

MARKET INEFFICIENCIES IN THE CONTRACTING PARTIES OF THE ENERGY COMMUNITY (SOUTH-EASTERN EUROPE) – ELECTRICITY TRADING

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Contents

Albania	2
Bosnia and Herzegovina	3
Kosovo	5
North Macedonia	6
Montenegro	8
Serbia	9

Albania

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Requirement for a local establishment (taxable presence).	Ministry of Energy and Ministry of Finance	Bureaucratic, burdensome and costly requirements. Barrier to entry into the market for the companies legally established in EU member state or Contracting Parties of Energy Community.	Abolish requirement for a local establishment (taxable presence).
Limited wholesale reference price for Day-ahead (DA). Lack of transparency and language barriers.	Regulator, TSO	Market participants lack market information on prices, availability of plants, cross-border capacities, demand forecast, real-time data and historic information. No information on the use of congestion rent. Formal communication and submission of documents in local language.	Expand a transparent market with the wholesale price for intraday and forward. Facilitate access for foreign companies and improve liquidity.

National system for GoOs not linked to any international system.	Regulator	No digital registry for allocation and transfer of GoOs. Impossibility for international transfer of GoOs.	Create digital registry for GoOs. Join international associations for GoOs.
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Bosnia and Herzegovina

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Licensing regime for wholesale trading requires two licences.	Ministry, Regulators (DERK+ FERK or REERS)	Market entry barrier for the companies legally established in EU Member States or Contracting Parties of the Energy Community.	No licensing requirement for wholesale trading. Abolishment of the requirement for a local branch.
Requirement for a local establishment (taxable presence).	Ministry, Regulators	Bureaucratic, burdensome and costly requirements. Market entry barrier for the companies legally established in EU Member States.	Abolishment of the requirement for a local establishment (taxable presence).
Only licensed parties can sign the contract with the TSO (ISO+TO).	NOS BiH and Elektroprenos BiH	Bureaucratic and burdensome requirements for licensing.	Market participants without a licence should be enabled to sign contract with the TSO at least for commercial transit.

COMPENDIUM



High annual transaction-based licence fee.	Regulators (DERK, FERK, REERS)	Market participants are charged on the basis of their turnover. It gives the wrong signals to the market.	Abolishment of transaction-based fees.
Lack of transparency and language barriers.	Regulator, TSO	Market participants lack market information on prices, availability of plants, etc. Complexity due to non-harmonised rules and procedures, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local languages.	Establish a transparent market with wholesale price reference. Facilitate access for foreign companies → liquidity. Publication of information in a summarized form to help market participants, in line with data published on ENTSO-E transparency platform.
Absence of short-term market. Absence of Power Exchange.	Regulator(s), Ministry, TSO	No short-term and no day-ahead liquidity and therefore no efficiency.	Development of short-term market, establishment of Power Exchange and transition to transparent balancing mechanism with market-based prices.
No wholesale reference price.	Regulator, TSO	No efficient allocation of resources. Causes flows in the opposite direction with the congestion.	Publication of wholesale prices and development of centralized trading.
Licensing regime for wholesale trading requires two licences.	Ministry, Regulators	Market entry barrier for the companies legally established in	No licensing requirement for wholesale trading. Abolishment of

	(DERK+ FERK or REERS)	EU Member States or Contracting Parties of the Energy Community.	the requirement for a local branch.
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Kosovo

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Transaction based licence fee.	Regulator	Market participants are charged on the basis of their turnover. This gives wrong signals to the market. If market participants trade larger volumes with the lower spread, they are charged more, even though they contribute to liquidity.	Abolishment of transaction-based fees.
Only licensed parties can sign the contract with the TSO.	Regulator	Bureaucratic and burdensome requirements for licensing.	Market participants without a licence should be enabled to sign contract with the TSO at least for commercial transit.
Transparency	Regulator, TSO	Market participants lack the market information on prices, availability of plants demand forecast, real-time data, Complexity due to non-	Establishment of a transparent market with a wholesale price reference. Publication of information in a summarized form.

		harmonised rules and procedures, price formation.	
Since mid-December 2020 when KOSTT started independent operation as Control Area, there is no (coordinated) cross-border capacity allocation on XK-RS border, no auction process, and consequently no commercial flows on this border.	Regulator, TSO	Non-existence of capacity allocation. Transit problems have a negative impact on liquidity and prices.	Introduce (preferably coordinated) capacity allocation as soon as possible. D-1 and intraday capacity allocation processes should be developed at the same time.
Limited short-term market and balancing mechanism.	TSO	No short-term liquidity and no efficiency.	Development of short-term market and transparent market based balancing mechanism.
Limited wholesale reference price for DA coupled with Albania.	Regulator, TSO	No efficient allocation of resources. Causes flows in the opposite direction with the congestion.	Expand a transparent market with the wholesale price for intraday and forward.
Inability to obtain the ACER code.	Regulator	Limited possibility of registration to financial cross-border markets (FTR), and limited for more trades.	Facilitate procedures to obtain ACER code for non-EU member state market participants.

