MINUTES OF THE 7th ECRB MEETING

September 30th, 2008

Divani Caravel Hotel, Athens, Greece

Attendees			
Slave Ivanovski	ERC	Former Yugoslav Republic of Macedonia	ECRB President
Heinz Hilbrecht	EC / DG TREN		ECRB Vice President
Ms Entela Shehaj	ERA	Albania	Member
Mirsad Salkic	SERC	Bosnia and Herzegovina	Member
Tomo Galic	HERA	Croatia	Member
Lahorko Wagmann	HERA	Croatia	Participant
Sanja Prkacin	HERA	Croatia	Participant
Miodrag Djekic	ERA	Montenegro	Member
Milodarka Dautović	ERA	Montenegro	Participant
Petar Maksimović	AERS	Serbia	Member
Nenad Stefanović	AERS	Serbia	EWG Chairperson
Nysret Avdiu	ERO	UNMIK	Member
Dietmar Preinstorfer	E-Control	Austria	Member
Nadja Horstmann	BNetzA	Germany	Member
Michael Thomadakis	RAE	Greece	GWG Chairperson
George Koutzoukos	ERGEG	Greece	SEE CAO IG Chairperson
Vasilis Panousopoulos	RAE	Greece	Participant
Dimitris Lelovitis	RAE	Greece	Participant
Fabio Tambone	AEEG	Italy	Member
Natasha Trimcheska	ERC	FYR of Macedonia	Member
Edin Zametica	SERC	Bosnia and Herzegovina	CWG Chairperson
Natalie McCoy	CEER Secretariat		Participant
Vladko Gavrilov	ERC	Former Yugoslav Republic of Macedonia	Participant
Dan Ionescu	ANRE	Romania	Member
Zeljko Rajic	HERA	Croatia	Participant
Kostas Perrakis	RAE	Greece	Participant
Slavtcho Neykov	ECS		
Chrysoula Argyriou	EC/DG TREN		
Sergio Ascari	ECRB Section of ECS		
Roland Matous	ECRB Section of ECS		

The ECRB met in Athens on September 30, 2008. All Contracting Parties' Regulators were present.

The following issues were discussed:

1. Approval of the Agenda

Related document: R08-GA-07-01

Conclusion:

The ECRB approved the Agenda without changes.

2. Approval of the Minutes
Related document: R08-GA-06-02

Conclusion:

The ECRB approved the minutes of the 6th ECRB meeting.

3. Presidency of ECRB as from 1st January 2009

The Vice-President reminded that the term of the current President expires at the end of the year and cannot be renewed. Furthermore he informed the ECRB that no candidates have emerged for the position yet.

Conclusion:

The election of the new ECRB President is postponed to the next Meeting. ECRB members were invited to propose candidates for the position of the ECRB president.

4. Market Development Report
Related document: R08-GA-07-03

The ECRB Section presented the Market Development Report, which was entirely re-drafted with a regional focus after the comments received during the last meeting.

Discussion:

The Vice-President thanked the ECRB Section for their work, and invited all regulators to critically address any reported lack of progress and lacunas, which should be turned into objectives for improvement. In particular, he invited regulators as well as Working Groups to identify milestones to be pursued in order to overcome critical issues.

Mr. Salkic noted that the Report does not provide a full outline of the regulatory structure in Bosnia and Herzegovina, which also includes the entity regulators. Mr. Matous answered that the structures on entity level are described within the so called national reports and that the market development report is focusing on the regional developments.

Ms. Trimcheska said that ERC of the FYR of Macedonia had already sent some comments. The ECRB Section replied that these had been already included.

Conclusions:

The ECRB welcomed the Report prepared by the ECRB Section of the Secretariat. A short note will be added to reflect the structure of regulators in Bosnia and Herzegovina.

5. Co-ordinated Auction Office

5.1 De-briefing on the last IG meeting

Mr. Matous reported that a Memorandum of Understanding for the establishment of the Co-ordinated Auction Office was already drafted and that it is expected to be signed soon. He highlighted that most TSOs are ready to sign it but concerns emerged from the Bulgarian TSO, which announced not to sign due to its disagreement on the definition of the 8th Region. A Business Plan is also under elaboration and expected to be ready for approval by Nov. 14th.

Furthermore Mr. Matous reported that SETSO proposed to launch another dry run session and to issue new proposal afterwards.

