

STATE OF PLAY AND OUTCOME OF STUDIES LAUNCHED IN 2009 – 2010

I. SCOPE AND BACKGROUND

1. Scope of the report

This report presents information on the ongoing studies launched by the Energy Community with the status of implementation as of February 2011. At the date of report among the studies under execution there are two concluded in 2009 and three resulting from the contracts of the year 2010. Separate paragraphs below present summary of the studies in question.

Further to the brief information on each of the studies in the report, a summary table is also **attached**. The relevant e-links, where available reports can be found, are also indicated.

2. Background information

The studies are launched as to provide additional information to the Energy Community institutions, thus supporting the discussion and decision making process. Overall, 10 studies were launched and financed within the budgetary period 2008-2009 to elaborate the status-quo in the Contracting Parties (and Observers) in different areas of work, linked to the Energy Community process. In 2010, four further studies were launched as to continue the deepening of the expertise in the relevant fields of the work of the Secretariat.

In general, the launch of studies follows the requirements of the Austrian Public Procurement Law, which is the applicable legislative frame for the Energy Community in this aspect.

In 2009 round 15% and in 2010 around 17% of the overall budget of the Energy Community was spent for the work related to studies, research and consulting.

Details of the launched studies within 2009-2010 are outlined below.

II. ENERGY COMMUNITY STUDIES 2009 – OVERVIEW

In 2009, five studies in the total amount of approx. EUR 442.000 were commissioned – two on the initiative of ECRB and three on the initiative of the Energy Community Secretariat. These were as follows:

1. Study on the *Implementation of the new EU Renewable Energy Directive in the Energy Community*;
2. Assistance to Regulators in *Introduction and Improving Quality Regulation in the Energy Community*;
3. Study on *Regulation of Tariffs and Quality of the gas distribution service* in the Energy Community;
4. Study on the *Potential Climate Change combining in power generation in the Energy Community*;
5. Study on *State Aid and the effectiveness of State Aid Control in the Energy Community*.

Brief information on each of these studies is to be found further.

1. Study on the *Implementation of the new EU Renewable Energy Directive in the Energy Community* (Consultant - consortium composed of IPA ENERGY + WATER ECONOMICS (UK) and EPU-NTUA (Greece))

The study started in April 2009 and was finalized in June 2010. In summary, the main tasks of the study were as follows:

- Assessment of the current state of development of renewable energy frameworks in each Contracting Party (CP) and candidate Contracting Party (cCP); identification of the renewable resource potential in each Party; assessment of needed actions to meet the requirements of the new EU Directive;
- Development of an economic model of the energy requirements of the Community in 2005 and in 2020 and assessment of the potential renewable energy mix within the region as a whole under two demand scenarios; and
- Calculation of indicative renewable targets for the Contracting Parties and candidate Contracting Parties based on the methodology within the EU Directive.

Its final results (see also: <http://www.energy-community.org/pls/portal/docs/644177.PDF>) were discussed at the 17th meeting of the PHLG. Major outcomes are as follows:

- Review of the existing renewable energy frameworks in the Contracting Parties and candidate Contracting Parties – policy, legal, regulatory and institutional arrangements design to support the development of renewable energy – in order to assess what further measures would be necessary to meet the requirements of the new EU Directive 2009/28/EC
- Calculation of an indicative renewable energy target for each Contracting Party and candidate Contracting Parties based on the methodology within EU Directive;
- Assessment of some potential costs and opportunities that might arise as a result if the Energy Community adopts the new EU Directive 2009/28/EC.

2. Study - Assistance to Regulators in *Introduction and Improving Quality Regulation in the Energy Community* (Consultant - Energy Institute Hrvoje Pozar (Zagreb))

The contract for the study was signed in September 2009 and finalized in July 2010. The final report is available under: http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/STUDIES.

Two workshops were organized by the consultant for the purpose of the study.

The Study as such focused on the aspects of assistance to the regulatory authorities of the Contracting Parties and Observers on the introduction of a program aimed at improving the quality of electricity service, with regard to:

- Continuity of supply;
- Voltage quality;
- Commercial quality.

The proposed program consists of development of quality improvement programs, training of regulatory staff, and assessment of results achieved.

The outcome of the study is in brief as follows:

- Two workshops were organized for the regulatory authorities, outlining the main programmes that had been carried out in the EU for the improvement of the quality of electricity supply. Furthermore, common programme to be pursued by the participating regulators was discussed;
- The consultant assisted participants between workshops by clarifying issues related to preparation of regulatory reports on quality of electricity supply;
- Final recommendations including general guidelines for introduction of quality of supply regulation, required regulatory activities at the regional level and in the participating Contracting Parties and Observers.

