

IMPLEMENTATION OF THE TREATY STATUS AS OF JUNE 2007 – ELECTRICITY –

Energy Community Secretariat, Vienna

28-29 June 2007, Becici, Montenegro

The 5th PHLG and 2nd MC Meetings

BASIS FOR THE ESTIMATION

THE GRANT CONTRACT

ELECTRICITY REPORTING REQUIREMENTS

1. *Report on power and gas road maps for state and regional market opening, ECS, Sep 2006 ([link](#))*
2. *Report on electricity benchmarks, ECS, Oct 2006 ([link](#))*
3. *Road Maps and Action Plans, Ministerial Council Meeting, Skopje, Nov 2006 ([link](#))*
4. *Report on compliance with electricity benchmarks, ECS, Dec 2006 ([link](#))*
5. *Report on regional electricity market design, ECS, Feb 2007 ([link](#))*
6. *Report on state level compliance with regional electricity market design, ECS, March 2007 ([link](#))*
7. *Report on compliance with electricity benchmarks – Revised March 2007, ECS, March 2007 ([link](#))*
8. *Final Report on compliance with electricity benchmarks, ECS, Apr 2007 ([link](#))*

BASIS FOR THE ESTIMATION

THE TREATY ELECTRICITY REPORTING REQUIREMENTS

GENERAL REPORTING REQUIREMENTS

- *The 1st Annual Report on the Activities of the Energy Community to the European Parliament and the National Parliaments, ECS, June 2007*
- 2. *Report on the Implementation of the Treaty Establishing the Energy Community, ECS, May 2007 ([link](#))*
- 3. *Progress Report on the Implementation of the Treaty – Yearly Progress Report 2006 pursuant to Article 67b of the Treaty, ECS, March 2007 ([link](#))*
- 4. *Progress Notice in Electricity, 4th PHLG Meeting, Vienna, March 2007 ([link](#))*
- 5. *Progress Notice in Gas, 4th PHLG Meeting, Vienna, March 2007 ([link](#))*

FINDINGS

NATIONAL LEVEL

IDENTIFICATION OF STATE OF PLAY AT INDIVIDUAL LEVEL

- Comparison Tables for Benchmarking Purposes

Topics:

Institutional Building, Electricity, Gas, Competition, Environment, Renewable Energy Sources, Infrastructure Projects, Conclusions.

Electricity:

Adoption of the *Acquis*, and in a lesser degree, an analysis of its effective implementation or the functioning of the market.

Scope:

To trigger awareness with the Contracting Parties as well as the Commission to the current state of play with respect to the provisions of the Treaty and the EC Directive/Regulation.

