

(Agenda Item nr. 4, Ministerial Council Meeting, 17 November 2006, Skopje)

ELECTRICITY AND GAS ROAD MAP

- UNMIK -

Background

According to Article 3a of the Treaty establishing the Energy Community (the Treaty), the activities of the Energy Community (the EnC) shall, among others, include the implementation by the Contracting Parties of the *Acquis Communautaire* on energy, environment, competition and renewables. Under the Treaty, the *Acquis Communautaire* on energy is represented by the Directive 2003/54/EC, the Directive 2003/55/EC, and the Regulation 1228/2003/EC (Article 11 of the Treaty). The timeline, as specified in the Treaty's Annex I, asked for this activity to be implemented by July 2007 (within twelve months of the entry into force of the Treaty). The Treaty also sets out the timetable to adopt the necessary measures to open the market to non-household customers by January 2008, and to all customers by January 2015.

Purpose

The implementation of the *Acquis Communautaire* on energy, and the adoption of necessary measures to open the electricity and gas markets for competition are supported by the development of tailor - made Road Maps (Action Plans), by each Contracting Party. These are based on electricity and respectively gas templates prepared by the Energy Community Secretariat and agreed with major stakeholders in the process, including the Permanent High Level Group members.

Electricity Road Map

*(1) Adoption of the *acquis communautaire**

- Develop provisions for the protection of vulnerable customers avoiding cross subsidies between customer groups.
- Development and publication of the technical rules, i.e. the transmission Code by beginning of 2007 and distributions grid code by 2007 (there is no current project to provide this, we sent the request to World Bank for extension of the Project). Issues such as dispatching, planning of the network, connection to the grid and metering are to be included.
- Development and adoption of market rules, including balancing provisions within 2007. Development of Transitional Market rules by the end 2006. As transitional market arrangements are envisaged, any potential distortions to competition should be minimised.
- Ensure compatibility and synergies between the market rules and technical rules under preparation.

- Adopt and publish authorisation criteria for the construction of new energy facilities by July 2007.
- Review the timetable for legal unbundling between distribution and supply activities.
- Implement account unbundling between generation, distribution and supply activities performed by KEK.

(2) Market structure

- Monitor the effective account unbundling between the activities performed by KEK.
- Initiate practice of an independent audit and publishing of the accounts of all electricity undertakings. Analyse the need for more detailed guidelines on accounts unbundling.
- Enhance the institutional building of the newly appointed KOSTT. Develop the necessary operational business processes and improve the IT infrastructure to allow adequate performance of the TSO and MO activities.
- Continue developing the transmission grid code and related technical rules for adoption within 2006/2007. Among other aspects it should cover the operation of the system, connection to the grid, planning of the network and metering.
- Develop a distribution grid code.

(3) Wholesale market

- Development and adoption of the transitional market rules within January 2007, Market Rules with in 2007 which shall cover at least a description of the market participants, nomination and scheduling procedures, gate closure rules, the balancing mechanism and the provision of ancillary services. As transitional arrangements are envisaged, the rules should aim to minimise the level of distortion to the market.
- Develop a plan to evolve from the transitional market provisions foreseen in phase 1 of the market rules, where generation and retail prices are regulated to a market in competition by earliest 2008 .
- KOSTT to continue developing the necessary IT and metering infrastructure to ensure the operational implementation of the market rules and grid code under preparation by 2007.
- Follow up the decisions adopted at the Athens Forum regarding market transparency and upload the relevant data onto the KOSTT website by 2007.

(4) Retail market

- Continue work on development of further eligibility criteria taking into consideration the relevant timetable of the EnC Treaty and the energy sector conditions in Kosovo.
- Continue the programme for improving collection rates.
- Implement customer switching procedures, which shall allow eligible non-household customers to choose supplier.
- Continue the development of customer protection issues including quality of supply standards.

(5) Tariff reform and affordability

- Approve all-inclusive and Third Party Access tariffs using the recently developed methodology on the basis of cost-reflectivity by July 2007.
- In case adopted tariffs are not cost reflective, adopt a plan and timetable for the gradual increase of the tariffs until cost reflectivity is reached.
- Develop by the end of 2007 a scheme to subsidise the supply of electricity to vulnerable customers. The proposed scheme should avoid cross subsidies between customer groups.

Gas Road Map

The gas sector is not developed in Kosovo. Any activities on development will take into consideration provisions of the Treaty.

*(1) Adoption of the *acquis communautaire**

- Developing Gas Law in compliance with the Gas Directive 2003/55/EC by July 2007.