Most countries in Central and South-Eastern Europe have limited gas source diversity due to historical lock-in to long-term supply contracts from a single supplier and missing interconnections or alternative sources. Effective regional cooperation has been recognized as key to achieving the region’s energy policy objectives and addressing challenges that EU Member States and Energy Community Contracting Parties face in the gas sector. Therefore a Memorandum of Understanding on a **Joint approach to address the natural gas diversification and security of supply challenges** was signed on 10 July 2015 as part of the Central and South-Eastern European Gas Connectivity (CESEC) initiative. The signatory countries expressed their commitment to jointly resolve challenges related to security of gas supply and promote source diversification by implementing coordinated measures that should enable regionally optimal results. Under the Memorandum of Understanding, the signatories expressed their readiness to sustain the necessary political commitment to oversee the full and timely implementation of the CESEC Action Plan, which includes the following elements:

- Selection of a limited number of key projects benefitting the CESEC region
- Identifying and addressing project-specific challenges;
- Financing aspects, including the role of the European Investment Bank and the European Bank for Reconstruction and Development;
- Addressing market integration challenges.

The Energy Community Secretariat was invited together with the Agency for the Cooperation of Energy Regulators (ACER) and the European Commission to closely monitor the implementation of the Action Plan on a regular basis by using all available tools and institutions foreseen by the EU acquis. The Secretariat supports the Contracting Parties in their implementation of the Action Plan, with a particular emphasis on addressing the market integration barriers and requirements.

The Secretariat has prepared a list of concrete actions, which are to be taken for the CESEC market integration objectives to be achieved. The list is used as a basis for the Secretariat’s monitoring task assigned under the CESEC Memorandum of Understanding. The present reporting includes four of the five Energy Community Contracting Parties participating in CESEC. Having joined the initiative at a later stage, Moldova will be covered by subsequent reports, once the necessary country missions were able to take place.

### Implementation of Action Points

<table>
<thead>
<tr>
<th>Action</th>
<th>Albania</th>
<th>FYR of Macedonia</th>
<th>Serbia</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring transparent and non-discriminatory third party access</td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="No progress" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Significant progress" /></td>
</tr>
<tr>
<td>Ensuring free flow of gas and provision of competitive framework</td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Pending" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
</tr>
<tr>
<td>Infrastructure related measures</td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
</tr>
<tr>
<td>Measures required for market integration</td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
</tr>
<tr>
<td>TSO unbundling</td>
<td><img src="#" alt="Pending" /></td>
<td><img src="#" alt="No progress" /></td>
<td><img src="#" alt="Pending" /></td>
<td><img src="#" alt="Progress on track" /></td>
</tr>
<tr>
<td>NRA independence</td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="Progress on track" /></td>
<td><img src="#" alt="No progress" /></td>
</tr>
</tbody>
</table>

1. With the exception of abolishing destination clauses in supply contracts
2. With the exception of abolishing anti-competitive clauses in intergovernmental agreement and transit contracts
3. With the exception of TAP certification
The present Energy Community CESEC Report prepared by the Secretariat focuses on the interconnector Bulgaria-Serbia, as one of only two CESEC priority projects where a Contracting Party is involved. While the Trans Adriatic Pipeline (TAP) is also labelled as a CESEC priority project, it has been considered as “decided” on the basis of existing transport and supply contracts. The TAP’s progress is well on track, thus the decision was made not to conduct additional activities within the CESEC process, i.e. a dedicated project implementation group was not established.

Source: ENTSOG map, compiled by the Energy Community Secretariat
Gas Interconnection Bulgaria-Serbia (IBS)

Project description

The aim of the project is to construct a new gas pipeline route connecting the national gas transmission networks of Bulgaria and Serbia. The pipeline will improve diversification of routes and sources and the interconnectivity of natural gas markets in South East Europe.

