Dear reader,

Welcome to the first issue of Energy Community Connected! Starting now, the Energy Community Secretariat will bring to you regular news and analysis of developments in the Energy Community Region.

Energy Community Connected is designed to put energy issues with high relevance for both the Energy Community Contracting Parties and EU Member States in the spotlight. On the one hand, this includes developments where EU Member States are directly involved such as the Trans-Balkan Electricity Corridor, spanning two EU Member States and three Energy Community Contracting Parties. On the other hand, Energy Community Connected will highlight developments in the Energy Community Contracting Parties with a direct significance for the EU, such as the state of play of gas market reform in Ukraine featured in this issue.

The principle geographical focus of this newsletter reflects Title III of the Treaty establishing the Energy Community, under which the Energy Community may take measures to create a single energy market. This Title covers the eight Energy Community Contracting Parties – Albania, Bosnia and Herzegovina, Kosovo*, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine – and eight neighbouring EU Member States – Bulgaria, Croatia, Greece, Hungary, Italy, Poland, Romania and Slovakia.

Advancing pan-European energy market integration is the overriding goal of the Energy Community as well as the Energy Union. It is our common objective that the EU and Energy Community markets operate seamlessly as one regulatory space in order to maximize security of supply, market functioning and renewables uptake for the benefit of energy consumers. By providing the legal and institutional basis, Title III of the Energy Community Treaty could be an additional instrument for advancing energy market integration in Central and South Eastern Europe and tackling the existing barriers to market integration, some of which are outlined on the following pages.

I hope you enjoy this first issue and do let us know if there are any topics you’d like to see covered in the future.
Two Years of Gas Market Reform in Ukraine: Where Do We Stand?

Ukraine’s adoption of the Natural Gas Market Law on 9 April 2015 was a major breakthrough for the Energy Community member. Ukraine moved closer towards compliance with EU energy legislation – the Third Energy Package and its obligations under the Energy Community Treaty. The law, which came into force on 1 October 2015, created the legal basis for a new market model based on principles of liberalization and competitiveness, ensuring equal access of third parties to the market, eligibility of consumers to choose a supplier and introducing a market-based approach for setting gas prices.

The passing of the Natural Gas Market Law was part of a wider Gas Sector Reform Implementation Plan, whose adoption by the Ukrainian Government was a precondition for further International Monetary Fund and World Bank involvement in Ukraine. Besides a new legislative and regulatory framework in the energy sector, the plan consisted of reform measures in the areas of prices and social assistance, domestic gas production, unbundling of transmission and distribution system operators, transparency and metering. The Energy Community Secretariat was put in charge of monitoring the implementation of the Plan.

Legislative and Regulatory Framework

The vast majority of the legal acts necessary to implement the Natural Gas Market Law have now been adopted by the Cabinet of Ministers, the Ministry of Energy and Coal Industry and the National Energy and Utilities Regulatory Commission of Ukraine (NEURC). Following the Energy Community Secretariat’s assessment and submitted comments, by-laws linked to grid codes, contracts and stock reserves were further improved in order to ensure compliance with the Third Energy Package. The adoption of secondary legal acts by NEURC linked to compliance programmes and unbundling of transmission and storage system operators is still pending.

The biggest challenge faced by Ukraine is the enforcement of the secondary legal acts. This particularly concerns the application of the transmission tariffs at all points and the application of the transmission code. No capacity allocation took place since the last version of the code was adopted. The operator of Ukraine’s gas transmission system, Ukrtransgaz, is currently developing balancing criteria as part of the transmission code. The new rules are expected to improve compliance with the Third Package and...
address some of the problems in the code’s implementation.

While the rules that allow gas consumers to switch suppliers have been adopted, they are yet to be applied in practice. It is estimated that incumbent market share in the household market is around 100% of total number of customers. This signifies that supplier switching is not taking place.

