

ENERGY COMMUNITY WORK PROGRAMME 2012 – 2013

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I. INTRODUCTION

The current Work Programme of the Energy Community is prepared taking note of:

- 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 and climate policy developments in the European Union

The period covered by the present Work Programme is characterized by several major specificities of the Energy Community development:

Firstly, the Energy Community not only has clearly defined objectives but is a well established organization with sufficient experience in order to provide a realistic perspective both for the process of planning of its work and the process in achieving concrete results.

Secondly, the Energy Community accumulated valuable experience in the past years in the process of implementation of the acquis – this experience concerns not only the work on national level, but also the cooperation between the Contracting Parties and the Energy Community institutions, both in relation to practical support and to enforcement.

Thirdly, the Parties to the Energy Community Treaty have changed substantially their perception of the Community itself. Thus, e.g.:

- The understanding of solidarity in the Energy Community context is now a basic feature, going beyond theory – as it has been experienced in practical terms. Moving towards a common energy market based on the same key elements now has concrete practical dimensions;
- The Contracting Parties experience the replacement of diplomacy by the rule of law in their relations as well as with the institutions;
- It is widely experienced that the initial perception of the Energy Community as a EU pre-accession tool still exists. However, it is gradually being complemented by the understanding of the process as a pan-European integration of markets;
- The Contracting Parties increasingly and pro-actively develop their own positions concerning the ongoing and planned initiatives.

Fourthly, in 2010 and 2011 the Energy Community was enlarged to Moldova and Ukraine. The accession of further countries – as Parties or Observers – is not excluded. 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.

Fifthly, the overall visibility of the Energy Community process has been substantially increased, which raises the expectations towards more achievements. This concerns particularly the implementation process.

Another major characteristic of the Energy Community development is linked to strengthening the regional approach.

Recognizing that small and compartmentalized national markets are inappropriate in order to reap the benefits of market reform, regionality is one of the key objectives of the Treaty. To

complement the implementation of the *acquis*, by each Contracting Party into its domestic legal order, the regional perspective will need to be further developed within the period covered by this work programme. The Regional Energy Strategy, to be developed and adopted within 2011, might serve as the point of departure in that respect.

The Energy Community institutions, and its Secretariat in particular, will focus and reinforce the efforts on issues such as establishing a regional electricity market (with the Coordinated Auction Office as a first milestone), establishing regional gas infrastructure, implementing common security routines or a regional approach to environmental issues and climate change.

Without prejudice to the decisions to be taken by the Ministerial Council, following the implementation of the 3rd internal market package and of the EU rules on renewables and oil stocks, as adapted under Article 24 of the Energy Community Treaty, the role of the Secretariat and of the Energy Community Regulatory Board will be clarified. The workload of these two institutions will increase accordingly.

In some of these and related areas, the adoption of new EU *acquis* – as adapted to the Energy Community - might be necessary (such as the Regulation concerning measures to safeguard security of gas supply and the Regulation on investment projects in energy infrastructure and, possibly, other EU *acquis* to promote the de-carbonisation of the energy sector). Furthermore, proposals for secondary legislation to the Ministerial Council under Title III of the Treaty may be envisaged.

The overall planning of activities for the years 2012 and 2013 has been reflected in the budget proposal submitted by the European Commission to the Ministerial Council for adoption on 6 October 2011. Budget allocation by activities outlined in this Work Program is presented in Annex 1 of this document.

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

II. OVERALL AND CROSS-CUTTING TASKS

1. ESTABLISHING A REGIONAL ENERGY STRATEGY

Building upon the work initiated in 2011, the Energy Community will work towards the adoption and implementation of a Regional Strategy that takes into consideration in particular the energy dependency of the region, the infrastructure needs of the energy sector, the necessity to decarbonise the energy supply, the impact of energy savings and the potential for development of sources of renewable energy. This Regional Strategy should include an investment plan identifying priority projects, based on forecast scenarios, anchor load capacities, and economies of scale and will therefore contribute to attracting the necessary investments, meeting one of the main objectives of the Energy Community.

2. 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:

- Provide assistance to all institutions within the scope of their competences;
- Organize and further develop the events of the Energy Community and its institutions;
- 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.

3. 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 2011. 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.

