

On 14 June, the legislation approved last winter in the context of the Clean Energy Package (read more in our January edition) was finally published in the Official Journal of the European Union.

The Package includes a recast Directive and a recast Regulation on the internal electricity market, new Regulations on risk preparedness and the governance of the Energy Union, and revised versions of the Regulation on the Agency for the Cooperation of Energy Regulators (ACER) and the Energy Efficiency Directive. The second Renewable Energy Directive, also part of the Package, was published in December 2018.

The Package introduces new market design rules for the electricity market, including on the following subjects:

- Integration of renewables in the electricity market
- Delineation of bidding zones
- Calculation of cross-border transmission capacity
- Establishment of regional coordination centres
- Roles and responsibilities of new actors, such as aggregators and local energy communities
- Ownership and operation of electricity storage, and electric vehicle charging points

All the legislation published on 14 June entered into force on 6 July, with some provisions kicking in at a later stage. The Regulation on the internal electricity market shall apply as of 1 January 2020, while the internal electricity market Directive will need to be transposed by Member States by 31 December 2020.

More information at:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.158.01.0125.01.ENG&toc=OJ:L:2019:158:TOC

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.158.01.0054.01.ENG&toc=OJ:L:2019:158:TOC

https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans

>> *REGULATOR (ACER)*

3. *ACER updates REMIT documentation and consults on the introduction of thresholds for defining and disclosing inside information*

16 July

On 16 July, the Agency for the Cooperation of Energy Regulators (ACER) published an updated version of the 4th edition of their Guidance on the application of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). In addition, they issued a Public Consultation on the definition of inside information.

Compared to the previous version of the Guidance, Chapters 7 and 8 have been updated to provide further details on the disclosure of inside information and on the exemption from the prohibition on insider trading under Article 3(4)(b) of REMIT. In Chapter 7, the Agency elaborates on the disclosure mechanisms, specifying that, in order to achieve effective disclosure in line with Article 4 of REMIT, the information has to be disclosed on an inside information/ transparency platform. In addition, ACER offers more precise interpretation of Article 3(4)(b) of REMIT in Chapter 8.

To remain consistent with the Guidance and to determine a transitional period for compliance with the updated wording, the relevant sections of the Manual of Procedures on transaction data, fundamental data and inside information reporting and the Frequently Asked Questions on REMIT fundamental data and inside information collection have been updated accordingly.

Furthermore, the Public Consultation issued by the Agency aims to collect information about market participants' experience with and approach to the inside information disclosure requirements under REMIT. The input will be used for further updates to the Guidance and for an assessment regarding the potential introduction of thresholds for the definition and disclosure of inside information.

The issue of thresholds has been discussed for several years now, with good arguments for both options. Some regulators have already introduced thresholds in their markets, which creates a risk of diverging requirements in coupled markets – a strong argument in favour of harmonisation. At the same time, the application of the same thresholds in markets with vastly different features may raise a different set of issues, as some markets may be much more sensitive to minor variations in supply and demand than others.

Comments need to be submitted by 16 September.

More information at:

https://www.acer.europa.eu/Official_documents/Public_consultations/Pages/PC_2019_R_05.aspx

https://documents.acer-remit.eu/wp-content/uploads/20190627_4th-Edition-ACER-Guidance_4thupdate.pdf

https://documents.acer-remit.eu/wp-content/uploads/ACER_REMIT_MoP-on-data-reporting_V6.pdf https://documents.acer-remit.eu/wp-content/uploads/FAQs-on-REMIT-fundamental-data-and-inside-information_V6.pdf

BULGARIA

>> GOVERNMENT

4. Government tables amendments to the Energy Act concerning the establishment of a gas exchange

19 June

In line with last year's amendments to the Bulgarian Energy Strategy, which calls for the establishment of a Bulgarian gas hub, on 19 June a proposal for amendments to the Energy Act was presented to the attention of the Bulgarian Parliament. The aim of the amendments is to introduce a) a transition from a price-regulated gas market to freely negotiated gas prices in compliance with the rules for trade with natural gas; and b) a single licence for organising the gas exchange market for the entire country.

According to the proposed amendments, producers, gas storage operators, LNG facility operators and clients are permitted to negotiate freely prices and deals on the organised gas exchange market. The same applies to the public supplier when it is supplying liquidity volumes, buying volumes beyond what was contracted (by the date the amendments enter into force) or concluding a natural gas sale that is not related to the public interest.

