

GAP ANALYSES BETWEEN THE LEGISLATIVE FRAMEWORK OF THE ELECTRICITY SECTOR IN THE REPUBLIC OF NORTH MACEDONIA AND THE EUROPEAN LEGISLATION

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A b s t r a c t: This paper conducts a comprehensive evaluation of the ongoing development of legislation within North Macedonia's electricity sector when compared against the corresponding legal framework of the European Union (EU). Specifically, the initial overview promptly identifies North Macedonia's strategic alignment within the EU's political sphere and emphasizes the imperative need for consistent harmonization of national laws. Moreover, it becomes evident that achieving full EU harmonization in the electricity sector necessitates cooperation and the fulfilment of obligations stipulated in the Energy Community (EnC) Treaty. This treaty holds particular significance for North Macedonia as it stands as the country's legally binding agreement with the EU. Hence, monitoring the consistent fulfilment of the treaty requirements, along with assessing the stance adopted by competent institutions and the perceptions of professionals and the broader public in North Macedonia, portrays an overall image of the nation's readiness and commitment to the reform process in preparation for EU accession. Furthermore, given the dynamic nature of EU energy law evolution, especially amid the current tumultuous state of energy crises, EnC Contracting Parties consistently lag in the transposition and implementation of these laws. This paper delineates the imminent pending obligations that North Macedonia must address within this ongoing process.

Key words; electricity legal framework; national law harmonization; gap analysis

АНАЛИЗА НА ПРАВНАТА РАМКА НА ЕЛЕКТРОЕНЕРГЕТСКИОТ СЕКТОР ВО РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА ВО СПОРЕДБА СО ПРАВОТО НА ЕВРОПСКАТА УНИЈА

А п с т р а к т: Овој труд прикажува критичка анализа на сегашниот развој на правната рамка во електроенергетскиот сектор на Република Северна Македонија во споредба со соодветната рамка во Европската Унија (ЕУ). Во рамките на трудот е претставена потребата од соодветно усогласување на националното право со правото на ЕУ, што всушност треба да се постигне преку соработка и исполнување на обврските преземени со Договорот за Енергетска заедница (ЕнЗ). Овој договор е значаен и поради фактот што тој е прв законски обврзувачки договор кој Северна Македонија го има склучено со ЕУ. Затоа навременото исполнување на обврските, како и целокупниот однос на надлежните институции, стручната и пошироката јавност кон овој договор, ја проектира сликата на подготвеноста и сериозноста на реформите во процесот на пристапување на нашата држава кон ЕУ. Имајќи ја предвид динамиката на развој на законодавството на ЕУ, особено во тековното турбулентно време на енергетска криза, договорните страни на ЕнЗ секогаш доцнат при транспозицијата и имплементацијата на правото на ЕнЗ. Овој труд ги идентификува постигнувањата, но и неминовните заостанати обврски на Северна Македонија во тој процес.

Клучни зборови: правна рамка на електроенергетскиот сектор; хармонизација на националното право; споредбена анализа

1. INTRODUCTION

The implementation of energy sector reforms under the EnC legislation serves as more than just a prerequisite for aligning with EU Law. These reforms constitute a comprehensive undertaking aimed at fostering the establishment of a cost-effective and sustainable energy system. This process stands as a crucial component of North Macedonia's preparations for EU accession and, more broadly, for the nation's economic advancement. Namely, as a contracting party of the EnC, North Macedonia has the obligation to harmonize its legislation with the EnC acquis, which requires adoption, harmonization and implementation of legislation in the fields of energy, competition, renewable energy sources (RES), energy efficiency, oil and gas, statistics, infrastructure, environment and climate. The process, which started in 2005, aimed to prepare the contracting parties for the EU accession requirements and to support the transformation of the vital sectors. At present, the aims of the process have broadened and comprise support of the energy transition process and decarbonisation of the economy.

This paper is divided into two parts. The first part offers a concise examination of EU and EnC Law concerning electricity markets. It is utilized to conduct a comparative analysis between national legislation and the EnC's target regulations. The results of the comparative analyses are presented in the latter part of this paper. This analysis stems from extensive research into North Macedonia's electricity sector legislation, as previously published in the authors' works [1] and [2].

The primary objective of this paper is to present a brief update on the current status of the electricity related legislation in North Macedonia, augmenting the information outlined in [1] and [2], while also providing a comparison of achievements against both EnC and EU objectives. This comprehensive overview of the current situation and objectives establishes the foundation for ongoing monitoring of legislative changes in relevant domains. Additionally, it offers an assessment of the country's progress toward meeting the objectives stipulated in the EnC Treaty.