3.1. 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 legislation; Based on the assumption that the primary legislation necessary to implement the existing *acquis* will have been adopted in the course of 2011, the focus will be on secondary legislation, including by the regulatory authority and transmission system / market operators, and the new *acquis*;
- The Secretariat will establish special internal task forces for specific problems and specific Contracting Parties tailored to their specific needs and shortcomings. Special emphasis will be put on the new Contracting Parties, Moldova and the Ukraine;
- 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;
- The Secretariat shall continue to 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

3.2. 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.

3.3. 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

Upon the adoption by the Ministerial Council of the decision to implement the 3rd Energy Package, the Secretariat will provide assistance and support to the Contracting Parties towards proper transposition and implementation of the institutional, legal and regulatory framework in the Contracting Parties in the context of the requirements of the new electricity *acquis*. Special attention shall be put on the applied criteria for unbundling of transmission system operation and access to the network infrastructure, and to enforcement of independent and regionally coordinated regulatory rule and practice. In addition, the monitoring and benchmarking of implementation of the *acquis* will continue in the new format.

The Secretariat shall focus on technical assistance to the Contracting Parties in the process of development and integration of the electricity market – 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 wholesale market opening. Related market environments shall include market-based balancing and ancillary services, efficient cross-border exchange, transparent and cost-reflective tariffs, systems for market monitoring and social networks for abatement of energy poverty.

The findings, as well as the undertaken and recommended steps shall be reflected in the regular implementation reports.

1.2. Creation of a Regional Market

The Energy Community shall work towards the implementation of a Regional Market Design using the tools listed above, and with a goal to having concrete achievements towards operational Regional Integrated Electricity Market in the course of 2012, in line with the minimum requirements. Further to that, efforts will focus on development of more sophisticated regional spot-market platforms.

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 harmonisation of all the actions required towards the opening of the wholesale market.

The Secretariat will follow up the process of adoption and further developments concerning the Regulation on Energy Market Integrity and Transparency in the Energy Community, proposed by the European Commission in December 2010.

1.3. Coordinated Capacity Allocation

The work in this direction shall be focused on establishment, operation and integration of a regionally coordinated cross-border capacity allocation and congestion management platform in the 8th region - the principal project in discussion being the Coordinated Auction Office. However, the Secretariat shall provide support to all coordinated activities of the relevant TSOs in this direction. The aim is to have coordinated capacity allocation on all borders, including a Coordinated Auction Office established and operational within the period covered by this Work Programme.

The Secretariat will also follow-up on the dispute settlement cases in this context, initiated in early 2011. In cooperation with Transmission System Operators and the Energy Community Regulatory Board (see section 3), the Secretariat shall organize operational reviews on the

undertaken steps, concerning the established plans for concrete activities, and shall present summary information to the PHLG and the Ministerial Council.

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 a operational 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.
- 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 envisaged measures.
- 1.4.3. The Secretariat shall monitor the electricity supply conditions in the Contracting Parties and provide assistance for overcoming supply crisis and development of measures aimed to improve the security and quality of supply for the final customers. In this aspect, concrete steps, related to risk management, shall be considered.
- 1.4.4. The Secretariat shall continue assisting the Contracting Parties in the review of the Statements on Security of Supply including the requirements of Directive 2005/89/EC related to electricity, in accordance with Article 29 of the Treaty. The findings shall be reflected in the relevant implementation reports for the PHLG and the Ministerial Council once a year.
- 1.4.5. Monitoring activities – the Secretariat shall monitor and report regularly the process of implementation of Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment. The Secretariat shall follow the development of EU *acquis* in this context and support its implementation by the Contracting Parties as applicable.

1.5. Generally Applicable Standards

The implementation of the list of Generally Applicable Standards shall be duly followed.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Implementation of the 3rd Energy Package

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.

It is reasonable to expect that the envisaged adoption of the 3rd Energy Package would enhance significantly the work on assisting Contracting Parties to a proper transposition and implementation of the *acquis*.

The Secretariat will provide assistance to the Contracting Parties in the process of implementation, by reviewing draft legislation, identifying and addressing non-compliance situations. The Secretariat will organize workshops and launch studies¹ focused on specific topics when necessary. The Secretariat will provide assistance in organizing and formulating the gas related events within scope of the Energy Community.

