



Energy Community Work Programme 2014 – 2015

Energy Community Secretariat
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ENERGY COMMUNITY WORK PROGRAMME
2014 – 2015

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SUMMARY

Established seven years ago, the Energy Community is presently undergoing a period in which a clear framework for further steps towards achieving its objectives needs to be set. As the Energy Community Treaty is to expire in 2016, the next two-year period offers an opportunity to redefine the scope and objectives of the organisation.

When establishing the Energy Community, the main objectives were defined as:

- Creating a single and stable regulatory space coupled with a stable market framework for attracting investment;
- Integrating regional energy markets in order to increase cross-border trade in energy, guarantee energy supply and take into consideration climate and social aspects; and
- Fully integrating the regional energy market into the EU internal energy market.

Despite many attempts in the past seven years, these aims are far from being realized. Therefore the main priority for the next two years will be to create functioning markets where energy is produced and traded according to market rules, free of state interventions. Secondly, the key barriers to the development of competition must be removed, *inter alia* by abolishing monopolistic markets and removing barriers to cross-border competition.

In past years the scope of the *acquis communautaire* has been extended substantially by renewable energy sources, energy efficiency, oil stocks, statistics etc. This trend will continue in 2014 and 2015. In light of the continuously widening scope of work, the original priorities of the Treaty are of increasing relevance. This includes the support to Contracting Parties in the creation of well-functioning energy markets and fostering of adequate and proper investments in the energy sector. To this end, the implementation of the Third Energy Package, implementation of the regional electricity target model and enhancing the attractiveness to invest in infrastructure and electricity generation projects are crucial.

Parallel to these challenges, the Energy Community will be faced with the transposition and implementation of very demanding Network Codes.

The Annual Implementation Report 2013 effectively documents the deepening of the implementation gap. As a result, special attention will be put on the dispute settlement procedure and increasing number of pending cases.

The wider scope of tasks is also reflected in the Secretariat's increased number of staff and budget. In the year 2014, the number of staff will be 24 and the budget will increase as follows:

(in EUR)

	2013	2014	2015
Revenues/expenditures	3.342.200	3.448.810	3.517.786

INTRODUCTION

The present Work Programme of the Energy Community for years 2014-2015 was prepared taking note of:

The Energy Community objectives, as laid down in Article 2 of the Treaty;

The Energy Community developments since the entry into force of the Treaty (2006);

The necessity to provide a clear framework for further steps towards achieving the Energy Community objectives;

The ongoing political, legal and economic developments in the Contracting Parties and Observers; and

The energy developments in the European Union.

Within the scope of the Work Programme 2012-2013, the Energy Community worked intensively towards implementation of the *acquis* under the Treaty in all specified areas (electricity, gas, oil, renewables, environment, energy efficiency, security of supply and competition). As reflected in detail in the Secretariat's Annual Implementation Reports, the Contracting Parties have benefited from support by the Secretariat in implementing the *acquis* through compliance reviews, cooperation in the form of the implementation partnerships, enforcement and negotiations for upgraded legislation, workshops, monitoring etc. The work to be expected from the Contracting Parties, but also from the Energy Community institutions, will become even more intensive as the focus shifts from mere *transposition* to true *implementation*, mostly through secondary legislation and regulatory acts. The third and the most intensive area of work is the need of greater involvement in the implementation of the rules on specific policy issues. This includes, *inter alia*, permits for infrastructure and generation projects, environmental impact assessment procedures for individual projects, the enforcement of competition and State aid law etc. All these areas have so far not been sufficiently covered by the Energy Community and require more targeted efforts.

Over the past two years, the Ministerial Council substantially broadened the scope of the *acquis communautaire*. The implementation of the Third Energy Package poses a big challenge in the electricity and gas sectors. The Network Codes will demand more detail-oriented work for which the Energy Community so far is not well prepared. In this context, also reference to the Renewables Directive and the Oil Stocks Directive in the petroleum sector is needed. They will require intensive support by the institutions, and in particular by the Secretariat. The same goes for new *acquis* in energy efficiency and statistics. Finally, there is the pressing issue of implementing the Large Combustion Plants Directive with its huge impact on the energy sectors and a low degree of preparedness only five years before the expiry of the deadline.

It is to be expected that the process of incorporating new EU legislation in the Energy Community *acquis communautaire* will continue. On top of the Guidelines and Network Codes in electricity and gas (where the PHLG has already committed to swift and quick incorporation once they are adopted within the EU), the infrastructure package adopted in the European Union in 2013 will be of great relevance for the Energy Community. The same goes for the REMIT regulation. In case of the Gas Security of Supply Regulation, a study is currently preparing the ground for possible incorporation. Finally, given the fact that sustainability aspects of energy policy are gaining more ground globally, it is very likely that

the relatively limited *acquis* on environment under Title II of the Treaty will be reinforced - for example by incorporating the Directive on Strategic Impact Assessment. The benefits of incorporating new legislation should, however, be carefully weighed against the additional implementation and enforcement burden on governments and regulators. No *acquis* extension should be to the detriment of effective enforcement of key provisions of the existing *acquis*. Setting realistic objectives and realistic deadlines will be necessary to avoid non-compliance.

