REPORT
ON
THE ENERGY COMMUNITY STUDIES
(2008 – 2009)

I. SCOPE AND BACKGROUND

Scope of the report

This report presents information on the Energy Community studies, launched within the budgetary period 2008 – 2009 and their status as on 15.02.2010.

Further to the brief information on each of the studies in the report, a summary table is to be found as Attachment. The relevant e-links, where available reports can be found, are also indicated.

Background information

The studies were launched as to provide additional information to the Energy Community institutions, thus supporting the discussion and decision making process. Overall, 10 studies were launched and financed within the budgetary period 2008-2009 to elaborate the status-quo in the Contracting Parties (and Observers) in different areas of work, linked to the Energy Community process. Three of the studies were launched on the initiative of the Secretariat and seven – on the initiative of Energy Community Regulatory Board (ECRB).

The launch of all studies followed the requirements of the Austrian Public Procurement Law, which is the applicable legislative frame for the Energy Community.

At the end of 2009 four studies have been finalized by the assigned consultants. These studies are:

1. Study on the Improvement of Interconnection, Interoperability, Transparency and Harmonization of Operational Rules for Natural Gas Transportation in the Energy Community (finalized: 27.02.2009);

2. Study on Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community (finalized: 25.03.2009)


Budget wise, in 2008 85% of the envisaged budget for studies was utilized and in 2009 – 99% (on the ground of legal commitments).

Details of the launched Studies within 2008-2009 are outlined below.
II. ENERGY COMMUNITY STUDIES 2008 – OVERVIEW

As far as the year 2008 is concerned, five studies were commissioned on the initiative of ECRB with analytical focus on issues, related to both gas and electricity (in electricity with focus linked to the establishment of the Coordinated Auction Office). These were as follows:


2. Study on Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community

3. Prototype for a Service platform for the Regional Balancing Market (“BETSEE”) including training, trial run and platform hosting

4. Study for the Final Development and Establishment of a Coordinated Congestion Management in SEE

5. Study on the Identification of Legal Obstacles to the Establishment and Operation of and the Participation in a Coordinated Auction Office in South Eastern Europe

Brief information on each of these studies is to be found further.


The scope of the study was to identify operational obstacles, including technical difficulties to the improvement of interconnection, interoperability, transparency and effectiveness of natural gas transmission in the Energy Community, with a view to improved gas trade and network utilization. The final report suggests, for each Contracting Party, the main remedial actions that are necessary to remove such obstacles, and suggestions for the harmonization of technical market rules, aimed at increasing market integration and liquidity. Proposed solutions are based on those adopted in the European Union and consider, as far as feasible, the best practices of the EU Member States. These proposals are also illustrated to regulatory authorities and transmission system operators of the concerned parties.

The study was awarded to the company Energy Markets Partners LLP.

II.2. Study on Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community

This study focused on the benchmark of the costs in electricity generation, transmission, distribution and supply in the Energy Community. Further, investigation of the relationship between prices and costs, outline of tariff policies used for the protection of customers as well as the analysis of the relationship between prices and consumption patterns were in the focus of attention of the Consultant’s work.

It was carried out by the company IPA Energy and Water Economics.
II.3. Prototype for a Service platform for the Regional Balancing Market ("BETSEE") including training, trial run and platform hosting

The study examined the development of regional balancing mechanism and required design concepts for the cross boarder electricity trade. This BETSEE upgrade project looked at the proposed design concept in real-time operational environment. The successful accomplishment of works will be checked by the BETSEE second Dry Run to be finalized by the 12 month trial run expected to be finished by the end of 2010.

This Study was awarded to Elektroenergetski Koordinacioni Centar.

II.4. Study for the Final Development and Establishment of a Coordinated Congestion Management in SEE

The study focused on the commercial and technical tasks related to the development and establishment of a Coordinated Congestion Management in South East Europe.

The study was assigned to a consortium composed of Consetec Germany (58% share) and APCS Power Cleaning and Settlement AG with its share of remaining 42% (based in Vienna).

II.5. Study on the Identification of Legal Obstacles to the Establishment and Operation of and the Participation in a Coordinated Auction Office in South Eastern Europe

The study identified the legal, regulatory and administrative requirements existing in each jurisdiction to the participation in the establishment and operation of in a Coordinated Auction Office in South East Europe (SEE – CAO) and looked at the possible solutions to such requirements.

It was assigned to Kelemenis (Greece).
III. ENERGY COMMUNITY STUDIES 2009 – OVERVIEW

In 2009, five studies were commissioned – two on the initiative of ECRB and three on the initiative of the Energy Community Secretariat. These were as follows:

2. Assistance to Regulators in Introduction and Improving Quality Regulation in the Energy Community
3. Study on Regulation of Tariffs and Quality of the gas distribution service in the Energy Community
4. Study on the Potential for Climate Change combating in power generation in the EnC
5. Study on State Aid and the effectiveness of State Aid Control in the Energy Community

Brief information on each of these studies is to be found further.


