

MINUTES AND CONCLUSIONS
2nd PERMANENT HIGH LEVEL GROUP (PHLG) MEETING
16 NOVEMBER 2006, SKOPJE

WELCOMING REMARKS

1. The meeting was co-chaired by Mr. Uzunov, Presidency in office, and Mr. Barbaso, representative of the European Commission, in the presence of Mr. Arto Lepisto, representative of the EU Finnish Presidency.
2. The European Commission welcomed participants to the meeting and thanked the Presidency for hosting the meeting. Presidency followed with short welcoming remarks wishing a successful meeting to all participants. The Commission requested the Secretariat to provide the organizational information related to the Ministerial Council meeting scheduled for the next day, i.e. 17 November 2006.
3. The Agenda was adopted.

ROADMAPS – ENDORSEMENT AND NEXT STEPS

4. The Secretariat reported to the PHLG on the development of the national Road Maps and Actions Plans. These documents should be taken as of indicative nature and nothing in these documents should be in collision with the Treaty. The Commission will assess to which extent the Contracting Parties fulfill the commitments undertaken by the Treaty.
5. PHLG welcomed the Secretariat's efforts and support provided to the Contracting Parties within the development of the Road Maps.
6. PHLG and the Commission briefed on the background and outstanding issues in relation to the Road Maps and the Treaty.
7. PHLG endorsed the Contracting Parties' Road Maps and recommended to the Ministerial Council to agree on them.
8. The Secretariat presented brief information on the preparation of the PHLG meeting with the Donors' Community in relation to coordinated next steps in the process of implementation of the roadmaps. PHLG members welcomed the initiative. They were requested to submit to the Secretariat not later than 1st December 2006 concrete proposals in this aspect.
9. Further, the Secretariat noted that – upon agreement of the Ministerial Council with the proposed Road Maps – concrete steps towards their implementation will be undertaken in accordance with the Explanatory Note on the Road Maps (distributed by the Secretariat during the Expert Meeting 14-15 September 2006), which will be used as a basis in this aspect.

UPDATE ON OBSERVERS AND PARTICIPANTS TO THE ENERGY COMMUNITY PROCESS (ARTICLE 95 AND 96 OF THE TREATY)

10. Following conclusions of the previous PHLG meeting in Vienna of 18 October 2006, the Secretariat informed about the received in-between application from the EU and non-EU Member States for the Status of Participants and Observers under Art 95 and 96 of the Treaty establishing the Energy Community (the Treaty).
11. Following the presented update on the applications received by the Secretariat, PHLG recommends to the Ministerial Council as follows:
 - a. To recognize the following EU countries as Participants in the context of Article 95 of the Treaty – Germany, Slovakia und United Kingdom;
 - b. To accept Turkey as Observer in the context of Article 96 of the Treaty.

PROCEDURAL ACTS ON BUDGETARY ISSUES and ON ANNEX IV TO THE TREATY

12. The European Commission presented a draft Procedural Act on the Budgetary Issues of the Energy Community and a draft Procedural Act on Annex IV to the Treaty (the latter in relation to the changing status of the Republic of Bulgaria and Romania, which shall become members of the EU as of 1 January 2007).
13. PHLG endorsed the aforementioned documents and recommends to the Ministerial Council to adopt these.

WORKING PLAN IN RELATION TO ELECTRICITY CAPACITY ALLOCATION PROCEDURES

14. The Secretariat presented a proposal on a Working plan for simplifying and harmonising of the capacity allocation procedures as per PHLG conclusion of 18 October 2006 (see *conclusion no. 34 of the same date*)¹.
15. The Commission and PHLG welcomed the presented proposal by the Secretariat. The relevant PHLG members agreed to consult the proposal with their counterparts in the regulatory authorities and TSO and to submit consolidated comments by the 1st of December 2006 to the Secretariat. In parallel the Secretariat is mandated to distribute the document to the SETSO TF and ETSO requesting their opinion in relation to the next steps.
16. The Secretariat was requested to prepare a follow-up report for the upcoming PHLG meeting in respect with the implementation of agreed working plan.
17. Secretariat informed the PHLG about the recently adopted amended guidelines for managing the electricity cross-border trade in the EU. "Guidelines on the management and allocation of available transfer capacity of interconnections between national systems" (or often called "Congestion Management Guidelines") amend the existing guidelines which are annexed to the Regulation 1228/2003 on cross-border trade in electricity. In these Guidelines, Europe is divided into seven regions based on the physical reality of the network. South-East Europe will be the eighth region applying the same rules throughout the Energy Community Treaty.

¹ During the meeting Serbian delegation expressed strong objection to the draft proposal of the Working plan for simplifying and harmonising of electricity capacity allocation procedures, elaborating its political motivation.

18. PHLG endorses the proposal made by the Secretariat related to the procedure that shall be followed concerning simplification and harmonization of transmission capacity allocation.

FOLLOW-UP GASIFICATION STUDY

19. The Secretariat informed PHLG about the finalized written proposal on the list of cities which should be considered for distribution case studies in the scope of the regional Gasification Study (*as per PHLG conclusion request no. 39 of 18 October 2006*).
20. PHLG noted the report. Contracting Parties will propose to the Secretariat by the end of the next week, their proposals for inclusions of new cities into the study for the purposes of the Gasification Study including any and all comments related thereto. PHLG mandated the Secretariat to submit it to ECA and to request that these cities should be considered in the context of the gas distribution study.
21. PHLG requested the Secretariat to provide follow-up information on the development of the Gasification Study at the first PHLG meeting envisaged for 2007.

EXTRAORDINARY PHLG MEETING SCHEDULED FOR 5 DECEMBER 2006

22. The Secretariat informed about the agenda and participants of the envisaged extraordinary meeting of the PHLG Group scheduled for 5 December 2006 in Vienna.
23. The Secretariat presented its own consolidated draft of the NGIIR document (*conclusion no. 40 of 18 October 2006*). The PHLG members agreed on the provision of comments on the first consolidated draft of the NGIIR not later than 1st December 2006. The Secretariat will consider the received comments from the Parties and agree on a final draft version with the PHLG relevant stakeholders, Parties and the Commission, if possible.

SEAT OF THE GAS FORUM

24. The Secretariat informed about the express of interest received from Croatia, Slovenia and Serbia for hosting the Gas Forum event on a permanent basis. Turkey noted that it is still interested in hosting the Gas Forum.
25. Secretariat is invited to develop by the end of January 2007 guiding views on the criteria, in accordance with which, the seat of the Gas Forum will be proposed to the Ministerial Council. This unified procedure will allow comparativeness while assessing the applications received.

INITIAL DISCUSSIONS ON POSSIBLE EXTENSION OF THE LIST OF *ACQUIS COMMUNAUTAIRE*

26. In the scope of the ongoing discussion regarding the security of supply in the electricity and gas sector, the Secretariat underlined the need to consider eventual implementation of amendments to the *acquis communautaire* both in the electricity and gas sectors in line with the evolution of European Community law (*Art 24 and 25 of the Treaty*).

27. The Secretariat expressed its views for possible expansion of the *acquis* for initial consideration.
28. Following a short discussion on the issue, the PHLG mandated the Secretariat to observe the development of the energy *acquis* and comment to the PHLG at a next meeting, its impact on the implementation of the Parties' Action Plans and report accordingly to the PHLG on the possible steps, which might need to be undertaken by the PHLG or the Ministerial Council. On this ground, the European Commission might be requested to consider making a relevant proposal.

MISCELLANEOUS

29. The Chair and Presidency thanked for the participation at the meeting and concluded with it.
30. Meeting was closed.