The interconnection will be 170 km long (62 km in Bulgaria and 108 km in Serbia) and will connect the Bulgarian capital Sofia via Dimitrovgrad with the Serbian city of Niš. The pipeline’s capacity is initially planned at 1.8 billion cm/year, with an option to increase the volumes up to 4.5 billion cm/year. The line will be reversible with a pipe diameter of 28 inches (700 mm) and working pressure of 55 bar, thus enabling access to underground storage facilities on both sides - in Serbia and in Bulgaria.

In December 2012 Prime Ministers of Serbia and Bulgaria signed the Memorandum of Understanding for the construction of IBS, in the presence of the European Commissioner for Energy.

The project is one of the seven Central and South-Eastern Europe Gas Connectivity (CESEC) priority projects as well as a Project of Energy Community Interest.

Investment financing

The total expected investment amounts to 115 million EUR. With EU assistance, Bulgaria has already secured financing for its part of the gas pipeline in the amount of 48 million EUR. Serbia is still seeking to secure EU pre-accession funds (IPA) for the construction of the Serbian part of the project. The Serbian government set aside approximately 7.4 million EUR for permitting and land purchase, but the largest amount of funding, approx. 65 million EUR for the construction of the pipeline in Serbia, still remains to be secured.

During his visit to Serbia on 10 June 2015, European Commission Vice-President for the Energy Union Maroš Šefčovič said the gas interconnection project is one of the European Union’s priorities and that the European Union would consider providing financial support to the project.

Project milestones and progress to date

<table>
<thead>
<tr>
<th>Bulgaria</th>
<th>Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility study was completed.</td>
<td>Feasibility study with elements of environmental and social impact</td>
</tr>
<tr>
<td></td>
<td>assessment (ESIA) was completed.</td>
</tr>
<tr>
<td>Environmental impact assessment (EIA) study and spatial planning</td>
<td>The spatial plan was prepared for public consultation, which is ongoing.</td>
</tr>
<tr>
<td>was contracted in October 2015, to be finalized by end-2015.</td>
<td>Serbia is expected to conduct an EIA study from April 2016 till February</td>
</tr>
<tr>
<td></td>
<td>2017 (including opinions and consents).</td>
</tr>
<tr>
<td>Investment decision was taken and 48 million EUR secured from</td>
<td>Preparation of conceptual design for Serbian part is planned for</td>
</tr>
<tr>
<td>Construction permit for the Bulgarian part is expected in August</td>
<td>The investment decision is conditioned by Srbijagas and the Serbian</td>
</tr>
<tr>
<td>2016.</td>
<td>Government on EU grant funding.</td>
</tr>
<tr>
<td>Completion of the construction works is expected in 2018.</td>
<td>Serbia will start the construction works in February 2018. Completion</td>
</tr>
<tr>
<td></td>
<td>is expected by October 2019 (conditional on the investment decision).</td>
</tr>
</tbody>
</table>
1. Ensuring transparent and non-discriminatory third party access (TPA)

**Establish capacity allocation mechanisms and congestion management rules allowing TPA in forward and reverse flow**
- The Gas Market Law transposing the Third Energy Package was adopted in October 2015, with a deadline of 18 months for the adoption of secondary legislation. Taking into account the current absence of gas infrastructure and a gas market in Albania, April 2017 is a reasonable deadline.
- Harmonisation of secondary legislation with capacity allocation (CAM) and congestion management (CMP) requirements of Regulation (EC) No 715/2009 as well with transparency requirements on publication of capacity-related information needs to be ensured.
- Discussions on Albania’s early implementation of the CAM and the CMP Network Codes with Italy and Greece and within the ACER Gas Regional Initiative South South East (GRI SEE), in coordination with the Secretariat, are supposed to take place by June 2016.
- The transmission system operators in Albania are expected to start discussions with the existing capacity platform operators in Europe on joint capacity allocations by January 2017.

**Establish market-based balancing mechanisms**
- The requirements of Regulation (EC) No 715/2009 related to balancing, including the calculation of imbalance charges, need to be included in the secondary legislation by April 2017.