2. ELECTRICITY MARKET LEGISLATION AT EUROPEAN LEVEL

Until recently, the EU's electricity sector operated under the framework of the Third Legislative Package for Electricity and Gas Markets (Third

Package). However, this package lacked defining and enabling the utilization of innovative flexible technologies and numerous emerging concepts related to power system operations and power market dynamics. Subsequently, legislative advancements have occurred, primarily through the introduction of the Clean Energy for all Europeans Package (CEP). This newer legislation has eliminated certain obstacles hindering advanced technologies and has recognized various innovative concepts associated with electricity markets, as well as the security, operation, and management of power systems.

Nonetheless, the process of reforming legislation remains ongoing, and there are several crucial regulations that need development and adoption to fully implement the concepts advocated within the CEP.

A. Clean energy for all Europeans package

CEP was adopted in 2019 and its primary goal is to aid the decarbonization of EU's energy system, considering the mandatory climate targets by 2030. These targets are introduced in the Governance Regulation of the Energy Union and Climate Action (Governance Regulation) [3], which is one of the acts comprising CEP.

In addition to the Governance Regulation, the following acts, which may conditionally be classified as follows, legal acts that comprise CEP can be conditionally classified in two groups based on their dominant contribution to the priority measures:

- Climate targets of the Energy Union (energy efficiency and renewable energy):
 - Directive (EU) 2018/844 on the energy performance of buildings,
 - Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (recast) (RED II), and
 - Directive (EU) 2018/2002 on energy efficiency.
- Electricity market and security of supply:
 - Directive (EU) 2019/944 on common rules for the internal market for electricity (recast) (IEM-Directive),
 - Regulation (EU) 2019/943 on the internal electricity market (recast) (IEM-Regulation).
 - Regulation (EU) 2019/941 on risk-preparedness in the electricity sector (Risk Regulation), and

- Regulation (EU) 2019/942 on the establishment of the Agency for Cooperation of Energy Regulators (ACER) (recast).

In the following subsections a short description of the novelties introduced by the legal acts that create the electricity market legislation is given.

1) *Renewables directive*

The RED II [4] introduces the following three key concepts for the first time:

- Enabling self-consumption, i.e. enabling end users or customers to generate electricity from RES for their own consumption and allowing them to store and sell surplus electricity.
- Establishment of renewable energy cooperatives.

Implementation of new or redefined criteria concerning sustainability and reductions in greenhouse gas emissions from individual biofuels, bio-liquids, or biomass fuels.

In addition to these concepts, RED II sets a new obligatory target for the EU to achieve 32% RES in energy consumption by 2030. It includes a review clause scheduled for 2023, aimed at potentially increasing the EU-level target. The directive aims to enhance the structure and stability of RES Support Schemes, simplify administrative processes, and create a clear and steady regulatory framework for self-consumption of RES.

Furthermore, RED II raises the bar for the integration of RES in transportation and heating/cooling sectors, fostering collaboration among EU Member States (MSs) and non-EU countries. It encourages joint efforts to achieve the RES target through mechanisms such as statistical renewable energy transfers, collaborative RES projects, and unified Support Schemes for RES.

The adoption of the Fit for 55 package required significant alterations to the existing EU energy legislation, aiming to incorporate a higher RES share within the energy composition of both the European Union and its Member States (MSs). This initiative also called for a revision of RED II. Consequently, in July 2021, concurrent with the adoption of Fit for 55, the European Commission (EC) puts forth a proposed amendment to RED II [4]. The EC's proposal for the revised RED II aims to achieve a twofold increase in the share of RES in the energy mix by 2030, accomplished by elevating the mandatory EU minimum RES share in final energy consumption to 40%. To accomplish this goal, a comprehensive framework for the deployment of RES across all

sectors of the economy is set to be initiated and reinforced by sector-specific targets at both the EU and national levels.

Among the provisions of the revised RED II is the obligation to create a credit mechanism incentivizing renewable energy consumption in transport, facilitating collective Power Purchase Agreements for RES generators, introducing a new EU-wide labelling methodology for industrial products manufactured using renewable energy, and establishing a pilot project to foster cross-border cooperation on renewables. The sustainability of biofuels has also been addressed, for instance through the creation of Support Schemes that align with the biomass cascading principle.

