INFORMATION ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE ENERGY COMMUNITY FOR 2008 (SUMMARY)

I. BACKGROUND AND APPROACH

The proposed information has been developed by the Energy Community Secretariat. It reflects the performance of the Work Programme till 10.10.2008 immediately after each task, which is quoted as standing there.

The elaboration in this aspect has been developed on the ground of the Work Programme of the Energy Community for the period 2008 – 2009 (the Work Programme), as adopted by the Ministerial Council (Conclusion 5, 18.12.2007), where all tasks envisaged within the cited period are listed and indicated in more specific terms.

Detailed information concerning concrete performance on each of the Programme points is hereby presented. The text follows the structure of the Work Programme and respectively the sequence of the priority areas as described in it.

The positive performance has been indicated in green; the red color indicates issues, which have not followed the Work Programme on substance.

II. KEY FINDINGS

The current status of implementation of the Work Programme of the Energy Community indicates the following major trends:

1. In general, the envisaged tasks are performed as specified. Some differences in the time frame might be noted; however, this does not influence the substance of the performance.

1 In the electronic version of the document.
2. There are no particular areas of concern related to the implementation of the Work Programme. So far, in accordance with the indicated number of Programme tasks, whose deadline is within the period, covered by this report, only one key task has not been followed – this concerns introduction of a register and information mechanism about safeguard measures, undertaken by Parties in case of crisis on the network energy market in the context of the Security of Supply activities (Task VIII.1.1).

However, the currently discussed concept on approaching the Security of Supply issue gives sufficient flexibility to target the problem in an appropriate manner.

3. The performance of the tasks is sufficiently backed up financially.

4. From point of view of human resources, the experts of the Secretariat deserve special appreciation both on administrative and energy policy level.

5. There is a trend of increasing participation in the Energy Community events. This concerns not only the Contracting Parties and the Observers, but also a growing interest from the business, the Donors’ Community and variety of partners (e.g. social partners, governmental institutions other than the responsible ministries in the Contracting Parties etc.);

6. There is increasing interest towards training – this is particularly – but not exclusively - valid for training in relation to ECRB activities. In addition, the experience in cooperation with other institutions in this aspect is considered to be of substantial added value.

7. The operational support provided by the Secretariat to the Contracting Parties on the spot, which has been indicated as a major operational tool in the Work Programme, is certainly considered as a very beneficial format of providing concrete assistance.

8. There are aspects of the Work Programme, which – although principally envisaged - have gone steps forward beyond the currently planned activities (e.g. the Oil Dimension).

III. SOME STATISTICS

1. Since the beginning of the Work Programme time frame (i.e. since the beginning of 2008) approximately 40 events have been organized so far. From 10.10.2008 till the end of the year, 13 more events are to follow.

2. Within the period five studies have been launched.

3. More than 10 training sessions of different nature have been organized for the Contracting Parties (within the project “European Energy Training for SEE”, financed by
the UK and Slovenian Governments; via the Florence School of Regulation; workshops, organized by the Secretariat etc.).

IV. CONCLUSIONS

On this ground, it might be concluded that the Work Programme of the Energy Community represents a solid basis for promoting and achieving the objectives of the Treaty establishing the Energy Community. This is backed up by optimal financial means and ambitious but realistic task list, planned efficiently within the indicated time perspective.
ENERGY COMMUNITY WORK PROGRAMME 2008 – 2009
(As adopted by the Ministerial Council of the Energy Community in December 2007)
The arrangement above does not reflect priorities within the relevant areas.

It is on this ground that the Work Programme has been developed from the point of view of its structure.

D. LIST OF PRIORITY AREAS AND ACTIVITIES IN THE WORK PROGRAMME

I. ACTIVITIES OF GENERAL NATURE TOWARDS IMPLEMENTATION OF THE TREATY

This part of the programme reflects ongoing activities, following the requirements of the Treaty as well as activities, which aim at creating general framework facilitating the Treaty implementation.

The key task is to provide objective information as a background of relevant decisions by the competent Energy Community institutions as well as to facilitate the necessary steps by the Contracting Parties allowing adequate implementation of the Treaty provisions.

1. Ongoing activities

A particular attention is paid to the regular reporting as to reflect the proper implementation of the Treaty. Further to its explicit requirements (e.g. Articles 52, 67), the Ministerial Council also has identified the issue of the monitoring process for following the obligations under the Treaty to be of crucial importance (e.g. Conclusion 7 of the Ministerial Council meeting on 29th June 2007).

