



REPUBLIC OF ESTONIA
COMPETITION AUTHORITY

Estonian experience in opening the electricity market and the role of NRA's

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Estonian Competition Authority

Merger of different authorities in 2008:

- **Competition Authority;**
- **Energy regulator:** electricity, gas, district heating;
- Part of the **telecom regulator:** telecom, post;
- **Railway regulator** (functions of the Railway Department of the Ministry of Economic Affairs and Communications).

2010

- + Regulation of small district heating undertakings (former task of local governments).
- + Regulation of water sector (former task of local governments).
- + Regulation of airport tariffs (based on EU legislation).

Changes since merger

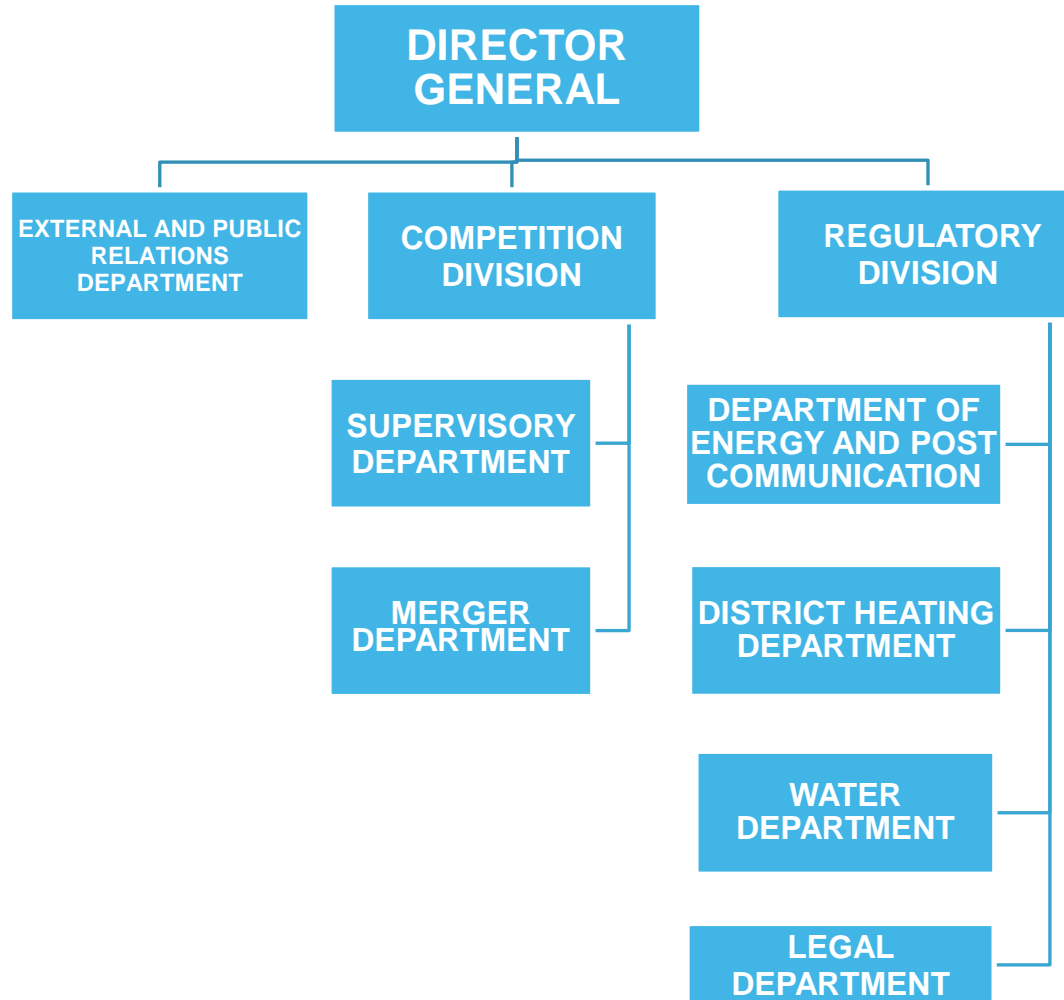
2014

- Transferring telecom regulation to the Technical Surveillance Authority.
- The situation of competition in telecom sector is good enough, in principle could be regulated according to the competition act.
- Establishing of one know-how centre.

