

PROCESS OF THE IMPLEMENTATION OF THE TREATY ESTABLISHING THE ENERGY COMMUNITY

- Summary of information and needs for assistance -

by

Energy Community Secretariat

www.energy-community.org

Mini Gas Forum

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OBJECTIVES

Provide summary of the information

Recognize needs for assistance in relation to the RMs and APs

Identify bottlenecks for each of the Contracting Parties

Propose scheme for monitoring the implementation of all RMs and APs

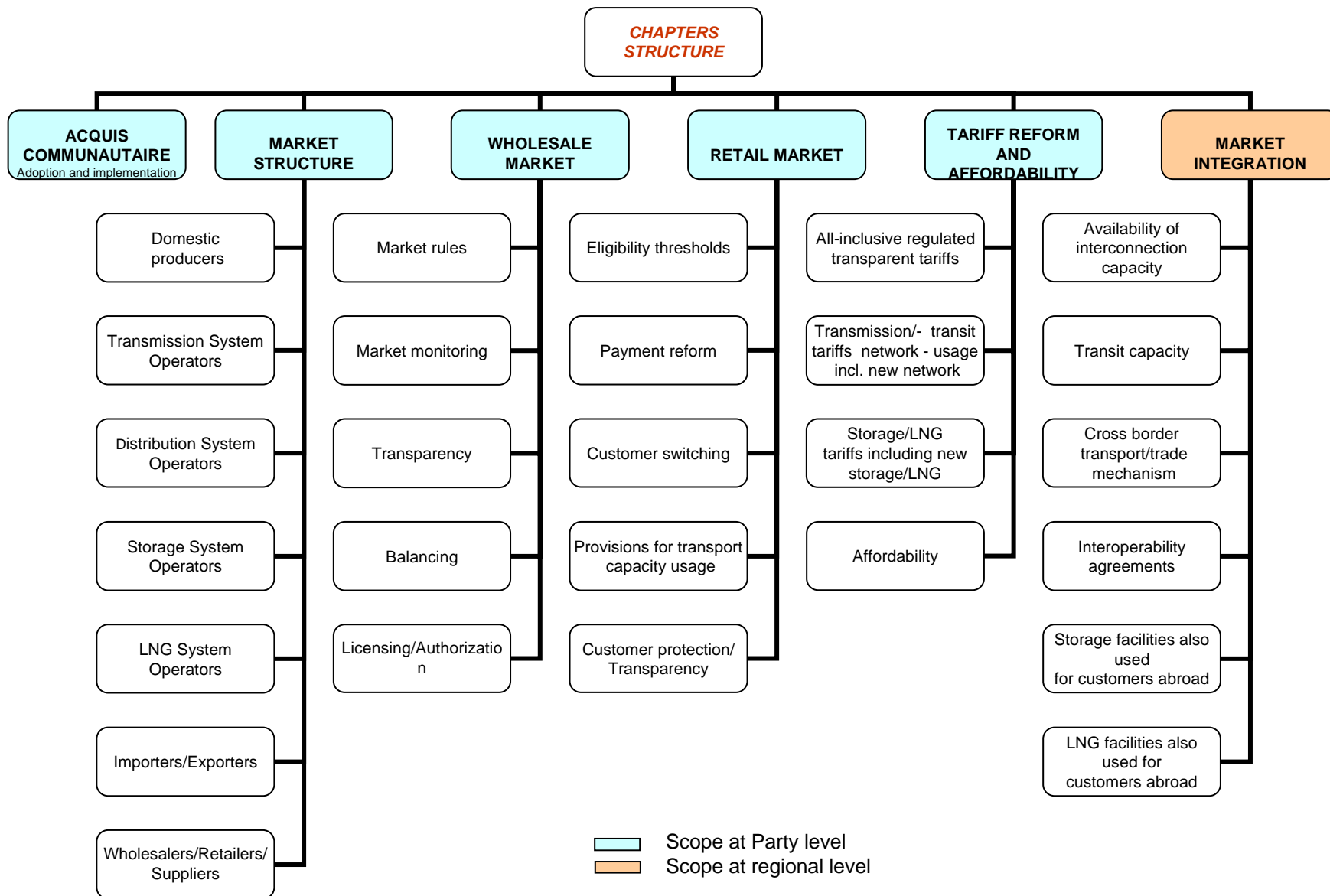
- **TEMPLATES OF THE ROAD MAPS**

- Two templates – electricity and gas – in three parts each
- Part 1: ROAD MAP STRUCTURE
 - general description of the structure explaining the content
- Part 2: ACTION PLAN
 - six chapters (1 – Acquis; 2 – Market Structure; 3 – Wholesale Market; 4 – Retail Market; 5 – Tariff Reform and Affordability; 6 – Market Integration)
- Part 3: CHECKLIST/GUIDELINES FOR EACH ACTION
 - checklist of actions and guidelines on what information the Contracting Parties are required to provide in Part 2
 - inventory of issues for monitoring purposes later on

WHAT WAS EXPECTED FROM THE CONTRACTING PARTIES

- To fill in the respective fields in the Part 2 – ACTION PLAN in all of the Chapters 1 to 6 on the basis of the Part 3 – CHECKLIST/GUIDELINES FOR EACH ACTION
- To accept thereby a common platform for development of individualised and tailor-made Road Maps
- To enable easier monitoring by collecting symmetrical information and reporting in a party-by-party comparable way

ROAD MAP CHAPTERS STRUCTURE



GENERAL PROBLEMS IN OPENING MARKETS PROPERLY

- The persistence of regulated prices, especially for the benefits of eligible customers, putting obstacles in the path of new market entrants
- The lack of legal unbundling and insufficient managerial separation of transmission and distribution system operators to ensure their independence
- Discriminatory third party access to networks and insufficiently transparent tariffs
- The free choice of supplier
- The power of regulators, in particular as regards setting tariffs for access to networks

GENERAL PROBLEMS IN OPENING MARKETS PROPERLY