In this aspect, the relevant analytical work of the legislative framework of the Contracting Parties has been also explicitly envisaged as a follow-up of the already established traditions in this aspect.

Therefore, the following concrete activities are planned:

- Review of the proper implementation of the Treaty by the Parties in accordance with Article 67 b
Deliverables: Periodical and annual reports based on the agreed roadmaps, national plans and findings on the ground of the benchmarking of electricity and gas sectors. Further, explicit information on the implementation of the primary legislation in compliance with the Acquis shall be targeted.

Time line: The annual reports shall be presented at the Ministerial Council meeting in the second half of the relevant year and the periodical reports – in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Technical assistance by the Secretariat to the Contracting Parties to prepare or update national primary energy legislation for compliance with the Treaty (upon request of Contracting Parties).

Deliverables: Opinions and recommendations to the Contracting Parties.

Time line: Operationally agreed with the Contracting Parties.

- Monitoring of the elaboration and respective development and implementation of secondary legislation, including market rules

Deliverables: The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

PERFORMANCE IN 2008 FOR ITEM I.1

a) Official implementation reports were prepared and submitted to the PHLG meetings (11.03.2008; 26.06.2008, 24.09.2008). These covered all aspects of the acquis under the Treaty.

b) Official implementation report was submitted also for the Ministerial Council meeting (27.06.2008).

c) The implementation process was actively supported by the Secretariat via missions on the spot, operational consultations and a special workshop (10-11.04.2008). The outcome of the latter was identification of open questions, which the Contracting Parties have; however some of these questions still need particular attention;

d) The Secretariat – in accordance with Article 52 of the Treaty - has prepared and submitted for consideration by the Ministerial Council a draft Report on the Development of the Energy Community.
e) Concrete support by the Secretariat in developing primary and secondary legislation and in developing market rules was provided to most of the Contracting Parties. This was organized via:

- Discussions with the relevant stakeholders on the spot;
- Analysis of draft legislation and market rules as prepared by the Contracting Parties.

2. Activities to facilitate the Treaty implementation

- In this area, explicit focus is envisaged in relation to development of a common concept for energy statistics for the purposes of the Treaty.

*Deliverables:* A unified approach towards collecting needed information as to facilitate effectively the decision making process. This will allow efficient operation with available data among all Parties. At this stage, there is no single mechanism for collecting and processing data for the needs of the Energy Community and taking adequate decisions requires such unified approach.

*Time line:* The Work Programme planning proposal envisages that this might be completed by the first half of 2009. When developing the approach towards energy statistics, the EU experience shall be used as a key background.

**PERFORMANCE IN 2008**

*The time line envisages actions in 2009. However, the Secretariat has already undertaken coordination activities (particularly with IEA) as to facilitate the implementation.*

- Further, concrete steps towards implementation of the Generally Applicable Standards of the European Community as adopted by the Ministerial Council (Conclusion 2, Annex 1 point 6 – Ministerial Council meeting on 29th June 2007) are planned. This concerns development of national plans for bringing the Contracting Parties’ Network Energy Sectors into line with the Generally Applicable Standards of the European Community and their consequent implementation.

*Deliverables:* Developed national plans, prepared by the Contracting Parties. The Secretariat shall provide technical assistance in this direction.

*Time line:* The Treaty (Article 22) indicates that these should be developed by June 2008.

**PERFORMANCE IN 2008**

*a) The Secretariat developed a proposal for step-by-step approach for development of individual plans to bring their Network Energy sectors into line*
with the Generally Applicable Standards of the European Community. The aim of the proposed approach was to streamline the procedure and coordinate the timeline within which the implementation of Article 22 of the Treaty shall be achieved in all Contracting Parties. This proposal was presented at the 8th PHLG meeting in March 2008.

b) The Secretariat explicitly noted the responsible ministers from the Contracting Parties about the necessity to coordinate internally concrete steps so timely adoption of the Generally Applicable Standards can be assured.

c) According to the proposed step by step approach concerning the development of national plans for the implementation of the Generally Applicable Standards at the 8th PHLG Meeting (March 2008), in July 2008 the Secretariat presented a Template for Development Plan for implementation the Generally Applicable Standards. The purpose of the template is to harmonize the approach.

d) The implementation of the plans shall be reviewed in March 2009. In parallel, a workshop on the issue shall be considered.

e) The Ministerial Council shall be informed about the current state of play during its meeting in December 2008.