Following significant delay, Ukraine adopted the Law on the National Commission for State Regulation in the Energy and Utilities of Ukraine on 22 September 2016. The purpose of the law is to strengthen the independence of the regulator in the fields of energy and utilities and to extend its competences to the complete set of regulatory powers and objectives foreseen under the Third Energy Package.

NEURC still has to live up to its newly gained powers and competences. The Secretariat expects from a truly independent regulatory body to actively design its national market, even if this means opposing public pressure, if necessary.

**Unbundling of Transmission and Distribution System Operators**

At present, the biggest obstacle towards successful gas market reform is the significant delay in the unbundling of the state-owned gas incumbent Naftogaz. Limited progress has been achieved in drafting and submitting to Parliament the necessary legal amendments to ensure unbundling is implemented as per the approved Natural Gas Market Law (see article on page 4 for more details). The lack of transmission system operation unbundling from trade, supply and production does not allow for full and genuine market opening in Ukraine.

Distribution system operators, unbundled from supply in 2015, have submitted compliance programmes to NEURC for its assessment, which is ongoing. NEURC has approved compliance officers, as required by the Law on Natural Gas Market. Actual status of unbundling is yet to be verified against Third Package requirements.

At present, the wholesale market indicators do not bear the evidence that competition is at a satisfactory level.

**Gas Prices and Social Assistance**

Following the entry into force of the Natural Gas Market Law, gas prices are set by the Cabinet of Ministers in line with Ukraine’s obligation to gradually increase gas prices to the market level. Prices have been raised gradually since 1 April 2015 with the most recent increase implemented on 1 May 2016.

The Government of Ukraine reformed the existing subvention system and introduced a Housing and Utilities Subsidy (HUS) programme in line with the Gas Sector Reform Implementation Plan. The HUS programme provides financial state support in the form of subsidies to indigent citizens. As of September 2016, around six million Ukrainian citizens, amounting to 40% of all households, have been subsidised. The administrative burden surrounding the procedures for granting the aid has been reduced. Unused subsidies are returned to the state budget.

The 2017 state budget envisages UAH 47 billion (EUR 1.6 billion) to be allocated for gas consumption for individual heating and centralized district heating based on the calculation of the actual levels of gas and heating consumption. These measures will stimulate citizens to save energy and introduce incentives for energy efficiency.

**Metering**

Little concrete progress has been achieved in the commercial metering of gas and district heating since the adoption of the Gas Sector Reform Implementation Plan.

In accordance with the Law ‘On Commercial Metering of Natural Gas’, natural gas for households residing in apartments and private houses shall be supplied on the basis of the condition of having a commercial metering device in place. The companies performing natural gas distribution on the assigned territory were to ensure the installation of gas metering devices for water heating and cooking before 1 January 2016. Today, approximately 74% of households have metering devices for gas.

The draft law on commercial metering (law no 4901), adopted in the first reading in October 2016, envisages the obligatory installation of one master meter per building for heating and water supply for all buildings in the course of one year following the adoption of the law.

**Gas Production and Transparency**

No regulatory framework has been established in the area of special licenses for gas production and open auctions for the sale of licenses in order to enhance competition, investments and increase gas production.

In 2016, royalties for the state-owned gas producers temporarily decreased from 70% to 50%. As of 1 January 2016, the Tax Code of Ukraine allows for a decrease in the royalty rate for private companies engaged in natural gas extraction. Two laws envisaging the introduction of the royalty rate of 12% are currently pending before the Parliament of Ukraine.

The adoption of the draft law ‘On Disclosure of Information in Extractive Industries’, aimed at transposing EU Directives 2013/34/EC, 2013/50/EC and 2007/14/EC on transparency in extractive industries, is currently pending. The adoption of the draft law would align Ukraine with the international standards and practices in information disclosure of the Extractive Industries Transparency Initiative (EITI).
Naftogaz Unbundling Stands in the Way of Successful Gas Market Reform in Ukraine

In July 2016, more than one year after the adoption of the Gas Market Law, Ukraine’s Cabinet of Ministers adopted a restructuring plan of the national joint stock company Naftogaz aimed at ownership unbundling of natural gas transmission and storage activities in line with the Third Energy Package. In November 2016, the Plan was amended and the deadlines therein prolonged to reflect the delay in the plan’s implementation.