2.2. Market related activities

The gas sector will have to catch up due to the underdeveloped gas markets in comparison to the electricity sector. More intense work by all parties is required.

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 specific priority projects which coincide and contribute to the realization of the Energy Community Gas Ring.

Incorporation of the regulation on investment projects in energy infrastructure may be considered.

2.3. Activities related to security of supply

The Secretariat shall continue assisting the Contracting Parties in the review of the statements on security of supply concerning gas, in accordance with Article 29 of the Treaty and the relevant *acquis*. Additionally, the activities under the Work Programme in the area of security of supply shall aim at proper functioning of the Security of Supply Coordination Group. The Secretariat shall also continue with providing support to Contracting Parties, as well as actively participate in the Gas Coordination Group at EU level.

With a view to enhance security of supply in the region, the Energy Community should adopt Regulation N° 994/2010 concerning measures to safeguard security of gas supply as soon as possible. Concrete steps will be taken as from 2012 to facilitate the future implementation of the Regulation, such as carrying out risk assessment and preparing action and emergency plans.

¹ See Annex 2

2.4. Generally Applicable Standards

The implementation of the list of Generally Applicable Standards shall be duly followed.

3. ACTIVITIES IN THE OIL SECTOR

The key objective of the activities in this area is to support the developments in the Contracting Parties concerning the oil dimension, following the decision of the Ministerial Council of the Energy Community in December 2008. The Energy Community's activities in this area are 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 development of a common emergency oil stocks policy and crisis management within the Contracting Parties of the Energy Community will strengthen the security of supply. The implementation of the new Council Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products would be the essential part of this objective.

The feasibility of a regional approach, holding stocks jointly with other countries and coordinate stock draw to maximize the economic benefits would be another concrete objective during 2012 – 2013.

Individual activities will include monitoring and supportive activities of different nature, as follows:

- (1) The Secretariat will start the benchmarking on the existing and new legal, organisational and management framework in the Contracting Parties in the context of Council Directive 2009/119/EC. This is related with bringing 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)
 - Parameters for fee charging basis and other financing
 - Development of Emergency Response Planning
 - Development of Inventory monitoring and reporting system.

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.

- (2) The Secretariat shall monitor the relevant actions along the roadmaps, developed as one of the outcomes of the Oil Stock Study (and approved by all Contracting Parties), for achievement of this Directive obligations.
- (3) The Secretariat will provide legal assistance to the Contracting Parties in the process of implementation of the Directive.
- (4) 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. Two workshops should be envisaged within the period covered. The first one will focus on the Emergency Response Policy and System including decision-making structure, legislation, financing mechanism, operation of stockholding agencies, stock release mechanism

and demand restraint. The second one will be mainly focused on Data Collection and Reporting Mechanism (co-organized possibly with the IEA and EUROSTAT).

- (5) The fourth and fifth edition of the yearly Belgrade Oil Forum will continue to serve as an efficient platform for promoting regional cooperation in the oil sector along the frame, outlined by the relevant Ministerial Council decisions.

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 intends to review and support their work both in substance and structure within 2012 and 2013.

For this purpose, a network of competition authorities will be proposed and implemented which will take some inspiration in the European Competition Network, but will be limited to energy case law only. This network will also be linked to the national regulatory authorities and their cooperation within the ECRB. It might have regular meetings coordinated by the Secretariat. One workshop and possibly a study shall support the work in this respect.

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

In the context of **State aid**, compliance by the Contracting Parties with Article 18 of the Treaty is not as advanced. The Secretariat is confident that most Contracting Parties which have so far failed to do so will adopt the necessary State aid legislation within 2011, so that the pending cases can be closed. The application of the State aid prohibition to direct and indirect subsidies in the energy sectors will be addressed, based on the report commissioned by the Secretariat and finalized in 2011.

Concrete work in 2012 and 2013 will relate to awareness-raising through annual workshops, as well as making proposals for re-designing, if needed, the national enforcement system. The Secretariat will, where information is available, also enforce the State aid provisions.