Gas will not be sold on the exchange market if the deal is based on regulated prices.

The draft amendments also allow producers and clients (including foreigners) to connect through direct gas pipelines and do deals on the volumes running through these pipelines, as long as the deal is concluded on the gas exchange.

Furthermore, gas producers would be required to offer at least 25% of their production on the gas exchange. The public supplier would have to offer 35% of the gas consumed during the preceding year on the exchange until 2024. End users and suppliers consuming more than 300 GWh of natural gas would have to buy certain volumes for their needs (25% until 2024, calculated on the basis of the volume purchased in the preceding year) directly from or through a trader on the exchange.

In certain cases, the public supplier would have to be able to execute deals on freely negotiated prices - for instance, when it is operating as a supplier of liquidity volumes.

More information at:

https://www.parliament.bg/bg/bills/ID/157042/

>> *REGULATOR*

5. Bulgarian regulator adopts changes to secondary gas legislation

11 July

On 11 July, the Bulgarian regulator EWRC adopted changes to a set of secondary legislation regulating the trade in natural gas. The proposals were submitted to EWRC by the transmission system operator (TSO) Bulgartransgaz EAD, with a view to terminating the balancing regime under the interim measures implemented in compliance with the requirements of the EU Balancing Network Code.

The changes to the Natural Gas Trading Rules create conditions for the trade of short-term standardised products through an electronic trading platform. This would allow network users to optimally balance their portfolios and the TSO to use flexible natural gas products to balance the transmission network. It is expected that the proposed measures will contribute to improvements in the liquidity and transparency of the market for short-term products.

The amendments to the Rules for Balancing, which terminate the interim measures under the Balancing Network Code, also aim to facilitate competition and liquidity. They establish transparent and non-discriminatory balancing rules and introduce transparency requirements for the trading of short-term products and for the formation of imbalance charges, which have to reflect the balancing cost of the TSO.

The new Methodology for setting a daily imbalance charge and a neutrality charge for balancing determines the method for calculating such charges. The tolerance applied as part of the interim measures under the Balancing Network Code has been dropped. The cost component of the price of natural gas for balancing, and respectively the approval of this component by EWRC, have also been dropped. The neutrality charge for balancing amounts to the difference between the amounts received and the amounts paid by the TSO when performing its balancing activities. It is payable to or recoverable from the relevant network users. The Methodology also includes the main principles of the credit risk management mechanisms to be implemented by the TSO to mitigate network users' payment defaults in relation to payments due for these charges.

The abovementioned changes are mostly limited to the commitment of Bulgartransgas AD to terminate the balancing regime under the interim measures. It is unlikely that they will lead to substantial improvements in liquidity or deeper liberalisation. An acceleration of these processes would depend not that much on legislative changes - overall, the legislation is now harmonised with EU requirements - but rather on the development of the physical gas infrastructure and the diversification of supply sources and routes.

More information at:

https://bulgartransgaz.bg/en/news/suspension_of_applying_tolerance_in_calculating_imbalance_charges_-502-c15.html

6. *Bulgarian regulator adopts amendments to Ordinance on electricity price regulation*

25 June

Amendments to Ordinance No 1 on electricity price regulation were adopted by the Bulgarian regulator EWRC in June 2019. The amendments are related to the changes to the Bulgarian Energy Act implemented in May 2019, with which traders exporting electricity generated in Bulgaria were explicitly excluded from the persons obliged to pay access and transmission fees, i.e. the so-called "export fee."

A new common transmission network access fee on all power producers (apart from certain renewable energy producers, where a different approach has been set) was imposed. The producers are explicitly prohibited from recovering the charges resulting from their new obligation via the regulated price market. This is likely to result in attempts to recover the incurred costs on the electricity exchange IBEX, causing spot market prices to rise accordingly.

