FORMATION OF THE CIS MEMBER STATES COMMON ELECTRICITY MARKET

EVGENY MISHUK
CHAIRMAN of the EXECUTIVE COMMITTEE of the CIS ELECTRIC POWER COUNCIL

April 23, 2008
On May 25, 2007 in Yalta the Council of Heads of Governments of the Commonwealth of Independent States adopted the Agreement on formation of the CIS Common Electricity Market (CIS CEM). The Agreement was signed by 6 states:
- Republic of Armenia
- Republic of Belarus
- Republic of Kazakhstan
- Kyrgyz Republic
- Russian Federation
- Republic of Tajikistan.
**Main Provisions of the Agreement**

- Establishment of the CIS CEM is the priority trend in the development of interstate relations of the Commonwealth states.
- The objective – formation of the CIS common market space.
- The main principles and experience of the European power markets formation have been taken into consideration:
  - equal rights
  - mutual benefit
  - fair competition
- The Agreement is open for joining by other states.
- Coordination of the CIS CEM establishment is assigned to the CIS Electric Power Council.
The Agreement stipulates as follows:

- Stepwise formation of the CIS CEM
- Harmonization of national legislation in the power sector
- Creation of a common information space
- Provision of non-discriminatory access to the networks and other services of natural monopolies

EXECUTIVE COMMITTEE OF THE CIS ELECTRIC POWER COUNCIL
The Concept on Formation of the CIS Common Electricity Market

**CIS CEM Main Principles:**

- common norms and rules of the technological infrastructure;
- liberalization of economic activity and introduction of market relations;
- non-interference in internal management;
- electricity and capacity balance;
- formation of the CIS CEM subjects;
- balance of economic interests of the power producers and consumers;
- protection of interests of the CIS CEM subjects and power consumers;
- provision of conditions for investments;
- free choice of counteragent in the buy-and-sell sphere, freedom of price formation;
- regulation and transparency of the monopoly activities,
- non-discriminatory access to the market infrastructure.
### Organizational Structure of the CIS CEM

#### Participants of trade relations:

- **Power producers:**
- **Power consumers:**
- **Power suppliers, System Operators and/or Transmission System Operators:**

#### Infrastructure organizations:
- Transmission System Operators, System Operators;
CIS CEM Functional Structure

- bilateral contracts market;

- centralized electricity trade market;

- balancing market;

- system and auxiliary services market.
Investments

The Agreement stipulates as follows:

- Guarantees of the right of property and protection of investments;
- Creation of investment incentives;
- Possibility of making investments into the power enterprises assets.

The CIS CEM members rights, liabilities and responsibility are regulated by the following:

- The CIS CEM Rules and Regulations.
- The CIS CEM Arbitration Court will be established for settlement of disputes.
Documents for the CIS CEM Formation Adopted in 2006-2007:

1. Agreement on the customs procedures harmonization at the CIS states cross-border power transmission with the Addendum - the draft Model Order of Customs declaration and Customs control of power to be transmitted across the borders of the CIS member states (signed at the CIS Heads of Governments Meeting, November 22, 2007);

2. Decision of the CIS Heads of Governments (taken November 24, 2006) on the establishment of the Greenwich time as a common timing for taking data measurements from control equipment for electric power to be transmitted via cross-border lines connecting the CIS countries power systems;

3. Common principles of electricity transit via the CIS member states networks (approved at 29-the CIS EPC Meeting on May 29, 2006);

4. Common principles of the System Operators interaction under the conditions of the common electricity market of the CIS member states (approved at 31-st CIS EPC Meeting on May 29, 2007).
Phases of the CIS Member States Common Electricity Market Formation:

- **Phase 1.**
  Stage 1. Cross-border bilateral trade.
  Stage 2. Mutual participation in the spot markets of each other.

- **Phase 2.**
  Stage 1. Regional electricity market (Coordinated activity of the national electricity markets).
  Stage 2. Regional market of electricity and system services.

- **Phase 3.** Common electricity market of the CIS member states.
At present the CIS EPS working group “Formation of the CIS Electricity Market” is dealing with elaboration of General principals for trance-border electricity trade in the CIS member-states. (Phase 1, Stage 1, Formation of the CIS CEM)
The Draft General Principals of Cross-border Electricity Trade determines the following:

- The participants of the cross-border trade (participants of the trade relations and infrastructure organizations);
- Organization of the control system for trans-border transmissions of electric power and power capacity;
- Types of the trade operations;
- The order of distribution of the transmission lines export-import transfer capacity including principals and mechanisms for distribution of rights for its exploitation;
- Planning of the interstate electricity supply and cross-border electric power flows transfer;
- The order of settlement of deviations from the agreed volumes of the interstate electric power transfer;
- The order of costs compensation related to the transfer of electric power throw the power systems of the CIS countries.
THANK YOU FOR YOUR ATTENTION

EVGENY MISHUK
CHAIRMAN of the EXECUTIVE COMMITTEE
Of the CIS ELECTRIC POWER COUNCIL

7, Kitaygorodskiy proezd,
109074 Moscow, Russia
Tel: 8-495-710-56-87;
Fax: 8-495-625-86-05