The Action Plan foresees the creation of two new entities to operate the transmission and storage systems – Main Gas Pipelines of Ukraine and Underground Gas Storage Facilities of Ukraine. Both entities are to be 100% owned by the state and managed by the Ministry of Energy and Coal Industry. The Ministry of Economic Development and Trade will retain management of gas production and supply operations of Naftogaz.

The Plan acknowledges the sensitiveness of the ongoing cases with Gazprom at the Stockholm Arbitrage Court as certain unbundling actions could jeopardise the position of Naftogaz. According to the Action Plan, all preparatory activities – being legal, technical or organisational – have to be completed before the final decision of the Court, in order to ensure a smooth transfer of assets from Ukrtransgaz to the newly established independent transmission system operator within 30 days of the Court’s decision (foreseen in June 2017).

A dedicated working group was established by the Deputy Prime Minister of Ukraine to implement the Action Plan, supported by the Ministry of Energy and Coal Industry and the Ministry of Economic Development and Trade. The working group has overseen the establishment of Main Gas Pipelines of Ukraine (MGU) in November 2016 along with the appointment of its acting CEO and approval of MGU’s Charter. The main challenge now is to define an efficient way to transfer the transmission and storage assets and put in place the necessary legal framework according to which the transfer can take place.

With the support of the Secretariat, the working group has drawn up a preliminary list of assets to be transferred to MGU. The preliminary list takes into account the current organisational structure of Ukrtransgaz and its operating transmission and storage systems. The list will be finetuned with respect to storage assets, following the completion of a currently ongoing inventory and a study on the assessment of storage capacity required for balancing of the transmission system. According to the Action Plan, the establishment of Underground Gas Storage Facilities of Ukraine, the underground storage system operator, is foreseen by 1 August 2017. The working group is yet to accept the final version of the action plan for the transfer of the assets from Ukratransgaz to MGU to be submitted to the Council of Ministers.

The working group has achieved limited progress with respect to the preparation of the legal amendments necessary for the execution of the restructuring plan, thus failing to meet the deadlines set by the Action Plan. In response to the delay, the Secretariat will draft the necessary legal amendments in order to kick-start the process. The amendments mainly relate to the legal regime for conditions and procedures for concession of state property used for transmission and storage of natural gas, which is not subject to privatisation. In addition, amendments to primary legislation are also necessary to ensure independence and a clear separation between the two ministries to be in charge of supervision and management of the state-owned transmission and supply entities in gas (and electricity) according to the criteria set by the Third Package. Given that the amendments will require the Parliament’s approval, any further delay puts the restructuring process at risk.

Secretariat gives evidence in Naftogaz-Gazprom arbitration proceedings

In 2016, Deputy Director and Head of Legal, Dirk Buschle, testified as witness in the oral hearings held in Stockholm in the ongoing arbitration proceedings between Naftogaz and Gazprom on the gas supply and transit contracts concluded between both companies in 2009. Already in 2014, the Secretariat had reviewed both contracts and found them to be in breach of European competition law as well as the Third Energy Package.
Since January 2015, the Third Energy Package is the legal framework applicable in the Energy Community Contracting Parties. While this has been a great step forward, a notable challenge is the future application of the Third Energy Package to the interface between EU Member States and Energy Community Contracting Parties. This is particularly relevant when it comes to the application of EU network codes and guidelines.

At present, EU Member States are legally obliged to apply network code rules between each other, but not on the interconnection points that border the Contracting Parties. This has long been considered one of the biggest obstacles to pan-European energy market integration. Synchronized systems in continental Europe need to operate on the same technical and market rules to ensure optimal market integration.

