4th Permanent High Level Group Meeting
14 March 2007
Vienna, Austria

Progress notice in natural gas
– Status End of February 2007 –
### Table 1: Progress notice in natural gas – Status End of February 2007

<table>
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<th>CONTRACTING PARTY</th>
<th>GAS</th>
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| Albania               | - Working group established and working plan adopted to prepare a legal and institutional framework.  
                       | - Identification and evaluation of other countries experience is almost done; Amended gas act of Croatia could serve as a guideline |
| Bosnia and Herzegovina| - Discussion paper of an overall strategy for gas sector developed; discussion regarding gas sector structure is ongoing  
                       | - Draft Gas Act prepared, presented and discussed at 3 Govts level.  
                       | - Concept for the structural development of the TSO in the discussion paper and draft gas law developed  
                       | - Concept for further gasification of the country should emerge from the results of the gasification study  
                       | - Concept for import-, storage and the balancing market will take the results of the gasification study into account |
| Bulgaria              | - Continuation of elaboration of legal provisions regarding appointment of a supplier of last resort  
                       | - TSO unbundling is foreseen by the end of 2006;  
                       | - Continuation of restructuring the gas industry;  
                       | - Increasing provision of more cost reflective tariffs  
                       | - Preparing market opening also for household customers by July 2007  
                       | - Elaboration of monitoring tools in accordance with the requirements of Directive 2003/55/EC  
                       | - Developing and improving customer switching procedures |
| Croatia               | - Continuation of updating the Transitory Market Model and the Market Rules |
- The amended gas act was adopted and is foreseen to pass the parliament very soon
- Preparation of market opening
- Preparation of a strategy for further gasification of the country; first phase of the further gasification of Croatia has been finished; the second phase is envisaged from 2007 – 2011.
- Analyses regarding the LNG terminal on the isle of KRK are ongoing
- Discussion regarding additional gas supply either by a connections to Hungary or Serbia are ongoing
- Development of cost determination procedures
- Drafting a concept for all inclusive tariffs

| The former Yugoslav Republic of Macedonia | Continuation of upgrading of the Transitory Market Model and the Market Rules
|                                          | Developing methodologies:
|                                          | o toward attracting investments for expansion and larger utilization of the transportation capacity
|                                          | o toward attracting investments for construction of distribution networks
|                                          | o upgrading of the market environment and the legal framework, as applicable
|                                          | Preparation of procedures for collection rate improvement
|                                          | Development of unbundling provisions
|                                          | Process of drafting the secondary law ongoing
|                                          | Elaboration of provisions for eligibility of customers in accordance with the requirements of Treaty
|                                          | Preparation of customer switching mechanism

| Montenegro | Agreement to develop primary legislation on the basis of Treaty establishing Energy Community

| Romania | Full unbundling of TSO in completion phase
|         | Legal unbundling of the DSO under preparation
|         | Elaboration of provision regarding New Infrastructure in completion phase
|         | Preparation of full market opening for all consumers in July 2007;
- Adoption of secondary legislation on imposing public service obligation in completion phase;
- Further elaboration of the network code;
- Further elaboration of a non-discriminatory balancing regime;

**Serbia**

- Continuation of updating the Transitory Market Model and the Market Rules
- PE Srbijagas – DSOS have been designated as a part of distribution companies. Beside PE Srbijagas, until now 13 gas distribution companies have been designated and 13 private companies licensed for distribution, operation of distribution network and retail supply.
- Procedure of licensing is underway: AERS issued 1 license for transmission of natural gas, 1 license for operation of the transmission system, 13 licenses for distribution, operation of distribution network and retail, 1 license for wholesale gas supply and 8 licences for free market trade of natural gas
- Relevant methodologies passed by AERS and relevant Tariff system approved by the end of December 2006
- The new retail cost reflective tariff system have been approved by the Government in December 2006 in order for 2007 to be the first regulatory period. The tariff systems will be applied as of 1st July 2007
- Developing unbundling provisions
- The network codes are under preparation by the relevant companies in coordination with the Energy Agency
- Elaboration of provisions for eligibility of customers in accordance with the requirements of Treaty establishing the Energy Community
- Preparation of procedures for collection rate improvement ongoing
- Planning a strategy for removal the dominant position of the incumbent company
- Preparation of a strategy for further gasification of the country
- Preparation of customer switching mechanism ongoing

**United Nations Interim Administration Mission in Kosovo**

- Ministry of Energy and Mining has drafted a gas legislation in line with the Directive 2003/55/EC. It will be processed in an inter-institutional working group before submitted to the Assembly for enactment.