Discussion:

The Vice-President commented that regulators should encourage TSOs to sign the MoU. He also informed about the resignation of Mr. Puharic, the IG Chair, and proposed that the ECRB Section should draft an official letter to thank him for his efforts. The Vice-President proposed to nominate Mr. Koutsoukos, from RAE, as chair of the IG. The ECRB unanimously agreed. He also noticed Serbia's reservation concerning the MoU and suggested that the new IG Chair should contact separately all parties who expressed reservations and try to settle the remaining issues.

The ECS Director noticed the lasting support of the PHLG for the CAO project, confirmed in the recent meeting of Sept. 24th.

Mr. Koutsoukos explained his views on the IG developments. The CAO should be handled as a project, which is mostly TSO responsibility but requires close regulatory supervision. It is necessary to appoint a project manager on TSO side, supported by an experienced TSO body. They should develop a practical, feasible action plan.

Conclusions:

The ECRB appointed Mr. Koutsoukos as chair of the IG. The ECRB invited the IG chair to review the Action Plan taking into consideration recent developments.

5.2 ECRB position on the Revenue Distribution Scheme elaborated by the TSOs - recommendation from IG

Mr. Matous said that it is envisaged to have a new phase of the DryRun for Coordinated Auctioning and that it is planned that the TSOs will come up with a new proposal for revenue distribution after this next phase.

Discussion:

Mr. Stefanovic explained that EWG had already issued its opinions and reminded that SESTSO had already suggested in a previous paper that three approaches should be considered for decision, but lately a new approach, known as Max Flow emerged, which casts doubts on all three. In particular the EWG had submitted to SETSO Co-Convenors both its views and implementation milestones and deadlines. Implementation of the RDS is now in TSOs' hands, which must decide. ERGEG's support was also granted but TSOs are now waiting for a new dry run with the new approach and have appointed a new consultant to analyze it.

Conclusions:

The Vice-President remarked that the discussion about the congestion RDS should not delay the establishment of the CAO and asked about the EWG standing on the issue.

5.3 Identification of next steps to be taken by the Regulators (indicative items: revenue distribution, monitoring of the CAO)

Mr. Matous explained that regulators have drafted a list of questions sent to TSO for discussions. On monitoring answers are expected during the next meeting.

Discussion:

The Vice-President informed the ECRB that USAID is concerned about the lack of participation in their study on the monitoring function. Notably there is a lack of participation by the TSO of Bulgaria, Italy, Hungary, Slovenia as well as Croatia, FYR of Macedonia and Montenegro. Finally he expressed his hope that the IG may address the issue and come up with a paper on financing and geographical scope, as well as with a clear commitment to provide data for the exercise. It should also agree on CAO control by the EWG and IG.

Mr. Stefanovic reminded that USAID work was focused on two work streams - data collection and monitoring of the CAO.

Mr. Matous explained he already contacted the project manager of ETSOVista, Mr. Marcel Lee, and the USAID consultant, Mr. Robert Sinclair, in order to facilitate better cooperation of these two project groups regarding data collection.

Conclusions:

The ECRB agreed that the new IG Chairman should try and contact those who have not taken part yet, and report at the next ECRB.

6. Draft Opinion of the ECRB on the PHLG Working Paper on Cross-border exchanges in electricity

Related document: R08-GA-07-07

Mr. Matous informed that the ECS has drafted a Working Paper that has been welcomed by the PHLG and that it was concluded that this paper should be updated after ECRB and TSO's comments. He said that this document was distributed on 25th of July to the ECRB and that up to now no comments were received.

Discussion:

Mr. Maksimovic expressed his surprise to learn that the ECRB is asked to provide an opinion on a PHLG paper. The Vice-President replied that this is not a legally binding opinion; he noticed that this should not be a problematic Report and invited the ECRB to provide comments and fill gaps of this Document before the next ECRB Meeting. The ECS Director explained that this opinion would also be used by the Secretariat in its drafting of the Implementation Report for the next Ministerial Council.

Mr. Maksimovic noted that such Report should not give the wrong impression that what is missing is related to the implementation of the Acquis. There is on the other hand no focus on who should be leading the changes. Problems are similar to those identified for example by ERGEG's Regional Initiative in the EU. The Vice President agreed with this formulation.

