

# ENERGY GOVERNANCE FACT SHEET: MACEDONIA

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## KEY ISSUES:

- The electricity market is dominated by 3 companies: AD ELEM, AD MEPSO, and EVN Macedonia AD.
- Electricity market liberalization has been delayed.
- Public procurement and large projects remain largely non-transparent.
- Concerns persist regarding the independence of the energy regulator (ERC).
- The extensive centralization of the energy sector decision-making creates prerequisites for high level corruption and state capture.
- The energy sector is suffering from party political interference.
- The existing legal framework is non-compliant with the EU acquis.

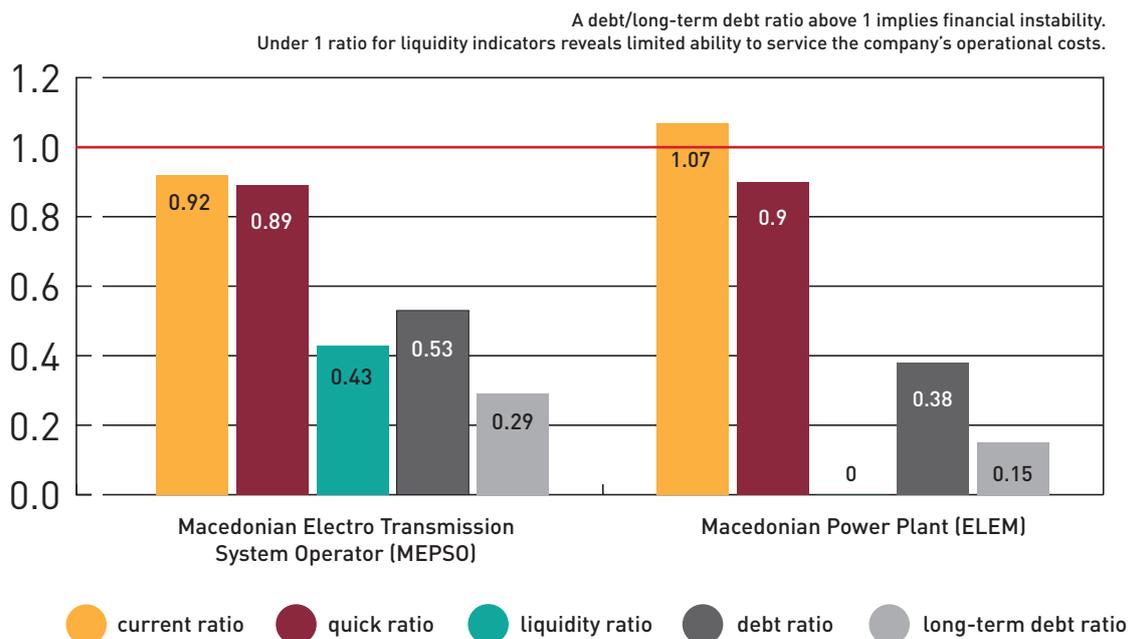
SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

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

|                         |  |
|-------------------------|--|
| <b>Price regulation</b> | Regulated tariffs apply to power generation, to small business and household consumers. There are no activities to phase-out price regulation yet. Retail prices except for large consumers are set on the liberalised market by market forces   |
| <b>Eligibility</b>      | Eligible customers for switching their power supplier are only those connected directly to the transmission network and customers connected to the distribution network, with more than 50 employees and annual turnover over EUR 10 million. The amendment of the Energy Law from October 2014 delayed the eligibility status for small customers and households, initially granted as of 1 April 2014 and 1 January 2015 respectively. All power consumers will be provided the right to switch their supplier not before July 2020. This delay for small customers and households to choose their supplier is a breach of the European Energy Community Treaty. |
| <b>Market opening</b>   | There are currently 241 customers on the liberalised segment of the market where clients are eligible to choose their power supplier. This has already provided incentives for new electricity suppliers to enter the market.  |
| <b>Unbundling</b>       | Legal unbundling of the transmission network operator MEPSO has been implemented. Both distribution system operators hold a supply license for supply of last resort and supply customers at regulated prices. Because they do not publish their financial statements separately for each of their regulated activities, they are breaching the unbundling requirements.   |

SOURCE: Progress Report on the Implementation of the Energy Acquis of the European Energy Community, 2015.

## 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               | No Progress       |
| Complementary Legal Acts   | Progress on Track |
| Organised Day-Ahead Market | No Progress       |
| National Balancing Market  | No Progress       |
| Price Deregulation         | Progress on Track |
| DSO Unbundling             | No Progress       |
| TSO Unbundling             | No Progress       |
| NRA Independence           | Progress on Track |

SOURCE: European Energy Community Progress Report, 2015.

## POLICY RECOMMENDATIONS:

- Improve security of supply.
- Strengthen ERC independence with reforms which include competitive election of members.
- Rotate presidency of the ERC among commissioners.
- The requirements for applicants for the post of Commissioner need to be based on more transparent criteria.
- Establish better cooperation between the ERC and the energy community.

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

## **PUBLIC PROCUREMENT:**

Public procurement planning and implementation has been haphazard in Macedonia. For example, the state audit for 2012 noted that the basic Public Procurement plan for 2011 and 2012 was only partially implemented at 51%. The audit recommended activities for improved planning procedures and additional control in the phase of creation and realization of the Public Procurement plan. The Electronic system for public procurement offers various data on public procurement, primarily regarding contract notices and contract award notices. Although the system is apparently based on a database there is no public access to it, which precludes analysis of performance and corruption risk. The portal offers available data about procurement procedures of the two key state owned enterprises: AD ELEM responsible for production and supply of electricity; and AD MEPSO responsible for transmission of electricity and management with the power system of Macedonia. But as noted the format of the system does not allow for a proper risk and performance assessment.

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



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