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Annex 13/29th PHLG/27-05-2013

ENERGY COMMUNITY WORK PROGRAMME 2014 – 2015

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I. INTRODUCTION

The present Work Programme of the Energy Community for years 2014-2015 is prepared taking note of:

- The Energy Community objectives, as laid down in Article 2 of the Treaty.
- The Energy Community developments since the entry into force of the Treaty (2006);
- The necessity to provide a clear framework for further steps towards achieving the Energy Community objectives;
- The ongoing developments of political, legal and economic nature in the Contracting Parties and Observers;
- The energy developments in the European Union

Within the current Work Programme period 2012-2013 the Energy Community has worked intensively towards implementation of the *acquis* under the Treaty in all specified areas (electricity, gas, oil, renewables, environment, energy efficiency, security of supply and competition). As reflected in detail in the Secretariat's annual implementation reports, the Contracting Parties have benefited from support by the Secretariat in implementing the *acquis* through compliance reviews, implementation partnerships, enforcement and negotiations for upgraded legislation, workshops, monitoring etc. The work to be expected from the Contracting Parties, but also from the Energy Community institutions will become even more intensive as the focus shifts from mere *transposition* to true *implementation*, mostly through secondary legislation and regulatory acts. On a third, even more work-intensive layer, the Energy Community will have to get more involved in the application of the rules in individual cases. This includes, *inter alia*, permitting of infrastructure and generation projects, environmental impact assessment procedures for individual projects, the enforcement of competition and State aid law in individual cases etc. All these areas have so far not been sufficiently covered by the Energy Community and require more targeted efforts.

Over the past two years, the Ministerial Council also broadened the scope of the *acquis communautaire* substantially. The Third Package constitutes big implementation challenges in the electricity and gas sectors. The network codes will go into a level of detail for which the Energy Community so far is not well-prepared. The Renewables Directive and the Oil Stocks Directive in the petroleum sector are other cases in point. They will require intensive support by the institutions, and in particular by the Secretariat. The same goes for new *acquis* in energy efficiency, statistics as well as the persisting task of implementing the Large Combustion Plants Directive with its huge impact on the energy sectors and a low degree of preparedness only five years before the expiry of the deadline.

It is to be expected that the process of incorporating new EU legislation in the Energy Community *acquis communautaire* will continue. Besides the guidelines and network codes

in electricity and gas (where the PHLG has already committed to swift and quick incorporation once they are adopted within the EU), the infrastructure package adopted in the European Union in 2013 is of relevance for the Energy Community. The same goes for the REMIT regulation. For the Gas Security of Supply Regulation, a study is currently preparing the ground for incorporation. Finally, it may be expected that as sustainability aspects of energy policy are gaining more ground globally. The relatively limited *acquis* on environment under Title II of the Treaty may also have to be reinforced, for example by incorporating the Directive on Strategic Impact Assessment. The benefits of incorporating new legislation should, however, be carefully weighed against the additional burden on governments and regulators with the implementation and enforcement of new rules. Any extension of the *acquis* should not be to the detriment of effective enforcement of key provisions of the existing *acquis*. Setting realistic objectives and realistic deadlines will help to avoid situations of lack of compliance.

The work related to implementation of *acquis communautaire* has always been complemented by work of the institutions on issues of general nature, such as the elaboration of an Energy Community Strategy. Resulting in a list of projects of Energy Community interest, this will trigger an increased need for involvement of the Energy Community institutions in the implementation process, including procedural, legal and financial implications.

A key area of the work where the objectives of the Treaty remain to be reached is the establishment of a regional market based on transparent, competitive and open national energy markets. The Coordinated Auction Office is expected to be operational during 2013. But additional, related to regional market opening and organization, including the establishment of a regional energy exchange, will gain traction in the period 2014-2015. The Energy Community's Gas-to-Power-Initiative may also be expected to bear fruit in that period. In 2012, the Energy Community competition authorities established among themselves and with the Secretariat a Competition Network which is expected to produce tangible results, and hence requires input, in the upcoming years. The Security of Supply Group for both electricity and gas has an ambitious work programme and will be equally crucial for attaining the Treaty's objectives. .

In 2013, Croatia joins the European Union after over six successful years as an Energy Community Contracting Party. At the same time, the newest Contracting Parties, Moldova and Ukraine, still need to be fully integrated into the Energy Community. This remains both a priority and a challenge, given in particular the size of Ukraine, but also the decrease in

regional coherence following that enlargement. Georgia's application for membership may extend the Energy Community's borders further to the East. The accession of further countries – as Parties or Observers – is not excluded, provided that they are willing and able to implement the Energy Community acquis. This process brought and will bring important changes both in the quantity and quality of tasks and results to be expected by the Energy Community.

Beside representatives of ministries and energy regulators as key stakeholders also representatives of transmission system operators and members of the national parliaments will be invited to more actively participate in activities of Energy Community. Secretariat will try to organize Permanent Network of Members of Parliaments from the Contracting Parties, similar to groups of friends ordinarily organized in parliaments for deeper cooperation with an individual country or institution.

