

ELECTRICITY ACTION PLAN

UNMIK

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1 ROADMAP STRUCTURE

The proposed structure, as described below is also presented for easier reference in the diagram (see page 3).

Chapter 1 - Acquis communautaire

This chapter aims to ensure that the provisions of the Directive 2003/54EC are transposed. The information required in this chapter is a reference to the national legislation indicating both the legal disposition and the relevant articles, in case that the Directive's provisions were adopted accordingly.

The overall deadline for the transposition of the electricity acquis is the 1st July 2007, except for the eligibility calendar which is January 2008 for non-household consumers and January 2015 for household consumers

Chapter 2 – Market Structure

The chapter addresses market concentration and to propose, if deemed necessary, measures.

It also pursues effective unbundling of system operators.

Chapter 3 – Wholesale market

This chapter addresses the wholesale market design and rules, in order to achieve competitive market. Competition in the wholesale market shall be ensured by transparency provisions and the regarding market monitoring. The necessary balancing regime is being covered as well, under the market rules subchapter, as the required licensing and authorization process.

Chapter 4 – Retail market

This chapter aims to ensure that the retail market opening measures in terms of eligibility thresholds and time schedules are being implemented.

The customer switching process and the payment reform is being addressed, as well as customer protection.

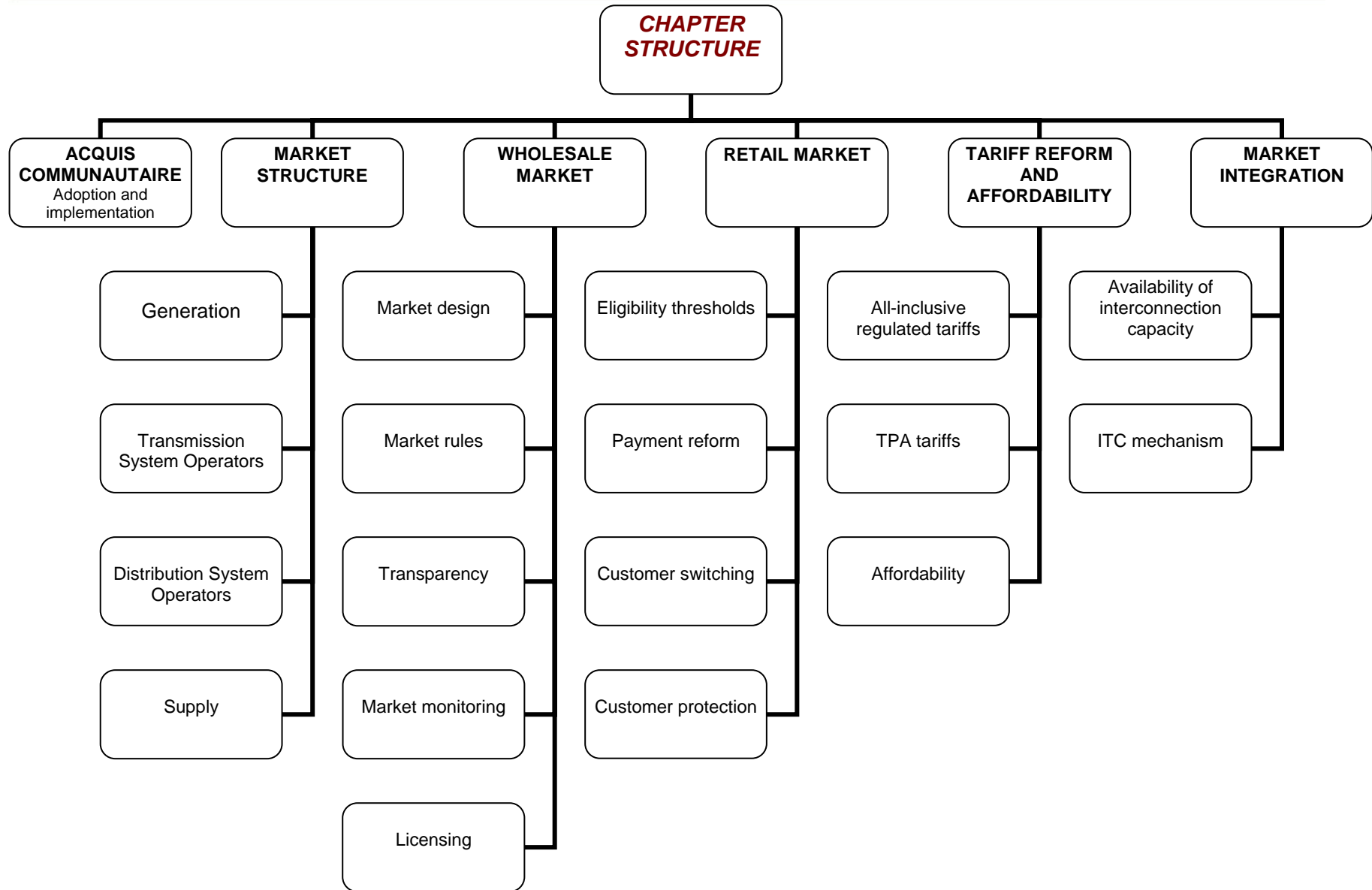
Chapter 5 – Tariff reform and Affordability

The chapter covers the issue of cost reflectiveness in all inclusive tariffs and network usage tariffs (transmission and distribution networks). Affordability issues are also being covered.