**Develop transparent and non-discriminatory tarification rules that do not distort trade across borders**
- An entry-exit tariff methodology is expected to be adopted by April 2017, while the implementation of transmission tariffs for all entry and exit points is conditioned on gas market development.

2. Ensuring free flow of gas and provision of a competitive framework

**Ensure barrier-free market entry**
- The Licensing Rules adopted by the Regulatory Authority in 2011 do not create obstacles to non-discriminatory market entry.

**Optimise actual capacity use in both directions, including backhaul**
- Discussions on reversibility with transmission system operators and national regulatory authorities in Italy and Greece are expected to be launched by June 2016.
### 3. Infrastructure related measures

**Provide a cross-border cost allocation mechanism in line with Regulation (EU) 347/2013 by January 2017**

**Ensure a harmonised framework of operation of interconnected systems of EU Member States and Contracting Parties**
- Regulation (EU) 703/2015 on interoperability and data exchange rules needs to be adopted by the Permanent High Level Group, on the basis of a European Commission proposal, in order to apply to Contracting Parties.

### 4. Measures required for market integration

**Discuss possibilities to integrate Energy Community gas markets with neighbouring EU gas markets**
- All national gas market stakeholders are expected to join the discussion platform organized under ACER GRI SSE and investigate possibilities for future market integration during 2016, based on the study "Cross-border gas market integration in the Energy Community".

### 5. Cross-cutting Measures

**Ensure independence of national energy regulatory authorities based on pre-defined indicators**
- Third Package compliant independence requirements have been transposed by the Gas Market Law.
- The regulatory authority contributed to identifying a list of actions to improve independence based on a list of priority areas elaborated by the Secretariat. The list of actions identified is expected to be implemented by January 2016.

**Unbundle and certify transmission system operator in line with the Third Energy Package**
- The regulatory authority has preliminary certified the Trans Adriatic Pipeline (TAP). The decision is currently being reviewed by the Secretariat.
- The transmission system operator Albpetrol has not been unbundled yet. Certification cannot be expected by June 2016.

**Apply for observer status in ACER based on a positive opinion of the European Commission by July 2016**
- The application has not been filed yet. As a prerequisite, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

**Increase effectiveness of national administrative authorities, including for competition and State aid, by strengthening their independence and financial means and requiring them to notify the Energy Community Secretariat of pending proceedings, and take due account of the Secretariat’s opinion (Procedural Act PA/2015/04/MC-EnC)**
- The competition authority is active but should start real enforcement activities by issuing binding decisions in case of violations of competition law. The independence of the State Aid Commission should be improved by separating it from the Ministry of Economy.
- Notification of pending proceedings before administrative authorities is envisaged by the amended Energy Community Dispute Settlement Rules. Whether and how these changes require implementation in Albania needs to be clarified.
1. Ensuring transparent and non-discriminatory third party access (TPA)

<table>
<thead>
<tr>
<th>Establish capacity allocation mechanisms and congestion management rules allowing TPA in forward and reverse flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Primary legislation transposing the Third Energy Package has not been adopted.</td>
</tr>
<tr>
<td>• The transmission system operator and the regulatory authority agreed to prepare secondary legislation harmonized with requirements of Regulation (EC) No 715/2009 related to capacity allocation mechanisms (CAM) and congestion management procedures (CMP) by October 2016.</td>
</tr>
<tr>
<td>• Discussions with Bulgaria on implementation of the CAM and the CMP Network Codes via the ACER Gas Regional Initiative South South East (GRI SEE), in coordination with the Secretariat, are supposed to take place by May 2016.</td>
</tr>
<tr>
<td>• The transmission system operator is expected to start discussions with the existing capacity platform operators and relevant transmission system operators in Europe on joint capacity allocations by May 2016.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Establish market-based balancing mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The transmission system operator and the regulatory authority agreed to prepare secondary legislation harmonized with requirements of Regulation (EC) No 715/2009 related to balancing by October 2016.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Develop transparent and non-discriminatory tarification rules that do not distort trade across borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>• An entry-exit transmission tariff methodology that allows for individual setting of tariffs for all entries to and all exits from the system in a non-discriminatory way needs to be prepared by September 2016 to allow its implementation as of January 2017.</td>
</tr>
</tbody>
</table>

