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Energy Newsflash
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Editor's note

Dear Readers,

In recent developments across Southeast Europe's energy sector, significant agreements and regulatory shifts are shaping the region's energy landscape, emphasizing collaboration, innovation, and regulatory clarity.

Memorandum of Understanding (MoU) for Day-Ahead Market Unification: The signing of an MoU in Athens on 14 November 2023, between regulatory bodies, transmission operators, and electricity exchanges of Albania, Kosovo, Greece, and North Macedonia, marks a collaborative stride towards unifying the day-ahead electricity market. This move aims to enhance the security of supply, foster market competition, and align regional practices with the EU's Targeted Model for the wholesale electricity market.

Insight into Power Purchase Agreements (PPAs) in Bulgaria: Exploring the dynamics of Power Purchase Agreements in Bulgaria sheds light on essential contractual components. These agreements, involving electricity producers, exchange operators, and consumers, navigate pricing mechanisms—regulated by the State Energy and Water Regulatory Commission or via negotiation—to establish stable, long-term commitments, mitigating risks arising from policy changes and unforeseen circumstances like force majeure events.

Transformation of Coal Mines into Energy Storage Systems in Romania: Romania's initiative to repurpose 17 coal mines in Valea Jiului into gravitational energy storage systems signals a pivotal shift towards sustainable energy solutions. The collaboration between the government and an Australian company to explore energy storage technology aims to leverage legacy mine infrastructure for renewable energy integration, contributing to climate goals while bolstering investments and job creation in the region.

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Serbia's Regulatory Decree on Electricity Delivery and Supply Conditions: Serbia's Government introduced a Decree on the Conditions of Electricity Delivery and Supply, effective from 13 October 2023. This decree standardizes procedures for connection to transmission/distribution systems, outlining obligations, prerequisites, and fees for applicants seeking connection, aiming to harmonise compliance with planning regulations and financial commitments.

I hope you enjoy reading and find the articles insightful!

Mira Todorovic Symeonides
Partner / Head of Energy Team
Rokas Law Firm

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MoU on the coupling of DAM of North Macedonia, Greece, Albania and Kosovo

On 14 November 2023 in Athens, a memorandum of understanding (MoU) was signed for the unification of the day-ahead electricity market in South-Eastern Europe, between regulatory bodies, transmission system operators and electricity exchanges of Albania, Kosovo, Greece and North Macedonia.

The heads of regulatory authorities, transmission system operators and electricity exchanges from Kosovo, Albania, Greece and North Macedonia, as parties with a role in the electricity market in Southeast Europe (SEE), signed this MoU with the aim to establish a stable cooperation, towards the achievement of the common objectives of the region, increasing the security of supply and ensuring joint participation, in accordance with the best European practices and models, in order to:

- Improve and increase the security of electricity supply for all participating countries.
- Improve and utilize cross-border transmission and generation capacities to ensure a stable and efficient market;
- Increase competition and transparency in the electricity market, including the formation of prices and the provision of long-term financial benefits to consumers;

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- Create harmonized and integrated mechanisms for managing electricity flows and increasing cross-border trade, which will enable coordination and optimal use of energy resources throughout the region; and
- Implementation of the Targeted Model of the European Union for the wholesale electricity market.

During the two-day meeting held in Athens, the parties discussed, among other things, the composition of the Steering Committee, which consists of TSOs and Electricity Exchanges, which will oversee the progress of the implementation of this MoU and will be responsible for informing the Implementation Group, which consists of the Chairmen of the four regulators and will oversee the work of the Steering Committee as well as the terms of reference of these working groups.

by Blerta Topore | Associate
ROKAS (Tirana)

Power Purchase Agreements in Bulgaria

The Power Purchase Agreements (PPA) is a legally binding contract that sets out the conditions under which a power plant sells electricity directly to a buyer for a certain period of time. This article presents some of the main terms of such PPAs in Bulgaria.