Amidst the Parliamentary process for the adoption of an updated RED II in July 2022, the Parliamentary Committee on Industry, Research, and Energy highlighted the necessity for additional adjustments to the legislative proposal. This was to ensure alignment with the objectives and targets outlined in the REPowerEU plan. The report presents several promising insights. Specifically, Member States (MSs) are urged to target a 5% increase in newly installed capacities for both storage technologies and innovative RES technologies. Additionally, they are mandated to develop a minimum of two cross-border RES projects by 2026. In October 2023, the Council adopted the updated Directive, with the new objectives to raise the share of renewable energy in the EU's overall energy consumption to 42.5% by 2030 with an additional 2.5% indicative top up to allow the target of 45% to be achieved.

2) *Electricity directive and electricity regulation*

The IEM-Directive [5] and IEM-Regulation [6] aim to introduce a new energy market design. This section of the CEP focuses on adapting the EU's internal electricity market model to address the demands posed by the energy transition. Its aims to enhance the connectivity and resilience of the market, while safeguarding it against power system failures. Furthermore, this segment of the CEP is designed to facilitate the incorporation of renewable electricity into the grid and to better cater to the diverse requirements of all consumers.

The acts introduce a definition of energy storage systems, acknowledging their significance as vital resources within power systems. They are crucial in enhancing flexibility to accommodate the increasing integration of renewable energy into the grid. Additionally, these acts acknowledge the

emergence of citizen energy communities as a distinct category of collaboration among citizens or local stakeholders in the energy sector. The new market model is designed to incentivize consumers to actively participate and contribute to maintaining stability within the electricity system by leveraging their consumption flexibility. This flexibility encompasses practices like intelligent charging of electric vehicles and utilizing self-generated electricity. Moreover, these legislations significantly tackle issues related to customer protection, facilitating energy supply transitions, and addressing concerns regarding energy poverty.

The IEM-Regulation also introduces cyber security care as part of the tasks of ACER, the European Network of Transmission System Operators (ENTSO-E) and of the Association for the European Distribution System Operators (EU DSO Entity) and it imposes an establishment of a new Network Code on Cyber Security.

3) Risk regulation

Secure operation of power systems and functioning electricity markets are prerequisites for secure and continuous supply of electricity. But even when these conditions are expected to be met, there are factors that may influence or disrupt supply of electricity. These factors may be both natural and man-made. Their effects can be easily spread to neighbouring systems as power systems are interconnected infrastructures. The consequences of disruptions in supply may have regional impacts in economy, environment and social interactions.

The secure power system operation and efficient electricity markets are fundamental requirements for ensuring a continuous and secure electricity supply. However, despite meeting these conditions, various factors – both natural and human-induced – can influence or potentially disrupt the supply of electricity. Given the interconnected nature of power systems, the effects of these factors can swiftly propagate to neighbouring systems. Consequently, these disruptions can lead to regional impacts affecting the economy, environment, and social interactions.

The Risk Regulation [7] is a legal act from the CEP which focuses on the issue of secure supply of electricity. It sets a framework for cooperation among EU MSs in preventing, preparing for and managing large scale electricity crisis, as well as for monitoring the security of electricity supply in the EU. This regulation also considers the possible cooperation between EU MSs and EnC Contracting

Parties in the area of secure electricity supply, which may include identification of electricity crisis scenarios, defining electricity crisis and establishment of risk-preparedness plans.

The Article 5 of the Risk Regulation [7] stipulates adoption of a Methodology for Identifying Regional Electricity Crisis Scenarios. The Methodology sets the framework for the transmission system operators (TSOs) to establish electricity crisis scenarios on regional level, based on common scenarios rating scales. Table 1 and Table 2 show the current scenario classification scales, which are elaborated in more detail in [8].

Table 1

Six-step likelihood classification scale [8]

| Classification | Events per year | 1 × years | Description/example of initiating event |
|--------------------|-----------------|--------------|---|
| Very likely | ≥ 0.5 | 2 or less | Event expected practically every year, e.g. winds/storms causing multiple failures of overhead lines may be expected nearly every year in some areas |
| Likely | 0.2–0.5 | 2–5 | Event expected once in a couple of years, e.g. heat wave causing limits on output of open-loop water-cooled power plants, low water levels at hydro plants, higher load, etc. |
| Possible | 0.1–0.2 | 5–10 | Event expected or taken into consideration as a potential threat, e.g. cyber or malicious attack |
| Unlikely | 0.01–0.1 | 10–100 | Rare event, e.g. simultaneous floods causing unavailability of generation, distribution and transmission infrastructure |
| Very unlikely | 0.001–0.01 | 100–1000 | Very rare event, e.g. earthquake causing a huge destruction of transmission, distribution and generation infrastructure |
| Extremely unlikely | ≤ 0.001 | 1000 or more | Not applicable, impossible, or extremely rare event, expected beyond 1 in 1000 years |