The implementation of the *acquis communautaire* has always been complemented by work of the institutions on issues of general nature, such as the elaboration of an Energy Community Strategy. The thereof resulting List of Projects of Energy Community Interest (PECIs) will trigger an increased need for involvement of the Energy Community institutions in the implementation process, including procedural, legal and financial implications.

A key area of work, where the objectives of the Treaty remain to be reached, is the establishment of a regional market based on transparent, competitive and open national energy markets. The Coordinated Auction Office (CAO) is expected to be operational during 2013. The establishment of a regional energy exchange will gain traction in the period 2014-2015. The Energy Community's Gas-to-Power-Initiative may also be expected to bear fruit in that period. In 2012, the Energy Community competition authorities established among themselves, including with the participation of the Secretariat, a Competition Network. The Network is expected to produce tangible results, and requires in return input in the upcoming years. The Security of Supply Group, for both electricity and gas, has an ambitious Work Programme and will be equally crucial for attaining the Treaty's objectives.

In July 2013, Croatia joined the European Union after more than six successful years as an Energy Community Contracting Party. At the same time, the newest Contracting Parties, Moldova and Ukraine, still need to be fully integrated into the Energy Community. This remains both a priority and a challenge, given in particular the size of Ukraine, but also the decrease in regional coherence following the enlargement. If successful, Georgia's application for membership will shift the Energy Community's borders further to the East. The accession of further countries – as Parties or Observers – is not excluded, provided that they are willing and able to implement the Energy Community *acquis*. This process brought and will bring important changes both in the quantity and quality of tasks and results to be expected by the Energy Community.

In addition to the key stakeholders, the representatives of ministries and energy regulators, also representatives of transmission system operators and members of the national parliaments will be invited to participate more in the activities of Energy Community. The Secretariat will try to organize a Permanent Network of Members of Parliaments from the Contracting Parties. This would be similar to groups of friends established within a national parliament for deeper cooperation with an individual country or institution.

The overall planning of activities for the years 2014 and 2015 has been reflected in the budget proposal, submitted by the European Commission to the Ministerial Council for adoption on 24 October 2013.

It is on this ground that the current Work Programme has been developed.

OVERALL AND CROSS-CUTTING TASKS

1. PROMOTING AND SUPPORTING THE ENERGY COMMUNITY GOALS AND ACTIVITIES

The Energy Community institutions will continue performing within the scope of their mandates.

In relation to the overall and cross-cutting activities, the Energy Community Secretariat in particular will within its mandate (Article 67 of the Treaty):

- Support the Contracting Parties in the creation of well-functioning energy markets;
- Provide assistance to all institutions within the scope of their competences;
- Organise and provide administrative support to the institutional meetings and other events necessary for the achievement of the Energy Community goals; a special effort will be made to rationalise the meetings in number and scope;
- Provide timely, reliable and fair information to all institutions as a basis for their decision-making;
- Facilitate and assist the institutions and Parties in the implementation of decisions and recommendations;
- Coordinate the work of working groups and task forces, where needed;
- Provide assistance of organisational, conceptual and legal nature to all Contracting Parties;
- Promote the objectives of the Energy Community, including, but not limited to publications, presentations, public relations, maintaining and developing the website, liaising with other international institutions and bodies, donors, investors etc.;
- Manage and implement the budget of the Energy Community in line with availability, objective necessity and applicable rules;
- Carry out other tasks, conferred on it by the Ministerial Council.

2. EFFECTIVE IMPLEMENTATION OF THE ACQUIS

According to the Secretariat's findings in the Annual Implementation Report 2013, the implementation of the current *acquis communautaire* may be presumed to be significantly advanced by the end of 2015. However, some key implementation issues are likely to linger on. This concerns first and foremost the opening of wholesale markets in real terms, the cost-reflectivity of energy prices, the persistence of illegal subsidies and implicit forms of State aid, the insufficiency of the regulatory framework, the lack of regional cooperation and the compliance with the environmental and climate *acquis*. The Secretariat's work in this respect will be intensified and expanded in line with the following key features.

2.1. Providing assistance to Contracting Parties

The Secretariat will review all draft legislation, providing comments on its compliance with the *acquis* and ensuring that legislation adopted is in line with the obligations under the Treaty;

The Secretariat will provide assistance to the Contracting Parties also by advising them, both in writing and through country missions, on how to implement the *acquis*. Where appropriate, the Secretariat will be involved in assisting the drafting of primary and secondary legislation, including those drafted by the regulatory authority and transmission system / market operators, and the new *acquis*;

The Secretariat will further provide assistance in organizing workshops and commissioning studies, where needed, for the *acquis* still awaiting future implementation;

All of the above-mentioned tasks will be of increasing importance and will require more intense work with regard to the new elements of the *acquis* in the areas of the internal market, renewables and oil, as well as environment, climate and energy efficiency, where the implementation deadlines are imminent. All these areas constitute new and huge challenges for the Contracting Parties as well as for the institutions involved;

To the extent of the resources available, the Secretariat will provide assistance also to the Observers who have expressed interest in becoming Parties to the Treaty, in order to bring their internal legislation in line with the *acquis* to the widest extent possible already before accession.