3. Study on *Regulation of Tariffs and Quality of the gas distribution service in the Energy Community* (Consultant - KEMA International B.V. (Netherlands))

The study started in September 2009 and was finalized in September 2010.

In summary the major purpose of the study was as follows:

- Collection of information and reports on the tariffs and prices of gas distribution and supply in the Energy Community;
- Estimation of distribution and supply costs and investigates the relationship between prices and costs;
- Outline of tariff policies used for the protection of customers and compares them with those prevailing in the European Union Member States;
- Outline the main criteria and methodologies used to assess the quality of gas service in the European Union Member States and assessment of the current level and practices in the Energy Community;
- Submission of preliminary proposals for the improvement and reform of gas distribution tariff and quality of service in the Energy Community;
- Providing of suggestions for the phasing out of regulated energy prices including suggestions for alternative solutions on protection of vulnerable customers.

The final results of the study are available under the Energy Community Regulatory Board website: http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/STUDIES/Final%20Report%20KEMA%20-%20%20ECRB%20Gas%20Tariffs%20and%20Quality%20Study.pdf) and may be summarized in brief as follows:

- The study provided the theoretical background of gas distribution tariff methodologies and regulations as well as an overview of the methodologies and regulations applied in EU countries;
- Investigation and analysis of gas distribution tariff methodologies and regulations implemented in the Energy Community Contracting parties and Observers;
- Recommendations related to improvement of gas distribution tariffication, taking into consideration also quality of gas supply and treatment of vulnerable customers.

4. Study on the *Potential Climate Change combining in power generation in the Energy Community* (Consultant - South East Consultants (Belgrade))

The contract for the study was concluded in December 2009 and at the date of this report, the study is still under execution. Relevant workshop for the purpose of the study was organized at the end of October 2010 in Sarajevo.

In brief, the purpose of this study is taking of an inventory of the greenhouse gas emissions from electricity generation (incl. CHP) as well as the projected increase by 2020, based on the production forecast. It shall also list potential and actual abatement measures in each Contracting Party. Furthermore, the study shall assess the impact of any agreement following-up on the Kyoto Protocol, taking into account the situation of the Contracting Parties there under. Finally, recommendations for better policy-making shall be made.

Summary of the results will be reported at the next occasion at the PHLG meeting.
The completion of the study is expected within the first half of 2011.

5. Study on *State Aid and the effectiveness of State Aid Control in the Energy Community* (Consultant - Hunton & Williams together with Eisenberg& Williams (Germany; Austria)).

The contract was concluded in December 2009 and at the date of this report is still under execution.

The main objective of the study is to elaborate a detailed State aid inventory for the electricity sectors in the EnC of law and practice regarding the granting, administering and monitoring of State aid in the Contracting Parties.

This review should lead to comprehensive and realistic appraisal of the dimension of State aid in the energy sectors and the effectiveness of control measures in the Contracting Parties. Based on these findings, the study should make proposals for each Contracting Party as to how to improve the existing system. Finally, a workshop organized in 2010 should raise awareness and train civil servants of the Contracting Parties in the effective control of State aid.

A workshop for the purposes of the study will be organized in the 1st half of 2011 by the consultant.

Summary of the results will be respectively reported to PHLG.

III. ENERGY COMMUNITY STUDIES 2010 – OVERVIEW

In 2010 four studies were launched and financed by the Energy Community budget 2010. In total the award of the studies was of app.EUR 549.000. The list of studies 2010 (in chronological order) is provided below and brief information on each of those is to be founded further.

1. Energy Statistics in the Energy Community;
2. Study on the Emergency Oil Stocks – Analysis and Benchmarking;
3. Biomass Consumption for the energy purposes in the Energy Community;
4. Development of best practice recommendations on regulatory incentive promoting.

Brief information on each of these studies is to be found further.

1. Energy Statistics in the Energy Community – benchmarking of energy statistics systems; assessment of administrative capacity and resources and drafting road map on the energy community level (Consultant – Energy Institute Hrvoje Pozar (Croatia);

The contract for the study was concluded in April 2010. The final report was submitted to the Energy Community and thus the study finalized in December 2010. The report is available under the Energy Community website: <http://www.energy-community.org/pls/portal/docs/820177.PDF>.

The main target of the study was to assess the current status of energy statistics and to identify required measures and resources needed to streamline the efforts to harmonize energy statistics with the rules and procedures applicable for energy statistics in OECD and the EU member states.

