

Montenegro as the energy hub of the South East Europe (SEE) Region



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- The project of the Coordinated Auction Office (CAO) for the interconnection capacity allocation in the South East Europe (SEE) Region
- Conclusions

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The new undersea Montenegro-Italy interconnection

Timeline – previous steps

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- Intergovernmental Statement signed (Dec. 2007) by the Ministers of Economic Development of Montenegro and of the Republic of Italy, providing full institutional support to the project
- Intergovernmental Agreement signed (Feb. 2010) by the Ministries of Montenegro and Italy over TERNA-CGES project
- Authorization path formally started in Italy (Dec. 2009) and under way in Montenegro (Detailed Spatial Plan by June 2011)
- Final agreements signed by the Parties (Nov. 2010 and Jan. 2011)

The new undersea Montenegro-Italy interconnection

The CGES-TERNA Strategic Partnership

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- TERNA participation the CGES's share capital as minority shareholder, with the State of Montenegro keeping the position of majority shareholder
year 2011
- Construction by TERNA of the new undersea interconnection Montenegro – Italy (to the converter station of Tivat/Kotor included), estimated CAPEX about 760 M€
year 2015
- Construction by CGES of the infrastructures necessary to allow in the mid-long term the functioning and the full utilization of the new Interconnection Link and of the grid connections to the existing transmission network, estimated CAPEX about 100M€
year 2015

The new undersea Montenegro-Italy interconnection

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Length of interconnection link:
approximately **415 km**, of which

- 390 km of undersea cable
- 25 km of underground cable

Landing points

- Tivat – Kotor (Montenegro)
- Villanova / Pescara (Italy)

HVDC 500 kV cable in bipolar configuration
2x500 MW with metallic return

1000 MW transfer capacity, possible operation
both in import and export direction

Commissioning expected by **2015**
Entry into operation by **2015**

The new undersea Montenegro-Italy interconnection

Benefits and rationale of the project

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- direct electricity connection of Montenegro and SEE Region with the **EU internal energy market**
- creation of best conditions to **attract new investments** in the generation sector in Montenegro and in the whole SEE Region
- provide opportunities for new generation investments for the **exploitation** of remarkable **RES potential** of the Region, in line with EU targets

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CAO in the SEE Region

Introduction

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- Coordinated Auction Office (CAO) in the South East Europe (SEE) Region
- Single point for the allocation of interconnection capacity in the Region
- Common rules and procedures

CAO in the SEE Region

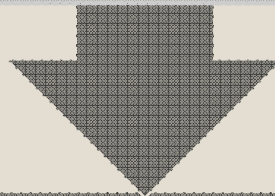
Legal framework

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Legal background

Legal obligation under the Energy Community Treaty

Regulation (EC) 1228/2003 requiring TSOs to establish CAM and CMP in a regionally coordinated way (Art 3(2) Regulation Annex)



Goals (regional approach)

Single point of contact, increasing efficiency for traders

CAO as a pre-requisite for market integration

signal for investors → starting point for further regional cooperation

CAO in the SEE Region

Timeline – previous steps

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Political
support

- MoU signed in 2008 by all TSOs of the 8th Region except for EMS (Serbia) and ESO EAD (Bulgaria)
- Ministerial Council approving the location in Montenegro and reiterating its expectations for speedy progress
- Endorsement from the Athens Forum a and PHLG

NRA
support

- ECRB meetings and WGs ► EWG, CAO IG
- 1st ECRB-PHLG meeting (June 2010)

TSOs
activities

- SEE CAO Project Team Steering Committee
- SEE CAO Implementation Group

Project Team Company (PT)



SEE CAO

CAO in the SEE Region

Timeline – next steps

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Project Team (PT) Company

- 2009/10: PT ToR (structure, financing), updated Action Plan
- 2011: PT Articles of Association
- 2011: Final agreement on financing
- 2011: Agreement on the Foundation of the Company and Statute
- end 2011: Entry into operation (1 year) of the PT Company

SEE CAO

- 2012: Preparatory and implementing activities, involving all relevant parties
- 2012: Drafting and agreement on coordinated congestion management rules (Start with an NTC approach in the first phase and move to flow based allocations in a second
- End 2012/ early 2013: Entry into operation of the CAO

CAO in the SEE Region

Project Team Company

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- The Project Team shall be set up for the duration of one year
- There shall be 5 members
 - 2 Grid Experts
 - 1 Legal Expert
 - 1 Economic Expert
 - a Project Team Manager leading the team and reporting to the Steering Committee
- PT members shall be seconded by TSOs/ISOs from the 8th Region

CAO in the SEE Region

Financing of the Project Team Company

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- Budget of the Project: 1.2 Mil €
- Financing of the Project Team:
 - 70% by International Financial Institutions (IFIs)
 - 30% by TSOs based on equal contributions
- Involved IFIs: EBRD, KFW, USAID
- Declaration for TSOs co-financing

Support	CGES, ELES, HTSO, HEP-OPS, KOSTT, MEPSO, NOSBIH, OST, Transelectrica
Still waiting	MAVIR

CAO in the SEE Region

Rationale and benefits

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- Setting up a SEE CAO is following the **legal requirements** of the Energy Community Treaty in the most efficient way
- Special benefits FOR SEE Region:
 - Starting point: high number of borders and different allocation mechanisms
 - Targets: to implement procedures that are in line with EU practices and achieve the integration of markets

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Conclusions

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- Integration of the SEE Region into the EU energy market, by means of a direct electricity connection
- Montenegrin transmission grid acting as a platform for electricity exchanges between Italy, EU and the SEE Region
- SEE CAO located in Montenegro, expected to provide an efficient and stable ground for regional electricity trading

Starting point for further development of the electricity sector in the region



Thank you

Aleksandar Mijušković
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