2.2. Reporting

The Secretariat, mobilizing the expertise of all its units, will continue elaborating and publishing its Annual Implementation Report as the most comprehensive reference document on the state of implementation of the *acquis*, and as the basis for further policy and enforcement measures.

Furthermore, the Secretariat will release *ad hoc* reports focusing on different subjects where required by the circumstances or tasks given to it by the other institutions.

2.3. Enforcement of the *acquis*

Initiating cases of non-compliance, the Secretariat will continue developing the dispute settlement mechanism under Article 90 of the Treaty towards a tool of Treaty enforcement. This will comprise cases addressing issues of non-compliance individually for each Contracting Party concerned as well as regional cases addressing all Contracting Parties in one way or other. The Secretariat will prioritize cases where individual elements of the Second Energy Package have not been implemented, including non-compliant market models, impediments to cross-border trade, unduly regulated energy prices and the lack of coordinated capacity allocation.

Past experience shows that the recourse to enforcement action was the most efficient when the Secretariat combined it with its assisting role. This entailed the tackling of non-compliance issues in combination with proposals on how to redraft the respective laws and by-laws. Building on the experience gained, the Secretariat is determined to bundle its competences and activities in this manner.

INDIVIDUAL ELEMENTS OF THE ACQUIS

ACTIVITIES IN THE ELECTRICITY SECTOR

1.1. Implementation of the Third Energy Package

The Secretariat will provide assistance and support to the Contracting Parties towards proper transposition and implementation of the Third Energy Package by addressing the institutional, legal and regulatory requirements. Special attention will be put on the applied criteria for unbundling of transmission and distribution system operation and access to network infrastructure, protection of the socially vulnerable categories of customers, supplier switching and development of competition in the retail activities, and legal enforcement of independent and regionally coordinated regulatory rules. In addition, the monitoring of the *acquis* implementation and reporting activities will continue in the new format following the Third Energy Package requirements.

The process of adoption and implementation of the Network Codes by the network operators will be supported and monitored with particular attention, in coordination with ENTSO-E. To that end, the Energy Community will follow up on the activities of ENTSO-E and ACER and promote the participation in these bodies of those Contracting Parties that have implemented and applied in practice the relevant provisions of the Third Energy Package.

The Secretariat will continue its practice of undertaking missions by its experts to the Contracting Parties and Observer countries upon request. It will provide assistance in overcoming specific problems or obstacles in the process of transposition and implementation. The Secretariat will assist the Contracting Parties in the development and integration of the electricity markets following the EU model. This will be done mostly, but not exclusively, via support in the development and implementation of a harmonised approach in all Contracting Parties towards effective liberalization, development and opening to competition of the local wholesale electricity markets, appreciating at the same time individual policy priorities and specific “glide paths”. Such a market environment comprises market based balancing and ancillary services, an efficient cross-border power exchange, transparent and cost-reflective tariffs for access to the networks and measures to overcome negative effects of market dominance. Moreover, systems for market monitoring and monitoring of data transparency, measures for support of new suppliers’ operation, effective financial settlement mechanisms, gradual introduction of spot-trading platforms starting with day-ahead market and developing towards intraday trading and secondary markets as applicable are expected to be set in place.

Finally, the Secretariat will organize, participate and assist in organizing electricity-related events (workshops, conferences) aimed at promoting and supporting the implementation of the *acquis* within the scope of the Energy Community.

1.2 Creation of a Regional Market

Whilst the agreement on a regional electricity target model was reached in 2011, there has been no practical implementation ever since. The Secretariat will assist the relevant institutions at regional level (Ministerial Council, PHLG, ECRB etc.) and at national level (ministries, regulators, competition authorities, TSOs etc.) in realising the actions required for

effective national and regional wholesale market opening. This will, in particular, target the successful establishment of the SEE CAO, including follow-up on the dispute settlement cases, day-ahead and intraday capacity allocation, the establishment of power exchanges, regional balancing and market coupling in line with European developments.

The Energy Community will work towards increased market transparency in line with the rules of the EU Regulation on Energy Market Integrity and Transparency.

1.3 Security of Supply

The activities under the Work Programme in the area of security of supply will aim at monitoring the implementation of the relevant *acquis*, to enforce secure and efficient operation of the networks, foster infrastructure investments and ensure optimal conditions for the operation of the Security of Supply Coordination Group.

In more detail, the key scope of activities includes:

The Security of Supply Coordination Group will take up its operation along the established mandate. It will develop an electronic platform for regular online exchange of information on the electricity supply security status and available contingencies, an early warning mechanism, a mechanism for monitoring of applied emergency measures and their effects. The group will work towards development of instruments for mutual assistance in case of sudden crisis in the electricity supply.

Based on a harmonised common approach, the Contracting Parties have developed plans for national emergency measures in the area of electricity. To this end, the Secretariat will continue the monitoring and review of the proper implementation of the agreed steps and envisaged measures.

In parallel, the Secretariat will monitor the electricity supply conditions in the Contracting Parties and provide administrative assistance for overcoming supply crisis and development of *ad-hoc* measures aiming to improve the security and quality of supply for the final customers, as applicable.

