



Market Development Report 2008

3rd Gas Forum, 16 October 2008, Ljubljana

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Background

- The Energy Community Regulatory Board (ECRB) has decided in its 5th meeting on February 7 2008, to assess the development of the gas and electricity markets in the South East European Region on the basis of National Reports from each Contracting Party (CP) of the Energy Community Treaty.
- The ECRB Section of the Energy Community Secretariat (ECS) has prepared the National Reports using the same structure developed by the European Regulators Group for Electricity and Gas (EREG) for the EU Member States, with the changes and integrations as requested by the framework of the Energy Community. National Reports have also benefited from visits to the Contracting Parties, information from institutions and stakeholders. In particular, they have been revised and completed with the crucial contribution of the National Regulatory Authorities.
- The Report has been approved by the ECRB on 30.9.2008

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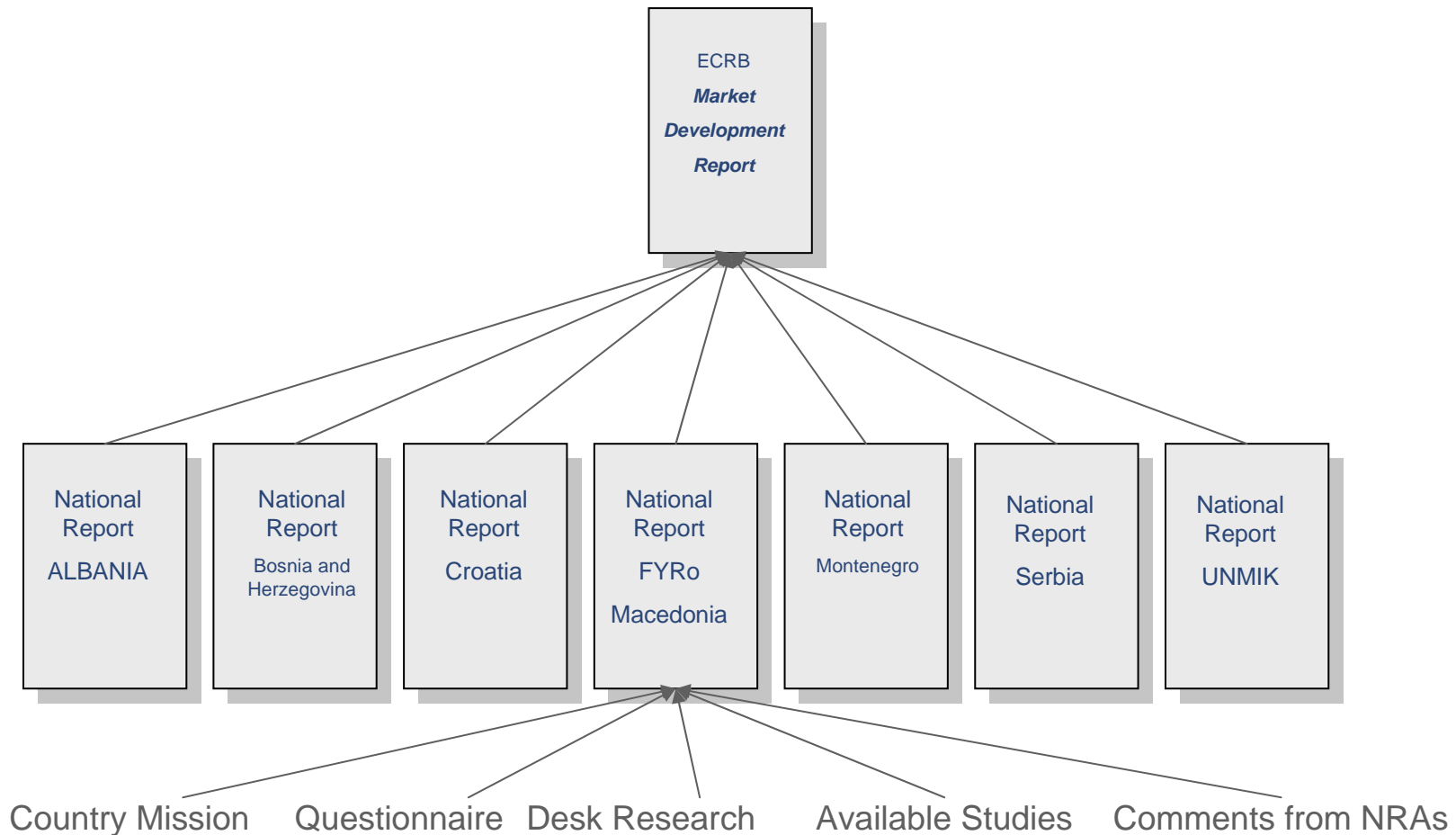
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Procedure