Table 2

Five-step impact classification scale [8]

| Classification | Expected energy not served% (of average annual consumption) | Loss of load expectations (hours) |
|----------------|---|-----------------------------------|
| Disastrous | $\geq 0.25\%$ | ≥ 168 |
| Critical | $\geq 0.05\%$ and $< 0.25\%$ | ≥ 48 and < 168 |
| Major | $\geq 0.01\%$ and $< 0.05\%$ | ≥ 12 and < 48 |
| Minor | $\geq 0.002\%$ and $< 0.01\%$ | ≥ 3 and < 12 |
| Insignificant | $< 0.002\%$ | < 3 |

At the beginning of December 2023, the second public consultation on this Methodology has finished. The consultation process aims to ensure that the Methodology, developed by ENTSO-E, is updated according to the latest information and developments. Such approach is required as the risk factors that influence the risk scenarios are continuously evolving.

B. Network codes

The electricity sectors in EU MSs are further governed by a set of regulations that are known as Network Codes (NCs). The existing Electricity NCs were adopted in the period 2015 – 2017 with the aim to unify power system operation and market rules across the EU for the purpose of creating a functional Internal Market for Electricity. This set of regulations formally belongs to the Third Package and comprises the following acts:

- Connection Codes
 - High Voltage Direct Current Connections,
 - Demand Connection Code (DCC), and
 - Requirements for Generators (RfG).
- Market Codes
 - Capacity Allocation & Congestion Management (CACM),
 - Forward Capacity Allocation (FCA), and
 - Electricity Balancing (EBGL).
- Operation Codes
 - System Operations (SOGL), and
 - Emergency and Restoration (ER).

The process of preparation of amendments to these NCs and their subsequent adoption to comply

with the legislation introduced by CEP is ongoing within EU institutions.

1) Forward capacity allocation

The FCA [9] sets out regulations governing long-term markets, which enable market participants to mitigate future price risks within defined periods specified in forward contracts (such as weeks, months, quarters, or years). To facilitate cross-border electricity exchange, this regulation also establishes the rules for the forward allocation of both physical and financial transmission rights. However, the new stipulations outlined in CEP emphasize the imperative need for establishing a new EU Electricity Market Model. ACER's recent Policy Paper on the Further Development of the EU Electricity Forward Market [10] argues for revisions to the forward market in line with these developments.

2) Capacity allocation and congestion management

The CACM [11] forms the basis of the European single electricity market. It establishes methodologies for computing and allocating transmission capacities across the different market timeframes. Additionally, it defines regions for capacity calculations, bidding zones, and rules governing the operation of day-ahead and intraday electricity markets. CACM specifically emphasizes implicit coordinated capacity auctions and aims to standardize the operation of cross-border markets across Europe, fostering increased competitiveness and the integration of RES. The implementation of CACM has demonstrated significant progress in advancing both the EU's day-ahead and intraday electricity markets [12].

3) Electricity balancing

EBGL [13] promotes integration, coordination and harmonization of electricity balancing rules, thus facilitating the efficient use of available balancing resources and allowing new players such as demand response and renewables to participate in this market. This should help to increase security of supply, limit emissions and diminish costs to customers.

Namely, the objective of EBGL is to foster balancing market integration with the aim of reducing total costs and to increase social welfare while ensuring operational security. EBGL introduces a definition of the concept of "Balancing energy", which

should be provided by Balance Service Providers (BSPs). The TSOs can use this energy to balance the deviations between supply and demand in real-time. Balancing can be provided by a wide range of technologies, including small-scale, renewable, and conventional generation, energy storage and demand response. Therefore, one of the major impacts of the implementation of EBGL is that it provides opportunities for all potential sources of balancing, fostering competition and maximizing social welfare. The EBGL are guided by the notion that ac-

tions which are not explicitly forbidden, like participation or initiative for cooperation, are allowed.

The requirements of EBGL include establishment of balancing platforms for frequency containment, frequency replacement and reserve replacement, which are already operational and increase the number of participating TSOs, as presented on Fig. 1 below. These platforms have been developing in the last few years and the results of their implementation confirm the benefits of regional cooperation.