The overall planning of activities for the years 2014 and 2015 has been reflected in the budget proposal submitted by the European Commission to the Ministerial Council for adoption on 24 October 2013.

It is on this ground that the current Work Programme has been developed.

II. OVERALL AND CROSS-CUTTING TASKS

1. PROMOTING AND SUPPORTING THE ENERGY COMMUNITY GOALS AND ACTIVITIES

The Energy Community institutions will continue performing within the scope of their mandates.

In relation to the overall and cross-cutting activities, the Energy Community Secretariat in particular, will within its mandate (Article 67 of the Treaty):

- Support Contracting Parties in the creation of well-functioning energy markets;
- Provide assistance to all institutions within the scope of their competences;
Organise and provide administrative support to the institutional meetings and other events necessary for the achievement of the Energy Community goals; a special effort shall be made to rationalise the meetings in number and scope;
- Provide timely, reliable, and fair information to all institutions as a basis for their decision-making;
- Facilitate and assist the institutions and Parties in the implementation of the decisions and recommendations;
- Coordinate the work of working groups and task forces, where needed;
- Provide assistance of organizational, conceptual and legal nature to all Contracting Parties;
- Promote the objectives of the Energy Community, including, but not limited to publications, presentations, public relation, maintaining and developing the website, liaising with other international institutions and bodies, donors, investors etc.;
- Manage and implement the budget of the Energy Community in line with availability, objective necessity and applicable rules;
- Carry out other tasks, conferred on it by the Ministerial Council.

2. EFFECTIVE IMPLEMENTATION OF THE ACQUIS

Following up on the Secretariat's communication on implementation, it may be presumed that the implementation of the current *acquis communautaire* will be significantly advanced by the end of 2015. However, some key implementation issues are likely to linger on. This concerns first and foremost the opening of wholesale markets in real terms, the cost-reflectivity of energy prices, the persistence of illegal subsidies and implicit forms of state aid, the insufficiency of the regulatory framework, the lack of regional cooperation and the compliance with the environmental and climate acquis. The Secretariat's work in this respect will be intensified and expanded in line with the following key features.

2.1. Providing assistance to Contracting Parties

- The Secretariat will review all draft legislation, providing comments on their compliance with the *acquis*, making sure that legislation adopted is in line with the obligations under the Treaty;
- The Secretariat will provide assistance to the Contracting Parties also by advising them, both in writing and through country missions, on how to implement the *acquis*. Where appropriate, the Secretariat will be involved in assisting the drafting of primary and secondary legislation, including by the regulatory authority and transmission system / market operators, and the new *acquis*;

- The Secretariat will further provide assistance in organizing workshops and commissioning studies, where needed, for the part of the *acquis* still awaiting implementation;
- All of the above-mentioned tasks will be of increasing importance and will require more intense work with regard to the new elements of the *acquis* in the areas of the internal market, renewables and oil, but also environment, climate and energy efficiency, where the implementation deadlines are imminent. All these areas constitute new and huge challenges for the Contracting Parties, as well as the institutions;
- To the extent of the resources available, the Secretariat will provide assistance also to the Observers who have expressed an interest in becoming Parties to the Treaty, in order to bring their internal legislation in line with the *acquis* to the widest extent possible already before accession.

2.2. Reporting

The Secretariat, mobilizing the expertise of all its units, will continue elaborating and publishing its Annual Implementation Report as the most comprehensive and reference document for the state of implementation of the *acquis*, and basis for further policy and enforcement measures.

Furthermore, the Secretariat will release ad hoc reports focusing on different subjects where required by the circumstances or tasks given to it by the other institutions.

2.3. Enforcement of the *acquis*

The Secretariat will continue developing the dispute settlement mechanism under Article 90 of the Treaty towards a tool of Treaty enforcement by following up on all issues of non-compliance with the Treaty. This will be done by cases addressing issues of non-compliance individually for each Contracting Party concerned, as well by simultaneous cases pertaining across the board to all Contracting Parties in one way or other. The Secretariat will prioritize cases where individual elements of the 2nd energy package have not been implemented, including also non-compliant market models, impediments to cross-border trade, unduly regulated energy prices and the lack of coordinated capacity allocation.

Past experience shows that the recourse to enforcement action was most efficient where the Secretariat combined it with its assisting role, i.e. where the finding of non-compliance issues was linked with proposing redrafting of laws and by-laws. The Secretariat will continue to bundle its individual activities in that respect.

III. INDIVIDUAL ELEMENTS OF THE ACQUIS

1. ACTIVITIES IN THE ELECTRICITY SECTOR

1.1. Implementation of the 3rd Energy Package

The Secretariat will provide assistance and support to the Contracting Parties towards proper transposition and implementation of the 3rd Energy Package, by addressing the institutional, legal and regulatory requirements.. Special attention shall be put on the applied criteria for unbundling of transmission and distribution system operation and access to the network infrastructure, protection of the socially vulnerable categories of customers, supplier switching and development of competition in the retail activities, and for legal enforcement of independent and regionally coordinated regulatory rule. In addition, the monitoring of the *acquis* implementation and reporting activities will continue in the new format following the 3rd Package requirements.