Chapter 6 – Market integration

This chapter includes a description of issues related in particular to cross border trade and cross border transport. The key issues to be solved at regional level include the methodology for capacity allocation and congestion management, the Inter TSO Compensation mechanism, and the licensing provisions that are mutually recognised.

This chapter's actions should be regarded as of regional level and should be agreed upon by regional bodies.



2 ACTION PLAN

Chapter 1 - Adoption of the acquis communautaire - ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
1.1	General rules	Develop and implement General Rules for the impositions on undertakings, customer protection, public service obligations, security of supply and technical rules	July 2007	<p>1.1 Imposition on undertakings</p> <p>Kosovo has envisaged imposition on Public Electricity Supply giving priority purchasing of electricity from entities for which a certificate of origin has been issued (Law on Electricity Article 10). Also, there are provisions on Public Service Obligations (Article 51) of the Law on the Energy Regulator. Date of implementation is related to the License condition as per Rule on Licensing.</p> <p>1.2 Customer Protection</p> <p>Customer protection is envisaged in the Primary Law, (Law on the Energy Regulator Article 2, 15, 17, 52 and 58). Also, Energy Regulatory Office has adopted:</p> <ul style="list-style-type: none"> - Rule on Dispute Settlement Procedure, and - Rule on General Condition of Energy Supply <ul style="list-style-type: none"> ▪ Protection of vulnerable customers (Secondary Legislation Article 17 Rule on Pricing) is in process – possibly block tariff starting from January 2007 after three years price review 2007-09. ▪ Protection of customers in remote areas established under Public Service Obligation and their connection under Rule on General Condition of Energy Supply. <p>1.3 Public Service Obligations</p> <p>Addressed under 1.1 above</p>	2007	MEM/ERO
to	1.1 Imposition on undertakings					Note: MEM means Ministry for Energy & Mining
	1.2 Customer protection				ERO means Energy Regulatory Office	
1.5	1.3 Public Service Obligations					
	1.4 Security of Supply					
	1.5 Technical Rules					
					2007	ERO/Ministry of Labor and Social Welfare/MEM
						ERO
						MEM/ERO

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				<p>1.4 Security of Supply</p> <p>Provisions of Security of Supply are envisaged in Law on Energy (Article 3, 9) Law on Electricity (Article 13, 26) and Law on Energy Regulator (Article 2, 35 and 39) and Rule on Licensing issued and adopted by the Board of ERO</p> <p>The ITSMO (KOSTT) has commenced the process of compiling the long-term and annual energy balances for electricity which will be completed and submitted to the Minister in Nov 2006, and annually thereafter.</p> <p>The long-term and annual energy balances will include supply/demand balance; expected future demand, planned new infrastructure and the level of maintenance of the existing infrastructure.</p> <p>1.5 Technical Rules</p> <p>Provisions on the Technical and Market Rules exist in primary legislation (Law on Electricity and Law on Energy Regulator), but Rules themselves are under development. TSO will develop rules and ERO will approve.</p> <p>Adopted Rule on General Condition of Energy supply</p> <p>Final draft of the Grid Code and Metering Code are with the ERO for approval, which is expected in Jan 2007.</p> <p>The Electro-Technical Codes associated with Connection and Interconnection Agreements are being developed and will be completed in April 2007.</p>	<p>Nov 2006</p> <p>July 2007</p> <p>2006</p> <p>Jan 2007</p> <p>April 2007</p>	<p>ERO/KOSTT/MEM</p> <p>ITSMO</p> <p>ERO/ITSMO</p> <p>ERO</p> <p>ERO</p> <p>ITSMO</p>

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				<p>These shall be subject to approval by ERO</p> <p>The technical rules will be published by ITSMO following approval by the ERO.</p> <p>KEK Networks (DSO) continues to operate the existing 'old' technical rules for embedded hydro power plants and connecting new customers.</p> <p>A Distribution Code, containing the new technical rules, needs to be developed. Subject to major technical assistance, DSO will develop the Distribution Code</p> <p>The Code will be subject to approval by ERO, and will be published in a manner approved by the ERO</p>	July 2007	<p>ERO</p> <p>ITSMO</p> <p>KEK Networks (DSO)</p> <p>ERO/KEK Networks</p>
1.6 to 1.7	<p>Generation:</p> <p>1.6. Authorization</p> <p>1.7. Tendering rules</p>	Develop and implement the provisions regarding Generation: authorization criteria and tendering rules	July 2007	<p>1.6. Authorization</p> <p>Currently legislation provides for ERO to develop Authorisation criteria</p> <p>1.7. Tendering rules</p> <p>Kosovo C (New lignite power plant) will be tendered through a Project Steering Committee of which Energy Regulatory Office (ERO), Ministry of Energy and Mining (MEM), Ministry of Economy and Finance (MEF), Ministry of Environment and Spatial Planning and ICMM and others stakeholders are part.</p> <p>Ministry of Energy and Mining (MEM) has issued expression of interest for new lignite power plant.</p>	<p>April 2007</p> <p>Ongoing</p> <p>Sept 2006</p>	<p>Govt/MEM/ERO</p> <p>MEM/ERO/MEF and other stakeholders</p> <p>MEM</p>
1.8 to	Transmission and Distribution System Operators:	Develop and implement the provisions regarding Transmission and Distribution System Operators:	July 2007	<p>1.8. Designation</p> <p>Kosovo has designated Independent Transmission System and Market Operator</p>	Established on 1.7.2006	ITSMO(KOSTT)