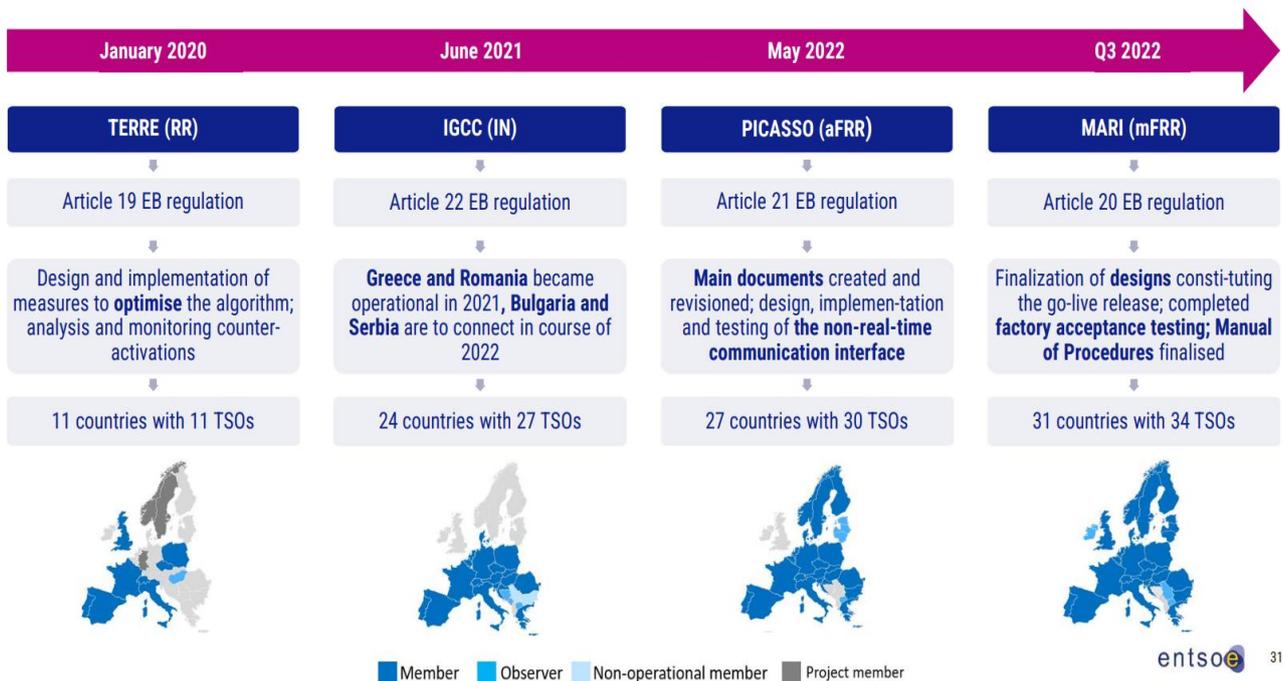


Fig. 1. Overview of balancing platforms development in Europe [14]

Balancing market design and arrangements cannot be fully decoupled from real time system operation. As a result, SOGL [15] is also relevant for the discussion of electricity balancing. The SOGL primarily addresses three aspects of balancing: the harmonisation of reserve categories, the activation strategy for balancing energy in real-time and the sizing of reserves.

4) System operation

SOGL [15] specifies TSO activities to manage secure operation of their electricity grid, considering the integration of RES and flexibility resources, as well as increased interconnections and cross-border competition. This regulation also introduces regional coordination a legal obligation for TSOs.

SOGL introduces provisions related to coordination and data exchange between TSOs, between TSOs and Distribution System Operators (DSOs), as well as between TSOs or DSOs and Significant Grid Users (SGUs), both during planning and close to real-time operations. This includes rules and responsibilities for the approval of Key Organization Requirements, Roles and Responsibilities (KORRR) relating to Data Exchange [16], the implementation of specific aspects of the data exchange, and the agreements on processes and format for data exchanges between key players.

5) Emergency and restoration

While SOGL refers to normal power system operation, ER [17] considers emergency operation

of power systems. The ER [17] outlines the specific steps and protocols that TSOs must adhere to in the event of incidents within their grid. These procedures are designed to meet the highest standards and best practices for handling emergencies, blackouts, and the restoration of normal grid operations. ER establishes standardized requirements for TSOs to develop both the System Defence Plan and the Restoration Plan. The standardized approach ensures the effectiveness and coherence of these plans on a European scale. Moreover, ER aims to maintain the continuity of energy transactions during states of emergency, blackout, or restoration. It also defines the conditions [17] under which such transactions could be temporarily suspended.