More information at:

http://www.dker.bg/uploads/normative_docs/naredbi/naredba-1.pdf (in Bulgarian)

FRANCE

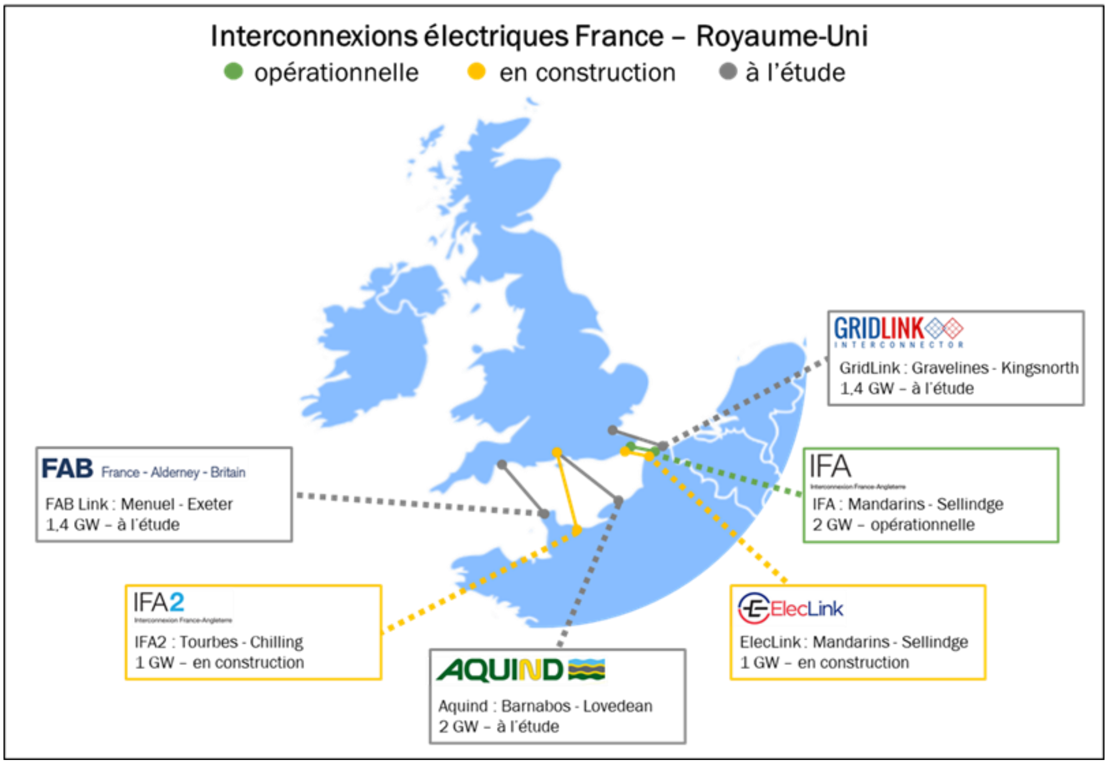
>> REGULATOR (CRE)

7. *CRE withdraws support for new interconnection projects between France and Great Britain*

17 July

On 17 July, the French regulator CRE issued a statement withdrawing its support for any new electricity interconnection projects between France and Great Britain, besides those that are currently under construction. The statement is based on a study carried out by Artelys on behalf of the French regulator that shows significant uncertainties about the welfare gains of the new interconnection projects currently under assessment.

The two countries are currently linked through the IFA interconnector (2GW) and two more, 1GW each, are under construction (IFA 2 and ElecLink). CRE and its British counterpart Ofgem have already approved the construction of IFA2 and ElecLink. Beyond this total of 4GW soon to connect France and Great Britain, three other projects are under study - Aquind, FAB, and GridLink.



Source: Artelys, CRE

Just like the last version of ENTSO-E's Ten-Year Network Development Plan (TYNDP), Artelys now questions the viability of the three projects under study. The reasons are as follows:

- Evolution of demand in France, including the development of power-to-gas installations
- Price of CO2
- Development of interconnections between GB and other countries
- Evolution of the power generation mix in GB

Naturally, the timing and consequences of Brexit also add to these uncertainties. As a consequence, CRE suggests to put all projects under study on hold and wait until there is more clarity on the evolution of market fundamentals, political decisions affecting the energy mix in Britain, and, of course, the final resolution of the Brexit question.