5. ACTIVITIES ON ENVIRONMENT AND CLIMATE CHANGE

The work performed so far in environment to a large extent related to reporting on the Contracting Parties' progress in implementing the *acquis* where the implementation deadline has already expired, i.e. on environmental impact assessment and wild birds' protection. The monitoring in this respect will continue. To cover not only transposition, but also implementation within the scope of individual projects, the Secretariat may propose an approach allowing for notification of projects in the energy sector. Compliance with the environmental impact assessment will also constitute a key criterion for Energy Community support of individual infrastructure projects. Concrete training might be required in the context of infrastructure investment.

With the establishment of the Task Force on Environment in 2011, the main focus of the Energy Community's work related to environment, however, will shift to the implementation of the sulphur in fuels and large combustion plants directives. The Secretariat will support the work of the Task Force in that respect, which is established with the aim of completing

implementation of both pieces of *acquis* on time. This task obviously cannot be completed by a narrow view on the environmental rules alone, but must be seen in its wider context, in particular with regard to issues of relevance to the fuel mix (including the replacement of coal, if needed) as well as social, financial and technical aspects. Consequently, the work in this respect needs to be linked to and embedded in the other activities of the Energy Community. It might also lead to proposals on harmonizing certain rules on a regional level, and/or implementing new EU *acquis*.

The Secretariat will propose workshops as well as one study within the period covered by this Work Programme, related to the possibilities of emissions reduction in very concrete terms. It will also take up reporting on the progress made by the Contracting Parties within the period covered.

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. 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 gases shall be discussed. This will include the usage of JI and CDM as well as the possibilities for emissions trading or carbon taxes to promote the de-carbonisation of the energy sector.

6. ACTIVITIES ON RENEWABLES

The activities towards the adoption by the Ministerial Council of the Decision to implement Directive 2009/28/EC in the Energy Community will continue in the framework of Renewable Energy Task Force activities, as it was the PHLG conclusion to propose to the Ministerial Council the extension of its mandate until end of 2012.

The Ministerial Council Recommendation 2010/01/MC-EnC has encouraged the Contracting Parties to start implementing selected articles of Directive 2009/28/EC and has already fixed a timetable to implement the measures by 2011 and 2012. The reporting requirements along the recommendation provisions will be discussed and assisted during the meeting of the Renewable Task Force in 2012.

The status of meeting the requirements under the Recommendation and Decision will be monitored and the Secretariat will submit a Report to the Ministerial Council in 2012, as stipulated therein.

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. The establishment of a Concerted Action Initiative for the Energy Community as a continuation of the Renewable Energy Task Force upon the adoption of the Directive 2009/28/EC for the implementation in the Energy Community may be considered. The platform will be modeled after the existing one for the EU Member States and assisted by representatives from Participants countries where the representatives of the implementing institutions from the Contracting Parties will meet twice per year to share the knowledge and experiences during the transposition and implementation process.

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 will launch a study to assess the effectiveness of the support schemes to foster renewable energy projects and the non-cost barriers in the development of RES projects in the Energy Community Contracting Parties.

The organization of a Sustainable Energy Development Conference for the Energy Community (combined with Energy Efficiency and Environment) shall be envisaged.

7. ACTIVITIES ON ENERGY EFFICIENCY

The key objective for 2012 and 2013 is to support harmonized development of energy efficiency in the Energy Community by implementing the obligatory energy efficiency *acquis* and achieving concrete savings through the implementation of National Energy Efficiency Action Plans (NEEAPs).

The significant efforts needed to achieve this objective are closely related to the fulfillment of the explicit 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).

Activities will include:

- 7.1. Technical assistance to 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 experience, missions and meetings of the Task Force (if this will be continued). The Secretariat will regularly monitor and review the progress. The focus will be in particular on energy efficiency in buildings, where the transposition deadline is by the end of 2012. The results of the Study on energy efficiency in buildings will be used. Support in calculation of cost-optimal levels of minimum energy performance requirements and increasing the number of nearly zero-energy buildings.
- 7.2. Operational support will be provided by the Secretariat in the implementation, and reporting on the 1st National Energy Efficiency Action Plans, in order to achieve intermediate energy savings target for 2012. In addition, support for the preparation of the 2nd NEEAP 2013-2015.
- 7.3. Support in implementation of the awareness raising campaigns, as well as organizing specific annual training sessions.
- 7.4. Promotion of schemes for long term and sustainable financing of the energy efficiency measures shall be organized by the Secretariat on an annual basis.