TSO/DSO

- Absence of or insufficient legal unbundling of TSO/DSO in order to guarantee their independence
- Absence of independence of TSO/DSO in the management
- Absence of or insufficient functional and accounting unbundling of TSO/DSO in order to guarantee their independence
- Delay in the entry into force of legal unbundling of TSO/DSO

REGULATORY AUTHORITY

- Insufficient competences of regulators in relation to the directives, in particular with respect to:
 - the possibilities to file complaints to the regulator
 - the management and allocation of interconnection capacity
 - fixing the tariffs of access to the networks

CHARACTERISTIC PROBLEMS IN GAS – THREE PARTS

1. Relatively mature gas markets; Romania and Bulgaria

- Completing the unbundling of incumbent companies
- Accelerate the privatization
- Monitoring the market progress (including the full market opening and customer switching)
- Promote the new gas infrastructure (Implementation of the projects)

2. Rapidly growing gas markets; Croatia, Serbia and the former Yugoslav Republic of Macedonia

- Completing the secondary legislation
- Opening of the market
- Promote the new gas infrastructure

3. Non-existent gas markets; Albania (very limited domestic usage), Bosnia and Herzegovina, Montenegro and UNMIK

- Completing the primary legislation (Gas act)
- Developing secondary legislation
- Promote the new gas infrastructure

IMPLEMENTING, MONITORING AND REPORTING

Example: Status report December/February 2007

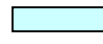
	Gas							
	Public Service Obligation and Customer Protection	Monitoring of Security of Supply	Technical Rules	Unbundling Provisions and Access to Accounts	Third Party Access	New Infrastructure and Exemptions	Market Opening	Cross Border Trade Mechanism
Albania	■	■	■	■	■	■	■	■
Bosnia and Herzegovina	■	■	■	■	■	■	■	■
Bulgaria	□	■	■	■	■	■	□	■
Croatia	■	■	□	□	□	□	■	■
The former Yugoslav Republic of Macedonia	□	□	■	■	■	■	■	■
Montenegro	■	■	■	■	■	■	■	■
Romania	□	■	■	□	■	■	■	■
Serbia	□	■	■	□	■	■	■	■
UN Interim Admin. Mission in Kosovo	■	■	■	■	■	■	■	■
<i>Regional perspective</i>	■	■	■	■	■	■	■	■



