ELECTRICITY AND GAS ROAD MAP
- MONTENEGRO -

Background
According to Article 3a of the Treaty establishing the Energy Community (the Treaty), the activities of the Energy Community (the EnC) shall, among others, include the implementation by the Contracting Parties of the *Acquis Communautaire* on energy, environment, competition and renewables. Under the Treaty, the *Acquis Communautaire* on energy is represented by the Directive 2003/54/EC, the Directive 2003/55/EC, and the Regulation 1228/2003/EC (Article 11 of the Treaty). The timeline, as specified in the Treaty’s Annex I, asked for this activity to be implemented by July 2007 (within twelve months of the entry into force of the Treaty). The Treaty also sets out the timetable to adopt the necessary measures to open the market to non-household customers by January 2008 and to all customers by January 2015.

Purpose
The implementation of the *Acquis Communautaire* on energy, and the adoption of necessary measures to open the electricity and gas markets for competition are supported by the development of tailor-made Road Maps (Action Plans), by each Contracting Party. These are based on electricity, and respectively gas templates prepared by the Energy Community Secretariat and agreed with major stakeholders in the process, including the Permanent High Level Group members.

Electricity Road Map

1. Adoption of the *acquis communautaire*
   - As the Energy Law was enacted in 2003 and has its basics in Directive 96/92, conduct further activities towards its harmonisation with Directive 2003/54/EC.
   - Define and adopt the National Energy Strategy as the basis for the mid-term and long-term development of the energy sector.
   - Adopt and implement recently drafted Market Rules. Transfer the interim Grid Code and Distribution Code into the final ones.
   - Complete functional (encompassing account, management and information) unbundling of the activities inside the national vertically integrated electricity utility – EPCG (Generation, Transmission System Operator, Distribution System Operator, Market Operator, Supply) in accordance to the Rules for the unbundling. Complete functional unbundling of the DSO.
Define relationships between all functional parts of EPCG by contracts.

Define dynamics of legal unbundling depending on the previous steps - asset evaluation, definition of separate tariff for each activity, ownership of the facilities, rights and obligation of each function. State a deadline for finalisation of legal unbundling of EPCG. Prepare and implement its legal unbundling.

Proceed with unbundling of accounts. Publish a separate balance sheet, profit and loss statement, a cash flow statement and all other statements required for each separate activity of EPCG pursuant to the Law on Accounting and Auditing.

Draft the Rules for Third Party Access.

Ensure that all non household customers will be granted the eligibility status as from 1 January 2008 (according to the EnC Treaty – Annex I, Para 2).

Continue participation in ITC mechanism. Continue participation in a voluntary dry-run project for a coordinated explicit flow based auction for cross border capacity allocation. Upgrade the pro-rata methodology which is currently in use with the market based and coordinated one. Put the Rules on allocation of transmission capacity forward into drafting procedure.

(2) Market structure

Issue the Market Design and Market Rules, as the most relevant market related documents.

Apply eligibility of customers and competition in supply as given in the EnC Treaty.

Proceed with functional unbundling of the TSO and DSO. Prepare and implement their legal unbundling.

(3) Wholesale market

Prepare and issue the Market Design. After its issuance, implement the Market Rules.

Publish data, including services offered to market participants on the basis of the Market Rules after market establishment.

Implement a market monitoring system on the basis of the Market Rules. Apply and publish it after market establishment.

Continue with conduction of national licensing practices and procedures that are already put in place.

(4) Retail market

Ensure that all non-households consumers may become the eligible customers from 1 January 2008 as given by the timetable set out in the Annex I of the EnC Treaty. Bring out appropriate decision concerning the market opening and granting eligibility status to customers according to the EnC Treaty timetable.

Put in place all necessary technical measures and business procedures for eventual customer switching according to provisions of the extended Supply Rules.

Implement non-discriminatory transparent measures for protection of the customers through extension of the Supply Rules.
(5) Tariff reform and affordability

- Continue applying the Tariff Rules based on the principles of unbundled tariffs and cost-reflectivity (including return on assets and investment).
- Add the Tariffs for ancillary services to the Tariff Rules.
- Develop and apply support schemes for the protection of vulnerable customers.
- Implement scheduled elimination of existing cross-subsidization (which is in favour of households) as included in the Tariff Rules.
- Conduct further activities to decrease energy losses in the system and to increase collection rate.

Gas Road Map

As there is currently no developed gas market in Montenegro, the main message of the Gas Road Map is a general expression that Montenegro accepts its obligation to develop primary legislation on the basis of Directive 2003/55/EC (in accordance with the Treaty establishing the Energy Community). In this way, the Government of Montenegro will exhibit to domestic and international investors its determination to found legislative framework on the European Directives and align it to the Acquis’ legal practice. Relating to this, duties and obligations of the Regulatory Agency will be defined accordingly.