6) Connection codes

RfG [18] prescribes the standards that generators have to meet in order to connect to the grid. The implementation of the RfG aims to boost the market participation of generation technology and increase competitiveness.

DCC [19] sets the requirements for grid connection of: i) transmission-connected demand facilities; ii) transmission-connected distribution facilities; iii) distribution systems, including closed distribution systems; iv) demand units, used by a demand facility or a closed distribution system to provide demand response services to relevant system operators and relevant TSOs. DCC introduces obligations for system operators to make appropriate use of the demand facilities' and distribution systems' capabilities in a transparent and non-discriminatory manner.

C. Legal framework of the Energy Community

In general, the implementation level of the EU energy and environmental law in the Energy Community Contracting Parties is limited to the documents of the EU Third Package for Electricity and Gas Markets. However, the activities to introduce new acts in EnC Law, which are related to the CEP package, have already started.

The first step towards alignment with the current EU law in the related areas was done at the 19th EnC Ministerial Council of 30 November 2021 [20], when the first set of CEP documents and commitments was adopted in the EnC Law. This set covers legislation in the areas of governance, energy efficiency, renewables, electricity market design, and

security of supply rules. The alignment with the current EU law continued with the Decision of the 20th EnC Ministerial Council of 15 December 2022 [20] and the adopting additional set of CEP related documents. The most important development for the SEE Electricity Market happened on the same Ministerial Council [20] by adoption, based on the previous long-lasting negotiation and adaptation process with the EC, of the Market and System Operation NCs deriving from the Third Package for Electricity and Gas Markets. The adoption of the Market and System Operation NCs has become a reality after incorporating a new reciprocity mechanism within the EnC Treaty, which makes possible market couplings between EU MSs and EnC Contracting Parties. Finally, the renewables, energy efficiency and greenhouse gas reduction targets for 2030 were adopted at the Ministerial Council in December 2022, following the finalization of a study by the European Commission.

Table 3

EnC – Obligations for contracting parties [21]

| Act from | Name of document | Deadline for transposition |
|----------|--|----------------------------|
| CEP | Governance Regulation | 31 December 2021 |
| | RED II | 31 December 2022 |
| | Directive (EU) 2018/2002 on energy efficiency | 31 December 2022 |
| | IEM-Directive | 31 December 2023 |
| | IEM-Regulation | 31 December 2024 |
| | Risk Regulation | 31 December 2024 |
| | Regulation (EU) 2019/942 on the establishment of the ACER (recast) | 31 December 2024 |
| NCs | FCA | 1 January 2024 |
| | CACM | 1 January 2024 |
| | EBGL | 1 January 2024 |
| | SOGL | 1 January 2024 |
| | ER | 1 January 2024 |

It is noteworthy to observe that the EU is already in the process of updating some of the legislative acts comprising CEP with the aim of increasing the targets and objectives related to RES use, energy efficiency and greenhouse gas emissions.

3. IMPLEMENTATION OF ELECTRICITY MARKET LEGISLATION IN NORTH MACEDONIA

The content found in references [1] and [2] clearly shows that the Energy Law [22] serves as the foundation for executing a strong reform base to align EU Law within North Macedonia's electricity sector. By enacting this law and accompanying secondary regulations, the country can be considered among EnC Contracting Parties that have successfully integrated the Third Package into their national legislation.

This section presents an overview of the most relevant bylaws and other documents which set the legislative will in the area related to the electricity market. As an update to the situation presented

in [1] and [2], this paper highlights the main achievements in the past three to four years. Hence, it considers the implemented actions aimed to further harmonise the provisions of the Energy Law [22] and to prepare for full implementation of the NCs. It is important to note that since the first half of 2023, a new Energy Law is under preparation. This Law should transpose the requested CEP documents from the EnC Law. As presented in the section 2, subsection C, the implementation deadlines for all these legal acts are in the near future.

Fig. 2 presents part of the legislative acts adopted or approved by relevant institutions, which enable the most significant reform achievements related to the implementation of European legislation.