2015

- 01.09.2015 Estonian Competition Authority is going to be transferred to Ministry of Justice.

Structure of the Authority



The Estonian Competition Authority role in the open market

- Key documents setting up the regulatory framework:
 - Government of the Republic Act;
 - Statutes of the Competition Authority;
 - Electricity Market Act;
 - Methodology for Calculating Electricity Network Charges;
 - Methodology for the Determination of Weighted Average Cost of Capital.
- The Estonian Competition Authority tasks in the open market:
 - Supervision of wholesale and retail market;
 - Network regulation (network and connection charges);
 - Monitoring of universal service;
 - Resolving complaints between market participants;
 - Licensing.

Opening the electricity market in Estonia

- Ministry of Economic Affairs and Communications was responsible for opening the market and Estonian Competition Authority assisted the Ministry.
- There were huge media campaigning in the Estonia.
- Was established public webpage www.avatud2013.ee.
- Seminars, conferences and meetings in all counties.
- Articles, interviews, press briefings, online-interviews.
- More than one-month ad campaign(tv, radio, online, public transportation, outdoor).
- Estonian TSO established the data warehouse for data exchanging between suppliers and network

Communication strategy

Phase 1: reasoning the electricity market opening – energy security, obligations taken when joining the EU, competition

Phase 2: how to be prepared – do consumers have to do anything? Monitoring energy consumption, consider ways for saving energy, what does the electricity bill consist of

Phase 3: Practical information for consumers: what to keep in mind when choosing a supplier, switching suppliers, whom to contact when concerns occur, etc

Phase 4: Follow-up: actual process of market opening, how to act when consumer made no steps before the market opening, etc

Market developments

- Gradual opening of the electricity market
 - Until 2009 market opening level was 12%;
 - From 1.04.2010 35%. Eligibility level 2 GWh;
 - From 2013 100%.
- Estonian price area was opened in 01.04.2010 (day-ahead market).
- Intraday market was opened in Estonia in 01.10.2010.
- Estlink 1 (350 MW) is operated by Nord Pool Spot since 01.09.2010.
- Estlink 2 (650 MW) is operated by Nord Pool Spot since 01.01.2014.

Before 01.01.2013

- Small-scale consumers couldn't choose electricity supplier.
- Distribution network operator was also the electricity seller.
- Electricity prices were regulated by energy regulator.
- Average electricity price was 3,1 s/kWh.

After 01.01.2013

- All changes related to the opening of the electricity market that affect consumers are set forth by the Electricity Market Act. The Act ended the sale of electricity at a regulated price as of 01.01.2013 , and created the preconditions for the entry of new sellers into the market.
- The small-scale consumers can choose electricity seller.
- The small-scale consumer will be able to buy their electricity in one of the following ways:
 - Exchange-related package (unlimited contract);
 - Fixed price package (limited contract);
 - Universal service, if seller is not selected.

Nord Pool Spot – power exchange market



Some facts on Electricity Market (1)

- 89% of electricity is traded on power exchange.
- 5% of small-scale consumers switched the supplier in 2014.
- 17% of large-scale consumers switched the suppliers in 2014.
- The customers are focusing more power exchanges oriented than to the fixed prices.
- The universal service is just the obligation to supply but no price regulation. The price under universal service is more expensive than the supply under market conditions.

