

# ENERGY GOVERNANCE FACT SHEET: MONTENEGRO

Last updated: July 2016

## KEY ISSUES:

- Creating the conditions for market opening remains a major challenge. Secondary legislation on supplier switching needs to be developed and ensure eligible customers can effectively exercise their rights.
- There is continuing lack of transparency and accountability in public procurement.
- The progress achieved in the transposition of the EU acquis by adopting new competition and state aid acts has not been followed up by progress in their implementation.
- Electricity losses are a serious problem for the electric power system, which could mask fraud and corruption. Unauthorized use of electricity has proven a major problem in the country.

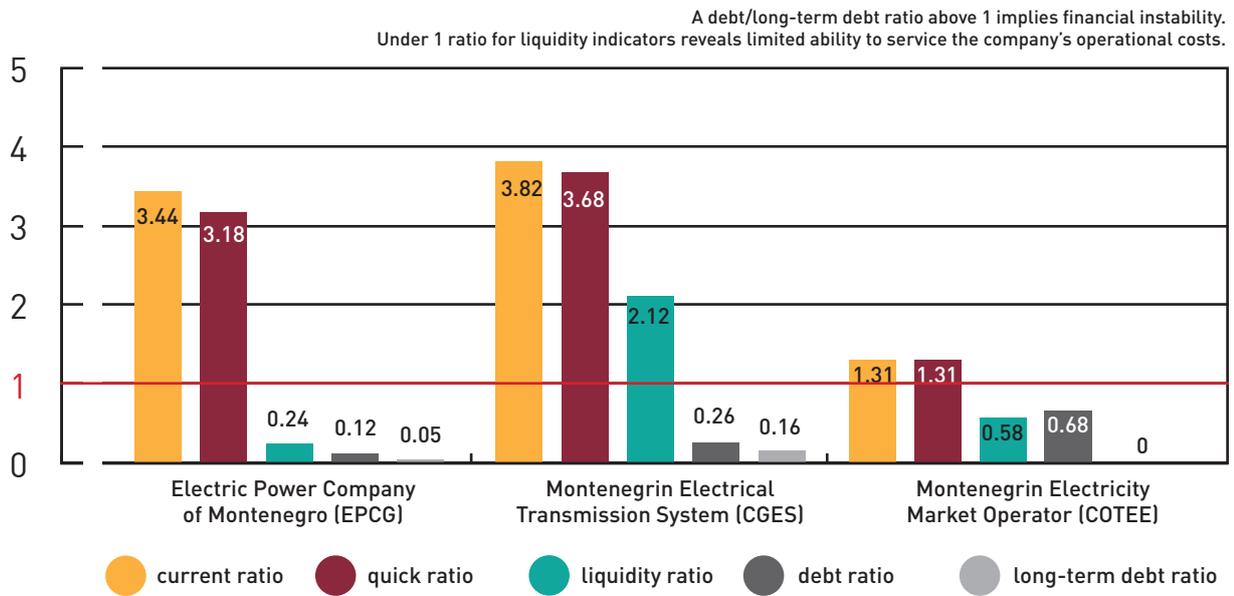
SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

**TABLE 1: State of electricity sector liberalisation  
(eligibility, market opening, price regulation and unbundling)**

<b>Price regulation</b>	Generation prices are not regulated but consumer prices for all consumers connected to the distribution network continue to be regulated. After the adoption of the new Energy Law (2016), the electricity price is being formed freely on the regulated market while the prices and fees for the use of transmission and distribution systems for electricity and the fees for COTEE are being determined in the regulatory procedure. The total price includes the fee for sustainable energy sources determined by the Government.
<b>Eligibility</b>	All customers are eligible to switch their power supplier from 1 January 2015.
<b>Market opening</b>	There are currently 25 active traders in the wholesale electricity market. In the retail market, there are currently only two licensed suppliers of end-customers in Montenegro. As of 2013, the electricity prices for the four customers connected to the transmission network are not regulated. Customers connected to the distribution network are still entitled to public supply at regulated end-user prices. The over-regulation of prices makes supplier switching unattractive.
<b>Unbundling</b>	The transmission and distribution system operation is legally unbundled from other activities. Generation and supply are still bundled within EPCG.

SOURCE: Progress Report on the Implementation of the Energy Acquis of the European Energy Community, 2015. Law on Energy ("Sl. list CG", br. 5/2016)

## CHART 1: Financial Ratios (2014)



SOURCE: Author's calculations based on the Annual Financial Reports of the SOEs

## TABLE 2: Energy Acquis Implementation by Measure

Primary Laws	Significant Progress
Complementary Legal Acts	Progress on Track
Organised Day-Ahead Market	Progress on Track
National Balancing Market	Significant Progress
Price Deregulation	Progress on Track
DSO Unbundling	Legally Unbundled
TSO Unbundling	Legally Unbundled
NRA Independence	Progress on Track

SOURCE: European Energy Community Progress Report, 2015.

## POLICY RECOMMENDATIONS:

- Put additional focus on capacity building in the regulatory authority and the transmission system operator.
- Properly unbundle the Transmission System Operator.
- Establish emergency oil stocks.
- Create a monthly oil data reporting system.
- Increase the independence of the Energy Regulatory Agency.
- Adopt secondary legislation on supplier switching so as to ensure customers' rights.

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

## **PUBLIC PROCUREMENT:**

According to the Public Procurement Administration, the share of public procurement in Montenegro's GDP has fallen from 12.14% in 2010 to 9.62% in 2014. Over the past five years, 25 798 contracts have been concluded, without counting the ones concluded through direct agreement. The total value of these contracts is EUR 1,6 billion. The total amount of EUR 1 billion was spent on procurement concluded through direct agreement, for which there is no legal obligation for a public call, which is an indication of continuing high corruption and irregularities risks. This large amount of funds that is being allocated for public procurement annually represents an area of high corruption risk. The lack of transparency in public procurement concerns inaccurate and incomplete published data and inconsistent reporting on the side of Public Procurement Administration and the contracting authorities (state - owned enterprises). Furthermore, there is no database on contracting authorities that have violated either the Public Procurement Law or the type of violation that was committed.

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.



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