The process of adoption and implementation of the Network Codes by the network operators shall be supported and monitored with particular attention, in coordination with ENTSO-e. To that end, the Energy Community shall follow up the activities of ENTSO-E and ACER and will promote the participation in these bodies of those Contracting parties having implemented and applying in practice the relevant provisions of the 3rd Package.

The secretariat shall continue its practice of undertaking missions of its experts in the Contracting Parties and Observer countries upon request to provide assistance on the spot in overcoming specific problems or obstacles in the process of transposition and implementation. The Secretariat shall focus on assistance to the Contracting Parties in the process of development and integration of the electricity market following the EU Model – this will be done mostly, but not exclusively, via support in the development and implementation of a harmonised approach in all Contracting Parties towards effective liberalization, development and opening to competition of the local wholesale electricity markets, appreciating at the same time individual policy priorities and specific “glide path”. Related market environments shall include market-based balancing and ancillary services, efficient cross-border power exchange, transparent and cost-reflective tariffs for access to the networks, measures to overcome negative effects of market dominance, systems for market monitoring and monitoring of data transparency, measures for support of new suppliers’ operation, effective financial settlement mechanisms, gradual introduction of spot-trading platforms starting with Day-ahead market and developing towards intra-day trading and secondary markets as applicable.

Finally, the Secretariat will organize, participate or assist organizing, electricity related events (workshops, conferences) aimed at promoting or supporting the implementation of the *acquis* within the scope of the Energy Community.

1.2. Creation of a Regional Market

Regional electricity target model was agreed in 2011 but the practical implementation effectively does not exist. The Secretariat will assist the relevant institutions at regional level (Ministerial Council, PHLG, ECRB etc.) and local level (Ministry, Regulators, Competition Authorities, TSOs etc) in the setting the actions required for effective national and regional wholesale market opening. This will in particular, target the successful establishment of the SEE CAO including follow-up on the dispute settlement cases initiated in this context in the past., day-ahead and intraday capacity allocation including the establishment of Power Exchanges, regional balancing and market coupling in line with the European developments.

The Energy Community will work towards increased market transparency in line with the rules of the EU Regulation on Energy Market Integrity and Transparency..

1.4. Security of Supply

The activities under the Work Programme in the area of Security of Supply shall aim at monitoring the implementation of the relevant *acquis* to enforce secure and efficient operation of the networks, to foster infrastructure investments and to ensure optimal conditions for operation of the Security of Supply Coordination Group.

In more detail, the following shall be considered within the key scope of activities in this relation:

- 1.4.1. The Security of Supply Coordination Group will take up its operation along the established mandate. As minimum, it will develop electronic platform for regular on-line exchange of information on the electricity supply security status and available contingencies, an early warning mechanism, a mechanism for monitoring of applied emergency measures and their effects. The group will work towards development of instruments for mutual assistance in case of sudden crisis in the electricity supply.
- 1.4.2. Based on the developed plans for national emergency measures in the area of electricity on a harmonised common approach, the Secretariat will continue the monitoring and review of the proper implementation of the agreed steps and envisaged measures.
- 1.4.3. In parallel the Secretariat shall monitor the electricity supply conditions in the Contracting Parties and provide administrative assistance for overcoming supply crisis and development of ad-hoc measures aimed to improve the security and quality of supply for the final customers, as applicable.
- 1.4.4. The Secretariat shall continue assisting the Contracting Parties by reviewing and uploading their Security of Supply Statements and by assessing the transposition and state of compliance of Directive 2005/89/EC and related measures, in accordance with Article 29 of the Treaty. The findings shall be reflected in relevant reports for the PHLG and the Ministerial Council. The Secretariat shall monitor and report regularly on the practical implementation of provisions of Directive 2005/89/EC concerning applied measures to safeguard security of electricity supply and infrastructure investments. The Secretariat shall follow the development of EU *acquis* in this context and support its implementation by the Contracting Parties as applicable.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Implementation of the gas *acquis* communautaire

The Secretariat will continue the benchmarking on the institutional, legal and regulatory framework in the Contracting Parties in the context of the gas *acquis* required by the Treaty and the Ministerial Council's decisions. The findings on implementation shall be reflected in the relevant implementation reports for the PHLG and the Ministerial Council once a year.