Conclusions:

It was concluded that the Secretariat will forward the document to the ECRB EWG and ask for comments within 10 days. Furthermore it was concluded that the paper is approved subject to further amendments after the consultation of the EWG.

7. Studies and consultancies

7.1 Terms of Reference on

Related documents: R08-GA-07-04a, R08-GA-07-04b

- Identifying legal obstacles to the establishment and operation of and the participation in a coordinated auction office in SEE
- Prototype of service platform for regional balancing - Market Balance Energy Tool for South East Europe prototype (BETSEE)

Mr. Matous illustrated the TORs for the projects. He stressed the need to approve them immediately and start the procedure, in order to avoid losing the related budget. He mentioned that adjustments are possible during the implementation phase of the tender, also taking into account the suggestions of the new IG Chairman.

Discussion:

Mr. Salkic noticed that on p. 4 of the legal project the separation between ISO and TSO in Bosnia and Herzegovina is seen as a problem for CAO implementation, which he disagrees on. This point will then be revised.

Mr. Stefanovic said that the EWG had not been in a position to analyze the proposed TORS; however he agrees to launch the tender, but fears that more problems will emerge later.

Mr. Neykov remarked that WG Chairs would also be, as members of the Steering Committee, in a position to influence the projects at a later stage.

The Vice-President asked for a breakdown of the study's budget per year.

Conclusions:

The TORs for the studies were approved.

7.2 Indicative list of studies and consultancies for 2009 (in particular: ToR for the extension of the CAO Dry-Run)

Related documents: R08-GA-07-05, R08-GA-07-06

The Vice-President noticed that the extension of the dry run including the simulation of the maximum flow approach would be implemented this year.

Mr. Preinstorfer noticed that in the last meeting the ECRB has been informed that part of the 2008 budget for studies could be moved to 2009, which is the contrary of what is being proposed now. The ECS Director explained that this derives from a recent interpretation by the Budget Committee, according to which the budget may not be carried over to next year. Therefore it is necessary to contract the studies during 2008 or the related budget would be lost. Further Mr. Neykov informed that the Budget Committee had increased the 2008 endowment for ECRB studies to approximately EUR 400,000.

Mr. Koutsoukos agreed with the decision concerning the studies, but reserved the right to ask for modifications, to be approved by written procedure, in case it was required after a closer examination of the IG proceedings. He also asked whether the proposed CAO project manager could be paid out the 2009 ECRB study budget. Mr. Neykov reserved to answer this request after consultations.

The CWG Chairman said that CWG will propose studies on gas tariffs and quality of service.

The GWG Chairman said that the GWG would probably request study on the Energy Community gas market organization.

Conclusions:

All WGs are requested to submit proposals for 2009 by mid November, in order to achieve approval by the 8th ECRB Meeting.

8. Gas Issues

8.1 Discussion paper on a common regulatory approach for new infrastructure

8.2 ECRB contribution to the Gas Forum (October 16th, 2008)

Related document: R08-GA-07-08

The GWG Chairman explained that a draft consultation paper is in an advanced stage of preparation, but could not yet be submitted for ECRB approval. However a slide presentation outlining the main concepts is available (attached).

At his request, Mr. Ascari presented the slides illustrating the GWG common approach for new infrastructure.

Discussion:

The Vice-President welcomed the presentation and underlined its relation with the Commission's strategic energy review. He asked what the next steps should be. Mr. Thomadakis stressed the need to obtain appropriate inputs from all concerned Contracting parties and to achieve the greatest consensus among GWG members to pave the way for the success of ECRB proposals. He suggested that the presentation could be used for further, public discussion starting with the next Gas Forum.

Mr. Koutsoukos noted that the Gas Ring is a very important project, also considering its environmental impact. It is important to get a strong endorsement from the next Gas Forum.

The Vice-President agreed and underlined the need to turn the proposed approach into a list of action points, identifying the relevant responsibilities.

Mr. Thomadakis noted the interest expressed by the World Bank and by USAID for the Ring concept and asked for support from the Secretariat. Mr. Neykov welcomed the idea but noted that the activity of donors in the Energy Community is coordinated by the European Commission.

Conclusions:

The ECRB approved the presentation of the GWG proposals for discussion at the next Gas Forum.