- Besides, following the guidance of the Ministerial Council (Conclusion 4, Ministerial Council meeting on 29th June 2007), analysis of establishment of dispute settlement mechanism is envisaged.

Deliverables: The Secretariat shall prepare a report with analysis of the possibility to establish dispute settlement mechanism and proposal for options for such mechanism.

Time line: June 2008.

PERFORMANCE IN 2008

a) The Secretariat developed a proposal for a Procedural Act on the Rules of Procedure for Dispute Settlement under the Treaty, which was presented for discussion to the PHLG in March 2008. The Procedural Act was adopted by the Ministerial Council of the Energy Community in June 2008.

b) The Procedural Act, in building on the existing Articles 90-93 of the Treaty, makes dispute settlement under the Treaty a living instrument and thereby reinforces the rule of law.

c) The Secretariat currently works on three pending disputes brought to its attention by complaints. They all concern the electricity sector. The work undertaken consists in in-depth factual and legal analyses, but also in mediating between the market operator and the Contracting Party concerned. This may involve meetings on the spot with all stakeholders involved. In one of these cases,
the Secretariat initiated the formal preliminary procedure as established by the Procedural Act.

d) Further, in general terms, the Secretariat continuously provides information to Parties and private operators on the Energy Community dispute settlement system.

- Technical assistance to the Observers (without Norway) in the process of integration in the Energy Community.

**Deliverables:** The Secretariat, under the guidance of the European Commission, shall provide technical assistance to the Observer countries as to support them to follow the Treaty requirements. In this aspect, particular focus on identification of the key areas of necessary assistance on the ground of the main requirements of the Treaty shall be paid. The findings shall serve for planning and performance of concrete activities.

**Time line:** subject to concrete elaboration within the Programme period.

**PERFORMANCE IN 2008**

a) The Secretariat has provided operationally information and administrative support to all Observer countries, which have so requested.

b) The Secretariat took part in the meeting in Brussels in March 2008 between the European Commission, the Energy Regulatory Commission of Moldova and the private distribution company “Union Fenosa”, and made a presentation of electricity tariff benchmarking in the Contracting Parties, including Moldova. Next steps in assessment and support of the sustainability of the tariffs in Moldova, as foreseen by the European Commission, also include further involvement of the Secretariat.

c) Operational contacts have been established and are being maintained also with Georgia, which was accepted as an Observer in December 2007.

d) The Secretariat, in cooperation with the European Commission (being authorized to coordinate the activities in the preliminary phase by a decision of the Ministerial Council from November 2006), plans concrete steps in relation to Observer countries within the second half of 2008.

- Further, following Article 24 of the Treaty, concrete measures shall be considered as to support the implementation of the acquis via identification of the adequate correspondence of institutions under the relevant legislative acts, the existing institutions in the Contracting Parties and those under the Treaty. On the ground of concrete analysis, draft measures shall be proposed by the Secretariat for consideration by the competent Energy Community institutions.
*Deliverables:* Concept paper and draft of necessary measures shall be developed by the Secretariat.

*Time line:* first half of 2008.

**PERFORMANCE IN 2008**

*a)* The issue has been discussed at the Workshop on the implementation of the Treaty (10-11.04.2008).

*b)* Following previous discussions, the Secretariat developed and proposed for discussion at the 8th PHLG meeting in June 2008 a Draft Decision on the adaptation of the acquis communautaire on electricity and gas to the institutional design of the Energy Community.

*c)* Following some comments by the Contracting Parties, a Summary Paper with the outcome on the ground of the proposal and the comments was prepared by the Secretariat and reviewed by PHLG in September 2008. On this ground, the European Commission was invited to consider next steps as this is within its competence in accordance with Article 79 of the Treaty.

**II. ELECTRICITY**

This part reflects the tasks of the Secretariat related to monitoring on the implementation of the Directive 2003/54/EC, the Regulation 1228/2003/EC, the Directive 2005/89/EC and on the legal aspects of electricity market liberalization in the Energy Community as contemplated by the Treaty. The relevant findings shall be the background of concrete technical assistance by the Secretariat to the Contracting Parties as to help them achieve the implementation of the acquis.

This part also reflects the scope of activities of the Secretariat related to providing technical assistance to the Contracting Parties in the development and integration of the electricity market.