The transposition of the 3rd Energy Package gas *acquis* will be in the focus of the Secretariat. Resolving the residual shortcomings of the current *acquis* will be another priority. The Secretariat will structure its assistance and will guide the Contracting Parties in the process of implementation in order to reap the maximum of the effectiveness in the future largely intensified work for the both sides. The Secretariat will review draft legislation, issue relevant opinions, engage in any pressing issues in a Contracting Party, identifying and addressing non-compliance situations. The Secretariat will organize workshops and consider launching studies¹ focused on specific topics if and when necessary. The Secretariat will continue to organize and formulate the gas related events within scope of the Energy Community, taking into account the actual situation in the gas sector in the Energy Community and Europe, the highlight of the year being the Gas Forum. It will enhance the work in established communication between the Contracting Parties and the relevant European bodies (ENTSO-G, ACER).

2.2. Market related activities

More intense work by all parties is required to enable creation of liquid national gas markets, under harmonised rules, which would be able to be integrated at regional level.

In addition to the monitoring and benchmarking of implementation of the *acquis*, the Secretariat will focus its activities on reviewing the process, and providing technical assistance to the Contracting Parties in the process of development and integration of the gas market. The focus will be on support of the development of gas market rules as well as their improvement in a coordinated manner.

The Secretariat will continue with activities aimed at the development of gas infrastructure as a precondition for the regional gas market. Particular attention will be paid to the projects which coincide and contribute to the realization of the Energy Community Gas Ring as well as to further gasification of ungasified Contracting Parties or their regions.

2.3. Activities related to security of supply

The activities in the area of security of supply shall aim at reaping the most benefit of reestablished Security of Supply Coordination Group – Gas Subgroup. The Secretariat shall provide support and guidelines to this Subgroup in order to enhance the cooperation among the Contracting Parties. The Secretariat will continue its active participation in the EU Gas Coordination Group, thus acting as a link between EU and the Energy Community at operational level.

The Secretariat will assist the Contracting Parties to perform their new tasks in formulating their security of supply statements or reports, encompassing some elements of Regulation 994/2010 concerning measures to safeguard security of gas supply, such as risk assessment. This work will be founded on the outcomes of the security of gas supply study and in line with the Gas Subgroup recommendations. It is expected that these activities will

¹ See Annex 1

provide a smooth transition to the full implementation of the Regulation, when such decision has been made.

3. ACTIVITIES IN THE OIL SECTOR

The Energy Community's activities in this area shall be linked to the implementation of Council Directive 2009/119/EC imposing an obligation on Contracting Parties to maintain minimum stocks of crude oil and/or petroleum products. The increase and maintenance of emergency oil stocks in accordance with the requirements of this Directive involve changes in legislation, the strengthening of national stockholding institutions and the attraction of investment.

Contracting Parties will have to, with the support of the Energy Community Secretariat bring into force the laws, regulations and administrative provisions necessary to comply with this Directive and in particular with the roles and responsibilities:

- Setting up of Central Stockholding Entities (CSE) which carries out all activities and operations related to emergency oil stocks.
- Parameters for fee charging basis and other sources to finance the establishment of the stockholding capacity. Investment needed for tank capacity; Investment needed for oil products and Operational costs.
- Development of Emergency Response Planning. Setting up the crisis management infrastructure and functioning, including definition of rights and duties of the Intervention Committee.
- Development of obligation to supervise, control and report the stock status as well as the data collection provided by private oil companies.

In parallel, the Secretariat will monitor the work related to the required storage capacities. This will ensure that the total oil stocks maintained at all times within the Contracting Parties for their benefit correspond to the established requirements.

The Secretariat will assist the Contracting Parties and Observers with training activities for governmental officials and if required, for the operating companies that are obligated to maintain oil stocks in case of emergency.

Annual Belgrade Oil Forum will continue to serve as an efficient consultation platform for promoting regional cooperation in the oil sector along the frame, outlined by the relevant Ministerial Council decisions. A constantly increasing dependency on imports, volatile prices, a distorted dependence on oil for transport, as well as concerns about oil market transparency and climate change weaken our confidence in oil supply security. Therefore the development of a common and consolidated emergency oil stocks policy and crisis management within the Contracting Parties will strengthen the security of supply.

The feasibility of a regional approach, holding stocks jointly with other Contracting Parties and coordinate stock draw to maximize the economic benefits would be another concrete objective during 2014 – 2015.

4. ACTIVITIES ON COMPETITION

The area of competition falls into two parts, competition law and State aid law, as reflected by Article 18 of the Treaty.

In the area of **competition law**, the Contracting Parties are relatively well advanced in terms of transposition. The focus of the work in the upcoming years needs to be in the implementation of competition law in the energy sectors. The main players in this respect are the national competition authorities. They are still far away from applying competition law to the extent needed to support liberalization of the energy sectors. The Secretariat shall review and support their work both in substance and structure within 2014 and 2015 limited to activities of enforcement of competition law in the energy sectors only, and in the context of the Energy Community Competition network newly created. .

The activities related to competition law will further include the enforcement of Article 18 of the Treaty, through dispute settlement procedures.

The Secretariat will also monitor further progress of Contracting Parties on **State aid**, where compliance by the Contracting Parties with Article 18 of the Treaty is not as advanced.