2. Ensuring free flow of gas and provision of a competitive framework

<table>
<thead>
<tr>
<th>Remove legal or contractual barriers to competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The existing supply contracts apparently include an anti-competitive clause (i.e. destination clause). The removal of this clause is not only required by the Energy Community acquis communitaire, but is of utmost importance for enabling the free flow of gas in the region.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ensure barrier-free market entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Secretariat is unaware of any applicable rules (Licensing Rules, Market Rules or any other rules) creating obstacles to non-discriminatory market entry.</td>
</tr>
<tr>
<td>• In practice, new suppliers and traders enter or exit the market depending on the current market conditions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Optimise actual capacity use in both directions, including backhaul</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Actual capacity use was screened by the national regulatory authority for the purpose of preparing the Energy Community Regulatory Board (ECRB) Market Monitoring Report 2014.</td>
</tr>
<tr>
<td>• The transmission system operator agreed to start discussions on the possibility for backhaul with Bulgaria by May 2016.</td>
</tr>
</tbody>
</table>
### 3. Infrastructure related measures

**Adopt interconnection agreements**
- According to the transmission system operator, a discussion on an interconnection agreement with the transmission system operator of Bulgaria was recently launched.

**Provide a cross-border cost allocation mechanism in line with Regulation (EU) 347/2013 by January 2017**

**Ensure a harmonised framework of operation of interconnected systems of EU Member States and Energy Community Contracting Parties**
- Regulation (EU) 703/2015 on interoperability and data exchange rules needs to be adopted by the Permanent High Level Group, on the basis of a European Commission proposal, in order to apply to Contracting Parties.

### 4. Measures required for market integration

**Discuss possibilities to integrate Energy Community gas markets with neighbouring EU gas markets**
- All national gas market stakeholders are expected to join the discussion platform organized under ACER GRI SSE and to investigate possibilities for future market integration during 2016, based on the study “Cross-border gas market integration in the Energy Community”.

### 5. Cross-cutting Measures

**Ensure independence of national energy regulatory authorities based on pre-defined indicators**
- The regulatory authority's competences need to be expanded and its independence ensured by implementation of the Third Package.
- A neutral committee for selecting board members should be introduced and the requirement for applicants to pass a psychological and integrity test be abolished.
- The regulatory authority contributed to identifying a list of actions to improve independence based on a list of priority areas elaborated by the Secretariat. The list of actions identified is expected to be implemented by January 2016.

**Unbundle and certify transmission system operator in line with the Third Energy Package**
- Unbundling and certification are not possible without a legislative framework in line with the Third Package.

**Apply for observer status in ACER based on a positive opinion of the European Commission by July 2016**
- The application has not been filed yet. As a prerequisite, the Third Package needs to be transposed, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

**Increase effectiveness of national administrative authorities, including for competition and State aid, by strengthening their independence and financial means and requiring them to notify the Energy Community Secretariat of pending proceedings, and take due account of the Secretariat’s opinion (Procedural Act PA/2015/04/MC-EnC)**
- Effectiveness of the national State aid authority is not satisfactory as it does not intervene in the State aid granted to the energy sectors.
- Notification of pending proceedings before administrative authorities is envisaged by the amended Energy Community Dispute Settlement Rules. Whether and how these changes require implementation in the former Yugoslav Republic of Macedonia needs to be clarified.
### 1. Ensuring transparent and non-discriminatory third party access (TPA)

