IMPLEMENTATION
of
THE TREATY ESTABLISHING
THE ENERGY COMMUNITY
ELECTRICITY AND GAS

STATUS as of September 2008

10th PHLG Meeting

24th September 2008, Zagreb
SUMMARY INFORMATION ON IMPLEMENTATION
OF TITLE II OF THE TREATY (ELECTRICITY AND GAS)

● Unbundling of networks operators and third-party access are generally well advanced

● Customer protection and the appointment of a supplier of last resort need to be further addressed

● Switching of the supplier should be further implemented both through the regulations and in practice

● One of the difficult issues is the facilitation of cross-border electricity trade (although being gradually dealt with in more concrete terms)

● The development of the gas related framework should be further encouraged and supported, although not all CPs have functional gas market

● Secondary legislation needs further improvements and progress

● Effective market opening remains crucial target

REGIONAL APPROACH –

KEY REMAINING ISSUES BY THE END OF 2008

● Introduction of marked based mechanisms for capacity allocation to all interconnections

● Abandon capacity priorities due to Public Service Obligation

● Increasing transparency on TSOs and Regulators websites

● Introduction of secondary markets for the capacity rights

● The Regulators competences in the cross-border issues, including their role in the procedure of exemption for the new electricity interconnection lines as well as for the main new gas infrastructure, have to be brought in compliance with the requirements of the Treaty

● Enforce penalties for infringements of the Regulation (EC) 1228/2003

● Implementation of the Regulation (EC) 1775/2005
FOCUS ON ACTIVITIES ON CPs LEVEL – ELECTRICITY

Albania

- Regulated Third Party Access enforced through the Networks Codes and monitored by the Regulator
- Transmission and distribution tariffs adopted and published
- Closely monitoring the security of supply
- Strengthening TSO key position in the electricity system and market (institutional and capacity building, independence in decision making)
- Designation of supplier of last resort and customer switching procedure
- Full implementation of Regulation (EC) 1228/2003 with special attention on congestion management and transparency requirements
Bosnia and Herzegovina

• Consolidation, completion and harmonization of the legal and regulatory framework on entity level with respect to development of market functions

• Provisions for further (legal) unbundling of the DSOs, measures for insuring independent management and market-based operation of the integrated utilities (generation and supply, commercial and regulated supply)

• Distribution Codes to be completed and applied as appropriate

• Enforcement of customer rights and introduction of non-tariff instruments for protection of vulnerable customers

• Application of transparent authorization procedures and rules

• Implementation of Regulation (EC) 1228/2003 with a focus on establishment of market oriented cross-border capacity allocation and congestion management mechanisms

• Implementation of Directive 2005/89/EC by the end of 2009
FOCUS ON ACTIVITIES ON CPs LEVEL – ELECTRICITY

Croatia

• Further support the customer protection mechanisms

• Ensure efficient monitoring of unbundled accounts and independent operation of the network operators

• Reconsider the reciprocity criteria

• Consider removing capacity allocation priorities and introduce secondary market for capacity rights

• Proceed with implementation of the Regulation (EC) 1228/2003 with a focus on the market-based mechanisms for congestion management and transparency in cross-border trade

• Implementation of Directive 2005/89/EC by the end of 2009
Former Yugoslav Republic of Macedonia

• Closely monitoring the security of supply and third party access to the networks;

• Adoption of the Market Code

• Market opening, facilitation of eligible customer switching

• Designation of supplier of last resort and customer switching procedure

• Full implementation of Regulation (EC) 1228/2003 with special attention on congestion management and transparency requirements

• Implementation of Directive 2005/89/EC by the end of 2009
**Montenego**

- Complete and further support the unbundling process through codes of conduct and compliance programmes

- Updating and development of technical and market rules according to the market model