FINDINGS

NATIONAL LEVEL

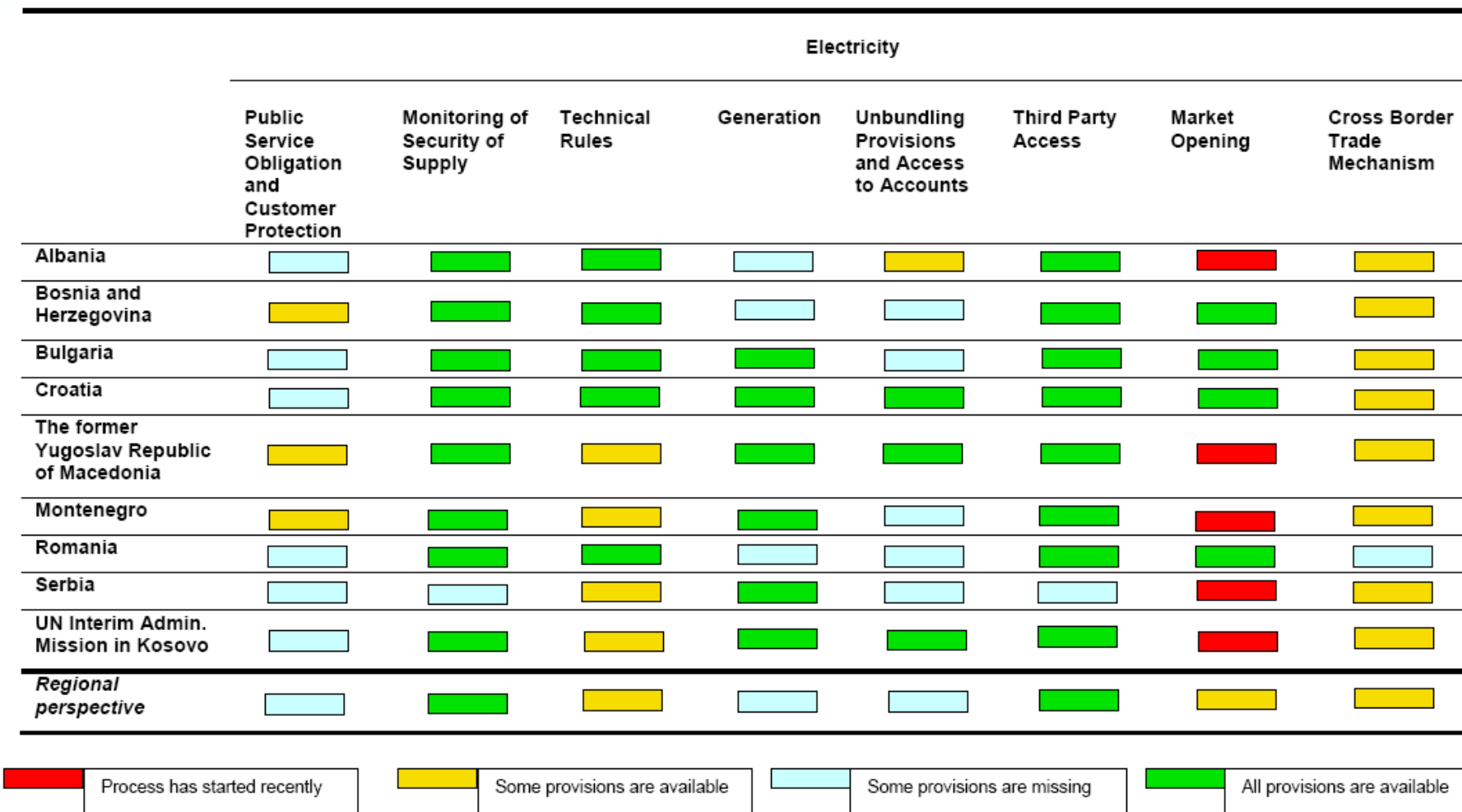


Figure 1: Benchmarking – Electricity

NATIONAL LEVEL

Main work in progress issues	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	The former Yugoslav Republic of Macedonia	Montenegro	Romania	Serbia	UNMIK
Acquis related issues									
Customer protection	X	X			X	X			
Authorisation procedures for new generation capacity	X	X				X			
Technical rules					X	X		X	X
TSO unbundling	X		X	X		X			
DSO unbundling (network operation and supply)	X	X	X		X	X		X	X
Development of the Market Operator's functions	X			X		X			
Eligibility status	X				X	X		X	X
Allocation of cross border transmission capacity	X	X	X	X	X	X		X	X
Participation in the ITC mechanism				X					X

FINDINGS

NATIONAL LEVEL

Main work in progress issues	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	The former Yugoslav Republic of Macedonia	Montenegro	Romania	Serbia	UNMIK
Market related issues									
Further structural development of incumbents	X	X	X					X	X
Generation unbundling and privatisation	X		X						
Restructuring and consolidation of the distribution companies before unbundling and privatisation	X								X
Business performance indicators, collection rate, reduction of losses	X				X	X			X
Market monitoring, including imports	X	X	X	X	X	X		X	X
Transparency of information related to market operation (i.e. TSO web pages)	X	X	X	X	X			X	X
Market rules	X				X	X		X	X
Application of technical measures and business procedures for customer switching	X	X	X	X	X	X		X	X
Remote automatic meter reading on a wide scale		X		X					
Balancing market and auxiliary services market	X			X	X	X		X	X
Development of cost-reflective tariff methodologies, including ones for balancing and auxiliary services	X	X			X	X		X	X
Prediction of correct load profiles for different customer groups for further development of tariff methodologies		X		X					

CONCLUSIONS

CHARACTERISTIC PROBLEMS

- Public service obligations are well defined. However, further work is needed on the provisions related to the appointment of a supplier of last resort, and especially to include provisions to protect vulnerable customers.
- In general, provisions on monitoring of security of supply are put in place. However, mechanisms for their practical implementation call for further attention. Otherwise, security of supply may be endangered which further on might undermine activities related to opening of the electricity market.
- Technical rules are mostly either put in place or are in final phase of regulatory approval. The Contracting Parties which still do not have a complete set of technical rules are urgently finishing this work.
- In general, electricity generation is subject to licensing. Construction of new generation capacity is subject to authorisation. However, some of the Contracting Parties do not have provisions on tendering of new capacity on the grounds of security of supply.

CONCLUSIONS

CHARACTERISTIC PROBLEMS

- In general, unbundling provisions and provisions related to access to accounts are put in place. However, their full practical implementation and monitoring shall be of immediate first priority to the Contracting Parties.
- Provisions related to regulated TPA to T&D networks are put in place, as well as obligations to justify the denial of access to network. However, cost reflective methodology for determining network access tariffs is yet to be applied.
- Implementation of the timetable for market opening from the Treaty is not likely in practical terms from today's perspective. Therefore, gradual opening of the electricity market with dynamics (eligibility threshold and timetable) shall be specified and harmonised with the Treaty provisions.
- Cross border issues in electricity transmission (ITC, network capacity allocation, congestion management, balancing mechanism) are of critical importance to opening of the electricity market. It still being the work in progress.

CONCLUSIONS

CHARACTERISTIC PROBLEMS

- Low level of tariffs which leads to regulate the whole energy chain;
- Metering, billing and invoicing of customers;
- Collection rates, non payment and non invoicing as no data base of customers;
- Transparency in data and harmonisation of accounts;
- Lack of domestic generation which leads to high imports;
- Existence of wholesale suppliers;
- TSO bundled with Market Operator;
- Cross-border issues;
- DSO bundled with retail; and
- Lack of investments in distribution.

CONCLUSIONS

COMMON PROBLEMS

- 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 TSOs/DSOs to ensure their independence;
- Discriminatory Third Party Access and insufficiently transparent tariffs;
- The free choice of supplier;
- The power of regulatory authorities, in particular as regards setting tariffs for access to networks;
- The preferential access given in the case of certain long-standing electricity contracts; and
- Failure to notify Public Service Obligation and to indicate the origin of electricity (no labelling provisions).

CONCLUSIONS

COMMON PROBLEMS

TSO/DSO related problems:

- Insufficient legal unbundling of TSO/DSO to guarantee independence;
- Absence of independence of TSO/DSO in the management;
- Insufficient functional and accounting unbundling of TSO/DSO to guarantee independence; and
- Delay in the entry into force of legal unbundling of TSO/DSO.

Regulatory authorities related problems:

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