**Establish capacity allocation mechanisms and congestion management rules allowing TPA in forward and reverse flow**
- The Energy Law transposing the Third Energy Package was adopted in December 2014.
- Transmission network codes are mostly harmonized with requirements of Regulation (EC) No 715/2009 related to capacity allocation mechanisms (CAM) and congestion management procedures (CMP). Certain provisions related to secondary capacity trading and congestion management are still not covered by the network codes in an appropriate way.
- The implementation of the secondary legislation, including publication of capacity-related information, is envisaged by April 2016. However, the implementation depends on functional unbundling of the transmission system operators which is still pending.
- Discussions with Hungary and Bosnia and Herzegovina on implementation of the CAM and CMP Network Codes via the ACER Gas Regional Initiative South South East (GRI SEE), in coordination with the Secretariat, are supposed to take place in 2016.
- The transmission system operator is expected to start discussions with the existing capacity platform operators and relevant TSOs in Europe on joint capacity allocations during 2016.

**Establish market-based balancing mechanisms**
- The transmission network codes transpose the requirements of Regulation (EC) No 715/2009 related to balancing. Their implementation in practice, including the calculation of imbalance charges, is envisaged only by April 2016. Again, the implementation depends on the functional unbundling of the transmission system operators, which is still pending.

**Develop transparent and non-discriminatory tarification rules that do not distort trade across borders**
- An entry-exit transmission tariff methodology allowing for the individual setting of tariffs for all entries to and all exits from the system in a non-discriminatory way has been approved and is implemented since February 2015.

### 2. Ensuring free flow of gas and provision of a competitive framework

**Remove legal or contractual barriers to competition**
- The existing transit contracts and the intergovernmental agreement related to gas supply include anti-competitive clauses (different treatment of cross-border transmission in comparison to national transmission; a destination clause in the intergovernmental agreement). Removal of these clauses is not only required by the Energy Community *acquis communitaire*, but is of utmost importance for enabling the free flow of gas in the region.

**Ensure barrier-free market entry**
- The Secretariat is not aware of any applicable rules (Energy Law, Licensing Rules, or any other rules) creating obstacles to non-discriminatory market entry.
- In practice, new suppliers and traders enter or exit the market depending on the current market conditions.

**Optimise actual capacity use in both directions, including backhaul**
- Actual capacity use was screened by the national regulatory authority for the purpose of preparing the Energy Community Regulatory Board (ECRB) Market Monitoring Report 2014.
- The transmission system operator agreed to start discussions on the possibility for backhaul with Hungary by June 2016 and with Bosnia and Herzegovina by December 2016.
3. Infrastructure related measures

**Adopt interconnection agreements**
- A discussion on an interconnection agreement with the transmission system operator of Hungary has been launched. Its finalization is envisaged by June 2016.
- A discussion on an interconnection agreement with Bosnia and Herzegovina has not been launched yet, because the counterpart on the side of Bosnia and Herzegovina is unclear.

**Provide a cross-border cost allocation mechanism in line with Regulation (EU) 347/2013 (by January 2017)**

**Ensure harmonised framework of operation of interconnected systems of EU Member States and Energy Community Contracting Parties**
- Regulation (EU) 703/2015 on interoperability and data exchange rules needs to be adopted by the Permanent High Level Group, on the basis of a European Commission proposal, in order to apply to Contracting Parties.

**Ensure independence of national energy regulatory authorities based on pre-defined indicators**
- Insufficient autonomy of the regulatory authority over its budget and internal organisation due to limitations stemming from the Law on Maximum Number of Employees in the Public Sector are jeopardizing the authority's independence.
- The regulatory authority contributed to identifying a list of actions to improve independence based on a list of priority areas elaborated by the Secretariat. The list of actions identified is expected to be implemented by January 2016.

**Unbundle and certify transmission system operator in line with the Third Energy Package**
- Unbundling and certification in line with the Third Package has not yet started. If no immediate action is taken, the deadlines envisaged by the Third Package will not be met.