- Further develop non-tariff measures for protection of vulnerable customers

- Develop efficient and functional authorization procedures

- Consider developing a market opening strategy and adequate measures

- Implementation of the Regulation (EC) 1228/2003 and cross-border trade issues

Serbia

• Adoption of the Energy Law amendments in compliance with Directive 2003/54/EC and Regulation (EC) 1228/2003;
• Efficient unbundling of distribution from generation activities, compliance programme
• Distribution network access tariffs adopted and published
• Adoption of the Distribution and Market Codes and monitoring by the Regulator
• Enhancing the role of the Regulator, TSO and DSO
• Designation of supplier of last resort and customer switching procedure
• Continue the implementation of Regulation (EC) 1228/2003
• Implementation of Directive 2005/89/EC by the end of 2009
UNMIK

• Proceed with legal unbundling of the DSO and development of regulatory framework for customer switching and operation of the competitive market

• Define and introduce non-tariff measures and social schemes for vulnerable customers

• Improvement of measures for security of supply and monitoring

• Continue development of efficient authorization procedure

• Market opening to be adequately addressed in the regulatory framework

• Continue with implementation of Regulation (EC)1228/2003 and adequate cross-border trade criteria

• Implementation of Directive 2005/89/EC by the end of 2009
Albania

- Implementation of the Regulation 1775/2005 till the end of 2008
- Securing sufficient administrative capacity in the gas sector
Bosnia and Herzegovina

• Decision on the structure with regard to regulatory authorities and the TSOs
• Development and provision of the gas act fine tuned with the structure of the regulatory authorities and the TSOs till the end of 2008
• Implementation of the Regulation 1775/2005 till the end of 2008
• Securing sufficient administrative capacity in the gas sector
Croatia

- Implementation of the Regulation 1775/2005 by the end of 2008

- Gas market structure need to be finalized in line with Directive 2003/55/EC and in line with the Croatian Gas Market Act (Storage System Operator and Distribution System Operators still are not established)

- Market Rules have to be finalized and adopted (making the settled primary legislation operational)

- Grid Codes – for Storage and for Distribution – have to be finalized and adopted

FOCUS ON ACTIVITIES ON CPs LEVEL – GAS

Former Yugoslav Republic of Macedonia

• Some details dealing with Public Service Obligations are missing

• Finalization of the Transmission Grid Code

• Align the unbundling provisions and access to account rules with the requirements of Directive 2003/55/EC

• Third Party Access rules need some more clarification/details

• Missing provisions for entire fulfilment of the obligations dealing with new infrastructure have to be developed

• Available provisions regarding Market Opening have to be accommodated with the requirements of Treaty

• Market rules should be developed/implemented where missing

• Implementation of the Regulation 1775/2005 till the end of 2008

• Securing sufficient administrative capacity in the gas sector

Montenegro

• Development and provision of the gas act till the end of 2008

• Implementation of the Regulation 1775/2005 till the end of 2008

• Securing sufficient administrative capacity in the gas sector

**Serbia**

- Some details dealing with Public Service Obligations are missing
- Clarification of the role of regulatory authority regarding the monitoring of security of supply
- Some improvements regarding the tasks of system operators are needed
- Current rules dealing with unbundling and access to accounts need some more details
- Third Party Access provisions for storage facilities need alignment with the provisions of the Directive 2003/55/EC
- Missing provisions for entire fulfilment of the obligations dealing with new infrastructure have to be developed
- Implementation of the Regulation 1775/2005 till the end of 2008
UNMIK

- Determine the role of the regulatory authorities related to transit
- Develop provisions for unbundling of accounts for eligible/non eligible customers
- Some rules for a well functioning Third Party Access are missing
- Align Market Opening with requirements of the Treaty
- Implementation of the Regulation 1775/2005 till the end of 2008
- Securing sufficient administrative capacity in the gas sector
NEXT STEPS

FOCUS OF THE SECRETARIAT ASSISTANCE IN THE NEXT PERIOD

• Monitoring of the state of play and reporting to the PHLG and MC

• Assistance focussed on characteristic issues of implementation for each Contracting Party

• Assistance to the Contracting Parties in drafting their legal / regulatory acts through assessment, commenting and proposing (on request)

• Overall engagement in implementation of the cross-border issues, opening of the wholesale markets, attracting investments for the required infrastructure

• Engagement in dispute settlement cases pursuant to Article 90 of the Treaty and the corresponding Procedural Act
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THANK YOU FOR YOUR ATTENTION!