1. Monitoring activities

Related to the monitoring activities, the Secretariat will continue the benchmarking on the institutional, legal and regulatory framework in the Contracting Parties having in view the following aspects:

**PERFORMANCE IN 2008 ON ITEM II - General**

*a)* The Secretariat undertook concrete missions in all Contracting Parties in two rounds within the first half of 2008 (February – May) and in one round in the second half of the year (September-October) aiming at:
- monitoring the implementation of the acquis;
- support to the Contracting Parties on development of primary and secondary legislation along the requirements of the Treaty.

b) Further, the Secretariat continuously monitors from the office the development of new legislative acts, related to the energy sector, as well as acts of strategic nature and acts, concerning development of market rules, as presented by Contracting Parties. This, in addition to other activities in this relation, provides basis for operational intervention and input to the assessment.

- Institutional organization of the electricity sector:

  institutional framework as related to the overall market structure, regulatory authority, competition authority, policy making institutions, as well as the customer structure and customer protection authority;

PERFORMANCE IN 2008

a) The institutional framework is addressed in direct contacts and assessed in the reports. The independent regulatory rule and enhancement of the regulatory competences (in particular with respect to cross-border capacity allocation) is permanently underlined, Observed general deficit of administrative capacity is regularly reported and indicated.

b) The electricity market structure is monitored and assessed in particular on the ground of market concentration and possibility for increased competition. In addition to the regular reporting and direct informal assistance, the Secretariat is engaged at least in one case of formal bilateral negotiation on the subject.

- Public service obligation and customer protection:

  considered as a set of legal and regulatory measures related to market instruments on the one hand and policy measures, priorities and incentives on the other, aimed for universal and secured supply of electricity to the consumers;

PERFORMANCE IN 2008

a) Provisions on the PSO are regularly monitored and assessed on the ground of their articulation allowing development of competitive market. Regulated activities and effective cost reflectivity of the applied tariff methodologies are addressed as appropriate in the direct contacts with the regulatory authorities.

b) Vulnerable customers’ protection instruments are continuously monitored and assessed on the ground of appropriate non-tariff measures, findings are reported.
c) Final customers’ protection is addressed through assessment of the applied provisions for quality of supply and services as well as Universal supply, reflected in the reports as well as in direct contacts with the authorities.

- Provisions related to monitoring the security of electricity supply:
  
  overall institutional, legal and regulatory framework related to this issue;

**PERFORMANCE IN 2008**

a) Provisions related to energy balances, demand forecast, and new generation planning are addressed along with the corresponding instruments applied. In addition to the Security of Supply Statements provided by the Contracting Parties, information is acquired in direct contacts with the authorities and oversight of the legislation. Planning of new transmission infrastructure is underlined.

b) Emergency measures in crisis situation, rules for possible restriction in the supply and load shedding practices are addressed in this context as well.

c) Considerations of the bilateral/regional cooperation and development of the cross-border trade in this respect are assessed and promoted.

d) Road Maps for the implementation of Directive 2005/89/EC were developed and being analyzed to be presented at the 11th PHLG meeting and to be disseminated afterwards to the Contracting Parties. The substance and the advantages of the Directive 2005/89/EC are part of the discussions during the Contracting Party missions.

- Technical rules:
  
  related to availability of transmission and/or distribution grid code, electricity metering code, conditions for electricity supply, market rules and other corresponding secondary legislation;

**PERFORMANCE IN 2008**

a) Appropriate primary legislation support as well as the state of play in development of the required technical rules is assessed and reported on regular basis. In addition, specific aspects of compliance of the secondary legislation with the Acquis are addressed, such as appropriate third party access to the transmission and distribution grids, general rules and conditions for electricity supply, connection rules, balancing mechanisms and switching rules, cross-border capacity allocation rules, etc,
b) The procedure and responsibilities for development and adoption of the secondary legislation are assessed and discussed with the regulators and the policy authorities.

c) Transparency is addressed in particular with respect to the availability of the adopted secondary legislation.

- Provisions for construction of new electricity infrastructure:

  provisions in the primary and secondary legislation related to conditions, authorizations and administrative procedures for new generation and transmission capacity construction as well as for granting concessions on primary energy resources, connection to the grid and access to the market, as well as overall investment, procurement and taxation conditions;

**PERFORMANCE IN 2008**

a) Authorization procedures and criteria for construction of new generation capacity are assessed and discussed mainly in direct contacts with the energy policy authorities, on the ground of efficiency and non-discrimination.

b) Tendering for new capacity is addressed having in mind the available legislation on energy in the first place, and discussed with the regulatory authorities and ministries.