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
1.13	1.8. Designation 1.9. Tasks 1.10. Unbundling 1.11. Dispatching and balancing 1.12. Confidentiality 1.13. Combined Operator	designation, tasks, unbundling, dispatching, confidentiality, combined operator		<p>named KOSTT</p> <p>1.9. Tasks Provisions of the tasks of transmission and distribution system operators are envisaged in the Law on Electricity (Article 13 and 17) and are conform to the EU Directive 2003/54/EC.</p> <p>1.10. Unbundling Unbundling of Energy Enterprises is provisioned in the Law on Energy Regulator (Article 49) Kosovo Independent Transmission System and Market Operator (KOSTT) has independence in terms of legal form, organization, and decision making from vertically integrated company (named KEK) while Distribution System Operator is in the process of unbundling accounts from other divisions of KEK.</p> <p>Unbundling of TSO Article 17 of the Law on Electricity requires that where the Transmission Network Operator is part of a fully integrated enterprise, it shall be independent from all other activities not relating to distribution, at least in terms of its legal form, organisation and decision making.</p> <p>Major assistance required by the KEK Networks (DSO) to unbundle the business processes and implement an independent DSO for the electricity industry, subject by regulatory oversight by ERO.</p> <p>Subject to getting this assistance this work will be carried out by KEK Networks (DSO) with completion by July 2007. Unbundling shall have regulatory oversight.</p> <p>1.11 Dispatching and balancing Dispatching and balancing are set forth in the</p>	July 2007	<p>ERO</p> <p>KOSTT(ITSMO)/ ERO/ GOVERNMENT</p> <p>KEK(DSO)/ERO</p> <p>KEK (DSO)/ERO</p> <p>KOSTT(ITSMO)</p>

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				<p>Law on Electricity (Article 13, 14 and 15) and drafted Grid Code and Market Rules cover this task as well.</p> <p>Development of Grid Code completed and awaiting approval of ERO. Grid Code sets out detailed rules on plant scheduling, dispatching and balancing. Grid Code referred to in 1.5 above.</p> <p>Criteria to be published including rationale for possible priority given to certain energy sources (renewables or indigenous).</p> <p>1.12. Confidentiality Confidentiality is envisaged in the Law on Energy (Article 19 and 36), Law on Electricity (Article 16 and 19) and Law on Energy Regulator (Article 3, 13, 25, 27, 50 and 57)</p> <ul style="list-style-type: none"> - Rule on Confidentiality of information is under development by KOSTT (ITSMO) and will be completed by July 2007. Rule/Procedures subject to approval by ERO. <p>1.13. Combined Operator Kosovo does not have a combined transmission and distribution system operator.</p>	2007 July 2007	ERO/ KOSTT(ITSMO)
1.14 to 1.15	Unbundling/ transparency of accounts 1.14 Rights of access to accounts 1.15 Unbundling of	Develop and implement the provisions regarding Unbundling/transparency of accounts: rights of access to accounts and unbundling of accounts	July 2007	<p>1.14 Rights of access to accounts Based on the Law on Energy Regulatory (Article 50), Energy Regulatory Office (ERO) have the right to access the accounts of the energy enterprises to carry out their functions</p> <p>1.15 Unbundling of accounts Unbundling of accounts is envisaged in the Rule on Licensing and licenses as well</p> <ul style="list-style-type: none"> ▪ Implementation of Rules defined in accounting acquis by undertakings is in 		ERO ERO/KOSTT/KEK

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
	accounts			<p>initial stage</p> <ul style="list-style-type: none"> Unbundling of accounts for all electricity activities pursuant to the provision in the Law on Energy Regulator (Article 49) is a License Condition in Licenses that are in the process of being issued to the energy activities. <p>A separate account for supply of eligible and not-eligible customers is required in relevant licenses for KEK and suppliers but isn't applicable yet</p> <p>KEK will to draw up, submit to audit and publish its annual accounts for 2006 according to rules defined in accounting acquis, and will do so annually thereafter.</p> <p>Separate accounts for the generation, distribution and supply activities will be introduced as part of KEK's internal accounting.</p> <p>In addition, separate accounts for supply activities for eligible and non-eligible customers will be introduced in Jan 2007.</p>	<p>Jun 2007</p> <p>Jan 2007</p> <p>Jan 2007</p> <p>Jan 2007</p>	
1.16 to 1.19	<p>Organisation of access to the system</p> <p>1.16 Third Party Access</p> <p>1.17 Market opening and reciprocity</p>	<p>Develop and implement the provisions regarding Organisation of access to the system of accounts: Third Party Access, market opening and reciprocity, direct lines and Regulatory Authorities</p>	July 2007	<p>1.16 Third Party Access</p> <p>Third party access is foreseen in Primary and Secondary Legislation (Law on Electricity Article 25) but is currently not applicable, because of lack of competition.</p> <ul style="list-style-type: none"> TPA refusals are provisioned in the Law on Electricity (Article 26) <p>Transmission</p> <p>New transmission use-of-system tariffs being</p>	<p>Jan 2007</p>	<p>ERO/TSO/DSO</p> <p>ERO</p>