**Apply for observer status in ACER based on a positive opinion of the European Commission by July 2016**
- The application has not been filed yet. As a prerequisite, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

4. Measures required for market integration

**Discuss possibilities to integrate Energy Community gas markets with neighbouring EU gas markets**
- All national gas market stakeholders are expected to join the discussion platform organized under ACER GRI SSE and to investigate possibilities for future market integration during 2016, based on the study “Cross-border gas market integration in the Energy Community”.

5. Cross-cutting Measures

**Ensure independence of national energy regulatory authorities based on pre-defined indicators**
- Insufficient autonomy of the regulatory authority over its budget and internal organisation due to limitations stemming from the Law on Maximum Number of Employees in the Public Sector are jeopardizing the authority's independence.
- The regulatory authority contributed to identifying a list of actions to improve independence based on a list of priority areas elaborated by the Secretariat. The list of actions identified is expected to be implemented by January 2016.

**Unbundle and certify transmission system operator in line with the Third Energy Package**
- Unbundling and certification in line with the Third Package has not yet started. If no immediate action is taken, the deadlines envisaged by the Third Package will not be met.

**Apply for observer status in ACER based on a positive opinion of the European Commission by July 2016**
- The application has not been filed yet. As a prerequisite, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

**Increase effectiveness of national administrative authorities, including for competition and State aid, by strengthening their independence and financial means and requiring them to notify the Energy Community Secretariat of pending proceedings, and take due account of the Secretariat’s opinion (Procedural Act PA/2015/04/MC-EnC)**
- Effectiveness of the national competition and State aid authorities in the energy sector is not yet satisfactory. The independence of the Commission for State Aid Control should be improved by separating it from the Ministry of Finance.
- Notification of pending proceedings before administrative authorities is envisaged by the amended Energy Community Dispute Settlement Rules. Whether and how these changes require implementation in Serbia needs to be clarified.
1. Ensuring transparent and non-discriminatory third party access (TPA)

Establish capacity allocation mechanisms and congestion management rules allowing TPA in forward and reverse flow
- The Gas Market Law, which entered into force on 1 October 2015, transposed the Third Energy Package in the gas sector
- The Transmission Network Code adopted in November 2015 transposes the capacity allocation (CAM) and congestion management (CMP) requirements of Regulation (EC) No 715/2009, as well as the transparency requirements. Its implementation is envisaged by April 2016.
- Publication of all capacity-related information in line with the Annex to Regulation (EC) No 715/2009 is expected in January 2016. For now Uktransgaz is publishing information for only certain entry points relevant for transit flows.
- The transmission system operator and the regulatory authority joined the discussions on early implementation of the EU CAM and the CMP Network Codes with Poland within the ACER Gas Regional Initiative South South East (GRI SEE), and, within the same framework, started discussions with all three existing capacity platform operators.
- They agreed to start similar discussions with Hungary, Slovakia, Romania and Moldova during 2016.

Establish market-based balancing mechanisms
- The requirements of Regulation (EC) No 715/2009 related to balancing have been transposed. The transmission system operator envisages to implement these rules, including for the calculation of imbalance charges, by April 2016.

Develop transparent and non-discriminatory tarification rules that do not distort trade across borders
- The entry-exit transmission tariff methodology was adopted in November 2015 and is expected to be implemented for interconnection points as from January 2016.

2. Ensuring free flow of gas and provision of a competitive framework

Remove legal or contractual barriers to competition
- Transit and supply contracts which include anti-competitive clauses (e.g. different treatment of cross-border transmission in comparison to national transmission and destination clause) are subject to arbitration in Stockholm. Removal of these clauses is not only required by the Energy Community acquis communitaire, but is of utmost importance for enabling the free flow of gas.
- Gas export quotas were defined by the Cabinet of Ministers for 2015. It remains to be seen whether the Cabinet of Ministers will approve gas export quotas for 2016.