More information at:

https://www.cre.fr/Documents/Deliberations/Communication/Evaluation-de-la-capacite-d-interconnexion-electrique-optimale-et-sur-les-nouveaux-projets-d-interconnexion-avec-le-Royaume-Uni

8. CRE unilaterally changes transmission capacity firmness linked to "booster" storage contracts

29 May

On 29 May, the French regulator CRE, without any prior consultation, took a decision to amend the rules in order to manage congestion in the newly created Trading Region France. The decision allows the transmission system operator (TSOs) to interrupt exit capacity linked to specific storage contracts when excessive congestion occurs on the network.

The decision followed two days of congestion leading to the use of locational spreads by the TSO - for a total of EUR 4 million. This level of failure of the market model to function had not been observed when conducting the French hubs merger and the storage reform one after the other. The regulator decided to take action and allow the curtailment of the so-called "booster" contracts offered by Terega as of the following thresholds at each storage site (PITS):

PITS	Périmètre	Niveau nominal en injection GWh/jour
Nord-Ouest	GRTgaz	145
Nord-Est	GRTgaz	115
Nord B	GRTgaz	115
Atlantique	GRTgaz	355
Sud-Est	GRTgaz	145
Sud-Ouest	Teréga	330

Source: CRE

The firmness of transmission capacity linked to storage capacity booked in the general auction will remain unscathed.

The process leading to this decision was far from ideal, including no consultation with market participants. A study of the experience one year after the merger of the hubs, including a cost-benefit analysis of the different market mechanisms for the management of congestion and consultation with market participants, should be published after the summer. We can only hope for a robust assessment in order to restore the trust of the market in the stability of the French regulatory framework.

More information at:

https://www.cre.fr/Documents/Deliberations/Decision/Fonctionnement-de-la-zone-de-marche-unique-du-gaz-en-France2

GERMANY

>> FEDERAL GOVERNMENT

9. Latest legislative developments and rulings

Institution	Act/ decision/ ruling	Impact	Entry into force
Federal Parliament (Lower House – Bundesrat)	Adaptation of the Electricity and Energy Tax Act (StromStG)	The Federal Council approved the new electricity tax exemptions and the amendment to the energy tax legislation. The changes aim to redesign tax exemptions for electricity from renewable energy sources and small-scale installations in line with European state aid rules and to adapt them to the increasingly decentralised electricity market. In the future, the exemption from the electricity tax pursuant to Section 9(1) no. 1 StromStG will apply to electricity that is produced in power plants with a rated output of more than 2 MW and exclusively for own or self-consumption. The removal from a "green power network" will no longer be necessary. However, the exemption does not apply to feed-in to the public grid, which limits its scope to non-EEG-funded installations. The exemption from § 9 para. 1 no. 3 StromStG for power generation plants with a nominal capacity of less than 2 MW, in the future, will only include electricity generated from renewable energy sources or environmentally friendly technology for cogeneration of heat and power (CHP).	01/07/2019
Energy regulator (BNetzA)	Ruling Chamber 7: "KAP +" procedure for additional capacities in unified market area (KAP+“ für zusätzliche Kapazitäten in einem deutschland weiten Marktgebiet)	Based on the consultation, BNetzA started a procedure for amending the ruling of 20/09/2013 (BK7-13-019) and for reaching a decision on the application of a future gas capacity system (for the unified market area), to be proposed by the TSOs according to point 2.2.2. Annex I to Regulation (EC) No 715/2009. The procedure is addressed to all German TSOs for gas as defined under section 3(5) EnWG. A consultation with market participants closed on 05/07/2019.	23/05/2019
Energy regulator (BNetzA)	Ruling Chamber 9: AMELIE	BNetzA reached a decision concerning the introduction of an effective inter-TSO compensation mechanism within a market area. In order to apply properly the same reference price methodology jointly, transmission services revenue obtained within a market area will be reconciled as of 01/01/2020 in accordance with the following rules:	29/03/2019