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
	1.18 Direct Lines 1.19 Regulatory Authorities			<p>developed according to ERO approved methodology. Tariffs to be approved published and implemented for Jan 2007.</p> <p>Interim transmission use-of-system tariffs were published on the ERO website in July 2006.</p> <p>Distribution New distribution use-of-system tariffs being developed according to ERO approved methodology. Tariffs to be approved published and implemented for Jan 2007.</p> <p>Work on preparing a Distribution Code has not commenced yet.</p> <p>Article 26 of the Law on Electricity empowers the DSO to refuse network access, sets down the basis for refusing access and establishes the right of a refused party to appeal the refusal. Detailed procedures need to be developed on these matters.</p> <p>All this work can be done by July 2007 but major assistance for KEK Networks (DSO) would be needed.</p> <p>1.17 Market opening and reciprocity Market is currently open only for big industrial consumers (if they fulfill criteria set by MEM)</p> <p>1.18 Direct Lines Provision regarding Direct Lines is set out in Law on Electricity (Article 24), but criteria for authorizing the construction of direct lines are not developed.</p> <p>Applications for transmission direct lines and appraisal process will be prepared by ITSMO after criteria developed; work will be done with ERO oversight.</p>	<p>Jan 2006</p> <p>Jan 2007</p> <p>July 2007</p> <p>July 2007</p>	<p>ERO</p> <p>ERO</p> <p>ERO/KEK(DSO)</p> <p>MEM/ERO</p> <p>MEM/ERO/ITSMO</p> <p>ERO/ITSMO</p>

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				<p>KEK Networks (DSO) will input into the development of criteria relating to direct lines , and will require assistance in this area.</p> <p>Applications for distribution direct lines and appraisal process will be prepared by KEK Networks (DSO) after criteria developed; work will be done with ERO oversight and is contingent on assistance for DSO.</p> <p>1.19 Regulatory Authorities Kosovo has designated one Regulatory Authority named Energy Regulatory Office (ERO), for electricity, heating and natural gas.</p>	<p>July 2007</p> <p>July 2007</p>	<p>MEM/ERO/DSO</p> <p>ERO/DSO</p> <p>Assembly</p>
1.20 to 1.22	<p>Final Provisions:</p> <p>1.20. Safeguard measures</p> <p>1.21. Monitoring imports</p> <p>1.22. Derogations</p>	<p>Develop and implement the Final Provisions: safeguard measures, monitoring imports, derogations (if applicable)</p>	July 2007	<p>1.20. Safeguard measures Safeguard measures are provisioned under Restrictive Measures on Energy Supply (Law on Energy Article 25)</p> <p>1.21. Monitoring imports Monitoring import is envisaged in the Primary Law (Article 21 of Law on Electricity)</p> <p>TSO will report to ERO on the physical flows of imports of electricity, as required.</p> <p>Appropriate metering and data collection procedures are in place. Reporting procedures will be completed</p> <p>1.22. Derogations Considering that the process of restructuring is not finished yet, requests for Derogations are envisaged for certain issues in Secondary Legislation.</p> <p>Cross Border Transmission of electricity is set out in the Law on Electricity (Article 36)</p>	<p>Dec 2006</p> <p>Ongoing</p>	<p>Government</p> <p>ERO/ITSMO</p> <p>MEM</p>

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				1.29 Penalties There is not set up yet any penalties related to requirements of the Regulation 1228/2003.		

Chapter 2 – Market Structure – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
2.1	Generation/ Supply	Assess market concentration in each Party's electricity industry through the commonly used indicators	Not applicable (except for unbundling)	2.1 Generation/ Supply <ul style="list-style-type: none"> ▪ Vertically integrated company with mining, generation, distribution and supply functions ▪ Publicly owned irrigation company that generates electricity within their main business ▪ Embedded generation private company ▪ installed capacity 1513 MW ▪ electricity produced 4 TWh (in 2005) ▪ market share 97.5 % and 2.5 % 		Government/ERO
2.2	Generation/ Supply	Adopt measures, if deemed necessary, based on the results.	Not applicable	2.2 Generation/ Supply Generation and Supply – one company with separate accounts According to the approved energy strategy, private investment in capacity are envisaged		ERO
2.3	Transmission System Operators	Ensure unbundling and implementation of technical rules	Dec. 2007	2.3 Transmission System Operator ITSMO (KOSTT) independent and separated since July 2006. <ul style="list-style-type: none"> ▪ Regulated TPA ▪ Technical Codes under development by KOSTT – required approval by Regulator (ERO) ▪ TPA connection conditions and processes being developed, expected completion is March 2007; subject to ERO approval. ▪ Effective operational implementation of the grid code and business processes is planned for July 2007, subject to ERO approval. 	1.7.2006 1.1.2007 2007 Mar 2007 July 2007	ERO ERO ITSMO/ERO ITSMO/ERO