5. ACTIVITIES ON ENVIRONMENT AND CLIMATE CHANGE

The work performed so far in relation to activities on environment are related to a large extent to reporting on the Contracting Parties' progress in implementing the *acquis* where the implementation deadline has already expired, i.e. on environmental impact assessment, wild birds' protection and sulphur content of liquid fuels. The Secretariat will continuously monitor proper implementation of these pieces of the environmental *acquis* in this respect. Compliance with the environmental impact assessment constitutes a key criterion for Energy Community support of individual infrastructure projects, with special regard to Projects of Energy Community Interest (PECI).

After the establishment of the Task Force on Environment in 2011, the main focus of the Energy Community's work related to environment has been given to the implementation of the directives regulating the sulphur content of liquid fuels and the emissions from large combustion plants. The Secretariat supports the work of the Task Force in that respect, which is established with the aim of completing a timely implementation of both pieces of the environmental *acquis*. This task can only be completed by a broad view taking into account a wider context, in particular with regard to issues of relevance to the fuel mix as well as social, financial and technical aspects. Consequently, the work in this respect is directly linked to other activities of the Energy Community. Discussions are underway in the framework of the Task Force in order to assess the potential for the involvement of the Energy Community in individual projects' (PECI) impact assessment procedure.

For practical reasons, harmonizing certain rules at a regional level and/or implementing new pieces of the EU *acquis* could be considered as well. The inclusion of the Industrial Emissions Directive, which will replace the LCP Directive over the coming years, is a first step in this respect. In this context, including the Fuel Quality Directive into the Energy Community legal framework would be the most apparent next choice, given its strong links to the Sulphur in Fuels Directive which the Contracting Parties should already implement.

Further to the *acquis* related to the decrease of flue gas emissions, more attention needs to be paid to the reduction of greenhouse gas emissions in the region and the potential for enlarging the Energy Community *acquis* to cover more issues related to climate change should also be explored . Given the energy sectors' impact in that respect, as well as most Contracting Parties' ambition to join the EU, possibilities for more intense efforts to reduce

these emissions shall be discussed, also in relation to the different activities certain Contracting Parties are carrying out in an EU context.

6. ACTIVITIES ON RENEWABLE ENERGY

The activities are based on the adoption of the 2012/04/MC-EnC Ministerial Council Decision to implement Directive 2009/28/EC in the Energy Community.

The Secretariat will assist the Contracting Parties towards the complete transposition of the RES Directive as decided by the Ministerial Council and will support the implementation process. A particular focus will be put on assisting Parties to create and improve enabling regulatory frameworks.

Specific training sessions covering all aspects and requirements of the Directive shall be envisaged. Operational guidance to the Contracting Parties shall be arranged by the Secretariat making the best use of the EU knowledge and experience gained during the implementation process of the Member States.

The Secretariat shall monitor and review the application of Directive 2009/28/EC in the Contracting Parties and shall submit the first report to the Ministerial Council by 30 June 2015. The Report will take into account the Contracting Parties' statements on the progress in the promotion and use of energy from renewable sources and the results of the 2013 Study that will assess the implementation of the National Renewable Action Plans and the non-cost barriers to renewable energy growth in the Energy Community Contracting Parties.

7. ACTIVITIES ON ENERGY EFFICIENCY

The key objectives for 2014 and 2015 are orientated to support the harmonized development of energy efficiency in the Energy Community by implementing the energy efficiency *acquis*, as well by supporting investments for achieving savings through the implementation of National Energy Efficiency Action Plans (NEEAPs).

Significant efforts are needed to realise these objectives and these are linked to the fulfilment of the requirements of the energy efficiency *acquis*, such as promotion of the end-use efficiency and energy services (Directive 2006/32/EC), energy efficiency in buildings (Directive 2010/31/EU) and labelling of energy-related products (Directive 2010/30/EU), but also to the implementation of technical assistance and investment finance programmes undertaken with donors' assistance.

Moreover, to give a further impetus to energy efficiency, the Secretariat proposes the extension of energy efficiency *acquis* with the adoption of Directive 2012/27/EU on energy efficiency as early as possible; for this, the Secretariat in close collaboration with the Energy Efficiency Coordination Group will analyse the adaptation and also propose that additional technical assistance in transposition is provided.

Activities will include, but not limiting to:

- 7.1. Assisting the Contracting Parties in the process of implementation of the energy efficiency *acquis* shall be provided by the Secretariat, in form of training workshops using the EU knowledge and exchange of best practices, missions and meetings of the Energy Efficiency Coordination Group.
- 7.2. Facilitating the works of the Energy Efficiency Coordination Group and will regularly monitor and review the progress of its work programme. The focus will be on

monitoring the implementation of the National Energy Efficiency Action Plans, promotion and coordination of energy efficiency investment projects, and support in transposition of the Efficiency Directive 2012/27/EU (if adopted). An additional focus will be put on energy efficiency in buildings, in particular through the development and implementation of cost-optimal methodologies for calculation of minimum energy performance requirements, as well as the support to nearly zero-energy buildings.