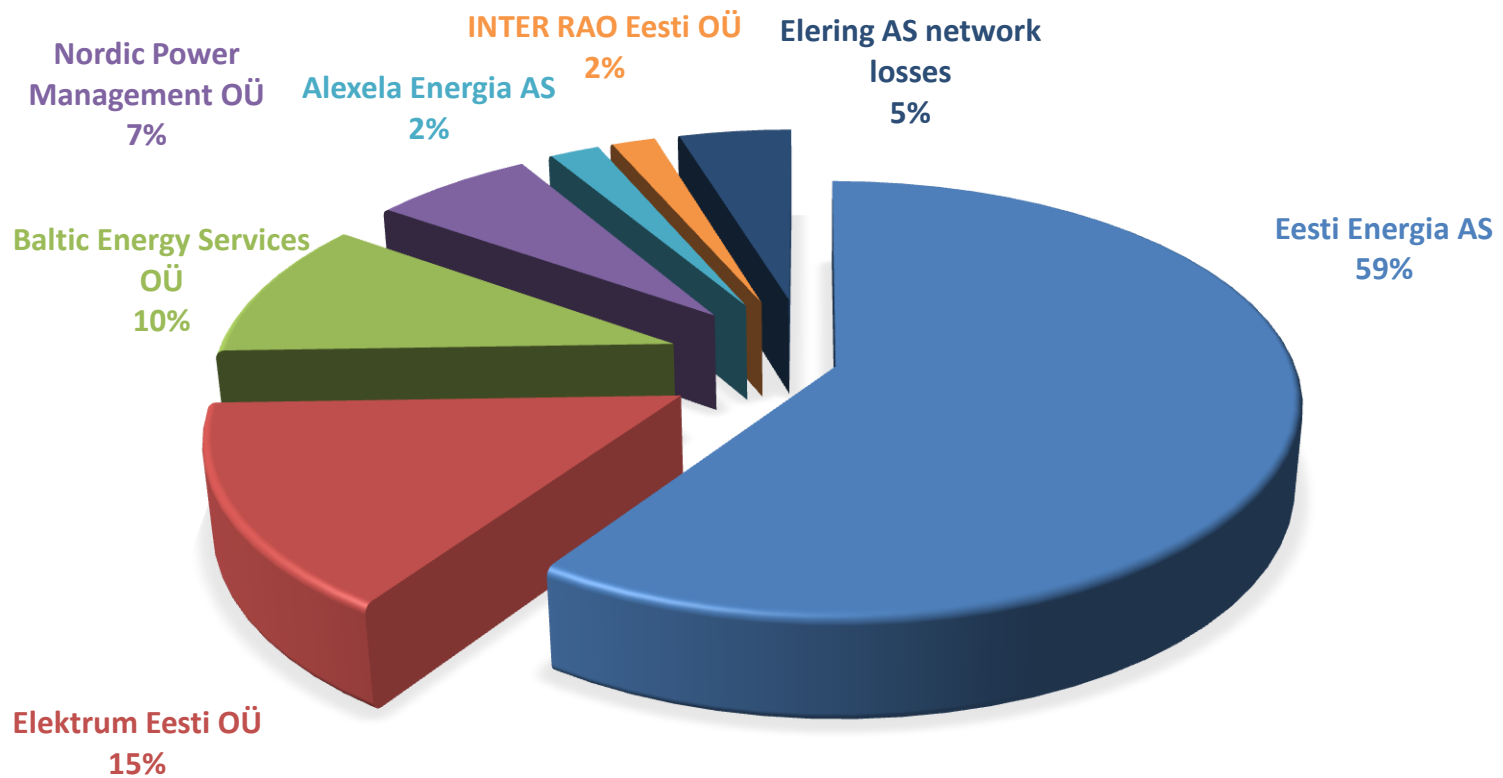
Some facts on Electricity Market (2)

- The electricity prices have been declining for customers. Today's price is even lower than before market opening by 01.01.2013.
- The power flow is from north to south mainly.
- Estlink 2 is on operation since beginning of 2014.
- The EE and FI prices are harmonised, except failures in operation of EstLink 1 and 2.
- The operation of Estlinks has significant impact to customers power tariffs.
- Today from Estonian side there are no clear quality requirements regulating the operational performance of HVDC links.

Some facts on Electricity Market (3)

- Specific trend for Estonia: the most of retail customers have selected a power supplier. Only 17% from customers are using the universal service.
- There is no price cap on universal service. By selecting of power supply contract the customer can save money.