The national regulatory authorities of Bulgaria, Greece, Hungary, Poland and Romania have signed a general unilateral declaration on the applicability of all Third Energy Package gas network codes on interconnection points between Energy Community Contracting Parties and EU Member States. The signatory regulators declared that they will respect the application of gas network codes and guidelines on the interconnection points with the Contracting Parties, once the Secretariat has been notified by the Contracting Party of their transposition.

The adoption of the network codes, which are already mandatory in the EU, is under preparation in the Energy Community. The European Commission is expected to propose the first two network codes - on interoperability and congestion management - for adoption in the Energy Community in the first half of 2017. This does not prevent the Contracting Parties from proceeding with an early voluntary implementation in cooperation with EU neighbours and assistance of the Energy Community Secretariat.
Reform of the Energy Community has been high on the agenda ever since President Jerzy Buzek and his High Level Reflection Group presented proposals on how to improve the effectiveness of the organization. In 2016, the Ministerial Council tasked the Permanent High Level Group (PHLG) to “identify, discuss and propose to the Ministerial Council amendments to the Energy Community Treaty under Article 100, necessary to ensure the Energy Community can fully fulfil its objectives and live up to the requirements of a Single Energy Market based on the effective implementation of the acquis communautaire in the Contracting Parties on equal terms with Member States of the European Union as well as on fair and equal conditions for access to markets and infrastructure.”

Based on this mandate, the PHLG held a first meeting discussing issues, topics and options for Treaty amendments on 17 February this year. The Secretariat's proposals focus on two main issues: improving the level of implementation of the acquis communautaire by the Contracting Parties and creating a level-playing field between them and the European Union's Member States. The two issues are strongly interlinked. To ensure a fair and effective balance between Contracting Parties' rights and obligations under the Treaty, and to avoid free-riding, Contracting Parties who would like to take full advantage of access to the EU's internal market, infrastructure funding, solidarity etc. should commit to the same level of ambition also in implementing the European acquis and accept similar enforcement standards.

This includes topics such as direct applicability of regulations, centralized enforcement of competition and State aid law, neutral decision-making in infringement cases and a de-politized and effective sanction regime for cases of non-compliance with the Energy Community Treaty. According to the Secretariat's proposal, Contracting Parties could opt for a fully-fledged level playing field with the EU by taking on additional commitments in that respect.

In January 2017, the Energy Community Secretariat, as the guardian of the Energy Community Treaty, sent an Opening Letter to Serbia requesting further information about the 2012 Agreement between the Serbian and Russian governments on the supply of natural gas to Serbia.

Srbijagas, the main player in wholesale and retail gas supply in Serbia, imports natural gas under long-term contracts with Gazprom Export, the exclusive supplier to the Serbian market, through the vertically integrated company Yugorosgaz. In October 2012, the government of Serbia and the government of the Russian Federation concluded an agreement for the supply of up to a maximum of 5 bcm of natural gas per year from the Russian Federation to Serbia from 2012 to 2021.

The agreement contains a destination clause pursuant to which the gas supplied is only to be used in the Serbian market. Such a restriction of the territory to which, or the customers to whom the buyer may sell the goods, constitutes a breach of competition law. The European Commission has repeatedly fought such destination clauses, also in supply contracts of Gazprom. As the Energy Community competition acquis essentially corresponds to the EU rules, destination clauses are also illegal under Energy Community law. As such clauses run counter to the aims of the Energy Community and lead to market partitioning, the Energy Community Secretariat took action against this practice.