The Secretariat will continue to assist the Contracting Parties by reviewing and uploading their Security of Supply Statements. It will assess the transposition and state of compliance of Directive 2005/89/EC and related measures, in accordance with Article 29 of the Treaty. The findings will be reflected in relevant reports for the PHLG and the Ministerial Council. The Secretariat will monitor and report regularly on the practical implementation of provisions of Directive 2005/89/EC concerning applied measures to safeguard security of electricity supply and infrastructure investments. The Secretariat will follow the development of EU *acquis* in this context and support its implementation by the Contracting Parties as applicable.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Implementation of the gas *acquis communautaire*

The Secretariat will continue the benchmarking on the institutional, legal and regulatory framework in the Contracting Parties in the context of the gas *acquis* required by the Treaty

and the Ministerial Council's Decisions. The findings on implementation shall be reflected in the relevant implementation reports for the PHLG and the Ministerial Council once a year.

The transposition of the Third Energy Package gas *acquis* will be the focus of the Secretariat. Resolving the residual shortcomings of the current *acquis* will be another priority. In light of the increasingly intensified work on both sides, the Secretariat will structure its assistance and guide the Contracting Parties in the implementation process so that maximum effectiveness is achieved. It will review draft legislation, issue relevant opinions, engage in any pressing issues in a Contracting Party, identifying and addressing non-compliance situations. The Secretariat will moreover organize workshops and launch studies¹ focusing on specific gas policy topics when necessary. The Secretariat will organize the gas-related events within the scope of the Energy Community institutions, the highlight of the year being the Gas Forum. The respective meeting agenda will be drafted to take into account the current situation in the gas sector in the Energy Community and Europe. It will also serve to establish communication between the Contracting Parties and the relevant European bodies (ENTSO-G, ACER).

2.2. Market-related activities

More intense work by all Parties is required to enable creation of liquid national gas markets, under harmonised rules, which would be able to be integrated at regional level.

In addition to the monitoring and benchmarking of implementation of the *acquis*, the Secretariat will focus its activities on reviewing the process and providing technical assistance to the Contracting Parties in the process of development and integration of the gas markets. The focus will be on supporting the development of gas market rules as well as their improvement in a coordinated manner.

Understood as a precondition for the regional gas market, the Secretariat will continue with activities aimed at the development of gas infrastructure. Particular attention will be paid to the projects which coincide and contribute to the realization of the Energy Community Gas Ring as well as to further gasification of ungasified Contracting Parties or their regions.

2.3. Activities related to security of supply

In the area of security of supply, the aim is to make the most out of the re-established Security of Supply Coordination Group – Gas Subgroup. The Secretariat will provide support and guidelines to this Subgroup in order to enhance the cooperation among the Contracting Parties. The Secretariat will continue its active participation in the EU Gas Coordination Group, thus acting as a link between the EU and the Energy Community at operational level. The Secretariat will assist the Contracting Parties to perform their new tasks in formulating their security of supply statements or reports, encompassing some elements of Regulation 994/2010 concerning measures to safeguard security of gas supply, such as risk

¹ See Annex 1

assessment. This work will be based on the outcomes of the Security of Gas Supply Study and be in line with the Gas Subgroup's recommendations. These activities are to guarantee a smooth transition to the full implementation of the Regulation, as soon as the respective Decision has been made.

3. ACTIVITIES IN THE OIL SECTOR

In the area of oil, the Energy Community's activities relate to the implementation of Council Directive 2009/119/EC imposing an obligation on Contracting Parties to maintain minimum stocks of crude oil and/or petroleum products. The establishment and maintenance of emergency oil stocks in accordance with the Directive's requirements will necessitate changes in legislation, the strengthening of national stockholding institutions and the attraction of investment.

Contracting Parties will have to, with the support of the Energy Community Secretariat, bring into force the laws, regulations and administrative provisions necessary to comply with the Directive and in particular with the roles and responsibilities:

- Setting up of Central Stockholding Entities (CSE) which carry out all activities and operations related to emergency oil stocks.
- Parameters for fee charging basis and other sources to finance the establishment of the stockholding capacity; investment needed for tank capacity; investment needed for oil products and operational costs.
- Development of Emergency Response Planning; setting up the crisis management infrastructure and functioning, including definition of rights and duties of the Intervention Committee.
- Development of obligation to supervise, control and report the stock status as well as the data collection provided by private oil companies.

In parallel, the Secretariat will monitor the work related to the required storage capacities. This will ensure that the total oil stocks maintained at all times within the Contracting Parties correspond to the established requirements.

The Secretariat will assist the Contracting Parties and Observers with training activities for government officials and, if required, for the operating companies that are obligated to maintain oil stocks in case of emergency.

The Annual Belgrade Oil Forum will continue to serve as an efficient consultation platform for promoting regional cooperation, along the framework outlined by the relevant Ministerial Council Decisions. A constantly increasing dependency on imports, volatile prices, a distorted dependence on oil for transport as well as concerns about oil market transparency and climate change are factors that weaken one's confidence in oil supply security. As a counter measure, the development of a common and consolidated emergency oil stocks policy and crisis management within the Contracting Parties will have a positive impact on the security of supply.