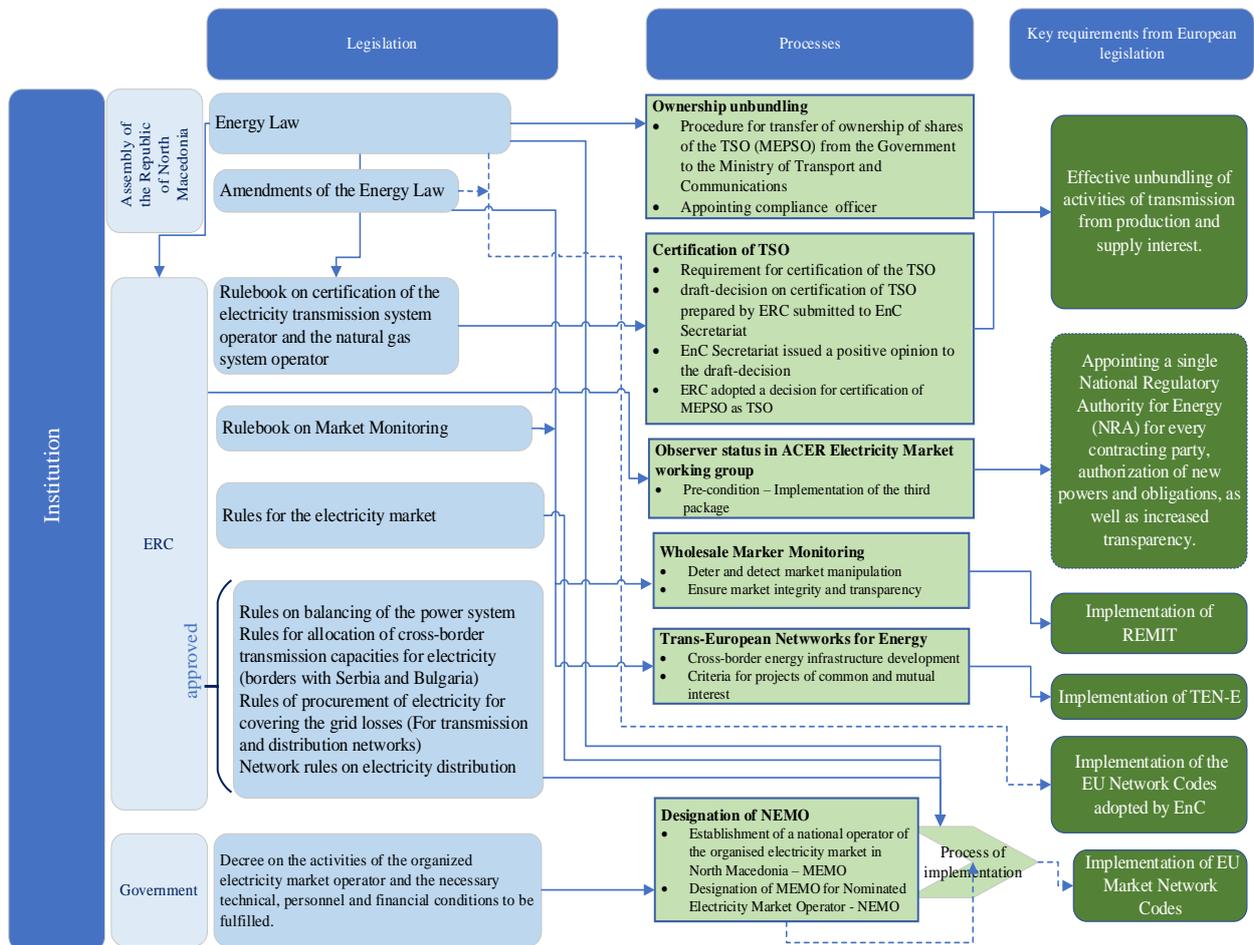


Fig. 2. Overview of the key achievements from the implementation of EnC legislation

One of the key requirements from the Third Package was met by implementation of the Energy Law and completing the process of ownership unbundling of the TSO – MEPSO. Shortly after,

another obligation was completed, i.e., the certification process of MEPSO as a TSO was concluded successfully. The implementation of the Energy Law extended the competences of the Energy and

Water Services Regulatory Commission of the Republic of North Macedonia (ERC). As a result, ERC could apply for membership in the working bodies of ACER which is an essential aspect for further development of the work of the national regulatory body. At present, ERC has a status of observer in the ACER’s Electricity Working Group. An important contribution to achieving this status was the complete implementation of the EU REMIT Regulation [23] after adequately amending Energy Law [22] and adopting the new Rulebook on Market Monitoring [24]. By the last amendments to the Energy Law [22], the EU TEN-E Regulation [25] was transposed to the national legislation, thus achieving one more milestone on the way to EU harmonization. All these achievements are acknowledged by the last EnC Secretariat Annual Implementation Report 2022, [26].