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
2.4	Distribution System Operators	Ensure effective unbundling, adoption of technical rules and consolidation of distribution companies	Dec. 2007	<p>2.4 Distribution System Operator</p> <p>Article 17 of the Law on Electricity requires unbundling of the DSO.</p> <ul style="list-style-type: none"> ▪ Unbundled accounts (not yet) ▪ Technical codes still have not started to be developed. ▪ Regulated TPA (Distribution use of System Charges are under development) <p>Consolidation of the distribution companies does not apply in Kosovo.</p>	<p>NA</p> <p>2007</p> <p>1.1.2007</p>	ERO/KEK

Chapter 3 – Wholesale market – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
3.1	Market design	Adoption of market design and accompanying measures to ensure liquid competitive wholesale market	Dec. 2007	3.1 Market Design Wholesale market, net pool design (bilateral contracts & spot day ahead market) For 2007 there will be a transitional market design	2007	ERO/KOSTT/MEM
3.2	Market rules	Elaborate/ implement market rules compatible with a competitive approach	Dec. 2007	3.2 Market Rules Most energy settled through bilateral contracts <ul style="list-style-type: none"> ▪ Contract defines energy bought/sold in each settlement period ▪ Mechanism for residual balance ▪ Incentives to balance ▪ Balance Mechanism – trade between generators and TSO through bids and offers where demand side can also participate – Price Caps set by ERO at variable costs of units. It operates as a contract between TSO and generators for delivery of power ▪ Gate Closure day ahead 13:00 h ▪ Ex post imbalance pricing ▪ Single Imbalance Price ▪ Residual imbalances go into settlement ▪ Ancillary services through annual contracts 	In 2007, only transitional Market design	ERO/KOSTT
3.3	Market transparency	Provide/ publish data, including services offered to market participants	Dec. 2007	3.3 Market Transparency Data transparency and services to market participants are covered in the Market Rules	N/A	ERO/KOSTT

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution

3.4	Market monitoring	Implement a market monitoring system to obtain reliable data for further development of the market:	Dec. 2007	3.4 Market Monitoring Under development	N/A	ERO
3.5	Licensing and Authorization	Elaborate/implement a license/ authorization system, compatible on a regional level	Dec. 2007	3.5 Licensing & Authorisation <ul style="list-style-type: none"> ▪ Approved Rule on Licensing ▪ Licensing of energy activities – ongoing ▪ Rule on Authorisation is drafted and waiting for approval. 	Ongoing	ERO ERO ERO/MEM

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				of measures towards further payment reform will be developed. These measures will be finalised and adopted in Sept 2007 Implementation is planned to commence immediately afterwards	Sept 2007 Oct 2007	KEK KEK
4.3	Customer switching	Elaborate/implement a non-discriminatory transparent customer switching process minimizing transaction cost and disputes	Dec.2007	4.3 Customer Switching The provision regarding customer switching are already included in the Secondary Legislation (Rule on General Condition of Energy Supply) but for the time being not applicable		ERO
4.4	Customer protection	Elaborate/implement non-discriminatory transparent measures for protection of the customers	Dec.2007	4.4 Customer Protection In 2006 ERO adopted following Rules: <ul style="list-style-type: none"> - Rule on General Condition of Energy Supply - Rule on Connection and Disconnection - Rule on Dispute Settlement Procedure - Rule on Pricing & Tariff Methodology Quality Development Standards are under development	2006 2007	ERO ERO

Chapter 5 – Tariff reform and Affordability – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
5.1	All-inclusive regulated retail tariffs	Development of retail cost reflective (all-inclusive) tariffs	Dec. 2007	<p>5.1 All-inclusive regulated retail tariffs</p> <p>Allowed revenues for total of all unbundled electricity businesses units have been announced in a public hearing on 12.09.2006.</p> <ul style="list-style-type: none"> Probably the commercial losses and non-collection losses will be borne by KCB (Kosovo Consolidated Budget and Government). All-inclusive regulated retail tariffs will be implemented on 1st Jan 2007. These are cost reflective tariffs and will take into account government subsidies together with a decreasing target for commercial and collection losses over the three year price-review period of 2007 - 2009 	1.1.2007	ERO/Govt
5.2	TPA tariffs (transmission, distribution, ancillary services)	Development of cost reflective TPA tariffs	Dec. 2007	<p>5.2 TPA Tariffs</p> <p>The development of TPA tariffs is provisioned in primary and secondary legislation (Law on Electricity Article 25.</p> <p>Pricing Rule and Tariff methodology has been adopted.</p> <p>Cost-reflective TPA tariffs will be implemented from 1st January 2007</p>	1.1.2007	ERO
5.3	Other regulated tariffs	Please include any existing actions describing how the Party will make compatible other existing regulated tariffs (e.g. regulated wholesale tariffs) with the opening to competition	Dec.2007	<p>5.3 Other regulated tariffs</p> <p>Not Applicable</p>		