The feasibility of a regional approach, holding stocks jointly with other Contracting Parties and coordinated stock draws to maximize the economic benefits are other concrete objectives during 2014 – 2015.

4. ACTIVITIES IN COMPETITION

The area of competition falls into two parts, competition law and State aid law, as reflected by Article 18 of the Treaty.

In the area of **competition law**, the Contracting Parties are relatively well advanced in terms of transposition. The focus of the work in the upcoming years needs to be in the implementation of competition law in the energy sectors. The main players in this respect are the national competition authorities. They are still far away from applying competition law to the extent needed to support liberalization of the energy sectors. In 2014 and 2015, the Secretariat will review and support their work in substance and structure. These enforcement activities on competition law will be limited in the energy sectors only and take place in the context of the newly created Energy Community Competition Network. The activities related to competition law will further include the enforcement of Article 18 of the Treaty, through dispute settlement procedures.

The Secretariat will also monitor further progress of Contracting Parties on **State aid**, where compliance by the Contracting Parties with Article 18 of the Treaty is not as advanced.

5. ACTIVITIES IN ENVIRONMENT AND CLIMATE CHANGE

The work performed so far in relation to activities on environment is related to a large extent to reporting on the Contracting Parties' progress in implementing the *acquis* where the implementation deadline has already expired. This applies to the environmental impact assessment, wild birds' protection and sulphur content of liquid fuels. The Secretariat continuously monitors proper implementation of these pieces of the environmental *acquis*. Compliance with the environmental impact assessment constitutes a key criterion for Energy Community support for individual infrastructure projects, with special regard to Projects of Energy Community Interest (PECIs).

The Task Force on Environment was established with the aim of completing a timely implementation of both pieces of the environmental *acquis* in 2011. After its establishment, the main focus of the Energy Community's work related to the environment has been on the implementation of the Directives regulating sulphur content of liquid fuels and emissions from large combustion plants. The Secretariat supports the work of the Task Force in that respect. This task can only be completed by applying a broad view, which takes into account the wider context of issues, such as the relevance to the fuel mix, as well as social, financial and technical aspects. Consequently, the work in this respect is directly linked to

other activities of the Energy Community. In the framework of the Task Force, discussions are evolving to assess the potential for the involvement of the Energy Community in individual projects' (PECI) impact assessment procedures.

For practical reasons, harmonizing certain rules at a regional level and/or implementing new pieces of the EU *acquis* could be considered as well. The inclusion of the Industrial Emissions Directive, which will replace the LCP Directive over the coming years, would be the first step in this direction. In this context, incorporation of the Fuel Quality Directive into the Energy Community legal framework would be the most apparent next choice, given its strong links to the Sulphur in Fuels Directive which the Contracting Parties should already have implemented.

Further to the *acquis* related to the decrease of fuel gas emissions, more attention needs to be paid to the reduction of greenhouse gas emissions in the region. Also, the potential for enlarging the Energy Community *acquis* to cover more issues related to climate change should also be explored. Taking into account the energy sectors' impact in combination with the Contracting Parties' ambition to join the EU, the possibilities for more intense efforts to reduce these emissions should be discussed. This also applies to the different activities certain Contracting Parties are carrying out in an EU context.

6. ACTIVITIES IN RENEWABLE ENERGY

The activities are based on the Ministerial Council Decision 2012/04/MC-EnC to implement Directive 2009/28/EC in the Energy Community.

The Secretariat will assist the Contracting Parties towards the complete transposition of the Renewables Directive, as decided by the Ministerial Council, and support the implementation process. A particular focus will be put on assisting the Parties to create more enabling regulatory frameworks.

Specific training sessions covering all aspects and requirements of the Directive are envisaged. Operational guidance to the Contracting Parties will be arranged by the Secretariat, making the best use of the EU knowledge and experience gained during the implementation process of the EU Member States.

The Secretariat shall monitor and review the application of Directive 2009/28/EC in the Contracting Parties and submit its first report to the Ministerial Council by 30 June 2015. The report will take into account the Contracting Parties' statements on the progress in the promotion and use of energy from renewable sources and the results of the 2013 study that will assess the implementation of the National Renewable Action Plans and the non-cost barriers to renewable energy growth in the Energy Community Contracting Parties.

7. ACTIVITIES IN ENERGY EFFICIENCY

The key objectives for 2014 and 2015 aim to support the harmonized development of energy efficiency in the Energy Community by implementing the energy efficiency *acquis*, as well by supporting investments for achieving savings through the implementation of National Energy Efficiency Action Plans (NEEAPs).

Significant efforts are needed to realise these objectives and are directly linked to the fulfilment of the requirements of the energy efficiency *acquis*. This includes the promotion of end-use efficiency and energy services (Directive 2006/32/EC), energy efficiency in buildings (Directive 2010/31/EU) and labelling of energy-related products (Directive 2010/30/EU), as well as the implementation of technical assistance and investment finance programmes undertaken with donors' assistance.

Moreover, to give further impetus to energy efficiency, the Secretariat proposes the extension of energy efficiency *acquis* with the adoption of Directive 2012/27/EU on energy efficiency as early as possible. To this end, the Secretariat, in close collaboration with the Energy Efficiency Coordination Group, will analyse the adaptation and propose additional technical assistance in transposition.

