

National Energy and Utilities Regulatory Commission of Ukraine: the latest regulatory developments

48 ECRB Meeting

Olha Babii

Commissioner
NEURC, Ukraine

Electricity PSO changes

- The draft financial model of PSO is being finalized (based on the recommendations of the Energy Community Secretariat).
- The model is proposed to be introduced from 01.07.2022 (draft Cabinet of Ministers Resolution) and provide:
 - gradual leveling of cross-subsidization– market price for electricity for households from 01.01.2024;
 - All market participants could sell and buy electricity on all electricity markets.
- Changes in the cost recovery mechanism PSO, including on the procurement of electricity at the "green" tariff (draft law):
 - Exclusion PSO from the TSO's tariff
 - Establishing a separate PSO markup in the electricity bill to be paid by consumers

Compliance programs

From 32 DSO :

- 11 DSO do not a vertical integrated;
- 20 DSO have compliance programs;
- 1 DSO has exemption from unbundling and independence (criteria: less than 100 thousand connected consumers)

Implementation of compliance programs and unbundling requirements

The regulator has processed 19 reports of compliance officers and compliance programs in 2020 :

- 7 DSO did not meet the requirements of the law on the alienation of shares over electricity suppliers ;
- 2 DSO violated the deadlines for compliance with the requirement for different locations of the DSO and the electricity supplier

The regulator includes detected violations in the inspection program

Natural Gas Market

Annual product for households established for the stability gas prices (*NEURC resolution 07.04.2021*)

- Annual product (obligation of the supplier), other offers (supplier's right) ;
- Household could change product proposition and/or supplier;
- the procedure for changing the supplier remains simple and open.

Annual product (basic annual offer)

Price is fixed annually from 01 of May.

Price could be reduced by the supplier

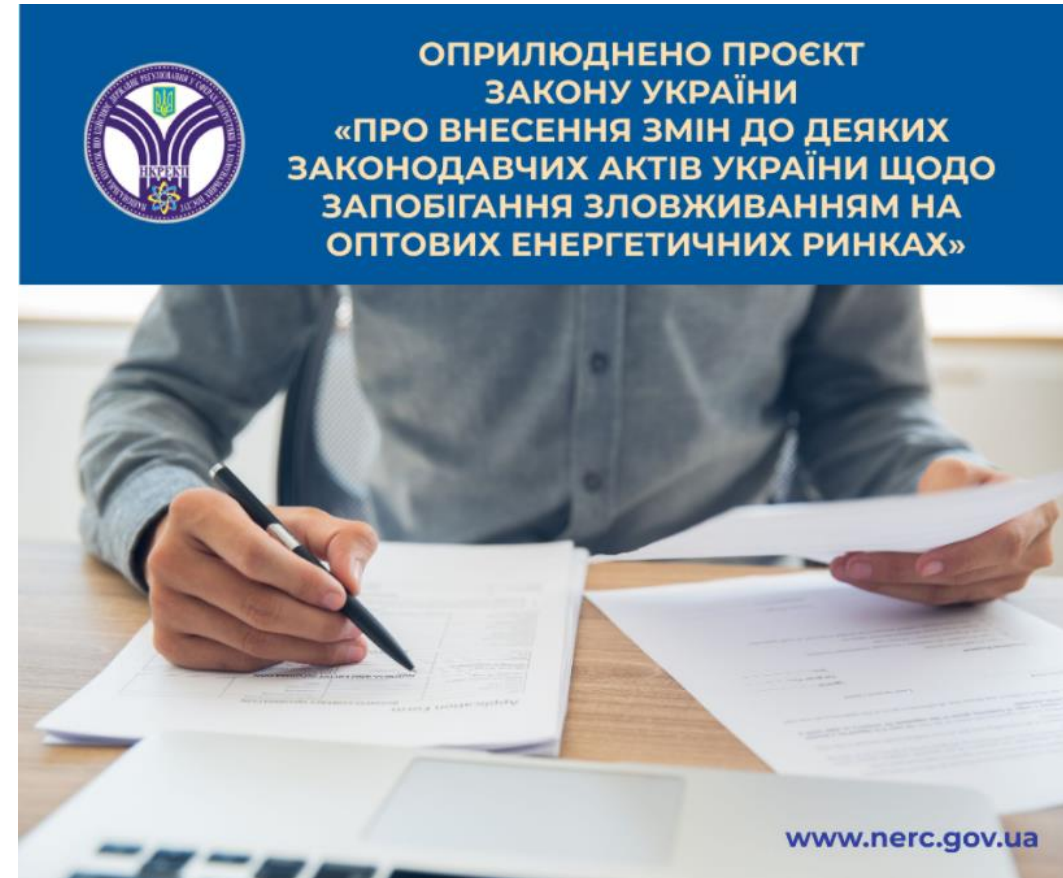
- by April 25, 2021, suppliers are required to publish on their websites the price and other information about the annual product;
- the conditions are mandatory and cannot be changed by the supplier (for example: payment requirement - by the 25th day of the month following the settlement);
- the transition to an annual product occurs automatically from May 1, 2021, except when the consumer already has a valid contract with the supplier for an annual product at a fixed price.

Other offers

- Supplier could offer different offers (monthly, quarterly, seasonal, etc);
- the terms are freely offered and changed by the supplier, but are communicated to the consumer in advance ;
- information on the current terms of each commercial offer is posted on the supplier's website.

REMIT

- The draft Law, developed by NEURC with support of EU4Energy, has been finalized and resubmitted for approval to the relevant authorities and published on the official NEURC's website taking into account comments and suggestions received from the Ministry of Justice of Ukraine and other CEBs, the EnC Secretariat, as well as other stakeholders (February 18, 2021).
- In parallel, **3 draft laws on REMIT transposition have already been registered** in the Verkhovna Rada of Ukraine:
 - № 4503 of 16.12.2020;
 - №4503-1 of 31.12.2020;
 - № 5322 of 01.04.2021



Electricity market investigations

- **10.03.2021** for the first time, the Regulator decided to launch 4 investigations related to violations of the electricity market functioning legislation by NEURC's licensees.

Possible violation: existence of preliminary agreements between market participants when submitting applications for purchase and sale of electricity on the day-ahead and intraday markets, implementation of further concerted actions, use of insider information, which in general has signs of attempts to manipulate the market.



Electricity market monitoring

- **Memorandum of Understanding and Cooperation between NEURC and Ukrainian Energy Exchange** has been signed.
The purpose of the Memorandum is:
to establish information interaction in order to effectively develop and increase the transparency of the electricity and natural gas markets (in particular, it is envisaged to provide CE «UEE» with information on concluded contracts for the purchase and sale of electricity and natural gas on monthly basis);
- **Monitoring Report on Wholesale Electricity Market Functioning in the fourth quarter of 2020** and **Monitoring Report on the Retail Electricity Market Functioning in the fourth quarter of 2020** have been published;
- Monitoring reporting forms for market participants have been improved and brought in line with changes in legislation.



Thank you for your attention!