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**PROPOSAL FOR MONITORING OF THE COMPETITIVE
ELECTRICITY MARKET OF THE
ENERGY COMMUNITY OF SOUTH EAST EUROPE
(ECSEE)**

**Athens Forum
Athens, Greece
June 22-23, 2006**

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BACKGROUND:

Framework for Competitive Market Monitoring

The following organizations have addressed the need for transparency and data availability for an effective competitive electricity market (and monitoring).

- **ETSO/Cambridge University—Review of Monitoring (November 2004)**
- **ERRA--Development of Market Monitoring (Manicuta, September 2005)**
- **ECSEE--Regulatory Benchmarking (November 2005)**
- **Eurelectric—Position Paper on Market Transparency (February 2006)**
- **EC—Energy Sector Inquiry-Preliminary Findings (February 2006)**
- **ERGEG—Guidelines on Information Transparency (March 2006)**
- **EFET—Transparency of Information (May 2006)**

PROCESS TO DATE FOR DEVELOPMENT OF MARKET MONITORING PROPOSAL

- **CEER-NARUC Athens Workshop on Monitoring of Competitive Electricity Market (October 2005)**
- **Athens Mini-Forum: USAID to develop concept and proposal (October 2005)**
- **Dubrovnik Mini-Forum and CEER SEE WG: Presentation/Discussion of Framework Proposal and Background Paper (March 2006)**
- **Ad Hoc Working Group input on Dubrovnik**

PROPOSAL FOR MONITORING DESIGN AND PILOT TEST

- **PURPOSE:** Design, collect and analyze data for performance indices and screens that identify anti-competitive market conduct as well as market design issues and market power.
- **OBJECTIVES:** (1) Design and pilot test data collection and analysis of cross border electricity trading; and (2) Provide a baseline of experience and information to support decision-making on establishment of long-term monitoring upon market opening.

PROPOSAL FOR MONITORING DESIGN AND PILOT TEST (Continued)

APPROACH:

- **Virtual monitoring; no new institution**
- **Focus on (1) short-term anti-competitive behavior; (2) market design problems; and (c) market power and structure.**
- **Scope: Focus on cross-border trade, not national markets.**
- **Transparency/Availability: Relevant data available rapidly on a website for market participants and others who can contribute to monitoring.**
- **Data: TSO data will be central to effective monitoring.**
- **National Monitoring: Assistance available for national monitoring development.**

EXPERTISE FOR MONITORING AND ANALYSIS

U.S. AND EUROPEAN EXPERTISE COMBINED

- **Potomac Economics:** A U.S. leader in monitoring and competitive assessment of wholesale electricity markets.
- **Cambridge University Faculty of Economics:** Professor David Newbery and faculty have done extensive research and analysis on European electricity issues and markets.
- **Corvinus University, Regional Center for Energy Policy Research (REKK):** Dr. Peter Kaderjak and staff analyze electricity market issues and have familiarity with South East Europe energy issues.
- **The U.S. National Association of Regulatory Utility Commissioners (NARUC),** with USAID support, will contract, support and supplement the three organizations.
- **Working Arrangements:** Establish working relationships with stakeholder organizations (ECSEE Working Groups; ETSO; UCTE; EFET; Eurelectric; ECSEE Secretariat; Others)

SCHEDULE AND ILLUSTRATIVE TASKS

- **2006Q3: Contracting and Draft Work Plan**
- **2006Q4: Draft Market Monitoring Plan; Design Workshop; Complete data and pilot design.**
- **2007Q1: Initiate data collection, processing and website and prepare first operations reports (weekly, monthly).**
- **2007Q2: Initiate market design and market power analyses; Report to Athens Forum**
- **2007Q3: Continued monitoring; initial draft analytical reports**
- **2007Q4: Report on pilot results, lessons learned and recommendations for on-gong monitoring of competitive electricity market; analytical reports completed on market design and market power; report to Athens Forum.**

CONSULTATION GOING FORWARD

- **Establish on-going working relationship with CEER and ETSO Working Groups; EC/Secretariat; Stakeholders—EFET, Eurelectric, ETSO, etc.**
- **Organize small Market Monitoring Design Workshop including stakeholders (Fall 2006)**