Wholesale market in 2014



Source: Elering

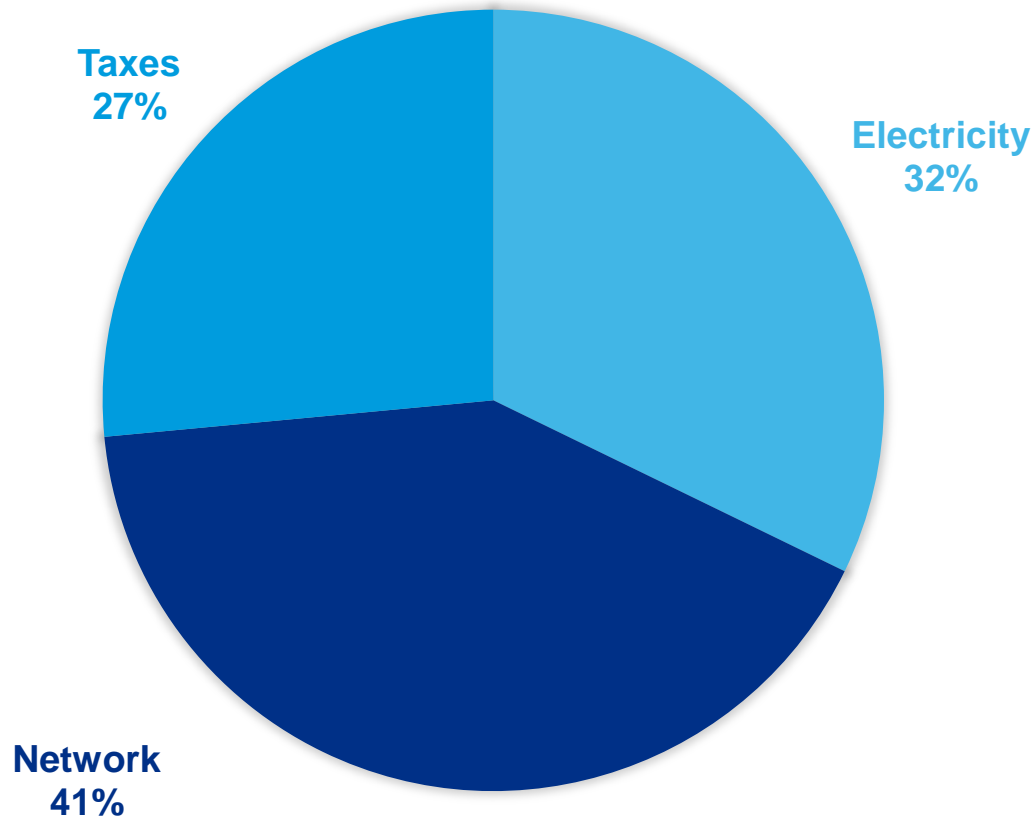
Electricity bill components