The main tasks of the study are:

- To assess the current state of development of renewable energy frameworks in each Contracting Party (CP) and candidate Contracting Party (cCP); to understand the renewable resource potential in each Party; and assess what would have to be done in order to meet the requirements of the new EU Directive;

- To develop an economic model of the energy requirements of the Community in 2005 and in 2020; and to assess the potential renewable energy mix within the region as a whole under two demand scenarios; and

- To calculate indicative renewable targets for the Contracting Parties and candidate Contracting Parties based on the methodology in the EU Directive.

As on 15.02.2010, this Study is being under finalization. The assigned consultant is a consortium, composed of IPA ENERGY + WATER ECONOMICS and EPU-NTUA from Greece.

III.2. Study - Assistance to Regulators in Introduction and Improving Quality Regulation in the Energy Community

The purpose of the Study is to assist the regulatory authorities of the Contracting Parties on the introduction of a program aimed at improving the quality of electricity service, with regard to:

- Continuity of supply;
- Voltage quality;
• Commercial quality.

This will consist of development of quality improvement programs, training of regulatory staff, and assessment of results achieved.

**Two workshops** are to be organized by the consultant for the purpose of the Study.

As on 15.02.2010, this study is still under execution, but it is expected to be finalized not later than 2010. The assigned Consultant is Energy Institute Hrvoje Pozar (EIHA) in Zagreb.

### III.3. Study on Regulation of Tariffs and Quality of the gas distribution service in the Energy Community

The primary purpose of the study is:

- to collect information and reports on the tariffs and prices of gas distribution and supply in the Energy Community;
- to estimate distribution and supply costs and investigates the relationship between prices and costs;
- to outline tariff policies used for the protection of customers and compares them with those prevailing in the European Union Member States;
- to outline the main criteria and methodologies used to assess the quality of gas service in the European Union Member States and assesses the current level and practices in the Energy Community;
- to provide preliminary proposals for the improvement and reform of gas distribution tariff and quality of service in the Energy Community, including the progressive phasing out of end customer tariff regulation and criteria to be adopted in new and emerging gas markets;
- to provide suggestions for the phasing out of regulated energy prices including suggestions for alternative solutions on protection of vulnerable customers.

The assigned Consultant is **KEMA International B.V., Netherlands**.

### III.4. Study on the Potential for Climate Change combating in power generation in the EnC

In brief, the purpose of this study is taking of an inventory of the greenhouse gas emissions from electricity generation (incl. CHP) as well as the projected increase by 2020, based on the production forecast. It shall also list potential and actual abatement measures in each Contracting Party. Furthermore, the study shall assess the impact of any agreement following-up on the Kyoto Protocol, taking into account the situation of the Contracting Parties there under. Finally, recommendations for better policy-making shall be made.

**A workshop** in the 2nd half of 2010 will include the presentation of the outcome of the study by the consultant.

The assigned Consultant is **South East Consultants (SEEC) from Belgrade**.
III.5. Study on State Aid and the effectiveness of State Aid Control in the Energy Community

The main objective of the study is to elaborate a detailed State aid inventory for the electricity sectors in the EnC of law and practice regarding the granting, administering and monitoring of State aid in the Contracting Parties.

This review should lead to comprehensive and realistic appraisal of the dimension of State aid in the energy sectors and the effectiveness of control measures in the Contracting Parties. Based on these findings, the study should make proposals for each Contracting Party as to how to improve the existing system. Finally, a workshop organized in 2010 should raise awareness and train civil servants of the Contracting Parties in the effective control of State aid.

**A workshop** on State aid in the energy sectors will be organized in the 2nd half of 2010 involving the consultant.

The assigned Consultants are **Hunton & Williams** together with **Eisenberger & Herzog**.

**IV. CONCLUSIONS**

The Secretariat considers that developing concrete studies supports substantially the process of both adequate decision making and implementation of the Treaty requirements.
# Annex: Energy Community Studies in the period 2008-2009, Overview

<table>
<thead>
<tr>
<th>Description</th>
<th>Responsible</th>
<th>Reference to the Auction Public Procurement Law</th>
<th>Consultant</th>
<th>Date of Contract</th>
<th>Deliverables</th>
<th>Status</th>
<th>Ref to the document &amp; Website link</th>
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### Deliverables

- **Inception Report**: Workshop organized to present the results of the study.
- **Mid-term Report**: Study under execution; Finalisation in 2010 N.A.
- **Final Report**: Study under execution; Finalisation in 2010 N.A.
- **Final Report (open)**: Study under execution; Finalisation in 2010 N.A.
- **Workshop**: Study under execution; Finalisation in 2010 N.A.
- **Final Report (open)**: Study under execution; Finalisation in 2010 N.A.

### Website links

- [Energy Community](http://www.energy-community.org/pls/portal/docs/362198.PDF)
- [Energy Community](http://www.energy-community.org/pls/portal/docs/362197.PDF)
- [Energy Community](http://www.energy-community.org/pls/portal/docs/362180.PDF)
- [Energy Community](http://www.energy-community.org/pls/portal/docs/362187.PDF)
- [Energy Community](http://www.energy-community.org/pls/portal/docs/362189.PDF)
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