- 7.3. Promoting the exemplary role of the public sector in energy efficiency and the respective measures to support this role (e.g energy efficient public procurement, energy management in public sector, renovation of public buildings etc) will be promoted, including via the implementation of the Regional Energy Efficiency Programme with EBRD; Support will be offered for the preparation of secondary legislation, for awareness raising campaigns, dedicated training sessions, with the cooperation of the donors community
- 7.4. Promoting schemes for long term and sustainable financing of the energy efficiency measures, by the Secretariat on an annual basis, including for the development of innovative financing mechanisms and ESCO projects for realising energy efficiency investments.

8. STATISTICS

With the adoption of the acquis on energy statistics, namely Regulation (EC) No 1099/2008 of 22 October 2008 on energy statistics, and Directive 2008/92 of 22 October 2008 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users (recast), in October 2012, energy statistics are officially introduced as a key tool for setting, monitoring and evaluation of effectiveness of energy policies in the energy Community.

The Secretariat will monitor implementation of the acquis in accordance with its mandate and work with responsible institutions to face and overcome key challenges.

The deadline for implementation is the end of 2013. Following the mandate given by the PHLG, the Secretariat will coordinate the work with the Contracting Parties on their revised action plans for implementation of the acquis on statistics with the view to common approach to technical assistance. Envisaged technical assistance will take place in 2013 to the end of 2014 with the aim to improve the quality of annual statistics, to assist or improve establishing monthly statistics, and to establish and/or improve price statistics.

As regards annual data collection, focus will be on RES statistics and on consumption side of energy balances, particularly improving data collections on consumption in households and service sectors. Reliability and consistency of these datasets is precondition for setting sound and sustainable policies and monitor compliance with targets in the area of renewable energy and energy efficiency.

In addition, introduction of acquis on oil stocks reaffirmed the relevance of accurate short-term data. Assistance will be provided to develop methodology for monthly data collection. However, the available human, financial and technical resources in respective institutions of the Contracting Parties pose serious challenge to establish monthly reporting system in time.

Price statistics will pose a special challenge to implement. Monitoring implementation of the EU acquis in energy, particularly market opening and market integration, in addition to mandatory reporting prices charged to industrial end users, include reporting of other market related data, such as indicators monitored and presented by EUROSTAT. Secretariat will support all efforts aiming at improving transparency in gas and electricity market, including publication of market indicators.

In addition to envisaged technical assistance, the Secretariat will support all formats of capacity building, facilitate cooperation with the EUROSTAT, support and facilitate participation in training and education programs of EUROSTAT, IEA, UN-SD, INOGATE, as well as organize training and workshops for specific subject in accordance with the revised action plans and identified needs. Experience sharing among Contracting Parties, with participation of prominent experts from EU MS will be part of these trainings.

Cooperation and support from EUROSTAT and IEA proved to be of crucial importance for the progress so far. Secretariat will continue to work with these institutions on capacity building and continue coordination of activities in order to best use available resources and avoid duplication of work.

Intensive work of statistical expert on a broader international scale is reflected in permanent improvement of technical and methodological aspect of data collections relevant for the acquis. These improvements will require timely response of the Energy Community to allow for smoothly transfer of data and continuous cooperation with international agencies. Energy Community, upon Ec proposal, will adopt measures adapting the acquis in line with the objective needs and the EnC framework, thus enabling efficient transposition of the amended regulations.

IV. COOPERATION AMONG THE ENERGY REGULATORS

Streamlining of regulatory measures and providing a stable regulatory market framework remains a key promoter for a number of core objectives of the Treaty and respectively represents the focus of the work of the Energy Community Regulatory Board (ECRB) – this concerns e.g. market integration, network transparency, facilitation of investments and competition. Within the necessary range of national specificities, regulatory rules are required to be harmonized to the maximum extent possible on a cross-border basis, if not wanted to create barriers to trade, investments and consequently security of supply.

Within its objective of facilitating the (development of) harmonized regulatory rules, the ECRB shall continue to focus on three key areas of regulatory responsibilities: gas, electricity and customers.

In this relation the ECRB work 2014-2015 shall develop on the following areas:

- a. In the **electricity** sector the ECRB shall actively promote speedily and effective implementation of electricity wholesale market opening. ECRB activities in this context shall, in particular, target the regulatory measures necessary for successful establishment of the SEE CAO, day-ahead and intraday capacity allocation including the establishment of Power Exchanges, regional balancing and market coupling.
- b. In the **gas** sector ECRB activities shall, in particular, target identifying barriers in regulatory systems that would hinder the effective operation of an interconnected gas systems typically referred to as Energy Community Gas Ring.
- c. The ECRB shall continue promoting **coherence and convergence with the related EU developments**, keeping in mind the target of integration of the Energy Community region with the EU markets. This requires addressing the related topics on regional but also national level. In this context, the ECRB shall contribute to identifying and recommending measures to overcome provisions stipulated in national legislation that hinder effective market opening such as, e.g., single buyer models, regulation of the national energy price chain not corresponding to market price levels, lack of cost-reflectivity of network charges including adequate reflection of network losses and incentives for their reduction as well as abolishment of too extensive PSO rules.