North Macedonia

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Licensing regime for wholesale trading.	Ministry, Regulator	Barrier to entry into the market for the companies legally established in EU Member State or Contracting Parties of the Energy Community.	Abolish this requirement.
Requirement for a local establishment (taxable presence).	Ministry, Regulator	Bureaucratic and burdensome requirements. Barrier to entry into the market for companies legally established in EU Member state or Contracting Parties of the Energy Community.	Abolish this requirement.
Only licensed parties can sign a contract with the TSO and the Market Operator.	Regulator	Bureaucratic and burdensome requirement.	Market participants without a local licence should be enabled to sign a contract with the TSO and the Market Operator.
Total turnover percentage-based licence fee.	Regulator	Market participants are charged based on their turnover. Market participants trading more volume with the lower spread, even though	Abolishment of transaction-based fees.

COMPENDIUM



		contributing to liquidity, are charged more. This gives wrong signals to the market.	
Lack of transparency and language barriers.	Regulator, TSO, Market Operator	Market participants lack market information on prices and availability of plants. Complexity due to non-harmonised rules and procedures, price formation. No information on the use of congestion rent. Formal communication and submission of documents in local language.	Need for regular bilingual public announcements of short-term and long-term historical data, as well as information on real-time energy balance (supply vs. demand), electricity generation capacities, planned unavailability and/or outages and electricity prices (wholesale/retail).
Limited short-term market.	Regulator, Market Operator	Growing but still no insignificant liquidity on the DA.	Expand a transparent market with the wholesale price for intraday and forward.

Montenegro

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Lack of transparency and language barriers.	TSO, Regulator	Complexity due to non-harmonised rules and procedures, price formation. No information on the use of	Publication of information in a summarized form to help market participants.

		congestion rent. Formal communication and submission of documents in local language.	
Forward allocation rules on IT-ME border.	SEECAO	Poor compensation for curtailments	Art. 59 revision of firmness rules providing for compensation based on the market spread between the two DA prices for curtailments occurring to preserve operational security limits before the Day-Ahead Firmness Deadline (according to FCA Regulation and HAR).

Serbia

Trading Barrier/Market Inefficiency	Responsible Institution or Body	Impact on Market	Proposed Solution
Licensing regime for wholesale trading.	Ministry, Regulator	Registration/licensing is needed for the companies legally established in EU Member State or Contracting	Abolish licensing requirement.

		Parties of the Energy Community.	
Only licensed parties can sign the contract with the TSO (for the RS-MN border).	Ministry, Regulator	Bureaucratic and burdensome requirements for licensing.	Market participants without a local licence should be enabled to sign a contract with the TSO for the RS-MN border.
Since mid-December 2020 when KOSTT started its independent operation as Control Area, there is no (coordinated) cross-border capacity allocation on the RS-XK border, there is an absence of an auction process, and no commercial flows on this border.	TSO, Regulator	Absence of capacity allocation. Consequently, commercial flows affect not only the involved, but other neighboring and regional market. Transit problems have a negative impact on liquidity and prices.	Introduce (preferably coordinated) capacity allocation as soon as possible. D-1 and intraday capacity allocation process should be developed at the same time.
Contradictory trading rules in KOSTT Control Area are still in place, although there are no RS-XK commercial flows since mid-December 2020.	Ministry, Regulator	Double licensing for (potential) trading.	Abolish licensing requirement.
Lack of full transparency.	TSO, Regulator	Market participants lack the complete and on-time market information on availability of	Publication of information in a summarized form.

COMPENDIUM



		power plants. No information on the use of congestion rent.	
Lack of full transparency.	TSO, Regulator	Market participants lack the complete and on-time market information on availability of power plants. No information on the use of congestion rent.	Publication of information in a summarized form.
	TSO		Introduction of coordinated capacity allocation on the RS-MN border.
Coordinated cross- border capacity allocation still missing on the RS-MN border.	TSO	Poor liquidity.	Introduction of coordinated capacity allocation on the RS-MN border.