The sending of the Opening Letter is the first step towards opening a dispute settlement procedure set in the Energy Community Treaty. Unlike the European Commission, the Energy Community Secretariat is not competent to act directly against undertakings infringing competition rules, but may bring any Contracting Party of the Energy Community who infringes the Treaty before the Ministerial Council who can render a decision.
The Trans-Balkan Electricity Corridor, scheduled to go live in 2022, spans two EU Member States (Romania and Italy) and three Energy Community Contracting parties (Serbia, Bosnia and Herzegovina and Montenegro). Improving the transmission of electricity from the north to the south of the region and east to west by connecting the Balkan and Italian peninsulas, the project’s realization will result in an increased level of security of electricity supply, renewable energy implementation and integration of Western Balkan markets with those of the neighbouring EU Member States.

The Trans-Balkan Electricity Corridor consists of the following sub-projects:

- New double circuit 400 kV overhead line (OHL) between SS Pancevo 2 (Serbia) and SS Resita (Romania) (PCI)
- New 400 kV overhead line (OHL) SS Kragujevac 2 (Serbia) – SS Kraljevo 3 (Serbia), with voltage level upgrade in SS Kraljevo 3 at 400 kV voltage level (PECI)
- Upgrade of transmission network in Western Serbia at 400 kV voltage level between SS Obrenovac and SS Bajina Basta, which implies a new double 400 kV overhead line (OHL) SS Obrenovac – SS Bajina Basta and reconstruction of existing SS Obrenovac and SS Bajina Basta (PECI)
- New 400 kV interconnection between Serbia, Bosnia and Herzegovina and Montenegro, which implies double 400 kV overhead line (OHL) between SS Bajina Basta (Serbia), SS Visegrad (BiH) and SS Pljevlja (Montenegro) (PECI)
- New 400 kV overhead line (OHL) SS Lastva – SS Pljevlja in Montenegro (PECI)
- Undersea HVDC between Italy and Montenegro (PCI)
Community Contracting Parties have benefited from receiving the Project of Energy Community Interest (PECI) label. The first stage of construction is underway, including the undersea cable between Italy and Montenegro and the 400 kV overhead line between Serbia and Romania.

The transmission system operators of the relevant Contracting Parties are planning to finalise the needed investments, including four overhead lines in Serbia, Bosnia and Herzegovina and Montenegro by 2022. The investment costs in the territory of the Contracting Parties are estimated at the level of EUR 290 million. The Corridor has already received support amounting to EUR 30 million in the form of grants for technical assistance, works and equipment through the Instrument for Pre-Accession Assistance multi-beneficiary programme under the Western Balkans Investment Framework. Additional grants are still expected for sections passing through Serbia.

The cross-border project could also be eligible for regulatory investment incentives and may use the Cross Border Cost Allocation (CBCA) mechanism. The cost benefit analysis, performed as part of PECI 2016 selection and multi criteria assessment coordinated by the Energy Community Secretariat, indicated that strong distributional effects (negative impact for Serbia) call for compensation mechanisms to be put in place in order to allow for fair cost allocation and speeding up of project realisation.

Obtaining the Project of Energy Community Interest (PECI) Label

In order to foster investment in cross-border infrastructure projects, the Energy Community Ministerial Council adopted EU Regulation 347/2013 on guidelines for trans-European energy infrastructure in 2015. The regulation sets out a selection procedure closely aligned with the EU selection process to identify Projects of Energy Community Interest (PECIs), which may benefit from streamlined permitting, regulatory incentives, cross-border cost allocation procedures and funding under the EU’s Instrument for Pre-Accession and the Neighbourhood Investment Facility. In line with the regulation, a project crossing the border of an Energy Community Contracting Party and an EU Member State shall first acquire the EU’s Project of Common Interest (PCI) label, in order to be eligible for selection as a PECI in the Energy Community.