- Unbundling provisions and access to the accounts:

  provisions in the legislation related to the financial, legal, and technical unbundling of the electricity industry;

**PERFORMANCE IN 2008**

a) Unbundling of the transmission and distribution network operators from the integrated utilities and competitive businesses is assessed, reported and discussed in each contact with the authorities as one of the principle preconditions for liberalization of the market. The availability and transparency of network access tariffs is addressed accordingly.

b) Unbundling of regulated services from competitive generation and supply activities is assessed as well. Compliance programs are addressed as appropriate.

c) Enforcement for monitoring of the unbundled accounts as well as monitoring rules and practices as applied by the regulators are assessed and reported, Regulatory authorities are consulted on the matter during each contact.
- Third party access provisions:
  provisions related to any third party access to the transmission and distribution networks;

**PERFORMANCE IN 2008**

a) Third party access to the electricity networks is monitored both with respect to its implementation in the primary legislation, as well as in the grid codes. It is regularly considered in the direct contacts and reported as appropriate.

b) TPA implementation in practice is considered mainly through the applied transparency instruments, availability of the appropriate data and applied access tariffs and through the monitoring practices applied by the regulatory authority.

- Market opening provisions:
  any legal and administrative conditions applied on a consumer for granting its access to the free electricity market and/or free selection of the supplier;

**PERFORMANCE IN 2008**

a) Development of appropriate Market Rules as well as its enforcement in the primary legislation is considered as the elementary prerequisite for effective opening of the electricity market, upon which the assessment is applied. Market model is considered on the ground of availability of competitive supply and development of the wholesale market instruments. The issue is reported as well as discussed in the direct contacts as applicable.

b) Market opening calendar is considered on the ground of its compliance with the Treaty and the MC Conclusions. However, the specific policies and calendars applied are assessed and discussed with the aim to allow for applicable balance between the security of supply conditions as observed in the system and the applied liberalization criteria. Additional measures, such as ones for customer protection, improvement of collection rates and reduction of losses, improvement of the market structure, development of required secondary legislation, required investments in the infrastructure and others, are discussed and considered in this context as well.

- Cross-border trade conditions:
applied administrative, commercial and regulatory conditions related to the rights of use of interconnecting transmission capacities and participation in the cross-border market.

**PERFORMANCE IN 2008**

*Implementation of the cross border exchanges of electricity is assessed primarily with respect to its compliance with the provisions from the Regulation (EC)1228/2003 and the related Congestion Management Guidelines. This goes in particular with respect to the following criteria, as applicable:*
- charges for access to the transmission network;
- congestion management methods;
- capacity allocation methods;
- rules for the use of congestion income;
- provisions for new interconnections;
- provisions for regional coordination;
- penalties applicable for non-compliance;
- transparency rules applied with respect to cross border capacity data.*

**2. Market related activities**

In addition to the monitoring and benchmarking of implementation of the Acquis, The Secretariat will focus its activities on reviewing the state of play and providing technical assistance to the Contracting Parties in the process of development and integration of the electricity market, mainly within the scope contemplated in the Road Maps as agreed at the Ministerial Council in November 2006. This will include primarily the following activities:

- Support and review the elaboration and subsequently implementation of the rules for the market design;
- Assist and review the development and the application of provisions for the wholesale market;
- Assist and review the development and the application of provisions for the retail market;
- Support and review the development of tariff methodologies provisions and the subsequent implementation of these provisions;
- Assist and review in co-operation with ECRB the development and subsequent implementation of rules for market integration.

The data shall be acquired mainly through contacts with the relevant stakeholders, including via missions to the Contracting Parties.
Deliverables: Technical assistance to the Contracting Parties shall be provided by the Secretariat. Further, the findings of the reviews shall be reflected in reports concerning the implementation of the Treaty and/or specific benchmarking and other Energy Community progress reports.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

PERFORMANCE IN 2008

a) The Secretariat targeted operationally these issues on a regular basis – thus, the topic is covered in all Implementation Reports, as presented at the PHLG meetings (March, June, September 2008) and the Ministerial Council meetings in 2008. All of the above market related issues are discussed with the authorities on the grounds of the practical implementation of the open electricity market in each of the Contracting Parties separately.