9. Other issues

9.1 Recruitment process of the ECRB Head of Section

Mr. Neykov explained the recruitment procedure. He mentioned that it ids envisaged to have a new head of Section by end of 2008 and that the time needed for the new appointment is also related to the nationality of the winner, as visa may be needed.

Mr. Koutsoukos remarked that a very competent person is needed, and that the ECRB Section requires strengthening in terms of both experts and administrative support. He asked whether a consultant could be appointed while the position of Head of Section remains vacant. Mr. Neykov replied that the appointment of a consultant is neither feasible nor practical. Changes in the composition of the Secretariat may be approved by the Ministerial Council.

Mr. Ascari said that after one year's experience the Rules of Procedure may need an update, in order to clarify the position of the ECRB Section within the Secretariat.

The Vice-President noted that the ECRB Section has been so far too isolated. It needs independence, but also sufficient interface with the rest of the Secretariat. At present, the appointment of the new Head of Section is the priority.

9.2. Update on the third package (by EC)

The Commission updated the ECRB on the progress with regards to the discussions at the European Parliament and Council on the third package, stressing the need to finalize the process before the next Parliament Elections.

9.3. Short Reports on the Working Group activities Electricity, Gas, Customers

9.3.1 Electricity

The EWG Chairman illustrated the WG activities (presentation attached).

Discussion:

The Vice President congratulated the EWG for its activities and asked how much progress has been achieved in reality.

Mr. Tambone noticed that the real problem lies in the relationship between TSOs and the ECRB. Issues should be jointly addressed under the IG umbrella. Mr. Koutsoukos agreed. Congestion management issues must be solved now, leading to the development of markets under harmonised rules. Furthermore he highlighted that it is necessary to prioritize the IG work programme, as it is currently too large and not focussed on few burning issues.

Mr. Maksimovic stressed that progress can only come through TSO action and asked not to blame the wrong parties. Mr. Stefanovic confirmed that and stressed that the EWG always tries to reach consensus in advance. However TSOs were often behaving different. He highlighted that no final decision has been taken concerning congestion management up to now, as a new consultant has been appointed and when TSOs do not know the outcome of the new proposed methodology. Furthermore he reported that there is now common understanding of TSOs concerning important issues like the nomination of transmission rights.

Ms. Horstmann noticed that the same usually occurs in the EU.

Conclusions:

The Vice President remarked that EWG and IG need priorities in order to achieve progress. Further, priorities should be matched by precise deadlines. On this respect he asked both EWG and IG Chairs to provide proposals at the next ECRB Meeting. He suggested that other attempts should be carried out before involving the MC; for example the Commission may invite the EWG, IG and SETSO Chairs to Brussels for a joint meeting.

9.3.2 Gas

The GWG Chairman and Mr. Ascari informed about the start of the Study on the Improvement of Interconnection, Interoperability, Transparency and Harmonization of Operational Rules for Natural Gas Transportation in the Energy Community, which has already delivered its Inception Report. They also reported on the Gas Distribution Conference held in Zagreb on 25 September.

Mr. Thomadakis stressed the opportunity to act and free up capacity on the existing interconnection pipelines.

The President suggested that precise proposals should be a suitable starting point, possibly based on the findings of the study. This requires dealing with the transit contracts that were defined under the 1991 Directive, and therefore needs support from the Commission.

The Vice-President asked for an illustration of the problem in writing.

9.3.3 Customers

The CWG Chairman reported (presentation attached).

9.4. Concept paper on Information exchange and training
Related document: R08-GA-07-10

The ECRB Section reported on approaches to be followed for training support.

Discussion:

Mr. Neykov confirmed the availability of the necessary budget for training support and asked for a centralized management of request for organizational purposes. Mr. Ascari informed that one place is still available at the Florence School of Regulation for the Course on Regulation of Energy Utilities and invited Regulators that have not done so to send candidacies until Friday 3 October. More places will be available at the ERRA Gas week (17-21 November).

Conclusions:

The ECRB agreed on the financial support, covering participation fees for candidates who already applied to the Florence School of Regulation Residential and E-Learning Course on Regulation of Energy Utilities, and one more candidate if presented until Friday 3 October. Further, participation fees will be covered for one candidate from each Regulatory Authorities of Contracting Parties and Observers, for the ERRA Gas and District Heating Week (17-21 November).