IV. COOPERATION AMONG THE ENERGY REGULATORS

1. Objectives

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 a focus in the work of the Energy Community Regulatory Board (ECRB) – this concerns e.g. market integration, network transparency, facilitation of investments, competition and security of supply. Within the necessary range of national specificities linked to this, 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 across borders, to investments and consequently security of supply.

2. Activities

Within its objectives 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 ECRB activities shall be performed considering the following overall objectives and priorities to the extent linked to regulatory work:

- Development of competitive national gas and electricity markets;
- Integration of national markets and development of competitive regional markets in electricity and gas, which may involve a significant level of market monitoring;
- Identification and active contribution to abolishment of barriers for cross border trade and competition in cooperation with national competition authorities;
- Rolling back regulated prices in the electricity and gas sector and protection of vulnerable customers and social issues;
- Security of supply;
- Network security and quality of service;
- Renewable energy sources and energy efficiency.

In performing its task the ECRB shall actively coordinate and cooperate with the other institutions set up by the Energy Community Treaty and align its considerations with the overall scope and objectives for the single activity areas of the Energy Community 2010-2012-13 outline in this Work Programme.

Within the framework of the overall responsibilities and objectives, as outlined above, the ECRB work 2012-2013 shall more in detail develop on the areas explained in the following section.

2.1. Regional Market Development

ECRB work shall address the role of regulators with regard to integration of national markets and development of competitive regional markets in electricity and gas. The related work shall aim at identification and abolishment of barriers for cross border trade and competition and prepare best practice solutions. Regulatory activities in this respect would typically involve compatibility of tariffication and market rules including, wholesale market opening and regional balancing.

2.2. Coordinated Auction Office

The work of the ECRB with regard to the setting up of the Coordinated Auction Office (CAO) shall be linked to the operational promotion of the establishment, operation and development of the CAO. This will involve all regulatory tasks related to the overall CAO Work Programme highlighted in section 2.

2.3. Investments

ECRB work shall identify the role of regulators with regard to facilitating new investments in electricity and natural gas, the measures needed for providing an investment friendly regulatory framework and the improvements necessary in this respect. Regulatory activities in this respect would typically involve:

- Regulatory investment incentives including tariff rules on gas and electricity networks;
- Regulatory involvement in permissions; (harmonized/mutual) licensing;

- Exemptions from regulatory rules for new infrastructure based on clearly defined legal criteria;
- Definition of the regulatory tasks in gasification of the region

2.4. Customer Protection

ECRB work shall identify the possible regulatory instruments and best practice solutions for addressing the customer protection issues, including social dimension of energy supply. This particularly involves customer protection in regulatory rules and regulatory instruments for addressing vulnerable customers and energy poverty within a competitive market framework, including regulated prices and clearly defined PSOs.

2.5. Safety, Energy Efficiency, Renewables and Security of Supply

ECRB work shall 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. This would typically involve network safety including network tariffication and cost acknowledgement and access for renewable energy and related network safety, network operation and investment requirements.

2.6 Studies

Based on previous years' experience on need for consultancy support of the ECRB activities, an annual consultancy budget of EUR 200.000.- is foreseen. The studies will provide tailor made expertise activities of the ECRB in the field of electricity, gas and customer related regulatory aspects in line with the ECRB Work Programs 2012 and 2013.

V. DEVELOPMENT OF ENERGY INFRASTRUCTURE

This section of the Work Programme focuses on activities aiming at facilitating the investment process in projects of regional value, 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*.

Individual activities will include:

1. Update of the priority infrastructure project list and providing information to the Ministerial Council

The Secretariat shall maintain up-to-date information on the development of each of the projects, included in an indicative list as discussed by the Ministerial Council. The information shall be made publicly available and shall be disseminated upon consideration by the Ministerial Council once a year.

The Secretariat will also facilitate the preparation of project documentation by working closely with the companies and the international donors, including the Western Balkans Investment Facility, as well as Donors Community project coordinator, and private investors. In this respect, it will build on the experience and practice of 2010 and 2011, and monitor very closely some selected regional projects, and organise regular progress meetings, in order to remove some barriers and improve communication and decision process.