According to the Bulgarian Energy Trading Rules, PPAs may be concluded between different parties such as electricity producers, power exchange operators, district network operators, and energy consumers. The object is the sale, purchase, delivery, and acceptance of electricity.
Some of the main terms are:

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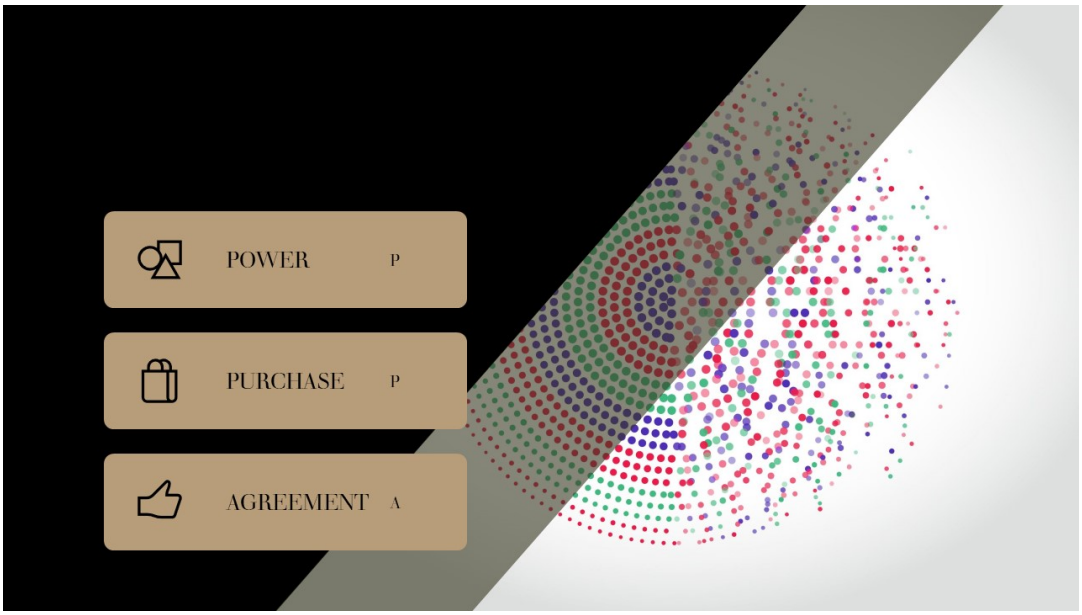
Conditions precedent (CPs): PPAs typically contain some conditions that must be met in order for such agreement to be fully effective, such as testing, or concluding an access agreement with a network operation. Other CPs may be related to construction, commissioning, financing, licensing, etc. Subsequently, the responsibilities of the parties and termination conditions in case of failure to meet the CPs are regulated.



Electricity price: In the Republic of Bulgaria, the electricity prices in the PPAs may, in general, be regulated by the State Energy and Water Regulatory Commission (EWRC); or be the result of free negotiation; or be set by methods approved by EWRC. At freely negotiated prices, the parties may choose a fixed price, or a price determined according to a formula that can be linked to market prices.

Duration of the contract typically covers 10 to 25 years and is often tailored to the duration of the seller's project financing conditions.

Mitigation of contractual risks particularly applies to the following:

- Regulatory and policy changes**:** Changes in government policies, and regulations, combined with changes in market dynamics, can affect the financial viability of the project during the term of the agreement. In such cases, the parties may wish to include in the PPA the possibility of renegotiating the price or other conditions so that such events do not make the PPA inoperative;
- Contractual non-compliance**:** Non-compliance with PPA terms and conditions may cause penalties, legal disputes, or even termination of the agreement; and

- Force majeure**:** Unforeseen events, such as natural disasters, may disrupt the operation of the power plant or the ability of the electricity buyer to pay and/or accept the quantity supplied, leading to potential conflicts. It may be advisable for

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the PPA to include clauses allowing both parties to claim force majeure relief if the events are beyond the control of the seller preventing it from producing electricity; or in case the buyer uses reduced quantities or fails to pay the price.

by Apostolos Christakoudis |Senior Associate, ROKAS (Sofia)

Romania plants to transform 17 coal mines into gravitational energy storage systems

On 9 November 2023 through a press release, the Ministry of Energy announced the conclusion of a cooperation framework agreement to investigate deployment opportunities for an Australian company's energy storage technology in 17 coal mine shafts in Valea Jiului Romania. The government decided to try a solution: make gravity energy storage systems in vertical coal mine shafts.