- d. The ECRB shall continue putting a focus on providing regulatory input to the development of the **3rd package network codes** via active draft review procedures.
- e. ECRB activities shall also address the role of regulators with regard to new **investments** in electricity and natural gas infrastructure. This should target the measures needed for providing an investment friendly regulatory framework.
- f. ECRB work shall identify the possible regulatory instruments and best practice solutions for addressing **customer protection**. This particularly involves customer protection in regulatory rules and regulatory instruments for addressing vulnerable customers within a competitive market framework.
- g. To the extent relevant for regional market opening, ECRB work shall also identify the necessary activities of regulators with regards to **network safety, energy efficiency, renewables and security of supply**. While these topics are typically not part of regulatory responsibilities, they to some extent affect other tasks of regulators and vice versa require the provision of appropriate regulatory measures. The ECRB work shall identify these links, discuss the need for regulatory measures and develop best practice solutions.

In performing its task the ECRB shall actively coordinate and cooperate with the other institutions set up by the Energy Community Treaty and with ACER, ENTSO-E and ENTSO-G and other regional regulatory bodies such as, e.g., CEER and ERRA.

The ECRB shall define the details of its activities in its annual work programs 2014 and 2015 in accordance with the above content framework.

V. DEVELOPMENT OF ENERGY INFRASTRUCTURE

This section of the Work Programme focuses on activities aiming at facilitating the investment process in projects of regional significance, based on transparency and fair and equal treatment of all relevant projects and investors. Explicit emphasis will be placed on deficiencies in the implementation of the *acquis*.

The activities will include, among others:

1. Facilitating and monitoring the implementation of Projects of Energy Community Interest (PECI) and providing regular information to the Ministerial Council

Maintaining up-to-date information on the development of each of the PECI included in the list as adopted by the Ministerial Council. The information shall be made publicly available and shall be disseminated regularly.

Facilitating the preparation of project documentation by working closely with the project promoters and the international donors, including the Western Balkans Investment Facility, as well as private investors. In this respect, this support will focus on PECI and ECS will organise regular progress meetings with the project promoters, in order to remove some barriers and improve communication and the decision process, especially in case of interconnections.

2. Proposing to the PHLG and the MC to adopt and implement certain provisions of Regulation 347/2013/EU on guidelines for trans-European energy infrastructure that are relevant for the Energy Community and shall enhance the development of cross-border projects.

3. Continuing to review the existing investment practices in the Contracting Parties from the perspective of the Treaty, identifying barriers and deficiencies in the market reform, as well as business practices, transparency, fair and equal treatment of investors, including good practices for transparent tendering and procurement of new generation capacities. Continuing to work with the Investors' Advisory Panel, in order to identify the barriers to investors and recommend solutions to mitigate these in the Contracting Parties.
4. Organizing information exchange and training for the Contracting Parties on development and presentation of infrastructure projects, with a focus on different aspects of financing possibilities on the ground of best practices, regularly.
5. Organizing Energy Community Investment Conferences, as appropriate, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects.
6. Operational support to the Donors' Community by the Secretariat upon guidance from its Chair (the European Commission) in relation to promotion and development of investments.

VI. SOCIAL ISSUES

The Memorandum of Understanding on Social Issues (MoU) signed in 2007 represents the point of departure for the development of the social dimension of the Energy Community. It indicates the political will and aim of the Contracting Parties to take due account of the social dimension and outlines principles of a social dialogue in the energy sector at both, national and regional level. The Social Fora have confirmed the necessity and the willingness of all stake holders to further work in these aspects. One of the activities envisaged in the Memorandum is the creation of the Social Action Plan to define activities aimed at achievement of the following overall objectives set in the Memorandum:

- With regard to public service obligations, protection of vulnerable consumers in line with the sustainable and competitive energy market.
- With regard to the involvement of social partners, establishing and developing effective mechanisms for information and consultation of the social partners in the energy sector.
- With regard to management of change, anticipation and management of the consequences of restructuring and supporting investment in human capital and life-long learning.
- With regard to the social dimension, respecting workers' fundamental rights, improvement of working conditions and living standard and health and safety at work, and respecting the principles of equal opportunities in the energy sector.

Individual activities will include:

1. Monitoring of the implementation of the Social Action Plans shall be provided by the Secretariat once a year. The focus should continue to be put on the measures related to the social dimension and on the measures to reduce the possible negative impact of the energy sector reform on the vulnerable energy consumers.
2. The Secretariat will continue to organize the Social Forum as a discussion platform in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community.

VII. ADMINISTRATION AND SUPPORT SERVICES

This section of the work program refers area per area of work to the general and administrative activities providing overall service to the units of the Secretariat as well to the stakeholders within the Energy Community process.