Structure of the Regulatory Authorities in the Contracting Parties



Contracting Party	Name	Year of Set up	Number of commissioners	Appointing organ	Duration of mandate
ALBANIA	Energy Regulatory Authority (ERE)	1995	5	Parliament	5 YEARS except the first Board
BOSNIA AND HERZEGOVINA	State Electricity Regulatory Commission (SERC)	2002	3	Parliament of BiH, upon nomination from the Entity Parliaments submitted to the Council of Ministers	5 YEARS except the first Board (renewable once)
CROATIA	Croatian Energy Regulatory Agency (HERA)	2004	5	Parliament, upon proposal of the Government	5 YEARS (renewable once)
FORMER YUGOSLAV REPUBLIC OF MACEDONIA	Regulatory Commission of the Republic of Macedonia (ERC)	2002	5	Parliament, upon proposal of the Government	5 YEARS (renewable once)
MONTENEGRO	Regulatory Authority of Montenegro (REGAGEN)	2004	4	Parliament, upon proposal of a commission	5 YEARS
SERBIA	Energy Agency of the Republic of Serbia (AERS)	2005	5	Parliament, upon proposal of the Government	5 YEARS Except the first board (renewable once)
UNMIK	Energy Regulatory Office (ERO)	2004	5	Assembly, with the exception of the first Board	5 YEARS except the first Board (renewable once)

Regulatory Authorities independence, financing and accountability



Contracting Party	Reporting/ Accountability	Financing
ALBANIA (ERE)	ERE has to submit to the Parliament and the Government an annual report on the electric energy sector situation and ERE's activities, including its financial activities by the end of the first quarter of each year. This report has to be made public. Furthermore ERE must also submit to the Energy Minister, upon request, information within the scope of the ERE's authority and expertise.	The ERE's financial sources shall be regulatory fees set by the ERE on electric power sector licensees and license fees.
BOSNIA AND HERZEGOVINA (SERC)	No later than 31 December, SERC shall submit a written report reviewing its activities for the year to the Parliament of Bosnia and Herzegovina and to the Ministry of Foreign Trade and Economic Relations.	SERC shall establish a regulatory fee to be paid by license holders designed to cover these estimated SERC expenses. SERC's budget shall be funded by such fees. SERC licensed enterprises shall be entitled to recover such fees in tariffs approved by SERC. SERC's accounts shall be maintained in accordance with international accounting standards and shall be audited annually by an independent auditor.
CROATIA (HERA)	The Agency shall submit a report once a year on its work to the Croatian Parliament. Furthermore HERA has to submit to the Croatian Parliament or to the Government of the Republic of Croatia, upon their request, a report on its professional and financial operations, and reports on specific issues from its scope of work also for periods shorter than one year.	The Agency shall have its own budget the revenue of which will be compensations for carrying out the regulation of energy activities (charges for issuing licenses)
FORMER YUGOSLAV REPUBLIC OF MACEDONIA (ERC)	ERC shall submit to the Parliament and the Government of the FYR of Macedonia a detailed annual report on the operations of the Energy Regulatory Commission, and the material and financial matters, for the previous calendar year. The annual report shall be published in one of the public newspapers.	The activities of the Regulatory Commission are financed from own sources provided through collection of the license fees and through collection of a fee from the total income of the license holders for pursuing of energy activities.
MONTENEGRO	As the Agency is established by the Parliament, it has to submit an Annual Report to the Parliament.	The Agency is financed only via licensing fees.
SERBIA (AERS)	It reports to the National Parliament of Serbia at least once a year; Its annual Financial Plan must be approved by the National Parliament; Its operations must be transparent and (non confidential) information must be publicly accessible.	Funds for the establishment and operation of the Agency are provided from revenues obtained from license fees, a part of the tariff for access to systems and use of systems, as well as other revenues obtained from performing activities within its competency. The Agency may receive funds from donations, except from donations from energy entities or persons related with these entities. The National Assembly of the Republic of Serbia approves the Financial Plan. Establishment of the Energy Agency and its operation during the first two