		• Before the start of a calendar year (reference period), for every TSO in the market area, the likely transmission services revenue for the reference calendar year is established on the basis of the forecast capacity bookings, the common reference price, and the reserve prices derived from them. • The compensation payments are derived from the difference between the likely transmission services revenue established for the reference calendar year and the allowed transmission services revenue for the reference calendar year to be validated by the TSO. • Where a TSO's compensation payment is positive, monthly part payments in twelve equal instalments are to be paid not later than the fifteenth of the respective month - by 15 January 2020 for the first time, on a pro rata basis to all the TSOs in the market area with a negative difference.	
TSOs (gas)	Scenario framework for the Grid Development Plan “Gas 2020-2030” and a nationwide market area	The German TSOs presented two scenarios with different development paths in the current scenario framework for the Grid Development Plan “Gas 2020-2030’.’ For the first time, the gas demand will be considered in a scenario until 2050. The topic of green gas plays a central role, together with ideas on how to make the gas infrastructure “fit for the future.” What is also new is that the scenario framework describes the effects of the new common nationwide market area as of 01/10/2021. To this end, a study on the regionalisation of Power to Gas (PtG) services was published by the Research Center for Energy Economics ("FfE Study"). The consultation on the Grid Development Plan “Gas 2020-2030” closed on 12/07/2019.	12/07/2019
TSOs (electricity)	Consultation on the postponement of the SRL call	In June, the German TSOs conducted a consultation on the postponement of the X-border SRL (DE/AT). With the approval of the joint proposal of the FCR co-operation, the PRL was tested from 01/07/2020 at 8 am the day before. In order to avoid simultaneous market closure of PRL and SRL, the TSOs propose that the SRL call for tenders should be moved to 01/07/2020 to 9 am the day before. Due to the slow cooperation, the five TSOs involved jointly requested to postpone the SRL call in accordance with Article 33 of the EB Regulation.	01/07/2019

More information at:

http://dipbt.bundestag.de/extrakt/ba/WP19/2430/243002.html

https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK7-GZ/2019/2019_0001bis0999/2019_0001bis0099/BK7-19-0037/BK7-19-0037_VerfEinleit.html?nn=361360 https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK9-GZ/2018/2018_0001bis0999/2018_0600bis0699/BK9-18-607/BK9-18-0607_Download_EN_BF.pdf?__blob=publicationFile&v=4

https://www.fnb-gas.de/files/2019_06_17_pi_fnb_gas_konsultationsdokument_sr_2020-2030.pdf

https://www.fnb-gas.de/files/fnb_gas_ptg-studie_ffe.pdf

https://www.regelleistung.net/ext/static/consultation-srl-cooperation-atde-2018-02

ITALY

>> GOVERNMENT

10. Key legislative developments

12 July

Institution	Ordinance/ Act/ Ruling	Impact	Date/Duration
Ministry of Economic Development	Capacity Market Decree	The Decree approves the Italian capacity remuneration mechanism based on reliability options. Auctions will be held by the end of 2019 with delivery for years 2022-2023.	Entry into force 28/06/2019
Ministry of Economic Development	FER 1 Decree	The renewable energy sources (RES, or FER in Italian) Decree approves the auctions for RES incentives starting from September 2019.	Entry into force 05/07/2019

>> REGULATOR

11. Recent consultations, implementation processes and decisions

National Regulatory Authority (ARERA)	TAP market test, (ARERA, Del. 267/2019)	TAP conducts its 2019 *market test* under the rules and procedures specified in the "Guidelines for the 2019 Market Test of the Trans Adriatic Pipeline," approved by the regulators of Greece, Italy and Albania.	01/07/2019 – 26/08/2019

National Regulatory Authority (ARERA)	Gas tariffs for the 5th regulatory period (2020-2023) (ARERA, Del. 201/2019)	The EU Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC) has now been implemented in Italy and the regulator approved the gas tariffs from 2020.	Entry into force 01/01/2020

More information at:

https://www.mise.gov.it/index.php/it/89-normativa/decreti-ministeriali/2039896-decreto-ministeriale-28-giugno-2019-capacity-market

https://www.mise.gov.it/index.php/it/per-i-media/notizie/it/198-notizie-stampa/2039932-rinnovabili-di-maio-e-costa-firmano-il-decreto-fer-1

https://www.tap-ag.com/resource-library/reference-documents/tap-market-test.

https://www.arera.it/it/docs/19/267-19.htm

https://www.arera.it/it/docs/19/201-19.htm

POLAND

>> GOVERNMENT

12. Problems ahead for the Polish power market

9 July

Problems are piling up in the Polish power sector. Few investments in power generation are coming online, while the list of old turbines due to be shut down remains quite long. The decision to freeze power prices was swiftly pushed through Parliament, while the implementing regulations are still missing, which has increased anxiety in the market (read more in our June edition). Moreover, the Council of Ministers, so far, has failed to find a suitable candidate for the seat of the President of the Polish regulator URE.

