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in the Framework of European Electricity Market Liberalisation***

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THE SOUTHEAST EUROPEAN REGIONAL ELECTRICITY MARKET IN THE FRAMEWORK OF EUROPEAN ELECTRICITY MARKET LIBERALISATION

Key words: electricity sector, liberalization, Southeast European countries, regional electricity market

Abstract:

Economic reforms in electricity sector of Southeast European countries were implemented as the part of the much wider transition processes and structural adjustment reforms in transition countries. These reforms were driven by the need for consolidation of public finances, increase in investments and technological upgrading of the sector, as well as stability of electricity supply. Electricity reforms in the SEE countries have been also motivated by the aim of establishing regional energy market. In 2002 the European Commission started to encourage these countries in the frame of the Stability Pact to open their national electricity markets and integrate them with the EU Internal Electricity Market. The most important milestone was achieved in October 2005 when the Treaty establishing the Energy Community was signed as the only legally binding document. The Parties being the European Union from one side and the 9 Contracting Parties from the other (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia FYR, Montenegro, Romania, Serbia and UNMIK) decided to create the Energy Community. The Treaty has arranged for cooperation and establishment of common regulatory frame for electricity trade across the whole EU and within the SEE region under the same rules from the applicable EU *Acquis Communautaire* on energy. Final economic goal of such regional cooperation is creation of larger and more stable market, which will be more competitive and more interesting for foreign investors.

Within this context, the aim of the paper is to identify the key reform steps in SEE countries and how much of these reforms have taken place to date. This analysis includes the transition progress in electricity sector measured by EBRD transition indicators and some other indicators that cover tariffs, quality of regulatory framework and involvement of the private sector. Electricity reforms within European Union and European electricity market liberalization represent a wider analytical framework because these processes have had a significant impact on the course and intensity of the reforms in SEE countries.