Projects applying for PCI status in the EU shall meet certain eligibility criteria, in line with the regulation. The most often cited criteria in the current context is the “two-EU Member State test”, namely that the project has to prove impact on at least two EU Member States. Impact on a Contracting Party is not considered. For a project that crosses the border of a single EU Member State, proving an impact on more than one Member State is not always straightforward often due to the complex nature of the project and interpretation of the analysis. The chances of these projects to receive the PCI label due to the “two-EU Member State test” is limited, hence a low number of such projects acquire the PECI label. In terms of EU and Energy Community cross-border projects, only one electricity (the Trans-Balkan Electricity Corridor) and one gas (Serbia-Bulgaria interconnector) project was able to obtain the PECI label in the 2016 selection procedure.

The regulation allows the possibility for a project that “is located on the territory of one Member State and has a significant cross-border impact” and “concerns investment in reverse flow capacities” to be PCI eligible in line with the regulation. Applying the eligibility criteria as defined by the regulation, would ease the application of projects coming from the Energy Community Contracting Parties and could enlarge the number of eligible candidates for the PECI label.

The Energy Community has recognized the importance of additional measures to support cross-border infrastructure investments. In 2016, the Ministerial Council adopted a recommendation to provide the same legal treatment as defined in Regulation 347/2013 to “Projects of Mutual Interest”, which do not require acquiring the PCI label first, in the Contracting Parties and EU Member States. However, the recommendation is not legally binding.
Ukraine faces a delay of more than two years in its adoption of a Third Energy Package compliant electricity law. The law’s adoption is of crucial importance for implementing Ukraine’s international commitments and obligations under the Energy Community Treaty since the deadline for its adoption passed already on 1 January 2015. The recently adopted compliant laws for the gas market and the energy regulator should pave the way. The ultimate target is still ahead, conditioned mainly on the focus of the political and administrative environment of Ukraine.

The law “On Electricity Market of Ukraine”, developed by a Ukrainian inter-institutional working group together with the Energy Community Secretariat, was submitted to Parliament in March 2016. Following the Parliament’s first reading on 22 September 2016, more than 1100 amendments submitted by Members of Parliament and stakeholders were assessed against their compliance with the Third Energy Package in consultation with the Secretariat. Most, but not all, were successfully processed or rejected in case they did not comply. The date of the Parliament’s second reading of the law is not known.

The Secretariat’s outstanding critical remarks to the most recent version of the law relate to the governing of the electricity market during the transitional period after the entry into force of the law, until the new market model is implemented (currently envisaged for 1 July 2019). Namely, the Secretariat has proposed that Ukraine should start introducing a progressive deregulation of wholesale and end-user prices immediately after the adoption of the law. First, it should start liberalizing portions of the generation procurement mechanism. This will allow the creation of a small space where competition between generators can emerge, leading to the creation of competition for large consumers’ retail prices and prices for exporting activities. Second, the gradual liberalization of generation prices has to be coupled with gradual deregulation of end-user prices for large customers. Third, reaching a cost-reflective level of end-user prices for households and small customers and removal of cross-subsidisation between categories of customers shall be addressed.
The 2015 Summit of the Western Balkan 6 Initiative provided a renewed impetus to the development of the regional electricity market spanning the six Contracting Parties of the Energy Community in Southeast Europe: Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Montenegro, Kosovo* and Serbia. EU Member States participating in the process – Austria, Croatia, France, Germany and Slovenia – and the six focus countries in cooperation with the European Commission and the Energy Community Secretariat decided to take steps to improve energy connectivity in the region. The Western Balkan (WB6) countries committed to a set of regional and national reform measures, which target the development of the electricity market in different timeframes, tackling capacity allocation and calculation, spot markets and balancing markets.

On 27 April 2016 in Vienna, the WB6 ministries, transmission system operators, national regulatory authorities, and power exchanges signed the Memorandum of Understanding on regional electricity market development (WB6 MoU). The signatories agreed on concrete actions to further market integration starting with the market coupling of national organised day-ahead markets with at least one neighbouring WB6 or European Union country by July 2018 and development of cross-border balancing cooperation among WB6 countries by December 2018.