2. Continue reviewing 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. Continue working with the Investors' Advisory Panel, in order to identify the barriers to investors and recommend solutions to mitigate these in the Contracting Parties; regular bi-annual meetings of the Advisory panel will be organised by the Secretariat

The findings will be included in a report, with a list of recommendations of legislative, regulatory, policy and institutional perspective, for the 2012 meeting of the Ministerial Council, and respectively 2013.

3. Organization of 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, on a yearly basis.
4. Organization of an Energy Community Investment Conference each year, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects.
5. Operational support to the Donors' Community by the Secretariat upon guidance of its Chair in relation to promotion and development of investments along the guidance by the Ministerial Council.

VI. STATISTICS

Consistent, uniform and reliable energy statistics are an indispensable tool to set and monitor energy policies. In the past period, experts from all Contracting Parties committed to develop action plans to bring their energy statistics in line with the agreed common platform, based on the guidelines and templates developed by the Secretariat. The timeframe for the action plans was set for the end 2012. Similarly, the study on “Energy statistics in the Energy Community” resulted in detailed and harmonized action plans for the Contracting Parties and a Road Map of activities until the end of 2012.

By then, all Contracting Parties should develop capacity to produce complete energy balance compliant with the agreed common platform. The process of capacity building for market monitoring and price transparency is expected to be permanently improved following the processes in the EU. Key activities elaborated in all action plans are:

- Build institutional monitoring framework to implement regulation 1099/2008
- Develop reporting system to provide energy statistics following unified UNECE/IEA /EUROSTAT methodology
- Produce annual energy balances based on IEA/EUROSTAT methodology
- Produce annual energy data in defined questionnaires and submit to IEA
- Develop reporting system for periodic /monthly energy statistics pursuant to unified UNECE/IEA/EUROSTAT methodology
- Produce monthly reports for energy data compliant with EUROSTAT / IEA methodologies
- Develop reporting system to ensure transparency of electricity and gas prices
- Produce periodic (half-yearly reports) on gas and electricity prices and submit to ECRB
- Develop reporting system to ensure monitoring of energy related SD indicators.

The Secretariat will organize intensive trainings, workshops, and sharing of experience among Contracting Parties. It will continue to monitor the progress, to identify the bottlenecks and provide support to the work on capacity building related to monthly energy statistics.

The outcome of all these efforts by the end of the period covered by this programme is expected to be consistent and reliable information on energy statistics of the Energy Community to be publicly available. More specifically, complete energy balances, in compliance with the agreed common platform, should be produced for the year 2012.

In order to make its official energy statistics available for the purpose of the Treaty, particularly the market integration, the Energy Community shall consider for adoption in 2012 mandatory legal and administrative framework to harmonize its energy statistics with the EU, namely:

- Regulation (EC) No 1099/2008 of 22 October 2008 on energy statistics;
- 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),

or amendments thereto as they may occur until the adoption.

To this aim, provisions of the Regulation 1101/2008 of 22 October 2008 on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities may also be considered for incorporation.

VII. SOCIAL DIMENSION

The Memorandum of Understanding on Social Issues in the Context of the Energy Community signed on 18th October 2007 recognized the importance of the social dimension and indicated the principles and the context for a social dialogue in the energy sector at both national and regional levels. The first two meetings of the Social Forum have confirmed the necessity and the willingness of all stake holders to further work in these aspects. The activities described hereafter are aiming at pursuing in this direction, in particular as regards:

- The socio-economic impacts of the energy sector reforms in SEE;
- Development of strategies to deal with the social dimension of the energy sector reforms;
- Improvement of the dialogue with the social partners;
- The need for better knowledge and understanding of the social aspects within the Contracting Parties.

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 be put on the measures to reduce the possible negative impact of the energy sector reform on the labor force, and also on the vulnerable energy consumers.
2. The Secretariat will organize annually the Social Forum as a discussion platform in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community.
3. The Secretariat will organize training sessions on the practical implementation aspects of Social Action Plans with focus on dissemination of good practices, as needed.

VIII. 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 2012-2013 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 2012. This increase in staff is part of the budget proposal for the period 2012-2013 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 appointments for the year 2012 will be dealt with after the decision of the Ministerial Council on the staff expansion will be taken early October 2011. Integration of new staff members 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 2012 and 2013 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.