With the overall aim to develop energy statistics systems fully compliant with IEA and EU methodologies by the end of 2012, the study outlines three further tasks for the Contracting Parties and Observers:

1. set up proper legal and institutional framework for establishment relations between responsible institutions;
2. improve, in greater or lesser extent, reporting system on energy supply, and establish reporting systems for energy demand and consumption, required to set up and monitor energy data;
3. set up reporting system to ensure transparency of gas and electricity prices.

It, furthermore, sketches an Action Plan for each Beneficiary. The study defines the needed line of action, institution in charge, the need of additional resources and the timeframe for realization. In summary, the study results are as follows:

- The contract resulted in two final outputs, i.e. final report and organization of the training for experts in energy statistics;
- The training was designed in cooperation with the Energy Community Secretariat and fully in accordance with the Service Specification, under the guidance of the experts from the International Energy Agency, who conducted the training. All nominations from the beneficiaries' representatives were approved in advance by ECS to ensure the required expertise for the training;
- Consultant's recommendation included road maps on the Energy community level as well as identified priority tasks per beneficiary party for implementation in 2011.

2. Study on the Emergency Oil Stocks – Analysis and Benchmarking (Consultant - Petroleum Development Consultants (UK);

In July 2011 the Energy Community concluded a contract for development of an oil stock study, which at the date of this report is still under execution. In accordance with the concluded contract the finalization shall be by the end of March 2011.

The launched study targeted the following objectives:

- The development of a common emergency oil stocks policy and crisis management within the Contracting Parties of the Energy Community and thus to strengthen the common security of supply approach;
- Proposal of a crude oil and petroleum product stockholding for each of the Contracting Parties and Observers, in accordance with applicable EU *acquis*;
- Developing practical work program on the implementation of Directive 2009/119/EC by the Contracting Parties to the Treaty;
- Specification of all problems, which the Contracting Parties and Observers face in regard with the directive implementation, and proposal of adequate solutions, taking note of both the regional and national state of play.

The study outlines the following for all beneficiaries:

- Crude oil and petroleum products supply and demand; emergency oil stocks obligations
- The proposed composition of compulsory stocks providing the basis for the required volume of storage to 2021;
- Analysis of current oil infrastructure and emergency oil stocks situation;
- Required stockholding capacities;
- Legal review and the required legislative changes;
- Organizational and financial aspects of the Stockholding System;
- Intervention in case of supply disruption and Road Maps;

The final draft report was subject of presentation and discussion at the Oil Workshop of 1 March 2011 .

3. Biomass consumption for energy purpose in the Energy Community (Consultant - the Center for Renewable Energy Sources and Saving (Greece))

As a result of discussions at the 17th PHLG meeting, concerning RES, a study on the biomass consumption for energy purpose started in November 2010.

In brief, the objective of the Study is to determine the biomass consumption for electricity, heating and cooling based on representative and consistent consumption surveys and to report on the share of energy produced from biomass in the gross final consumption of energy in the Contracting Parties, incl. Ukraine, although the latter became legally member of the Energy Community on 01.02.2011 (Beneficiaries of the Study). The resulting report will contribute to the calculation of the 2020 RES target of each Contracting Party according to the methodology used for the EU Member States that constitutes one of the main aspects of Directive 2009/28/EC.

In accordance with the ongoing contract it is planned that the study is to be finalized by mid June 2011. Final results will be reported at the next meeting of the PHLG in June 2011.

4. Development of best practice recommendation on regulatory incentives promoting (Consultant - E-bridge Consulting (Germany))

The contract for the study was signed in June 2010.

In brief, the study addresses the possible approaches for **regulatory measures incentivizing investments in gas and electricity network capacity**. It mainly focuses on the regulatory incentives for promoting gas and electricity transmission and distribution investments. Potential effects from investment in electricity generation capacity and in renewable energy sources and climate change mitigation projects shall be taken into consideration. Attention is put on resolving questions of facilitating and introducing regulatory incentives for infrastructure projects of regional benefit, especially against the background of the so-called “regulatory gap”.

Final assessment and recommendations will cover both the gas and electricity sector. Results and recommendations will address and display analysis for gas and electricity separately.

The study is planned to be finished by the end of March 2011. The outcome will be reported at the next occasion to the PHLG.

