SOCIAL DIMENSION

REPORT ON UNDERTAKEN STEPS AND NEXT CHALLENGES

ENERGY COMMUNITY SECRETARIAT

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1. BACKGROUND AND SCOPE

This report summarizes the developments in the context of the Social Dimension of the Energy Community since October 2007, when the Parties to the Treaty establishing the Energy Community signed the Memorandum of Understanding on Social Issues in the Context of the Energy Community (hereinafter “The Memorandum”). The Energy Community Secretariat, which operationally supports and reviews the activities, undertaken along the Memorandum, has been tasked to present this report to the attention of the Ministerial Council.

2. INFORMATION ON PROGRESS ACTIVITIES TOWARDS THE IMPLEMENTATION OF THE MEMORANDUM

General

The Memorandum recognizes the importance of the social dimension and indicates the principles and the context for a social dialogue in the energy sector at both national and regional levels. It asked the Signatories to facilitate and promote effective social dialogue in the energy sector.

The Memorandum introduces four areas of activities:

(i) Public service obligations;
(ii) Social partners;
(iii) Management of change;
(iv) Social dimension.

It also mandates and tasks the Signatories to discuss the approach how to further address the issues within the social dimension in consultation with the relevant social partners. The Memorandum recommends that the approach should take into account the existing European social “acquis communautaire” and requests that the findings and the appropriate follow-up activities should be summarized in the form of social action plans to address the issues indicated above.

Workshop on Social Dialogue

In order to facilitate the process of preparation of Social Action Plans, the Secretariat - in close cooperation with DG Employment, Social Affairs and Equal Opportunities of the European Commission - organized a workshop in May 2008, in Vienna.

The workshop was attended by representatives of the social partners at the European and national level, of the ministries in charge with energy, and respectively social affairs, regulatory authorities from the Contracting Parties, as well as by representatives of the Participants to the Energy Community.

At the workshop the stakeholders to the Memorandum discussed one of the most important topics with respect to the social partners and the management of change, and namely the social dialogue. All participants recognized the importance and the contribution of the social dialogue at all levels, and its role in anticipating and managing the social impact of the reforms in the energy sector along the principles and the requirements of the Treaty establishing the Energy Community.
In this context, the Round Table discussion on the Structure and Practice of the Social Dialogue brought up the following conclusions:

- There is a need for a stronger role of governments in actions dealing with the social impact of the energy reforms in the Energy Community;
- Building intensive relations between the social partners and starting the consultations in an early stage of the reforms was highlighted as a leading approach;
- Identification of priorities and focusing on them, rather than dealing with wide scope of issues is recommended;
- Negotiations within the frame of a clearly identified partnership structure, bearing mutual respect and understanding of social partners are very important;
- Transparency in decision making on reforms that bring social changes, as well as in the social dialogue, is key to the success of these;
- Monitoring of the developments in the Contracting Parties within the social dialogue, including equal opportunities for men and women, was recommended.

Social Action Plans

The Memorandum requests the Signatories to prepare Social Action Plans to reflect the findings with respect to the areas, covered by the Memorandum, and to identify concrete next steps. At the Social workshop, the Contracting Parties agreed to prepare the Social Action Plans using the template proposed by the Secretariat (Annex 1). This template was developed on the ground of the Memorandum’s provisions, and consulted with the European Commission and the European social partners.

Moreover, in preparation of the Social Action Plans, the Contracting Parties also agreed, in accordance with the requirements of the Memorandum, to consult with the relevant national social partners on the approach how to further address the issues within the social dimension.

Further, the Secretariat encouraged the Contracting Parties to set up joint working groups with representatives of the two ministries responsible for energy and respectively social issues, power and gas companies, trade unions, regulatory authorities and other social partners, so well identified dialogue structure is in place in each of them.

By the date of this report, all seven Contracting Parties have set up the working groups and these have met and starting working on the relevant Social Action Plan.

The first step to be undertaken was to select from the extensive list of the social "acquis communautaire", those Directives that are most relevant for each Contracting Party. Up to the date of this report, two Contracting Parties, namely the Former Yugoslav Republic of Macedonia and Serbia have selected the Directives on which they will base their Social Action Plans. Bosnia and Herzegovina reported that the Working Group is discussing this list. Concrete activities in this direction have been undertaken in the other Contracting Parties as well.