Fig. 2 presents another essential step for the process of implementation of Market NCs, i.e. the establishment of a National Operator of the organized electricity market in North Macedonia – MEMO. Furthermore, in September 2020, by a government decision, MEMO was designated as the Nominated Electricity Market Operator (NEMO), in line with the Market NCs of the EU. The completion of these actions, which are considered as outstanding achievements, made our country the first of the EnC Contracting Parties to have implemented such a decision. Within this period, MEMO undertook a number of activities for the establishment of the first organized electricity market (the Day-ahead and Intraday market) in North Macedonia, and for its coupling with neighbouring markets into a single

electricity market of the EU. On a session held on 6th of April 2023, the ERC adopted a Decision to approve the Rules for Operation of the organized electricity market. This has led to the first live Day-ahead auctions, which were held on 10th of May 2023 [27]. The establishment of the organized Day-ahead market operated by MEMO is a key step towards achieving the European Electricity Market Target Model and further market coupling with neighbouring markets.

As per the evaluation conducted on the implementation of EnC legislation in North Macedonia [26], it is estimated that the collective efforts made to implement the Energy Law [22] and create and endorse secondary regulations, primarily driven by the expertise of the ERC, have resulted in the establishment of an "advanced electricity market model characterized by a high degree of openness."

In relation to the implementation of the NCs, the Energy Law prescribes their direct applicability, however, [26] states that no NC has been translated and published officially as a legislative act. The transmission grid code was amended in December 2021 to implement some requirements of the NCs. The distribution grid code was amended in 2022, but it still requires introduction of further changes to reflect the required parameters of the Connection Codes [26].

Upon adoption of the Energy Law and of series of bylaws described in detail in [27], the wholesale and retail electricity market were completely transformed.

Fig. 3 presents a general overview of the achievements related to the market development.

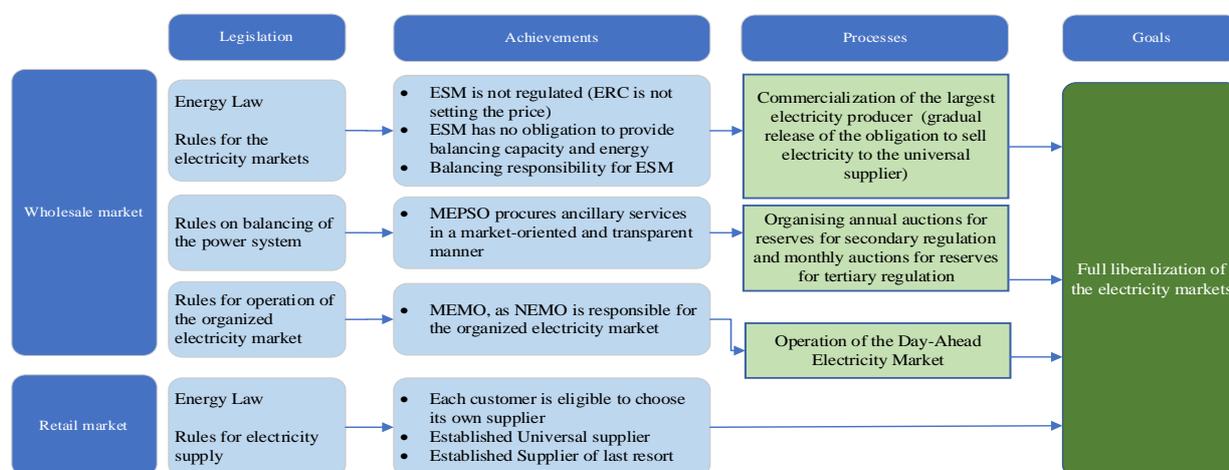


Fig. 3. Achievements and processes in relation to electricity market liberalization processes

4. CONCLUSION

This paper provides comprehensive analyses of the developments of the EU electricity market related legislation. This paper also considers EnC Law latest developments and the obligations for the stakeholders in the electricity sector of North Macedonia. The focus is both on the achieved results and the challenges ahead.

The analyses show that despite North Macedonia's notable accomplishments in implementing the Third Package, there are remaining actions to be taken, particularly regarding the complete implementation of the necessary NCs. As outlined in subsection C of section 2, there are new tasks and obligations that must be met to initiate the implementation process of the CEP. In essence, this paper clearly demonstrates that the alignment with EU law is a continuous process that shall continue in the future. This is due to the numerous challenges faced by EnC Contracting Parties, which are reiterated with each new development in both EU Law and EnC Law.

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