

# **IMPLEMENTATION OF THE TREATY STATUS AS OF JUNE 2007 – NATURAL GAS –**

**Energy Community Secretariat, Vienna**

**28-29 June 2007, Becici, Montenegro**

**The 5<sup>th</sup> PHLG and 2<sup>nd</sup> MC Meetings**

## THE GRANT CONTRACT

### NATURAL GAS REPORTING REQUIREMENTS

1. *Report on power and gas road maps for state and regional market opening, ECS, Sep 2006 ([link](#))*
2. *Report on gas benchmarks, ECS, Oct 2006 ([link](#))*
3. *Road Maps and Action Plans, Ministerial Council Meeting, Skopje, Nov 2006 ([link](#))*
4. *Report on compliance with gas benchmarks, ECS, Dec 2006 ([link](#))*
5. *Report on Gas Regional Market Design, ECS, April 2007 ([link](#))*

## THE TREATY GAS REPORTING REQUIREMENTS

### GENERAL REPORTING REQUIREMENTS

- *The 1<sup>st</sup> 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](#))*

## 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.

Gas:


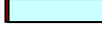














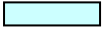





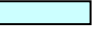






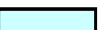


















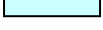







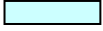























Adoption of the *Acquis*, and in a lesser degree, an analysis of its effective implementation or the functioning of the market.

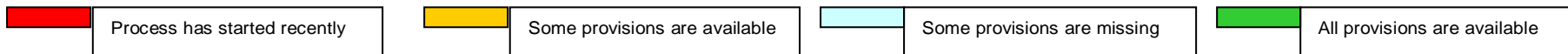
Scope:

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 2003/55/EC.

# FINDINGS

## NATIONAL LEVEL

	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>								



## NATIONAL LEVEL

Main bottlenecks	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	The former Yugoslav Republic of Macedonia	Montenegro	Romania	Serbia	UNMIK
<b>Acquis related bottlenecks</b>									
Gas Law (Energy Law including gas)		X				X			X
Public Service Obligation and Customer Protection		X		X		X			X
Monitoring of Security of Supply		X				X			X
Technical Rules	X	X		X	X	X			X
Unbundling Provisions and Access to Accounts		X				X			X
Third Party Access		X				X			X
New Infrastructure and Exemptions		X	X		X	X	X	X	X
Market Opening	X	X			X	X		X	X
<b>Market related bottlenecks</b>									
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 : Work in progress on the *Road Maps* and the *Action Plans* of the Contracting Parties – *Acquis* related; status May 2007

## CHARACTERISTIC PROBLEMS

- Public service obligations are defined - where the primary legislation is available . However, further work is needed on the provisions related to customer protection, in particular protection of vulnerable customers.
- A few Contracting Parties have adopted the security of supply provisions. However, in all cases the 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 gas market.
- Technical rules have not been fully adopted in most of the Contracting Parties. Technical rules are one of very important parts related to security of supply from operational, maintenance and planning viewpoints.

## CHARACTERISTIC PROBLEMS

- In general, in most of the Contracting Parties unbundling provisions and provisions related to access to accounts have not been put in place yet; their full practical implementation and monitoring call for further attention.
- In some Contracting Parties provisions related to regulated TPA to T&D networks are put in place in the primary legislation as well as obligations to justify the denial of access to network but no Contracting Party has fully adopted the provisions – in particular the secondary legislation - ensuring TPA, yet. Cost reflective methodology for determining network access tariffs is yet to be applied.
- Implementation of the timetable for market opening from the Treaty (non-household customers) is not likely in practical terms from today's perspective.
- Cross border (physical) transport and trade are of critical importance to opening of the gas market. It still being the work in progress.

## 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 production which leads to high imports;
- TSO bundled with importer/wholesale;
- Cross-border issues;
- DSO bundled with retail; and
- Lack of investments in transmission
- Lack of investments in distribution.

## 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 gas contracts; and
- Failure to notify Public Service Obligation.

## 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.