At the beginning of the process, the WB6 countries were mainly focused on implementing national measures. However, as countries became more advanced, they turned their attention to regional market integration measures due to the lack of competition and liquidity in their small national markets. Such shortcomings, which are reflected in all market segments starting from the day-ahead and balancing markets to the lack of retail suppliers even in countries where the market is fully liberalized, can only be overcome by stronger regional cooperation and market integration.

The WB6 countries have launched activities to improve market liquidity through cross-border cooperation. In the day-ahead market, initiatives for market coupling have already started with the officially expressed interest of Serbia to couple with the markets of Hungary, Czech Republic, Slovakia and Romania (known as 4MMC). Even so, concrete actions on launching the coupling project are yet to take place.

Under the governance structure set out in the MoU, the WB6 countries are developing a common day-ahead market integration programme in coherence with the EU Regulation on establishing a guideline on capacity allocation and congestion management, the so-called CACM. Two coupling projects between WB6 markets were identified so far, the integration of the electricity markets of Albania and Kosovo* and the market coupling of Montenegro and Serbia. However, opportunities for coupling of the markets are not limited to the markets of WB6 countries. The WB6 MoU additionally envisages coupling with neighbouring EU Member States, as already anticipated by Title III of the Energy Community Treaty.

In the absence of a binding legal framework for market coupling in South East Europe, which should be put in place through the adoption of the network codes in the Energy Community, the WB6 MoU repre-
Following almost ten years of discussions, the Bulgaria-Serbia interconnector may have finally received the necessary boost for its construction to be realised. Besides Serbia’s request to be granted an equivalent rate of financial assistance as Bulgaria, the project has been hampered by the lack of genuine unbundling of Serbia’s transmission system operator and transparent public procurement rules in Bulgaria.

However, in January 2017, Serbia secured grant co-financing for its section of the pipeline in the value of ca. EUR 49.7 million within the framework of its national Instrument for Pre-Accession Assistance (IPA). In addition, the Energy Ministers of Serbia and Bulgaria signed a new Memorandum of Understanding on the construction of the pipeline, including a schedule of the project. The foreseen start of operation is end of 2020.

The 170 km-long bi-directional pipeline (62 km in Bulgaria and 108 km in Serbia) would connect the Bulgarian capital Sofia via Dimitrovgrad with the Serbian city of Niš. The pipe would provide Serbia with a second import pipeline and Bulgaria access to Serbia’s existing and future gas storages. Besides improving the security of supply of the entire region, Bulgaria and Greece included, the project would also contribute to real market integration and encourage competition. The project’s regional importance has been strongly underlined by the European Commission as well as the Energy Community Secretariat. The project has been put on both the EU’s and the Energy Community’s priority infrastructure lists.

The cancelation of South Stream in 2014 has also put the project in the forefront.
Transparent Electricity Procurement Takes Place in Moldova

Moldova’s annual procedure for procurement of electricity was launched in January 2017. For the first time, guidelines providing for a set of transparent, non-discriminatory selection criteria drafted by the Energy Community Secretariat were adopted by the Ministry of Economy and implemented by the supply and transmission companies. This constitutes a significant step forward in a very limited wholesale market exposed to the risks of bid-rigging and influence by third parties. A group of observers including representatives of the Secretariat is now closely monitoring the process.

For Effective Dispute Resolution

Under the chairmanship of its Deputy Director Dirk Buschle, the Energy Community Secretariat has established a Dispute Resolution and Negotiation Centre. The Centre focuses on negotiations and mediation of investor-state disputes and offers support to national authorities in their negotiations with private parties. The Centre, backed by a panel of top energy mediators, is able to cover a wide geographical scope and energy fields. The most recent cases being handled by the Centre include facilitation of negotiations between investors in small hydropower plants and the Albanian authorities over the new renewables law and between the Moldovan regulator and Gas Natural Fenosa over a draft electricity tariff methodology in Moldova.