5.4	Affordability	Development and adoption of support schemes for the protection of vulnerable customers	Dec. 2007	5.4 Affordability Government to develop subsidy programme for protection of vulnerable customers	Dec 2007	Government

Chapter 6 – Market Integration – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				
No	Subchapter	Action	Deadline	Responsible party
6.1	Interconnection capacity	Develop and adopt coordinated market based mechanisms at each border	Dec 2007	Relevant regulators and TSOs
6.2	Interconnection capacity	Development of a regional coordinated market based mechanism	Not decided	Fora
6.3	Inter TSO Compensation	Agree on merger of the EU and SEE funds. Otherwise, transitionally, increase injection fee	December 2006	EC/ ETSO
6.4	Inter TSO Compensation	Development of a methodology to invoice or credit market participants in relation with the ITC	As soon as possible	CONTRACTING PARTIES
6.5	Market design/ Market rules	The European Commission shall state a preference on wholesale market opening	October 2006	European Commission
6.6	Market design/ Market rules	Guidelines for market opening indicating measures to start up competition	March 2007	European Commission/ ECRB
6.7	Market design/ Market rules	Guidelines for market rules development	March 2007	European Commission/ ECRB
6.8	Licensing	Analyze the compatibility and harmonization of licensing for trading energy across the region including the harmonization of the concepts of trade and supply	January 2008	ECRB

3 CHECKLIST/ GUIDELINES FOR EACH ACTION

CHECKLIST/GUIDELINES to Chapter 1 – Acquis communautaire

No	Subchapter	Checklist/ Guidelines
Directive 2003/54/EC		
1.1	General rules/ Imposition on undertakings	<ul style="list-style-type: none"> ▪ If applicable, description of the possible impositions on electricity undertakings of Public Service Obligations: Description of the provision and reference to national legislation
1.2	General rules/ Customer protection	<ul style="list-style-type: none"> ▪ Include provisions on universal service for households and if deemed appropriate small enterprises: <ul style="list-style-type: none"> - Obligation on distribution companies to connect customers to the grid - If necessary provisions on the Supplier of Last Resort - Final customer protection including Transparency in contractual terms and conditions, general information and dispute settlement, etc (see Annex A Directive) ▪ Protection of vulnerable customers ▪ Protection customers in remote areas ▪ Minimum information in the bills
1.3	General rules/ Public Service Obligations	<ul style="list-style-type: none"> ▪ Report immediately after the implementation of the Public Service Obligations provisions ▪ Reporting every two years on any changes regarding the Public Service Obligations
1.4	General rules/ Security of Supply	<ul style="list-style-type: none"> ▪ Provisions monitoring of Security of Supply: supply/demand balance; expected future demand, planned new infrastructure, level of maintenance of the existing infrastructure, etc ▪ Identification responsible Institution for the monitoring ▪ Report each two years
1.5	General rules/ Technical rules	<ul style="list-style-type: none"> ▪ Technical rules regarding connection to the system of power plants, distribution systems, consumer facilities, interconnectors, direct lines, etc. ▪ Publication and reporting of the technical rules
1.6	Generation/ authorisation	<ul style="list-style-type: none"> ▪ Authorisation criteria for the construction of new capacity in accordance to the requirements under article 6 of the 2003/54 Directive ▪ Publication of the criteria ▪ Motivation of refusals to applicants and appeal procedures
1.7	Generation/ Tendering rules	<ul style="list-style-type: none"> ▪ Tendering procedure provisions for new capacity (or demand side management measures). To be applied only when Security of Supply is not guaranteed and optionally otherwise ▪ Publication of the details for the tendering procedure and the tender specifications ▪ Appointment of an Institution to oversee the tendering procedure
1.8	TSO & DSO/ Designation	<ul style="list-style-type: none"> ▪ Designation of one/ more Transmission System Operator and Distribution System Operator
1.9	TSO & DSO / Tasks	<ul style="list-style-type: none"> ▪ Define the tasks of the TSO(s) and DSO(s) in accordance with art. 9 and 14 respectively
1.10	TSO & DSO / Unbundling	<ul style="list-style-type: none"> ▪ Legal, organisational and decision-making unbundling of the TSO/ DSO from other activities not related to transmission ▪ Implementation of minimum independent criteria in accordance with art. 10.2 and 15.2 respectively
1.11	TSO/ Dispatching and balancing	<ul style="list-style-type: none"> ▪ TSO: Responsibility for dispatching generation and use of interconnectors. Criteria to be published including rational for possible priority given to certain energy sources (renewables or indigenous) ▪ TSO: Responsibility to balance the system. Rules to be published.
1.12	TSO & DSO / Confidentiality	<ul style="list-style-type: none"> ▪ Provisions regarding confidentiality of commercially sensitive information
1.13	TSO & DSO/ Combined Operator	<ul style="list-style-type: none"> ▪ Possibility to have a combined transmission and distribution system operator according to the requirements