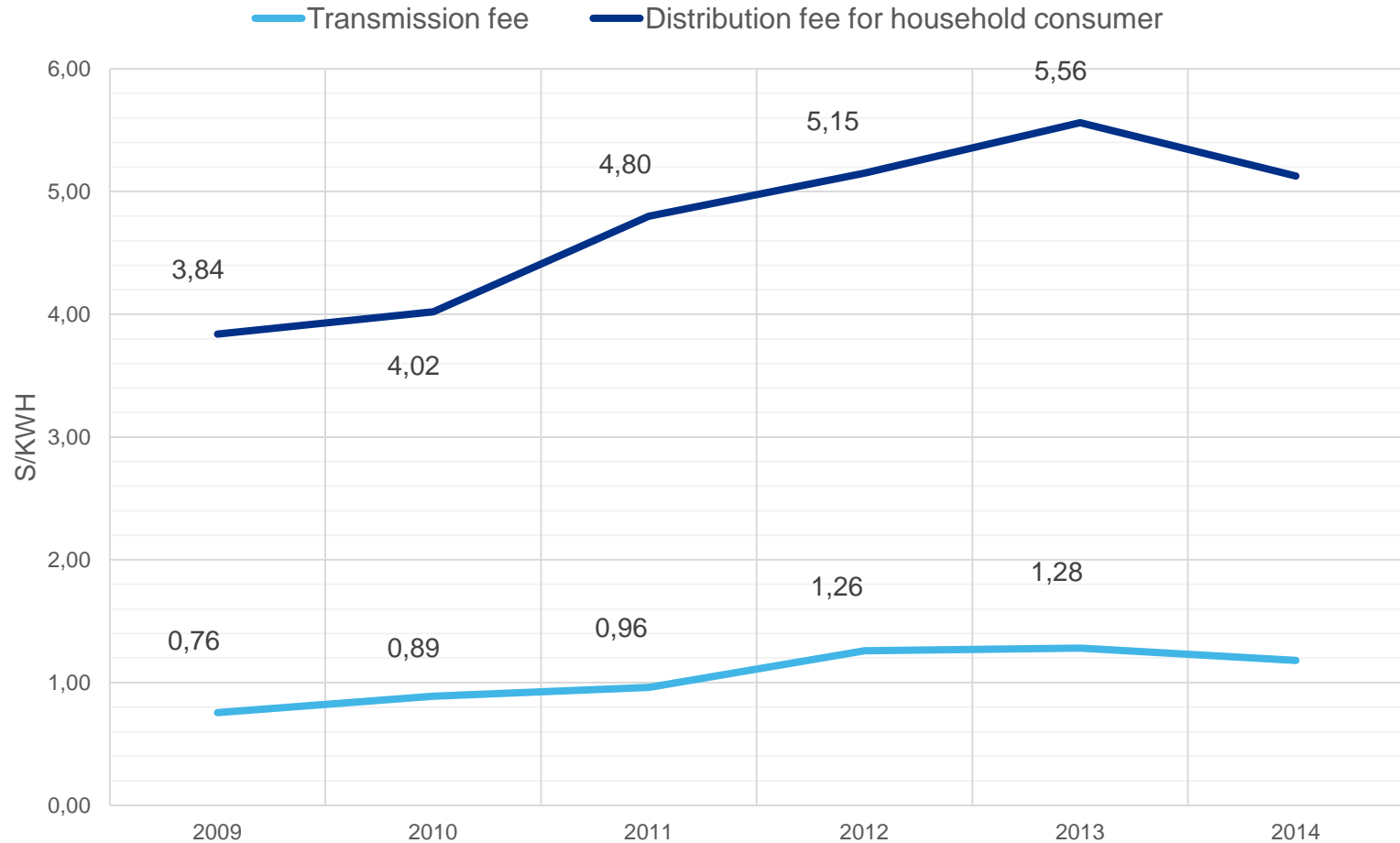
*Estonia wholesale price in 2014 and
220 Energia margin