Ensure barrier-free market entry
- The Secretariat is not aware of any applicable rules (Gas Market Law, Licensing Rules, Supply Rules or any other rules) creating obstacles to non-discriminatory market entry. However, the Gas Market Law and the Law on Licensing of Economic Activities grant different bodies the responsibility for issuing supply licences. This discrepancy has to be abolished as soon as possible by amending the Law on Licensing of Economic Activities, currently in parliamentary procedure.

Optimise actual capacity use in both directions, including backhaul
- Actual capacity use was screened by the national regulatory authority for the purpose of preparing the Energy Community Regulatory Board (ECRB) Market Monitoring Report 2014.
- Ukraine maintains a dialogue on reversibility with Poland, Slovakia, Hungary and Romania. Final agreements depend also on the progress achieved by the relevant EU Member States.
- Compliance with the transparency requirements of Regulation (EC) No 715/2009 will be achieved with the implementation of the Transmission Network Code by April 2016.
- The transmission system operator already joined ENTSOG’s transparency platform.
### 3. Infrastructure related measures

**Adopt interconnection agreements**
- The transmission system operator Ukrtransgaz has concluded interconnection agreements with the Polish and Slovakian operators for pipelines where physical reverse flows take place and with the Hungarian operator for all interconnection points. The latter’s implementation is pending due to missing shippers codes. Discussions to conclude interconnection agreements for all interconnection points also started with Transgaz (Romania) and are ongoing with Eustream (Slovakia) and Gaz System (Poland). It is envisaged to conclude those agreements by May 2016. In May 2016, discussions on interconnection agreements with Moldovatransgaz (Moldova) are expected to begin.

**Provide a cross-border cost allocation mechanism in line with Regulation (EU) 347/2013 by January 2017**

**Ensure harmonised framework of operation of interconnected systems of EU Member States and Energy Community Contracting Parties**
- Regulation (EU) 703/2015 on interoperability and data exchange rules needs to be adopted by the Permanent High Level Group, on the basis of a European Commission proposal, in order to apply to Contracting Parties.

**Ensure independence of national energy regulatory authorities based on pre-defined indicators**
- The Law on Regulatory Authority, aiming to set regulatory independence in line with the Third Package, has been developed in the first quarter of 2015. However, the law's submission to Parliament is still pending.

**Unbundle and certify transmission system operator in line with the Third Energy Package**
- The unbundling model has been discussed between the relevant stakeholders in Ukraine.
- The regulatory authority has to adopt certification rules by end-2015.

**Legal and functional unbundling of distribution system operators and supply companies**
- Distribution system operators are legally unbundled from supply companies since July 2015. Functional unbundling still has to be properly performed.

**Apply for observer status in ACER based on a positive opinion of the European Commission by July 2016**
- The application has not been filed yet. As a prerequisite, regulatory independence needs to be ensured and all secondary legislation needs to be adopted.

**Increase effectiveness of national administrative authorities, including for competition and State aid, by strengthening their independence and financial means and requiring them to notify the Energy Community Secretariat of pending proceedings, and take due account of the Secretariat's opinion (Procedural Act PA/2015/04/MC-EnC)**
- Notification of pending proceedings before administrative authorities is envisaged by the amended Energy Community Dispute Settlement Rules. Whether and how these changes require implementation in Ukraine needs to be clarified.
- The application of competition rules should be strengthened to cover more anti-competitive agreements and practices, as stipulated by Articles 18 and 19 of the Treaty establishing the Energy Community, by July 2016.
- In order for Ukraine to fully comply with the Energy Community rules on State aid, Ukraine's legislation and its enforcement should be improved and brought into compliance with the EU acquis.
- The Antimonopoly Committee’s staffing level, relevant to State aid, should be improved.

### 4. Measures required for market integration

**Discuss possibilities to integrate Energy Community gas markets with neighbouring EU gas markets**
- All national gas market stakeholders are expected to join the discussion platform organized under ACER GRI SSE and to investigate possibilities for future market integration during 2016 based on the study “Cross-border gas market integration in the Energy Community.”