The problems with the Polish generation capacity have often been highlighted from a theoretical perspective, but it was the heatwave of this summer that delivered some evidence of the urgent need for investment. Record-high morning peaks of over 24 GW have put the transmission system operator (TSO) in a tight spot, forcing all-time high (app. 2.7 GW) imports from six neighbouring countries. What is interesting is that the new summer peak amounts to just over half of the installed capacity in the Polish power system (and not much over the total installed capacity of the hard-coal generation). Considering that such demand levels were worrying enough to build up spot prices to over 1500 PLN/MWh (over 350 EUR/MWh), some thought needs to be given to the country's future energy mix.

The power market freeze was formalised, at least in legal terms, after the President signed the underlying Act on 28 June. This, however, has brought little clarity to the market, as suppliers continue to have no certainty regarding the compensation on which they can count for covering the gap between this year's prices and the prices offered to consumers last year (read more in our June edition). The same confusion seems to apply to the public body that was made responsible for remunerating the companies, as equally, it has called for further guidelines on how to process the notions.

Furthermore, the term of the President of URE ended on 2 June, but the Government has not been successful in finding a successor yet. This has weakened further the status of the regulator in the country and has contributed to the growing uncertainty over the future of the Polish power sector. Given the scale of the disagreement between the last head of URE and the current Government, however, one should not expect a market-oriented candidate to be appointed by the Council of Ministers this time.

At the same time, DG ENER has suddenly moved from strong objections to enigmatic silence when it comes to interfering with prices in Poland, suggesting that the dispute has been resolved at a political level. This combined with the loss of one of the last market proponents in the country – the outgoing President of URE, and the slow, centrally-planned investments in new generation sources, suggests that after the price freeze in 2019 Polish consumers will receive a hefty bill for their power consumption in the future.

More information at:

https://wysokienapiecie.pl/20948-prezes-urzedu-regulacji-energetyki-po-raz-drugi-pilnie-poszukiwany/

https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-dobowe-z-pracy-kse

SPAIN

>> GOVERNMENT

13. Key legislative developments

12 July

Institution	Ordinance/Act/Ruling	Impact	Date/Duration
Ministry of the Presidency, Relations with the Courts and Equality (Ministerio de la Presidencia, Relaciones con las Cortes e Igualdad)	Decree (Real Decreto-Ley, RDL) 1/2019	Urgent measures – Decree 1/2019 – to bring the competencies of the Spanish regulator CNMC in line with the requirements of EU Law, i.e. Directives 2009/72/EC and 2009/73/EC concerning common rules for the internal market in electricity and natural gas, entered into force on 13 January. RDL 1/2019 was ultimately	Entry into force 13/01/2019, with full powers for CNMC from 01/01/2020

		enacted as a result of the incorrect transposition of both Directives into Spanish legislation, according to the European Commission's reasoned opinion issued in September 2016. CNMC now has a full set of competencies, which has resulted in increased regulatory activity.	

>> REGULATOR

14. Recent consultations, implementation processes and decisions

National Regulatory Authority (CNMC)	Consultations in the following areas: • LNG, gas storage and capacity access • Gas balancing • Gas tariffs • Electricity market design • Intraday timings • Infrastructure remuneration	CNMC has launched consultations in relation to several planned reforms. The results will become available later this year/ early next year.	Entry into force Q4 2019/2020

More information at:

https://www.boe.es/diario_boe/txt.php?id=BOE-A-2019-315

https://www.cnmc.es/ambitos-de-actuacion/energia/consultas-publicas

The Correggio Digest is a regulatory monitoring service that covers developments in energy and financial regulation and in energy policy. The subscription-only service is issued monthly and delivers intelligence on policy developments impacting the energy industry at the EU and national levels.

The report has been in circulation since 2008 and is an authoritative source for energy policy developments in Europe.

To find out more, please contact:

Jan Haizmann

+32 2 737 1100

info@correggio-consulting.eu

CORREGGIO
Consulting

advisory / regulatory

business & back-office services

communications & policy

Correggio Consulting
Rue le Corrège 93
B-1000 BRUSSELS, Belguim
T ++32 (0) 2732.54.74
F ++32 (0) 2734.39.21
info@correggio-consulting. eu