Process has started recently



Some provisions are available



Some provisions are missing



All provisions are available

CHARACTERISTIC PROBLEMS IN GAS

Main bottlenecks	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	The former Yugoslav Republic of Macedonia	Montenegro	Romania	Serbia	UNMIK
Acquis related bottlenecks									
Gas Law (Energy Law including gas)	x	x				x			x
Public Service Obligation and Customer Protection	x	x		x		x			x
Monitoring of Security of Supply	x	x				x			x
Technical Rules	x	x		x	x	x			x
Unbundling Provisions and Access to Accounts	x	x				x			x
Third Party Access	x	x				x			x
New Infrastructure and Exemptions	x	x	x		x	x	x	x	x
Market Opening	x	x			x	x		x	x
Market related bottlenecks									
Further structural development of incumbent companies	x	x	x	x	x	x	x	x	x
Unbundling and Privatisation	x	x	x	x	x	x		x	x
Market Monitoring, including imports	x	x		x	x	x		x	x
Market Rules	x	x		x	x	x		x	x
Development of cost reflective tariff methodologies	x	x		x	x	x			x

Table 1: Work in progress on the *Road Maps* and the *Action Plans* of the Contracting Parties – *Acquis* related; status February/March 2007

IMPLEMENTING (from November 2006 onwards)

- The Contracting Parties start up the implementation of the Road Maps
- ECS assists and advises the Contracting Parties on actions for the implementation of the acquis on energy
- The Contracting Parties notify the ECS of accomplished actions from the generic and individual check-lists
- The Contracting Parties find obstacles along the Road Maps towards the market opening and recommend measures for their removal
- ECS updates the Road Maps on the basis of justified amendments confirmed by the EC and the Contracting Parties
- The Contracting Parties implement the acquis on energy (by July 2007) and adopt measures to guarantee eligibility for non-household customers (by January 2008)

MONITORING (from November 2006 onwards)

- The Contracting Parties to appoint a coordinator with whom the ECS shall liaise for following up the commitments under the Road Maps
- ECS to form a standardised procedure to collect complete and symmetrical set of information on the benchmarks
- ECS to monitor periodically the progress on the implementation of the acquis and the opening of the energy market in each Contracting Party and in the region
- ECS to start up the monitoring of achievement of milestones and publish reports on a quarterly basis
- ECS to recognize anomalies and abuses in the market administration and proposes an approach to correct and/or prevent them on a party-by-party and a regional basis

MONITORING (from November 2006 onwards)

- ECS to conduct previously agreed and scheduled country missions and reports on findings in monitoring purposes;
- ECS to recognize insufficiencies in compliance to the acquis relating to primary and secondary legislation and propose an approach to correct and/or prevent them on party-by-party basis
- ECS to analyse assessed or estimated deviation plus suggest the EC and the Contracting Parties on countermeasures along the Road Maps towards the market opening
- ECS to avoid inadequate accuracy of the input data and lack of follow up work on suggested countermeasures
- ECS and EC to support an adoption of legislation aligned to the acquis on a party-by-party basis

Progress notice in natural gas – Status End of February 2007

CONTRACTING PARTY	GAS
Albania	<ul style="list-style-type: none">▪ Working group established and working plan adopted to prepare a legal and institutional framework.▪ Identification and evaluation of other countries experience is almost done; Amended gas act of Croatia could serve as a guideline
Bosnia and Herzegovina	<ul style="list-style-type: none">▪ Discussion paper of an overall strategy for gas sector developed; discussion regarding gas sector structure is ongoing▪ Draft Gas Act prepared, presented and discussed at 3 Govts level.▪ Concept for the structural development of the TSO in the discussion paper and draft gas law developed▪ Concept for further gasification of the country should emerge from the results of the gasification study▪ Concept for import-, storage and the balancing market will take the results of the gasification study into account
Bulgaria	<ul style="list-style-type: none">▪ Continuation of elaboration of legal provisions regarding appointment of a supplier of last resort▪ TSO unbundling is foreseen by the end of 2006;▪ Continuation of restructuring the gas industry;▪ Increasing provision of more cost reflective tariffs▪ Preparing market opening also for household customers by July 2007▪ Elaboration of monitoring tools in accordance with the requirements of Directive 2003/55/EC▪ Developing and improving customer switching procedures