Activities will include, but are not limited to:

7.1. Implementation of the *acquis*

The Secretariat will assist the Contracting Parties in the process of implementation of the energy efficiency *acquis*. This will take place in the form of training workshops using the EU knowledge and best practices, missions and meetings of the Energy Efficiency Coordination Group.

7.2 Facilitation of the work of the Energy Efficiency Coordination Group

The Secretariat will facilitate the work of the Energy Efficiency Coordination Group and regularly monitor and review the progress of its Work Programme. The focus will be on monitoring the implementation of the National Energy Efficiency Action Plans, promotion and coordination of energy efficiency investment projects and support in transposition of the Efficiency Directive 2012/27/EU (if adopted). An additional focus will be put on energy efficiency in buildings, in particular through the development and implementation of cost-optimal methodologies for calculation of minimum energy performance requirements as well as supporting nearly zero-energy buildings.

7.3. Public sector promotion

The exemplary role of the public sector in energy efficiency and the respective measures to support this role (e.g. energy efficient public procurement, energy management in the public sector, renovation of public buildings etc.), will be promoted. This includes the implementation of the Regional Energy Efficiency Programme with EBRD. Support will also be offered for the preparation of secondary legislation, awareness raising campaigns and dedicated training sessions, with the cooperation of the Donors Community.

7.4. Promoting schemes

The Secretariat will promote schemes for long-term and sustainable financing of energy efficiency measures, including for the development of innovative financing mechanisms and ESCO projects for realising energy efficiency investments.

8. STATISTICS

With the adoption of the *acquis* on energy statistics in October 2012, namely Regulation (EC) No 1099/2008 of 22 October 2008 on energy statistics and Directive 2008/92 of 22 October 2008 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users (recast), energy statistics were officially introduced as a key tool for setting, monitoring and evaluating effectiveness of energy policies in the Energy Community. The Secretariat will monitor implementation of the *acquis* in accordance with its mandate and work with the responsible institutions to face and overcome the key challenges.

The deadline for implementation is the end of 2013. Following the mandate given by the PHLG, the Secretariat will coordinate the work with the Contracting Parties. This involves the revision of action plans for implementation of the *acquis* on statistics with the view to a common approach to technical assistance. Envisaged technical assistance will run from 2013 to the end of 2014, with the aim to improve the quality of annual statistics, assist or improve establishing monthly statistics, and establish and/or improve price statistics.

As regards annual data collection, focus will be on renewables statistics and consumption side of energy balances, particularly improving data collections on consumption in households and service sectors. Reliability and consistency of these datasets is the precondition for setting sound and sustainable policies and monitoring compliance with targets in the area of renewable energy and energy efficiency.

In addition, the introduction of *acquis* on oil stocks reaffirmed the relevance of accurate short-term data. Assistance will be provided to develop a methodology for monthly data collection. However, the available human, financial and technical resources in respective institutions of the Contracting Parties pose serious challenges to establishing a monthly reporting system in time.

Price statistics will pose a special challenge to implement. Monitoring implementation of the EU *acquis* in energy, particularly market opening and market integration, in addition to mandatory reporting on industrial end-user prices, include reporting of other market related data, such as indicators monitored and presented by EUROSTAT. The Secretariat will support all efforts aiming at improving transparency in gas and electricity markets, including publication of market indicators.

In addition to envisaged technical assistance, the Secretariat will support all forms of capacity building, facilitate cooperation with EUROSTAT, support and facilitate participation in training and education programmes of EUROSTAT, IEA, UN-SD and INOGATE. It will also organize training and workshops on specific subjects in accordance with the revised action plans and identified needs. Experience sharing among the Contracting Parties, with participation of prominent experts from EU Member States, will be part of these trainings.

Cooperation and support with/from EUROSTAT and IEA has proved to be of crucial importance for progress so far. The Secretariat will continue to work with these institutions on capacity building and coordinate its activities in order to guarantee the best use of available resources and avoid duplication of work.

The intensive work by a statistical expert at a broader international level will be reflected in the permanent improvement of technical and methodological aspects of data collections relevant for the *acquis*. These improvements will require a timely response from the Energy Community to allow a smooth transfer of data and continuous cooperation with international agencies. Energy Community, upon a European Commission proposal, will adopt measures adapting the *acquis* in line with the objective needs, thus enabling efficient transposition of the amended regulations.

COOPERATION AMONG ENERGY REGULATORS

The streamlining of regulatory measures and providing a stable regulatory market framework remains key for a number of core objectives of the Treaty and respectively represent the focus of the work of the Energy Community Regulatory Board (ECRB). This concerns e.g. market integration, network transparency, facilitation of investments and competition. Taking into account national specificities, regulatory rules need to be harmonized to the maximum possible extent on a cross-border basis in order to avoid creating barriers to trade, investments and, consequently, security of supply.

Within its objective of facilitating the (development of) harmonized regulatory rules, the ECRB will continue to focus on three key areas of regulatory responsibilities: gas, electricity and customers.

The ECRB's work in 2014 and 2015 will focus on the following areas:

In the **electricity** sector, the ECRB will actively promote speedy and effective implementation of electricity wholesale market opening. ECRB activities in this context will, in particular, target the regulatory measures necessary for the successful establishment of the SEE CAO, day-ahead and intraday capacity allocation, including the establishment of power exchanges, regional balancing and market coupling.

