

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

**1st GAS FORUM**

**Energy Community Secretariat, Vienna**

**9 November 2007, Maribor, Slovenia**

## Content:

- Implementation of the Treaty establishing the Energy Community
- 6th PHLG –meeting 17 October 2007 – conclusion 21 – next steps with regard to the implementation of the Treaty

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## REPORTING REQUIREMENTS

1. *REPORT ON THE IMPLEMENTATION OF THE ACQUIS UNDER THE TREATY ESTABLISHING THE ENERGY COMMUNITY* requested at the 2<sup>nd</sup> MC in Becici, June 2007
2. *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 Gas, 5th PHLG Meeting, Becici, June 2007 ([link](#))*

# FINDINGS

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## NATIONAL LEVEL

### IDENTIFICATION OF STATE OF PLAY AT INDIVIDUAL LEVEL

- Comparison Tables for Benchmarking Purposes

Topics:

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 with regard to Directive 2003/55/EC

Contracting Party	Public Service Obligation and Customer protection	Monitoring Security of Supply	Technical Rules	Unbundling Provisions and Access to Account	Third Party Access	New Infrastructure and Exemptions	Market Opening	Cross Border Mechanism
Albania								
BiH								
Croatia								
FYR of Macedonia								
Montenegro								
Serbia								
UNMIK								
Regional Perspective								



# FINDINGS

## NATIONAL LEVEL with regard to entire acquis on energy requirements

Contracting Party	Directive 2003/55/EC	Market Structure	Wholesale Market	Retail Market	Tariff Reform Affordability	Market Integration
Albania						
BiH						
Croatia						
FYR of Macedonia						
Montenegro						
Serbia						
UNMIK						



# CONCLUSIONS

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## CHARACTERISTIC PROBLEMS

- In few Contracting Parties a Regulatory Authority has not been established yet
- 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.

# CONCLUSIONS

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## 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.
- Cross border (physical) transport and trade are of critical importance to opening of the gas market. It still being the work in progress. Implementation of Regulation 1775/2005 would improve the situation.

# CONCLUSIONS

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## CHARACTERISTIC PROBLEMS

- Low level of prices/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;
- Lack of interconnections between national transmission networks
- TSO bundled with importer/wholesale;
- Cross-border issues;
- DSO bundled with retail; and
- Lack of investments in transmission
- 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 gas contracts; and
- Failure to notify Public Service Obligation.

## COMMON PROBLEMS

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### **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.

# CONCLUSIONS

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## Content:

- Implementation of the Treaty establishing the Energy Community
- 6th PHLG –meeting 17 October 2007 – conclusion 21 – next steps with regard to the implementation of the Treaty

# NEXT STEPS



## CONCLUSION NR. 21 of 6th PHLG meeting

### **Each Contracting Party invited to present at Ministerial Council:**

- Detailed Roadmap:
  - Indicating steps intended to;
  - Overcoming the delays
- Detailed Road Map to focus on:
  - All relevant issues
  - Including market opening

### **Energy Community Secretariat was asked to:**

- Assist Contracting parties in developing these detailed road maps
- Detailed Road Maps shall be sent to Secretariat at latest 1st December 2007

## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

### **Secretariat identifies the missing provisions based on:**

- Progress notice provided by the CPs
- (Draft) gas act or energy law –if available to the Secretariat
- Market rules – if available to the Secretariat
- Market analysis – if available to the Secretariat
- Reports by the CP at the 6th PHLG meeting, 17th October 2007
- Communication via mail and or telephone in order to clarify statements – if needed

# NEXT STEPS



## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

- **Secretariat develops the structure of the Detailed Road Map for all six chapters of Road Map which was sent to CP last autumn;**
- **Secretariat fills in missing provisions for all six chapters – as concisely as possible and requesting to clarify existing rules as precisely as needed;**
- **Secretariat submits the Detailed Road Maps to the PHLG for preparation on 2 November 2007;**

# NEXT STEPS



## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

### EXAMPLE

Title □ Chapter/Subchapter	Missing provisions	Remarks by CP	Man-Month	Length of period for development resp			
				Nov-07	Dec-07	Jan-08	Feb-08
<b>4</b>	<b>Retail market</b>						
4.1.	Eligibility thresholds	no provisions available yet					
4.2.	Payment reform	no provisions available yet	24				
4.3.	Customer switching	no provisions available yet					
4.4.	Transport capacity usage	no provisions available yet					
4.5.	Customer protection	no provisions available yet					

Taking, for example, the Action No 4.2 relating to the Chapter "Retail Market", the CP provided the information that 24 man-month are needed and the period will be 4 months – starting in December 2007. This means that 6 people will be engaged for 4 month in developing the provisions for the "Payment Reform".

Remarks for explanatory reasons were not necessary.

# NEXT STEPS



## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

1.1.	Imposition on undertakings	Fully defined in the draft Gas Act																
1.2	Customer protection	<ul style="list-style-type: none"> <li>• Dispute resolution in Art 48 - final customers as well as LNG operators should be included</li> <li>• definition/treatment (tarification) of vulnerable customers</li> </ul>																
1.3.	Public Service Obligations	efficiency, climate change and reporting about PSO should be mentioned																

# NEXT STEPS



## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

- **The CPs prepare their own Detailed Road Maps on the basis of submitted Detailed Road Map (in November 2007);**
- **Secretariat assists the CPs in preparation of their own tailor-made Detailed Road Maps (assistance to be provided in November 2007);**
- **The CPs finalise and transmit their own Detailed Road Maps to the Secretariat at the latest by 1st December 2007 and EC;**
- **The CPs articulate their commitment to the implementation of the Detailed Road Maps;**

# NEXT STEPS

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## CONCLUSION NR. 21 of 6th PHLG meeting - Actions

- **The Detailed Road Maps shall be sent to the Secretariat latest by 1st December 2007.**
- **The adoption and implementation of the Detailed Road Maps is foreseen to be agreed on at the upcoming Ministerial Council, on 18th December 2007 but –**
- **as stated at the 6th PHLG-meeting on 17th October 2007 in Vienna - the envisaged deadline is 1st July 2008.**