Based on the experience, the Secretariat will propose amendments to the Staff Regulations and will review the procedure for hiring seconded staff.

Finance and Accounting

In 2012 and 2013 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 in 2011.

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.

In 2012, principles of activity based budgeting will be analyzed with a view to introducing it in the system of the Energy Community.

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 2012 – 2013, the organization and preparation of the events will continue to be a substantial part of the administrative as well as of the expert work of the Secretariat.

Communications and Website Maintenance

Initiated activities within the area of communication will continue in 2012 and 2013 with the overall objective to present the activities of the Energy Community to the outside world and to strengthen its image, like producing publications or reports, organizing events, managing the 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 advise 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: Budget allocation by activities

	2012						2013							
	Staff months	No. of events	BL 1. Human Resources	BKL 2. Travel	BL3. Office	BL 4. Other Costs & Services	Total Budget	Staff months	No. of events	BL 1. Human Resources	BKL 2. Travel	BL3. Office	BL 4. Other Costs & Services	Total Budget
I. Energy Policy: activities per area of work	<i>n=22</i>							<i>n=23</i>						
Electricity Sector related events	21	1	131.250	23.119		7.581	154.369	21	1	133.152	22.351		7.732	155.503
Gas Sector related events	15	1	93.750	16.514		7.581	110.264	15	1	95.109	15.965		7.732	111.074
Oil Dimension related events	6,5	2	40.625	7.156		15.161	47.781	6,5	2	41.214	6.918		15.465	48.132
Competition and State Aid related events	3	1	18.750	3.303		7.581	22.053	3	1	19.022	3.193		7.732	22.215
Environment and Climate Change related events	12	2	75.000	13.211		15.161	88.211	12	2	76.087	12.772		15.465	88.859
Renewables related events	7,8	4	48.750	8.587		30.323	57.337	7,8	4	49.457	8.302		30.929	57.758
Energy Efficiency related events	11,9	4	74.375	13.101		30.323	87.476	11,9	4	75.453	12.666		30.929	88.119
Cooperation among Regulators [ECRB] related events	49	24	306.250	53.945		181.935	360.195	61	24	386.775	64.925		185.574	451.701
Development of Energy Infrastructure related events	14,5	5	90.625	15.963		37.903	106.588	14,5	5	91.938	15.433		38.661	107.371
Statistic related events	3	1	18.750	3.303		7.581	22.053	3	1	19.022	3.193		7.732	22.215
Social Dimension related events	6	2	37.500	6.606		15.161	44.106	6	2	38.043	6.386		15.465	44.430
II. Cross Cutting Activities														
Promoting and Supporting the EnC goals	2		12.500	2.202			14.702	2		12.681	2.129			14.810
Implementation of the <i>acquis</i>	24,3		151.875	26.752			178.627	24,3		154.076	25.864			179.940
Assistance to the EnC Institutions related events	2	15	12.500	2.202		113.710	14.702	2	15	12.681	2.129		115.984	14.810
III. Management and Administration	86		537.500	44.037			581.537	86		545.290	42.574			587.864
IV. Studies							420.000						409.000	409.000
V. Other operating activities							218.000						222.360	236.640
TOTAL	264	62	1.650.000	240.000	218.000	1.122.000	3.230.000	276	62	1.750.000	244.800	222.360	1.125.040	3.342.200

Annex 2: Potential areas of consulting needs in the budgetary period 2012-2013

Description	Year
Assessment of the energy efficiency potential in transport and industry in Contracting Parties	2012
Implementation of Large Combustion Plants Directive	2012
Implementation of new EU regulation concerning measures to safeguard security of gas supply in the Energy Community	2012
Regional adequacy and sustainable development of electricity generation	2012
Obstacles for switching the electricity supplier in the EnC Contracting Parties	2013
Effectiveness of support schemes for renewables energy and non-costs barriers in the development of RES projects	2013
Establishment of a network of competition authorities related to enforcement of competition law in gas sectors	2013
Technical assistance to establish energy statistics in the Energy Community compatible with EUROSTAT requirements	2013

Regional Strategy, including investment plan 2012

Adopted on 6 October 2011 by the Ministerial Council of the Energy Community

Presidency