IMPLEMENTATION OF THE TREATY
(status as of November 2007)
– ELECTRICITY –

3rd Ministerial Council Meeting
Belgrade, 18 December 2007

Energy Community Secretariat, Vienna
FINDINGS

Identification of the State of Play

Basis for assessment


- **Detailed Road Maps on Electricity** - Contracting Parties, December 2007

Scope

**Acquis:** Directive 2003/54/EC, Regulation 1228/2003/EC

**Road Maps:** Implementation and enforcement of the Acquis, Market structure, Wholesale market, Retail market, Tariff reform, Affordability, Market integration

Benchmarking

- All provisions are available, only upgrading / implementation remains
- Some provisions are still missing
- Some provisions are available (important provisions are missing)
- There are bottlenecks in the process which may delay the implementation
## FINDINGS

### Implementation of the Acquis

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- Bottlenecks in the process
- Some provisions are available
- Some provisions are missing
- All provisions are available

- prepared by the Energy Community Secretariat -
## FINDINGS
### Development of the electricity markets

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- **Red**: Bottlenecks in the process
- **Yellow**: Some provisions are available
- **Blue**: Some provisions are missing
- **Green**: All provisions are available

- prepared by the Energy Community Secretariat -
**FINDINGS**

**Line of progress - ALBANIA**

- **Progress under way**
  - **Unbundling** (Ownership unbundling of TSO, privatization of legally unbundled distribution)
  - **Market model** (Implementation of a new market model - including bilateral contracts and balancing market, also preparation of new Market rules – including dispatching and balancing, revision of the Grid Code)
  - **Customer protection** (Review of legislation, measures to sustain PSO)

- **Main outstanding challenges**
  - **Market opening** (Define criteria and deadlines, also introduce customer switching mechanisms, introduce market monitoring)
  - **Security of supply** (Sustain the efforts for compliance with UCTE, further decrease non-technical losses)
FINDINGS
Line of progress – BOSNIA AND HERZEGOVINA

• Progress under way
  • Wholesale market (dispatching – AMR, balancing market – TSO, Brcko district electricity company)
  • Transparency (access to accounts, TSO information, introduction of SCADA)
  • Technical Rules (Grid Code, connection rules - DSO, Market Rules)

• Main outstanding challenges
  • Unbundling (provisions for unbundling of DSO, unbundling of supply, harmonized TPA – distribution)
  • Customer protection (vulnerable customers protection, price affordability)
  • Tariff reform (improve collection, ensure cost reflectivity, eliminate cross subsidies, improve tariff system)
  • Regulatory authority (enforce coordinated regulatory practice, enforce market monitoring, regulatory rule in Brcko)
FINDINGS

Line of progress – CROATIA

- Progress under way
  - Transparency (TPA, market data – introduction of online services)
  - Cross border capacity (Congestion management, network tariffs, reserved capacity, market based allocation mechanisms)

- Main outstanding challenges
  - Unbundling (enforce monitoring and further unbundling of supply, measures to increase competition in generation and supply implement balancing rules)
  - Customer switching (continue introducing customer switching and AMR)
FINDINGS
Line of progress – THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

• Progress under way
  • Customer protection (Amendments to the legislation, new Conditions for electricity supply)
  • Technical rules (Grid Code for distribution, Conditions for supply, also Market rules including TPA, balancing market)

• Main outstanding challenges
  • Unbundling (DSO) (Legal unbundling of DSO and supply)
  • Market model (To be adopted and implemented, addressing market concentration, bilateral contracts, monitoring)
  • Tariff reform (Upgrade cost reflectivity relative to the new model)
  • Market opening (Legal basis on eligibility threshold to be provided, also customer switching)
FINDINGS

Line of progress – MONTENEGRO

- Progress under way

  • Unbundling  (Functional unbundling done and legal unbundling under way, licences issued, Grid Code applied, unbundled tariffs applied)
  • Technical rules (Market rules to be adopted including balancing)

- Main outstanding challenges

  • Market model  (New market model to be applied, bilateral contracts to be introduced, balancing mechanism as well, gradual market opening to be implemented)
  • Tariff reform  (Network access and ancillary services tariffs, eliminate cross subsidies, cost reflectivity to be enforced)
  • Customer protection  (Adopt customer protection law, implement program for protection of vulnerable customers)
FINDINGS
Line of progress – SERBIA

- Progress under way
  - Transposition of Acquis (Law amendments - on legal unbundling of DSO, supplier of last resort, monitoring and reporting, market opening)
  - Technical rules (Grid Code, Distribution Code)

- Main outstanding challenges
  - New legislation (Implementation of the new legislation, in particular with respect to DSO unbundling, also Grid Code and Distribution Code)
  - Market Rules (Adoption and implementation – in particular bilateral contracts, transparency rules, dispatching, balancing)
  - Payment reform (Ensure cost reflective tariffs and reduction of losses)
FINDINGS

Line of progress – UNMIK

- Progress under way
  - Technical rules  (Development of Distribution Code, definition of distribution network tariffs, revision of Market rules)
  - New capacity  (Authorization procedures)

- Main outstanding challenges
  - Unbundling of DSO  (Accounting unbundling of supply, monitoring, legal unbundling of DSO)
  - Market opening  (Market monitoring, customer switching, gradual market opening is foreseen)
  - Tariff reform  (Gradual implementation of cost-reflective tariffs is foreseen)
  - Security of supply  (Program for enhancing transmission capacities, cross border issues, further improve collection rate)
Progress is evident in all the Contracting Parties

Areas of general progress:
- Development of the primary legislation
- Unbundling – TSO, DSO
- Market model
- Protection of vulnerable customers
- Wholesale market organization
- Technical rules

Areas that still require significant attention
- Security of supply
- Unbundling - distribution and supply
- Unbundling - generation
- Retail market organization
- Tariff reforms
- Collection rate and losses
- Market opening
FINDINGS

General findings - CHARACTERISTIC PROBLEMS

- Persistence of non cost-reflective regulated tariffs;
- Insufficient level of legal unbundling and/or independence between DSO and Supply functions;
- Insufficient generation capacity in the region;
- Existence of wholesale suppliers and/or bundled generation assets preventing competition in the supply;
- Relatively low level of collection rates and/or high level of commercial losses.
- Diversity of Market opening terms and criteria (phased approach)
- Significantly deficient administrative capacity in the energy sector
NEXT STEPS

- ECS takes into consideration the information contained in the received detailed Road Maps and accordingly update and circulate the Report on the state of play of the implementation of the energy Acquis (Annex 5 of the Agenda);

- Parties will follow commitments from their detailed Road Maps;

- ECS will undertake missions to the Contracting Parties (according to an agreed plan based on ECS proposal) in the period January – February 2008, aimed at:
  - Acquiring relevant information on the state of play,
  - Assisting as much as possible the Contracting Parties in the implementation of their commitments outlined in the Road Maps

- ECS will submit a new Report on State of Play on the next PHLG meeting;

- Parties will consider (if necessary) engaging a third party Technical assistance / outsourcing to be applied for critical issues.
THANK YOU FOR YOUR ATTENTION

ENERGY COMMUNITY SECRETARIAT

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