Public service obligations

One of the most important areas, covered by the Memorandum, is linked to the Public Service Obligations. In accordance with the Memorandum, “the Signatories will endeavour to develop the highest possible levels of social protection for consumers compatible with a sustainable and competitive market and, when necessary to implement safeguards that limit the impact of social and economic change on specific sections of society consistent
with the obligations of the Treaty establishing the Energy Community."

The Customer Working Group of the Energy Community Regulatory Board developed in 2007 the so called "Best Practice Guidelines on Protection of Vulnerable Customers". On this ground, the Working Group members monitored the progress with the implementation of these rules in 2008. Some of the important findings are as follows:

- There are no dedicated legal acts for the protection of vulnerable customers; nevertheless there are some legal provisions in place, e.g. on social welfare system, energy, competition, customer protection;
- In the majority of the Contracting Parties there is not a clear definition of vulnerable customer;
- The beneficiaries of social welfare are defined by a Social Welfare Act;
- Some Contracting Parties (Albania and UNMIK) opted for a tariff based solution for the protection of vulnerable customers, while Bosnia and Herzegovina, Croatia and Serbia opted for a non-tariff based one;
- There are no significant activities in educating and informing the customers, and especially the vulnerable ones;
- There are different approaches to billing, but in some Contracting Parties the bills do not reflect the actual energy consumption.

Up to the date of this report, there is no information available on the progress with other areas of the Memorandum.

First Social Forum of the Energy Community

Based on the decisions, taken at the Social Conference organized in October 2007 on the occasion of the signature of the Memorandum and on its requirements, the Energy Community Secretariat - in cooperation with Directorate General for Employment, Social Affairs an Equal Opportunities of the European Commission - organized the first Social Forum on 18 -19 November 2008, in Tirana.

The welcome addresses were made by the Prime Minister of Albania, H.E. Dr. Sali Berisha as well as by Ambassador Helmuth Lohan, Head of the EC Delegation in Albania. The Forum gathered high level representatives of governments as well as other stakeholders involved in the process, in particular trade unions, consumer organisations and industry's representatives and aimed at presenting and discussing the main issues covered by the Memorandum of Understanding, as well as the progress registered since its signature.

This Forum was a concrete opportunity for all the participants to share experiences between EU Member States and the Contracting Parties on how to build, in practical terms, the social dimension in order to help enterprises and workers to adapt and manage the socio-economic changes which may arise from the implementation of the Treaty establishing the Energy Community. How to introduce an effective social dialogue in the anticipation and management of change was also largely discussed at the Forum.

A summary of the conclusions of the Forum is presented below (full Conclusions are attached in Annex A):

- The Forum welcomed the Working Groups set up at national level to include a large category of stakeholders, and regarded this as an important step towards social dialogue and consultation of national social partners, in relation to social issues in the context of the Energy Community;
The preparation of the Social Action Plans is progressing. The participants at the Forum agreed to finalise these by latest 1 June 2009 and start implementation, with a view of reporting at the next Social Forum, in 2009;

The Forum expressed its concerns about the access of all citizens to affordable energy. It welcomed the work undertaken by the ECRB Customer Working Group in monitoring the implementation of the Best Practice Guidelines on Protection of Vulnerable Household Customers, and recommended that this is further pursued.

The Forum shared experiences on proper design and implementation of Social safety nets for protection of vulnerable customers and invited Contracting Parties to build on existing best practices, as well as on the EU Acquis on social protection and inclusion;

The Forum also agreed that further cooperation at regional level as well as with EU social partners and other stakeholders is needed for strengthening the social dimension. The European Commission is expected to contribute to this cooperation.

3. NEXT STEPS IN 2009

The most important actions proposed for 2009 are as follows:

- Monitoring the progress with the preparation of the Social Action Plans and giving assistance to the Contracting Parties, when requested by them;
- Organization of training workshop on the key requirements of the scope of the social dimension and for dissemination of good practices;
- Monitoring the progress with promotion and implementation of the social dialogue in relation to the reforms in the energy sector, within the scope of the Treaty establishing the Energy Community;

The Secretariat is committed to follow on these activities. Further, respective planning shall be proposed in the context of the Work Programme of the Energy Community for the period 2010 – 2011.