In the **gas** sector, ECRB activities will, in particular, target identifying barriers in regulatory systems that would hinder the effective operation of an interconnected gas system typically referred to as the Energy Community Gas Ring.

The ECRB will continue promoting **coherence and convergence with related EU developments**, keeping in mind the target of integration of the Energy Community region with the EU markets. This requires addressing the related topics at regional and national levels. In this context, the ECRB will contribute to identifying and recommending measures to overcome provisions stipulated in national legislation that hinder effective market opening, including single buyer models, regulation of energy prices and lack of cost-reflectivity of network charges.

The ECRB will continue putting focus on providing regulatory input to the development of the **Third Energy Package Network Codes** via active draft review procedures.

ECRB activities will also address the role of regulators with regard to new **investments** in electricity and natural gas infrastructure. This should target the measures needed for providing an investment friendly regulatory framework.

ECRB work will identify the possible regulatory instruments and best practice solutions for addressing **customer protection**. This particularly involves customer protection in regulatory rules and regulatory instruments for addressing vulnerable customers within a competitive market framework.

To the extent relevant for regional market opening, ECRB work will also identify the necessary activities of regulators with regards to **network safety, energy efficiency, renewables and security of supply**. While these topics are typically not part of regulatory responsibilities, they to some extent affect other tasks of regulators and therefore require the provision of appropriate regulatory measures. The ECRB work shall identify these links, discuss the need for regulatory measures and develop best practice solutions.

In performing its task the ECRB will actively coordinate and cooperate with the other institutions set up by the Energy Community Treaty and with ACER, ENTSO-E and ENTSO-G and other regional regulatory bodies such as CEER and ERA.

The ECRB will define the details of its activities in its annual work programmes 2014 and 2015 in accordance with the above framework.

DEVELOPMENT OF ENERGY INFRASTRUCTURE

This section of the Work Programme focuses on activities aiming at facilitating the investment process in projects of regional significance, based on transparency and fair and equal treatment of all relevant projects and investors. Explicit emphasis will be placed on deficiencies in the implementation of the *acquis*.

The activities will include, among others:

Facilitating and monitoring the implementation of Projects of Energy Community Interest (PECIs) and providing regular information to the Ministerial Council.

Maintaining up-to-date information on the development of each of the PECIs included in the list as adopted by the Ministerial Council. The information will be made publicly available and will be disseminated regularly.

Facilitating the preparation of project documentation and working thereby closely with the project promoters and the international donors, including the Western Balkans Investment Facility as well as private investors. This support will focus on the PECIs. To this end, the Secretariat will organise regular progress meetings with the project promoters, in order to remove barriers, improve communication and the decision process, especially in case of interconnections.

Proposing to the PHLG and the Ministerial Council to adopt and implement certain provisions of Regulation 347/2013/EU on guidelines for trans-European energy infrastructure that are relevant for the Energy Community and will enhance the development of cross-border projects.

Continuing to review the existing investment practices in the Contracting Parties from the perspective of the Treaty, identifying barriers and deficiencies in market reform, as well as business practices, transparency, fair and equal treatment of investors, including good practices for transparent tendering and procurement of new generation capacities.

Continuing to work with the Investors' Advisory Panel, in order to identify barriers to investment and recommend solutions to mitigate these in the Contracting Parties.

Organizing information exchanges and trainings for the Contracting Parties on the development and presentation of infrastructure projects, with a focus on different aspects of financing possibilities.

Organizing Energy Community Investment Conferences, as appropriate, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects.

Operational support to the Donors Community by the Secretariat upon guidance from its Chair (the European Commission) in relation to promotion and development of investments.

SOCIAL ISSUES

The Memorandum of Understanding on Social Issues (MoU) signed in 2007 represents the point of departure for the development of the social dimension of the Energy Community. It indicates the political will and aim of the Contracting Parties to take due account of the social dimension and outlines principles of a social dialogue in the energy sector at both, national and regional levels. The Social Fora have confirmed the necessity and the willingness of all stakeholders to further work on these aspects. One of the activities envisaged in the Memorandum is the creation of the Social Action Plan. The Plan defines activities aimed at achieving the following overall objectives set in the Memorandum:

- With regard to public service obligations, protection of vulnerable consumers in line with the sustainable and competitive energy market.
- With regard to the involvement of social partners, establishing and developing effective mechanisms for information and consultation of the social partners in the energy sector.
- With regard to management of change, anticipation and management of the consequences of restructuring and supporting investment in human capital and life-long learning.
- With regard to the social dimension, respecting workers' fundamental rights, improvement of working conditions and living standards and health and safety at work, and respecting the principles of equal opportunities in the energy sector.

Individual activities will include:

The Secretariat will monitor the implementation of the Social Action Plans once a year. The focus will be put on the measures related to the social dimension and on the measures to reduce the possible negative impact of energy sector reform on vulnerable energy consumers.

The Secretariat will continue to organize the Social Forum as a discussion platform in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community.