**Average household price in 2014

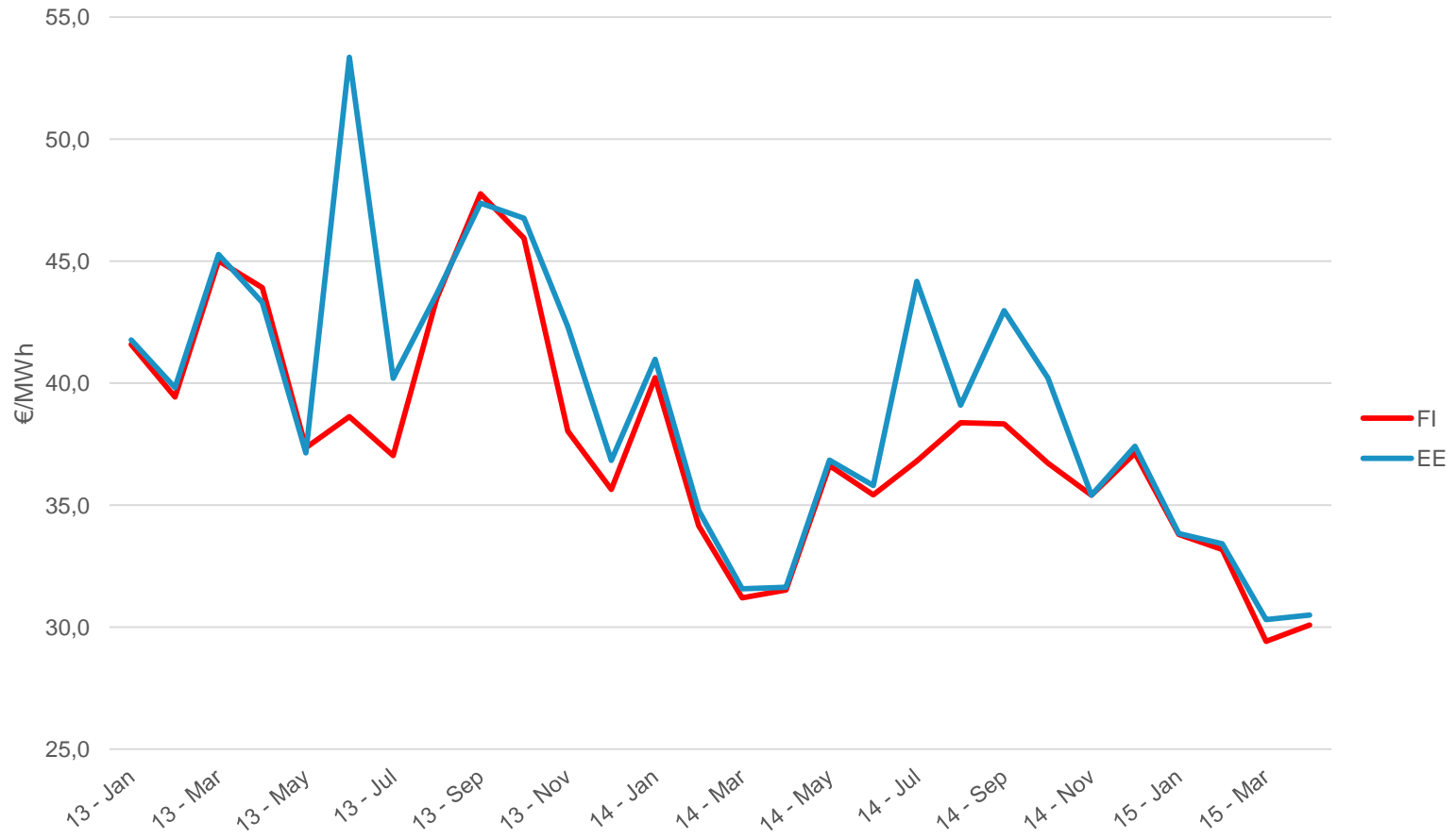
Electricity bill components



Network fees

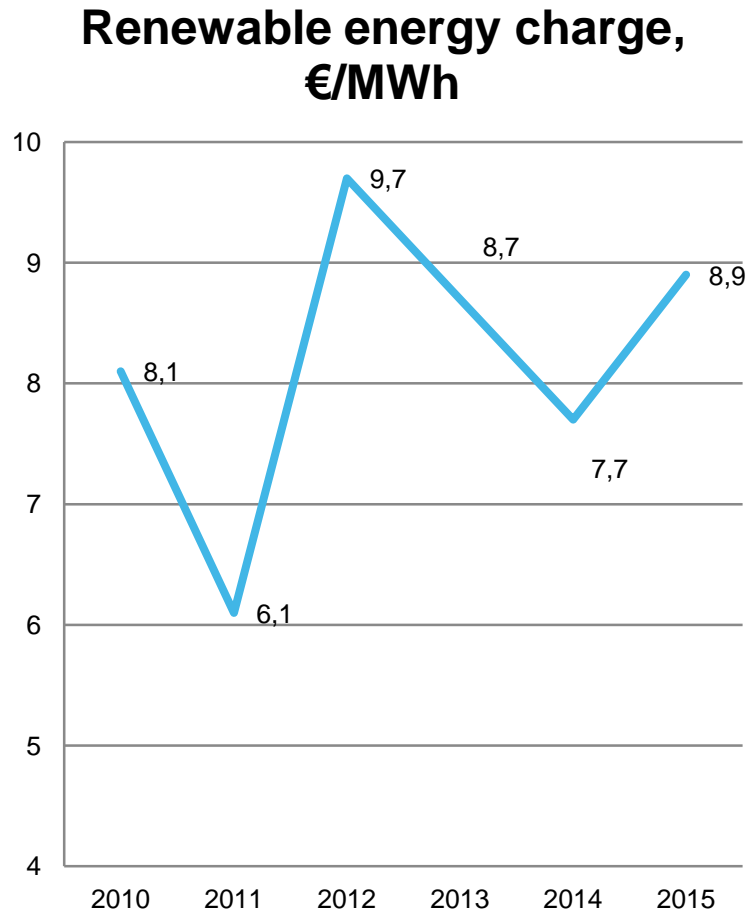


Prices since market opening 01.01.2013



Source: Nord Pool Spot

Renewable energy subsidies

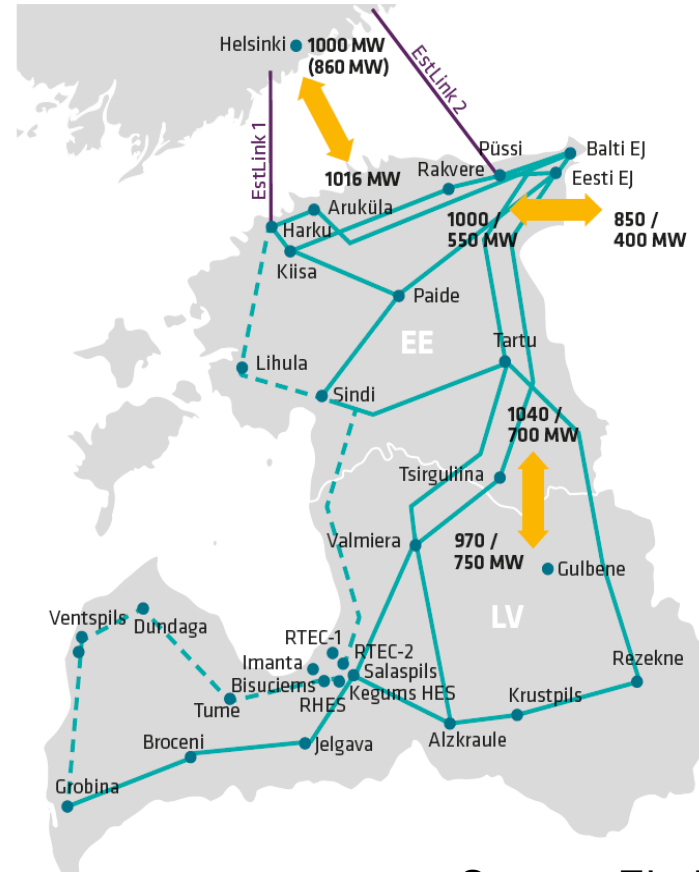


- The new subsidies' scheme is in status of parliamentary debate now. The political target is to reduce the tax burden on customers. No final decision yet.

Electricity infrastructure

Positive developments:

- Estonia-Latvia 3rd electricity connection – EC decision for financing 65% of the project costs.
- New interconnections between Sweden-Lithuania and Lithuania-Poland.



Source: Elering

REMIT

wholesale market surveillance

REMIT entered into force on 28 December 2011.

REMIT introduces a sector specific framework for the monitoring of wholesale energy markets, with the objective of detecting and deterring market manipulation.

REMIT is focusing on:

- Prohibition of insider trading (Article 3);
- Disclosure of inside information (Article 4);
- Prohibition of market manipulation (Article 5)

REMIT

- NRA's going to more focusing on the monitoring task.
- Monitoring the wholesale market to prevent the market abuse.
- NRA's will be responsible for investigations and enforcement at national level.
- Cooperation with ACER, financial authority and other NRA's.
- Regional cooperation in the Baltic/Nordic area
 - Joint screening of the UMM's within Baltic/Nordic market

Regional cooperation in the Baltic/Nordic area

- NRAs work together with NPS, there is already established three groups:
 - Nord Pool Spot Regulatory Council;
 - National Experts of Market Surveillance – Market Monitoring Expert Sub-group of Nord Pool Spot Regulatory Council;
 - Sub Group for Transparency Regulation.
- Baltic NRA's electricity market working group meetings and forum (at least 2 times in a year).

Problems around electricity market

Joint billing:

- Distribution network operators and different electricity sellers are not yet agreed in joint billing.



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Thank You!

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