NRAs are mainly financed through licensing fees

Most of the NRAs have to report to the Parliament and to the Government

Core competences of national Regulatory Authorities in the electricity market



Country	Year of establishment	Licensing	Transmission tariffs	Market rules	Dispute resolution
Albania	1995	Yes	Yes	Partly	Yes
Bosnia and Herzegovina	2002	Yes	Yes	Yes	Yes
Croatia	2004	Yes	Methodologies	Market operator (HROTE) issues the Market rules - approval from HERA	Yes
FYR Of Macedonia	2002	Yes	Yes	Yes	Yes
Montenegro	2004	Yes	Yes	Yes	Partly
Serbia	2005	Yes	S.t. govt. approval	Partly	Yes
UNMIK	2004	Yes	Yes	Yes	Yes

Competences of the NRAs vary within the region

- Competences of the NRAs vary within the region. This creates a barrier for regional projects
- For example, some regulators issues methodologies, other issue tariffs; some issue market rules, others only propose or monitor

Number of gas infrastructure operators (of which: legally unbundled)



Contracting Party	Transmission	Distribution
Albania	No TSO	No DSO
Bosnia and Herzegovina	No unbundling	Accounting/Management (RS) Transmission/Distribution (FBiH)
Croatia	Legal	Accounting
FYR of Macedonia	Legal	Legal
Montenegro	No TSO	No DSO
Serbia	Management	Management
UNMIK	Legal	Legal

Contracting Party	Transmission	Distribution	Storage
Albania	-	-	-
Bosnia and Herzegovina	3 (0)	4 (0)	-
Croatia	1 (1)	38 (0)	1 (0)
FYR of Macedonia	1 (1)	-	-
Montenegro	-	-	-
Serbia	2 (0)	33 (0)	1 (0)
UNMIK	-	-	-

- TSOs unbundling all CPs from generation and distribution at least on accounting level.

Number of gas infrastructure operators (of which are legally unbundled)



	TSOs	DSOs
AL	1(1)	1(0)
BiH	1(1)	3(3)
HR	1(1)	1(1)
CG	1(0)	1(0)
FYRoM	1(1)	1(1)
SRB	1(1)	5(5)
UNMIK	1(1)	1(0)

- Fast progress has been made in the unbundling process of TSOs, generation and distribution.
- TSOs are unbundled in all CPs from generation and distribution at least on accounting level.
- The market is still entirely controlled by incumbent suppliers and end user prices are directly or indirectly regulated

Eligibility Status of Electricity Customers in the Contracting Parties



	Industry	Households
Albania	>100 GWh consumption	
Bosnia and Herzegovina	>10 GWh consumption	
Croatia	X	X
FYR of Macedonia	X	X
Montenegro	X	
Serbia	X	>200 MWh consumption
UNMIK	all customers connected to 35 kV	all costumers connected to 35 kV

- A certain degree of eligibility is implemented in almost all CPs.
- Nevertheless an open market still does not exist as the big generation and distribution companies are still state owned and in most cases quasi-monopolists.

**The Market Development Report 2008 will
be published on the ECRB Website
(www.ecrb.eu) after October 20th**