Progress notice in natural gas – Status End of February 2007

CONTRACTING PARTY	GAS
Croatia	<ul style="list-style-type: none">▪ Continuation of updating the Transitory Market Model and the Market Rules▪ The amended gas act was adopted and is foreseen to pass the parliament very soon▪ Preparation of market opening▪ Preparation of a strategy for further gasification of the country; first phase of the further gasification of Croatia has been finished; the second phase is envisaged from 2007 – 2011.▪ Analyses regarding the LNG terminal on the isle of KRK are ongoing▪ Discussion regarding additional gas supply either by a connections to Hungary or Serbia are ongoing▪ Development of cost determination procedures▪ Drafting a concept for all inclusive tariffs
The former Yugoslav Republic of Macedonia	<ul style="list-style-type: none">▪ Continuation of upgrading of the Transitory Market Model and the Market Rules▪ Developing methodologies:<ul style="list-style-type: none">○ toward attracting investments for expansion and larger utilization of the transportation capacity○ toward attracting investments for construction of distribution networks○ upgrading of the market environment and the legal framework, as applicable▪ Preparation of procedures for collection rate improvement▪ Development of unbundling provisions▪ Process of drafting the secondary law ongoing▪ Elaboration of provisions for eligibility of customers in accordance with the requirements of Treaty▪ Preparation of customer switching mechanism
Montenegro	<ul style="list-style-type: none">▪ Agreement to develop primary legislation on the basis of Treaty establishing Energy Community

Progress notice in natural gas – Status End of February 2007

Romania

- Full unbundling of TSO in completion phase
- Legal unbundling of the DSO under preparation
- Elaboration of provision regarding New Infrastructure in completion phase
- Preparation of full market opening for all consumers in July 2007;
- Adoption of secondary legislation on imposing public service obligation in completion phase;
- Further elaboration of the network code;
- Further elaboration of a non-discriminatory balancing regime;

Serbia

- Continuation of updating the Transitory Market Model and the Market Rules
- PE Srbijagas – DSOS have been designated as a part of distribution companies. Beside PE Srbijagas, until now 13 gas distribution companies have been designated and 13 private companies licensed for distribution, operation of distribution network and retail supply.
- Procedure of licensing is underway: AERS issued 1 license for transmission of natural gas, 1 license for operation of the transmission system, 13 licenses for distribution, operation of distribution network and retail, 1 license for wholesale gas supply and 8 licenses for free market trade of natural gas
- Relevant methodologies passed by AERS and relevant Tariff system approved by the end of December 2006
- The new retail cost reflective tariff system have been approved by the Government in December 2006 in order for 2007 to be the first regulatory period. The tariff systems will be applied as of 1st July 2007
- Developing unbundling provisions
- The network codes are under preparation by the relevant companies in coordination with the Energy Agency
- Elaboration of provisions for eligibility of customers in accordance with the requirements of Treaty
- Preparation of procedures for collection rate improvement ongoing
- Planning a strategy for removal the dominant position of the incumbent company
- Preparation of a strategy for further gasification of the country
- Preparation of customer switching mechanism ongoing

United Nations Interim Administration Mission in

- Ministry of Energy and Mining has drafted a gas legislation in line with the Directive 2003/55/EC. It will be processed in an inter-institutional working group before submitted to the Assembly for enactment.
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WHAT IS EXPECTED FROM THE CONTRACTING PARTIES?

- Harmonized and stable regulation to be provided for a common energy market (Implementation of Acquis Communautaire)
 - By July 2007
- Cost reflective tariffs, transparent and non-discriminatory access to the system is required
 - By beginning of 2008

WHAT IS EXPECTED FROM THE DONORS?

- Support in the selection process of projects
- Minimization of risk analysis (taking the risks)
- Supporting the legal framework (granting some financial package)
- Promotion of close cooperation with stakeholders (especially regulators)