Annex 1: Overview Energy Community Studies 2009

Description	Reference to the Austrian Public Procurement Law	Consultant	Date of Contract	Contract value in EUR (excl. VAT)	Terms of payment description/individual payments				Status
Study on the Implementation of the new EU Renewable Energy Directive in the Energy Community	Open Procedure 25(2) BVErgG	IPA ENERGT + WATER ECONOMICS incl. EPU-NTUA 41 Manor Place EDINBURGH, EH 7EB SCOTLAND	24-Apr-2009	199.950,00	30% after acceptance of the Inception Report; 70% after acceptance of Final Report	59.985,00	139.965,00	-	Finalised
Study Assistance to Regulators in Introduction and Improving Quality Regulation in the EnC	Direct Award Procedure in accordance with §41 of the Austrian Public Procurement Law	Energy Insitute Hrvoje Pozar EIHA Savska Cesta 163 HR-10000 Zagreb	16-Sep-2009	34.500,00	20% after the acceptance of the Inception Report 80% after the acceptance of the Final Report and the Finalisation of the Reimbursement Procedures	6.900,00	-	27.600,00	finalised
Study on Regulation of Tariffs and Quality of the gas distribution service in the Energy Community	Direct Award Procedure in accordance with §41 of the Austrian Public Procurement Law	KEMA International B.V. Utrectstweg 310 6812 AR Amhem	16-Sep-2009	57.972,00	30% after acceptance of the Inception Report; 70% after acceptance of Final Report	17.391,60	-	40.580,40	finalised
Study on the Potential Clime Change combining in power generation in the EnC	Direct Award Procedure in accordance with §41 of the Austrian Public Procurement Law	South East Consultants (SEEC) Makenzijeva 53/4 11000 Belgrade Serbia	7-Dec-2009	49.500,00	20% after acceptance of the Inception Report 60% after Acceptance of the Study 20% after the relevant WS	9.900,00	29.700,00	9.900,00	under execution
Study on State Aid and the effectiveness of State Aid Control in the Energy Community	Direct Award Procedure in accordance with §41 of the Austrian Public Procurement Law	Hunton & Williams together with Eisenberg & Williams	14-Dec-2009	100.000,00	20% after acceptance of the Inception Report 60% after Acceptance of the Study 20% after the relevant WS (2nd HY-2010)	20.000,00	60.000,00	20.000,00	under execution
TOTAL STUDIES CONTRACTED IN 2009				441.922,00					

Annex 2: Overview of Energy Community Studies 2010

Description	Reference to the Austrian Public Procurement Law	Consultant	Date of Contract	Contract value in EUR (excl. VAT)	Terms of payment description/individual payments				Status
Energy Statistic in the Energy Community - Benchmarking of Energy Statistic Systems; Assessments of Administrative capacity and Resources and Drafting Road Map on the Energy Community level	Open Procedure under §§25(2), 27 of the Public Procurement Law	Hrvoje Pozar cesta 163, HR 10000 Zagreb, HR	27-Apr-2010	158.001,00	20% within 2 weeks following the acceptance of Interim Report; 60% following the acceptance of the Study; 20% payment against completed training	31.600,20	94.800,60	31.600,20	finalised
Study on Emergency Oil Stocks - Analysis and Benchmarking	Open Procedure under §§25(2), 27 of the Public Procurement Law	Petroleum Development Consultants Ltd Stanhope House, 4-8 Highgate Street, London N6 5JL; e-mail: info@pdc.uk.com	23-Jul-2010	168.740,00	20% within two weeks following the acceptance by ECS of Interim Report; 80% within 2 weeks following the acceptance of the Study; Initial Report - 1 month after the contract signature; Interim Report - results of the study related tasks incl. evaluation and verification of the assessment against	33.748,00	134.992,00	-	under execution
Biomass Consumption for Energy Purposes in the Energy Community	Open Procedure under §§25(2), 27 of the Public Procurement Law	Center for Renewable Energy Sources and Saving	25-Nov-2010	185.000,00	20% within two weeks following the acceptance by ECS of Interim Report; 80% within two weeks following the acceptance of the Final Report on Study	37.000,00	148.000,00	-	under execution
Development of best practice recommendations on regulatory incentives promoting	Direct Award under Art 41 of the Public Procurement Law	E-Bridge Consulting GmbH, Meckenheimer Allee 67-69, D-53115 Bonn	28-Jun-2010	37.000,00	20% within two weeks following the acceptance of the Inception Report, 30% within two weeks following the acceptance of the Intermediate Report and 50% within two weeks following the acceptance of the Study (Final Report)	7.400,00	11.100,00	7.400,00	under execution
TOTAL STUDIES CONTRACTED IN 2010				548.741,00					