

Energy Regulatory Office

<https://www.ure.gov.pl/en/energy-in-poland/23,Energy.html>
28.04.2024, 23:46

Energy

The year 2008 was a period of many changes on the electricity market. From the beginning of 2008 prices related to the trade of electricity for industrial customers have been released. However, due to the necessity of protecting customers of the tariff group G from unjustified price increase, which includes mainly household customers, the President of URE maintained the duty to present tariffs for approval regarding this group.

On 1st April 2008 long-term power purchase agreements for the purchase of power and energy were terminated, and energy from these contracts was directed to the market segment. It did not increase the flow of electricity exchange turnover, though, as practically all the energy was sold in bilateral contracts.

The consumption of electricity in 2008 on average, year to year, increased by 0,5%. At the same time the production of electricity decreased by 2,5% in 2008. Average annual demand for power in 2008 amounted to 21 222 MW and increased by 0,2% in comparison to 2007, on the other hand the maximum demand averaged 25 121 MW and increased by 2,1% in comparison to 2007. Due to lower levels of power reserve in the system in comparison to 2007 a real risk of failure in supply of electricity appeared. At the same time the physical export from Poland decreased by over 25%, with the import increasing by over 16%.

Organization for electricity trade on the wholesale market was characterized by high concentration of internal trade vertically consolidated energy groups. Almost 90% of electricity sold by the system producers was directed to trade enterprises in the frame of bilateral contracts. The rest of the sales was realized in the frame of long-term power purchase agreements (the first quarter of 2008) as well as vestigial amounts on the energy exchange. The sale of energy on the balance market (including the safeguard of the security of the National Electricity System - KSE), was on the level not much higher than in 2007. The number of producers decreased, which hold at least 5% of the market share.

Dynamic increase of demand for energy in the first three quarters of 2008, especially during the rush hours, reflected itself in the prices of electricity. Average prices of producers in the sale for energy trade enterprises increased by over 18% in comparison to the previous year. Average price of electricity sale by the producers on the balance market increased by almost 50%, and in the case of energy exchange - almost 100%. It should be noted, that in the fourth quarter of 2008 a slow decrease of electricity prices on the energy exchange started, which was connected with the decrease in demand for energy, especially during the rush hours.

Dynamically changing conditions on the wholesale market for electricity, as well as closing of energy trade within the capital groups, had significant result on the retail market. The indication of this was stagnation in winning new electricity customers with energy enterprises, as well as lack of activity of customers in changing suppliers due to lack of competitive sale offers on the market, and this despite significantly simplifying all the procedures. The barriers in developing the TPA rule should be searched mainly in the wholesale market as well as behaving practices of distribution system operators in relation to electricity suppliers, which reflect provisions of general distribution agreements.

Experience coming from the functioning of electricity market shows, that constant improvement in wholesale as well as in retailing is still necessary. It appears, that the most effective solution in the short term will be administrative support of public electricity trade, as well as increasing the authority of the President of URE in monitoring and effective promotion of competition.

Regulation

Regulation of energy enterprises activities are based on their stimulating, supervising and controlling of behaviour in the scope of existing detailed legal and institutional regulations. Regulation is a form of interference into economic freedom with the aim of limiting practices, which could be used by enterprises operating in natural monopoly conditions. The regulation activities of the President of URE cover a range of tools, by which he can influence on the energy enterprises, trying, at the same time, to balance the interests of the sector entities and energy customers. Among many possibilities of influence the most important are so called hard tools, that is licensing and setting tariffs.

23.08.2021

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