Administration

In 2014-2015 there will be focus on consolidation of implemented new versions of financial and HR systems in 2011. The additional emphasis will be given to the quality management in the administrative area. The improvement, formalization of rules and procedures will be given extra priority.

Important inputs for the processes will be the outcome of the annual audits, the input from EnC stakeholders and other groups and the general developments of the Energy Community as an institution. To enable the required improvements of the quality of the services rendered to the rest of the organization, and to do away with certain bottlenecks, additional staff will be required in 2014. This increase in staff is part of the budget proposal for the period 2014-2015 and corresponds to the activities outlined in the Work Programme.

The unit will continue to support the Director in the discharging of his management and administrative responsibility by providing him with assurance in the key areas of the internal control system of the institution. For this aim the unit assists the Director in the external audits. It will also continue to provide its support to the Budget Committee contributing also to the preparation of its regular meetings.

Human Resources

The prime asset of the Energy Community is its highly qualified staff. The recruitment functions will continue to be crucial for the success of the organization.

New appointment for the year 2014 will be dealt with after the decision of the Ministerial Council on the staff expansion will be taken. Integration of new staff member into the organization shall be given respective attention too. This will be achieved by continuation of the human resources measures, like annual staff retreats, appraisals etc.

Further appointment of the seconded personnel in 2014 and 2015 has been foreseen in the establishment plan of the Energy Community. Energy Community will also continue to offer a scheme of internship to young professionals and/or graduates in accordance with the applicable legal and financial framework of the institution.

Finance and Accounting

In 2014 and 2015 all procedure in relation to the use of the accounting system RS will be reviewed and documented as to follow up the overall upgrade of the accounting system.

Further focus of attention shall be given to the quality of management reports and special financial evaluation, links between the systems in operations shall strengthen.

Budgeting

Every second year, the budget of the Energy Community has to be approved by the Ministerial Council as budgetary authority. Based on Articles 74 and 88 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* the budget is approved on the proposal of the Commission. The Unit will continue to provide overall input and support in the preparation of the budgets in the future.

Information Technology

Regular review of the technical capacities of the items in use will continue taking into account the state of art requirements of available technology solutions.

In the area of website administration, the implementation of findings of an analysis carried out in 2011 will continue to form the proper framework for the functioning of the administrative part of the website with a view to increase further the user friendliness.

Event Management

Energy Community organizes between 60 and 80 events each year. Also in the years 2014 – 2015, the organization and preparation of the events will continue to be a substantial part of the administrative and support services provided by the Secretariat.

Communications and Website Maintenance

Initiated activities within the area of communication will continue in 2014 and 2015 with the overall objective to present the activities of the Energy Community to the outside world and to strengthen the Communities image, like producing publications or reports, organizing events, manage website, monitoring media and maintaining contacts with the specialized press in the Contracting Parties of the EnC.

The website will provide further the most effective and concise tool for the communications of Energy Community achievements in the area of Treaty implementation.

Procurement

An effort shall be made to strengthen the annual procurement planning which together with the improved internal procedures shall ensure a smooth implementation.

Legal Unit

Legal Unit of the Secretariat will continue to provide independent legal advice to the Director and to assist operational and administrative units of the Secretariat in all legal matters (staff matters, procurement, contract management etc.). It will continue to legally review and horizontally coordinate the institution's tasks from the legal point of view to ensure the implementation of *acquis* under the Energy Community Treaty.

Annex 1:

(in EUR)

REVENUE

1. Contributions from Parties
2. Finance Revenue
3. Other Revenue
4. Donations from Republic of Austria (rent)

EXPENDITURE

1. HUMAN RESOURCES

2. TRAVEL EXPENSES

- Daily Substance Allowances (DSA)
- Travel expenses (flights and incidentals)

Subtotal Travel Expenses

3. OFFICE

- Rent
- Office Equipment and communications (IT)
- Consumables
- Other services (telephone, fax, communications)

Subtotal Office

4. OTHER COSTS AND SERVICES

- Advertising, communications, representation
- Studies, research, consulting
- Costs of outsourced services (IT, payroll)
- Costs of audit, legal and financial advice
- Financial services (bank)
- Costs of events
- Refunding
- Training (internal and external)

Subtotal Other costs and services

TOTAL

BUDGET 1-12/2014	BUDGET 1-12/2015
3,448,810	3,517,786
p.m.	p.m.
p.m.	p.m.
p.m.	p.m.
1,864,010	1,901,290
110,000	112,200
130,000	132,600
240,000	244,800
15,000	15,300
64,000	65,280
91,000	92,820
50,000	51,000
220,000	224,400
30,200	30,804
450,000	459,000
90,000	91,800
35,000	35,700
14,600	14,892
183,000	186,660
280,000	285,600
42,000	42,840
1,124,800	1,147,296
3,448,810	3,517,786

Adopted on 24 October 2013 by the Ministerial Council of the Energy Community

Presidency