No	Subchapter	Checklist/ Guidelines
Directive 2003/54/EC		
		given in art. 17
1.14	Unbundling accounts/ access	<ul style="list-style-type: none"> Designate competent authorities, including regulatory authorities, to have right of access to the accounts of electricity undertakings
1.15	Unbundling accounts/ unbundling	<ul style="list-style-type: none"> Electricity undertakings to draw up, submit to audit and publish their annual accounts according to rules defined in accounting acquis Internal accounting: Separate accounts for each of their transmission and distribution activities; separate accounts for supply activities for eligible and non-eligible customers
1.16	Organisation access system/ TPA	<ul style="list-style-type: none"> Adopt Third Party Access System based on published tariffs TPA refusal must be substantially reasoned by the transmission or distribution system operator
1.17	Organisation access system/ Market opening and reciprocity	<ul style="list-style-type: none"> Provisions to include the eligibility calendar (non households from January 2008 and households from January 2015) Provisions on reciprocity between Contracting Parties
1.18	Organisation access system/ Direct lines	<ul style="list-style-type: none"> Provisions to enable premises of the electricity undertakings and eligible consumers through direct lines Lay down the criteria of authorisations for the construction of direct lines
1.19	Organisation access system/ Regulatory authorities	<ul style="list-style-type: none"> Designation of one or more competent bodies as regulatory authority with the functions set in art. 23
1.20	Final provisions/ Safeguard measures	<ul style="list-style-type: none"> If applicable, to communicate any safeguard measures provisions in place in the Contracting Parties' legislation
1.21	Final provisions/ Monitoring imports	<ul style="list-style-type: none"> Report every three months on the imports of electricity as regards physical flows
1.22	Final provisions/ Derogations	<ul style="list-style-type: none"> If applicable apply for derogations according to art. 26
Regulation 1228/2003		
1.28	Inter TSO Compensation mechanism	<ul style="list-style-type: none"> Contracting Parties legislation in line art. 3 of the Regulation 1228/2003 Once the EC Guidelines become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.29	Charges for access to networks	<ul style="list-style-type: none"> Contracting Parties legislation in line with art. 4 of the Regulation 1228/2003 Once the EC Guidelines on ITC become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.30	Transparency	<ul style="list-style-type: none"> Publication of the parameters and standards provided in art. 5 of the Regulation 1228/2003
1.31	Congestion Management	<ul style="list-style-type: none"> Contracting Parties legislation in line with art. 6 of the Regulation 1228/2003 Once the EC Guidelines become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.32	New interconnectors	<ul style="list-style-type: none"> Transpose the conditions subjected to which new interconnectors might be eligible to be exempted from art. 6(6) of the Regulation 1228/2003 and art. 20, 23(2) and 4 of Directive 2003/54/EC
1.33	Penalties	<ul style="list-style-type: none"> Lay down the rules on penalties applicable to infringements of the provisions of the Regulation and adopt measures to ensure that they are implemented

CHECKLIST/GUIDELINES to Chapter 2 – Market Structure

No	Subchapter	Checklist/ Guidelines
2.1	Generation/ Supply	<ul style="list-style-type: none"> ▪ Relevant authorities shall define the relevant market, measure market concentration and apply analytical techniques consistent with international best practice. Commonly used indicators are: <ul style="list-style-type: none"> - No of companies - Installed capacity - Electricity produced - Market share - Herfindahl-Hirschman index –HHI- (by capacity and volume) - Etc.
2.2	Generation/ Supply	<ul style="list-style-type: none"> ▪ Adopt measures, if deemed necessary, based on the results ▪ Virtual capacity auctions ▪ Restructuring of the industry ▪ Security of supply provisions ▪ Planning new capacities ▪ Etc.
2.3	Transmission System Operator	<ul style="list-style-type: none"> ▪ Effective unbundling ▪ TPA conditions ▪ Effective operational implementation of the grid code and business processes (scheduling, planning, settlement of disputes, etc)
2.4	Distribution System Operator	<ul style="list-style-type: none"> ▪ Effective unbundling ▪ Technical rules for the operation of the distribution networks ▪ TPA access conditions ▪ Consolidation of the distribution companies

CHECKLIST/GUIDELINES to Chapter 3 – Wholesale Market

No	Subchapter	Checklist/ Guidelines
3.1	Market design	<ul style="list-style-type: none"> ▪ Bilateral trading versus power exchanges ▪ If applicable ensure compatibility of Wholesale supplier/ single buyer with a competitive market ▪ Etc.
3.2	Market rules	<ul style="list-style-type: none"> ▪ Contents of the Market rules. In a bilateral contracts/ balancing market model the min. elements should be: registration procedures for participants; scheduling process for physical nomination/ contract notification for internal contracts; gate closure; bids and offers rules or rules for regulated imbalance prices; imbalance prices quantities or price calculation when existence of balancing market; commercial aspects of ancillary services; guarantees to cover imbalances, dispute settlement; data to be published for market participants; mechanism and rules for allocation of interconnection capacity) ▪ Avoid preferential treatments or discriminatory practices (e.g. all participants should be bound to imbalance settlement) ▪ Issues to ensure regional compatibility of the national market rules (e.g. gate closure afternoon ahead as a minimum) ▪ Minimal constraints to bilateral contracting ▪ Import/ export trade not to be limited
3.3	Market transparency	<ul style="list-style-type: none"> ▪ System load ▪ Transmission and access interconnections ▪ Generation ▪ Balancing ▪ Information from the wholesale markets
3.4	Market monitoring	<ul style="list-style-type: none"> ▪ Implement a market monitoring system to obtain reliable data for further development of the market: <ul style="list-style-type: none"> - Periodic assessment of market concentration and abuses of dominant position - Wholesale market monitoring - Retail market monitoring: Customer switching rates, eligible and regulated retail market prices
3.5	Licensing and Authorization	<ul style="list-style-type: none"> ▪ Elaborate/implement a license/authorization system, compatible regionally