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The framework agreement describes the scope and objectives of a joint study to assess the technical, economic, and environmental aspects of converting existing coal mines in Valea Jiului into energy storage facilities using Green Gravity's proprietary technology and expertise, and the study will assess the potential benefits and challenges of integrating the energy storage system with the existing electricity grid and renewable energy sources. The system relies on lifting and lowering ultra-heavy weights in legacy mine shafts and in doing so, turning a turbine that creates electricity.

The project to implement gravitational energy storage in the coal mining region of Valea Jiu promises to be an impactful one for both climate, investment and jobs.

by Alina Negrilă
Associate |ROKAS (Bucharest)

Government Decree on Conditions of Delivery and Supply of Electricity

On 28 September 2023, the Government of the Republic of Serbia adopted the Decree on the Conditions on Delivery and Supply of Electricity (*Official Gazette of the RS, No. 84/2023, hereinafter: ("**the Decree**"*), which entered into force on 13 October 2023.

The Decree regulates the conditions for granting authorization for connection to the transmission or the distribution system, the conditions for changing technical conditions at a connection point and approved capacity, the conditions and manner of connection of facilities pursuant to Article 140 Paragraph 7, 8 and 9 of the Energy

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Law (*hereinafter referred to as "**the Law**"*), the conditions for the conclusion and content of supply contracts, the rights and obligations of the transmission or the distribution system operator, suppliers and end-buyers, the method of notifying end-buyers or producers and other matters in accordance with the Law.

The Decree is applied retroactively to procedures that have not yet been completed at the time of its entry into force. Thus, it will apply to numerous applications for the connection of solar power plants and wind farms to the transmission system, for which contract for the preparation of a connection study has not been signed.

Procedure for connection to the transmission/distribution system

In accordance with the Decree, upon receiving an application for connection to the transmission/distribution system for the first time, the system operator ex officio:

1. obtains the necessary building permit, i.e. a construction approval decision or a legalization decision;
2. prepares connection study and signs connection contract, if the transmission system operator is responsible for the connection; or
3. prepares connection study for production facilities and electricity storage facilities that are connected to the distribution system, with the exception of production facilities of customers-producers.

Applicants for connection to the transmission system and the part of the distribution system managed by the transmission system operator would also be obliged to submit, along with the application for the conclusion of the contract on the preparation of the connection study:

1. Decision of relevant authority on the preparation of the corresponding planning document for the plant to be connected for the first time or a corresponding document of spatial and urban planning that determines the purpose of the space for such a facility;
2. Evidence that the plant is exempted from the provisions on postponing of its connection to the transmission system applicable to power plants using variable renewable energy which failed to secure the balancing in compliance with law and, if applicable
3. Evidence on payment for the costs of preparing the connection study. The amount for the capacity less or equal to 50 MW amounts to EUR 50,000.00, and it increases depending on the capacity of the future plant.

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Applicants requesting a connection to the distribution system should submit:

1. Information on the location of the cadastral plots from the application showing that the plots are intended for the construction of buildings for the generation or storage of electricity,
2. A decision of relevant authority on the preparation of a detailed regulation plan in the event that the construction of a power plant is not planned based on the information on the location of the plot in question,
3. Evidence that the plant is exempted from the provisions on postponing of its connection to the distribution system applicable to power plants using variable renewable energy which failed to secure the balancing in compliance with law and, if applicable, and
4. Evidence on payment of the costs ranging between EUR 2,000.00 and EUR 5,000.00 depending on the required capacity of the plant to be connected.

Bank guarantee for the construction of a facility connected to the transmission system

Applicants for the preparation of the connection study are also required to submit a bank guarantee in favor of the transmission system operator within 60 days of receiving the connection study. The guaranteed amount is EUR 25,000.00 per MW.

The guarantee covers the following obligations of the applicant:

1. to conclude the connection contract within 60 days of the delivery of the guarantee to the transmission system operator;

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2. to obtain approval for connection within 3 years from the conclusion of the connection contract;
3. to build the plant within the validity period of the decision on approval of the connection; and
4. to extend the term of the bank guarantee at least 60 days before its expiry for the minimum period of 3 years and to maintain its validity until the conditions for connection of the plant are fulfilled.

by Suzana Pavlovic
Associate |ROKAS (Belgrade)