ADMINISTRATION AND SUPPORT SERVICES

This section of the Work Programme refers to the general and administrative activities, providing overall service to the units of the Secretariat as well as to the Energy Community stakeholders.

Administration

In 2014-2015 the focus will be on the consolidation of implemented, new versions of financial and human resources systems in 2011. Additional emphasis will be given to quality management in the administrative area. The improvement, formalization of rules and procedures will be given extra priority.

Important inputs for the processes will be the outcome of the annual audits, the input from Energy Community stakeholders and other groups, including the general development of the Energy Community as an institution. To enable the required improvements to the quality of the services provided to the rest of the organisation and to remove certain bottlenecks, additional staff will be required in 2014. This increase in staff is part of the budget proposal for the period 2014-2015 and corresponds to the activities outlined in the Work Programme.

The unit will continue to support the Director in discharging his management and administrative responsibility and by providing him support in the key areas of the internal control system of the institution. To this end, the unit assists the Director in the external audits. It will also continue to provide its support to the Budget Committee, contributing also to the preparation of its regular meetings.

Human Resources

The prime asset of the Energy Community is its highly qualified staff. The recruitment functions will continue to be crucial for the success of the organisation.

Any new appointment in year 2014 is subject to a respective Ministerial Council Decision on staff expansion. Respective attention will be given to the integration of new staff members into the organisation. This will be achieved by continuation of the human resources measures, such as annual staff retreats, appraisals etc.

Further appointments of seconded personnel in 2014 and 2015 have been foreseen in the establishment plan of the Energy Community. The Energy Community will also continue to offer internship schemes to young professionals and/or graduates in accordance with the applicable legal and financial framework of the institution.

Finance and Accounting

In 2014 and 2015 all procedures in relation to the use of the accounting system RS will be reviewed and documented as follow-up to the overall upgrade of the accounting system.

Further focus of attention will be given to the quality of management reports and special financial evaluation and the links between the systems in operation will be strengthened.

Budgeting

Every second year, the budget of the Energy Community has to be approved by the Ministerial Council, which is the designated budgetary authority. Based on Articles 74 and 88 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* the budget is approved on the proposal of the Commission. The unit will continue to provide overall input and support in the preparation of the budgets.

Information Technology

Regular review of the technical capacities of the items in use will continue, taking into account available state of art technology.

In the area of website administration, the implementation of findings of an analysis carried out in 2011 will continue. Here the aim is to form a proper framework for the functioning of the administrative part of the website with a view to increase further user friendliness.

Event Management

The Energy Community organizes between 60 and 80 events each year. Also in the years 2014 and 2015, the organisation and preparation of the events will continue to be a substantial part of the administrative and support services provided by the Secretariat.

Communications and Website Maintenance

Initiated activities within the area of communication will continue in 2014 and 2015 with the overall objective to present the activities of the Energy Community to the outside world and to strengthen the Community's image. This includes the production of publications and reports, organizing events, website management, monitoring media and maintaining contacts with the specialized press in the Contracting Parties of the Energy Community.

The website will continue to be the most effective and concise communication tool in reporting and documenting the Energy Community achievements in the implementation of the Treaty.

Procurement

An effort shall be made to strengthen the annual procurement planning. Together with the improved internal procedures, this will ensure smoother implementation.

Legal Unit

The legal unit of the Secretariat will continue to provide independent legal advice to the Director and to assist operational and administrative units of the Secretariat in all legal matters (staff matters, procurement, contract management etc.). From the legal point of

view, it will continue to review and horizontally coordinate the institution's tasks to ensure the implementation of *acquis* under the Energy Community Treaty.

Annex 1:

(in EUR)

REVENUE

1. Contributions from Parties
2. Finance Revenue
3. Other Revenue
4. Donations from Republic of Austria (rent)

	BUDGET 1-12/2014	BUDGET 1-12/2015
	3,448,810	3,517,786
	<i>p.m.</i>	<i>p.m.</i>
	<i>p.m.</i>	<i>p.m.</i>
	<i>p.m.</i>	<i>p.m.</i>

EXPENDITURE

1. HUMAN RESOURCES

	1,864,010	1,901,290
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2. TRAVEL EXPENSES

- Daily Substance Allowances (DSA)
Travel expenses (flights and incidentals)

	110,000	112,200
	130,000	132,600
Subtotal Travel Expenses	240,000	244,800

3. OFFICE

- Rent
Office Equipment and communications (IT)
Consumables
Other services (telephone, fax, communications)

	15,000	15,300
	64,000	65,280
	91,000	92,820
	50,000	51,000
Subtotal Office	220,000	224,400

4. OTHER COSTS AND SERVICES

- Advertising, communications, representation
Studies, research, consulting
Costs of outsourced services (IT, payroll)
Costs of audit, legal and financial advice
Financial services (bank)
Costs of events
Refunding
Training (internal and external)

	30,200	30,804
	450,000	459,000
	90,000	91,800
	35,000	35,700
	14,600	14,892
	183,000	186,660
	280,000	285,600
	42,000	42,840
Subtotal Other costs and services	1,124,800	1,147,296

TOTAL

	3,448,810	3,517,786
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Adopted on 24 October 2013 by the Ministerial Council of the Energy Community

Presidency