CHECKLIST/GUIDELINES to Chapter 4 – Retail market

No	Subchapter	Checklist/ Guidelines
4.1	Eligibility thresholds	<ul style="list-style-type: none"> ▪ Elaborate and implement market opening measures in terms of eligibility thresholds
4.2	Payment reform	<ul style="list-style-type: none"> ▪ Adopt measures towards payment reform: <ul style="list-style-type: none"> - Improve collection rates (at least 90% level) - Lower transmission & distribution technical losses - Upgrade of metering and control systems <p><i>Ref. Electricity Transition Strategy and Electricity Market Options Paper</i></p>
4.3	Customer switching	<ul style="list-style-type: none"> ▪ Develop customer switching protocols and required infrastructure (between new and old supplier, distribution companies and customer). They should at least include: <ul style="list-style-type: none"> - Clear responsibilities between relevant players involved including timeframes for each task in the switching process - Development of parameters to identify points of supply - Metering and settlement arrangements including when switching in between a reading cycle - Load profiles for customers which are not hourly metered - Transfer of the network capacity from old to new supplier - Upgrade IT systems and electronic filing required for customer switching <p><i>Ref. ERGEG Guidelines</i></p>
4.4	Customer protection	<ul style="list-style-type: none"> ▪ Development of Customer Protection rules which shall at least include: <ul style="list-style-type: none"> - Guarantee of connection to the network in reasonable time and price - Distribution companies to provide terms and conditions to customer prior to connection - Disconnection only in severe breach of connection contract - Quality and continuity of supply standards, including its monitoring - Dispute settlement. Companies to develop if possible code of conduct - Transparency of retail prices (available of information to make the choice, price information in the bills and price update during the contracting period) <p><i>Ref. ERGEG Guidelines</i></p>

CHECKLIST/GUIDELINES to Chapter 5 – Tariff reform and affordability

No	Subchapter	Checklist/ Guidelines
5.1	All-inclusive regulated retail tariffs	<ul style="list-style-type: none"> ▪ Development of retail cost reflective (all-inclusive) tariffs: <ul style="list-style-type: none"> - Development of a cost-reflective retail tariff methodology - Calculation of the tariffs according to the proposed methodology. Cross subsidies among consumer groups shall be avoided <p><i>Ref. USAID tariff benchmarking study</i></p>
5.2	TPA tariffs (transmission, distribution, ancillary services)	<ul style="list-style-type: none"> ▪ Development of cost reflective TPA tariffs: <ul style="list-style-type: none"> - Development of a TPA tariff methodology/s which shall take into consideration an appropriate rate of return, an appropriate depreciation of the assets, incentives for future investment and the operating costs of the company and incentives for efficiency - Calculation of the tariffs according to the proposed methodology (this will require among others, the system cost determination) <p><i>Ref. USAID tariff benchmarking study</i></p>
5.3	Other regulated tariffs	<ul style="list-style-type: none"> ▪ Please include any existing actions describing how the Party will make compatible other existing regulated tariffs (e.g. regulated wholesale tariffs) with the opening to competition
5.4	Affordability	<ul style="list-style-type: none"> ▪ Development and adoption of support schemes for the protection of vulnerable customers <p><i>Ref. ERGEG Guidelines</i></p>

CHECKLIST/GUIDELINES to Chapter 6 – Market integration

No	Subchapter	Checklist/ Guidelines
6.1	Interconnection capacity	<ul style="list-style-type: none"> ▪ Develop and adopt coordinated market based mechanisms at each border
6.2	Interconnection capacity	<ul style="list-style-type: none"> ▪ Development of a regional coordinated market based mechanism: <ul style="list-style-type: none"> - Further work and agreement on flow based capacity allocation mechanism including distribution of revenues - Establishment of an auction office, defining the financial framework, organizational structure and responsibilities
6.3	Inter TSO Compensation	<ul style="list-style-type: none"> ▪ Agree on merger of the EU and SEE funds. Otherwise, transitionally, increase injection fee
6.4	Inter TSO Compensation	<ul style="list-style-type: none"> ▪ Development of a methodology to invoice or credit market participants in relation with the ITC
6.5	Market design/ Market rules	<ul style="list-style-type: none"> ▪ The European Commission shall state a preference on wholesale market opening
6.6	Market design/ Market rules	<ul style="list-style-type: none"> ▪ Guidelines for market opening indicating measures to start up competition
6.7	Market design/ Market rules	<ul style="list-style-type: none"> ▪ Guidelines for market rules development
6.8	Licensing	<ul style="list-style-type: none"> ▪ Analyze the compatibility and harmonization of licensing for trading energy across the region including the harmonization of the concepts of trade and supply