Negotiation Skills Improved

Government representatives of the Contracting Parties plus three observers (Armenia, Georgia and Turkey) and three EU Member States (Bulgaria, Hungary and Romania) took part in the Negotiation Facilitator Programme organised by the Secretariat. The training was led by the Vienna School of Negotiation. Participants benefited from gaining the skills required to successfully lead and facilitate energy-related negotiations.

Implementation of CESEC Action Plan 2.0

The Secretariat has published its first monitoring report under the new CESEC Action Plan 2.0. The report tracks the progress of the Energy Community Contracting Party signatories to the CESEC Memorandum of Understanding in implementing specific legislative and regulatory actions, including unbundling of transmission system operators, third party access to gas infrastructure, establishment of market-based balancing mechanisms and cross-border cost allocation in line with Regulation (EU) 347/2013. The report also monitors the implementation of CESEC priority projects where a Contracting Party is involved.

Security of Supply Coordination Group (Gas)

28 March 2017
Vienna, Austria

Workshop on European Energy Law

4 May 2017
Vienna, Austria

Vienna Forum on European Energy Law

5 May 2017
Vienna, Austria

Athens Electricity Forum

31 May - 1 June 2017
Vienna, Austria

Energy Community Sustainability Forum

9 June 2017
Athens, Greece

Energy Community Summer School

26 August – 2 September 2017
Ohrid, Former Yugoslav Republic of Macedonia

Find out more:
www.energy-community.org/portal/page/portal/ENC_HOME/CALENDAR

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Find out more:
www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/CESEC
Polish and Ukrainian interests in the energy sector are similar in many ways. This is mainly due to significant reliance on coal in the electricity generation mix and dependence on one dominant gas supplier as far as security of gas supply is concerned. Since its membership in the Energy Community, Ukraine has followed the same path as Poland did during its accession to the EU. This is why Polish support for our Ukrainian partners in terms of implementation of European energy acquis can be a valuable input to the process of Ukraine’s integration with the EU.

The adoption of the natural gas market law in April 2015 and approval by the government of the electricity law in March 2016, aiming to transpose the Third Energy Package, are crucial steps towards enhancing the country’s energy security and liberalizing its energy market. We are keen on developing further cooperation in the energy sector with Ukraine in order to share knowledge and experience. Both the Polish and Ukrainian energy sectors will benefit from closer cooperation.

One doesn’t have to look far to find practical examples - the LNG terminal in Świnoujście or the northern gas corridor could be used as a tool to diversify supply sources not only for Poland but also for Ukraine. Another example is a gas interconnector project between Poland and Ukraine, which will allow the increase of transmission capacity between the two countries. This project will also have a positive impact on the entire region and why we have worked closely with our Ukrainian colleagues last year to obtain Project of Mutual Interest status for this interconnection project.

Moreover, we are facing challenges that require collective action, such as maintaining gas transit through Ukraine after 2019. Past gas crises have shown that without wider cooperation we cannot effectively solve specific problems. This is why Poland strongly supports the introduction of the “Energy Community chapter” in the European Commission’s proposal for the revision of Regulation 994/2010 on security of gas supply. Introduction of the Contracting Parties in the EU’s security of supply regime and solidarity provisions stemming from it would be a milestone for energy security in the Central and Eastern European region.

Mr Michał Kurtyka, Deputy Minister of Energy of Poland

Energy security and security of supply is only one dimension of the cooperation between Poland and Ukraine. Another is energy market integration, where Poland sees cooperation between ACER and the Energy Community Secretariat as a valid step forward. Further development of cooperation on regulatory issues, including implementation of network codes, and regulations concerning taxation of domestic coal production, is another challenge that we are facing together.

Poland is ready to contribute to this process.

Poland strongly supports further integration of the Energy Community Contracting Parties with the EU. Cooperation in the energy sector plays a fundamental role in this process. This is why Poland considers the Energy Community as a key priority in its external energy policy.