b) The activities are backed up by the overall understanding about the concrete priorities in this area further to the priorities of general nature in this direction (such priorities are e.g. in electricity – Coordinated Auction Office establishment, Regional Balancing Market development, Opening of the Market, attracting investments – particularly of regional value – is another key target). It should be noted that ECRB has explicit work focus in this direction.

c) Further, concrete discussions in March and June 2008 within PHLG on the establishment of the so called 8th Region took place. As a concrete follow-up, the Ministerial Council of the Energy Community, following a proposal of the Secretariat, during its meeting in June 2008 adopted a Decision on the implementation of Commission Decision of 9 November 2006 amending the Annex to Regulation (EC) No 1228/2003 on conditions for access to the network for cross-border exchanges in electricity. This decision is considered as an important step towards establishment of the regional market in electricity.

d) Market related issues were explicitly discussed also during a special seminar on electricity tariffs (February 2008) as well as on the Workshop on implementation of the Treaty (10-11.04.2008).

e) Market related issues are permanent subject of operational monitoring by the Secretariat within the review missions to the Contracting Parties.

f) The Secretariat organizes special interregional workshop on coordinated cross border capacity allocation as to promote in practical terms the establishment of Coordinated Auction Office in the region (21.10.2008, Vienna).

g) The Secretariat, following coordination with ECRB and upon explicit support and agreement of the Budget Committee of the Energy Committee, reallocated funds for development of studies, particularly targeting the establishment of
coordinated auctioning in SEE. These studies have been launched in October 2008.

III. GAS

This part reflects the tasks related to monitoring and reporting on implementation of the Directive 2003/55/EC as well as on the general aspects of the process of gas market liberalization in the Energy Community.

1. Activities in Gas

In this respect the Work Programme will focus – in accordance with the Road Maps, adopted at the Ministerial Council in November 2006 - on the following aspects:

- Continuation of monitoring process on the implementation of the primary legislation (Directive 2003/55/EC)
- Support and review on the elaboration and subsequently implementation of the rules for the market design;
- Assist and review the development and the application of provisions for the wholesale market;
- Assistance and review the development and the application of provisions for the retail market
- Support and review the development of tariff methodologies provisions and the subsequent implementation of these provisions
- Assist and review in co-operation with ECRB the development and subsequent implementation of rules for market integration (beside Regulation 1775/2005/EC)

Deliverables: The Secretariat shall provide technical assistance to the Contracting Parties. Further, the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

PERFORMANCE IN 2008

a) Within 2008, the Secretariat undertook two rounds of missions in the Contracting Parties. This was one of the tools, via which the Secretariat was permanently reviewing concrete legislation and acts of strategic nature, prepared
by some Contracting Parties as to follow its development along the Treaty requirements. Besides, concrete assistance in drafting such legislation was provided.

b) Concrete support in drafting network codes was provided to some Contracting Parties.

c) Road Maps for the implementation of Regulation 1775/2005 were developed and sent to the Contracting Parties to be accomplished by them. The substance and the advantages of the Regulation 1775/2005 were also discussed at the missions.

d) Road Maps for the implementation of Directive 2004/67/EC were developed and being analyzed to be presented at the 11th PHLG meeting and to be disseminated afterwards to the Contracting Parties. The substance and the advantages of the Directive 2004/67/EC are part of the discussions during the Contracting Party missions – in particular linked with crisis management

d) Concrete steps towards promoting the Energy Community Gas Ring as a key regional project in the area of gas have been undertaken – this included not only explicit focus on the issue within the PHLG meeting, but also concrete explanations of the concept to potential major investors, which have notified their interest in the project and where the experts serve as the initial one stop shop contact to third parties as long as a project sponsor has not been set up.

e) Guidance related to applications for Third Party Access exemptions was give to a major pipeline project sponsor

f) Remarks on upstream network codes were provided from the perspective of further gasification of SEE to EC.

g) The Secretariat and the ECRB – with the support of the European Commission and with the contribution of USAID – organized the first Gas Distribution Conference (September 2008, Zagreb), attended by more than 120 representatives of governments, regulators, companies, municipalities from over 20 countries.

h) Information on the market development had been provided at the 8th PHLG meeting (March 2008).

i) The Secretariat participated in some Gas Coordination Group’ meetings from the Contracting Parties’ perspective.

j) The Secretariat also participated at the Madrid Forum from the Contracting Parties’ perspective.

k) The topic of the market development was also on the agenda of the 4th Ministerial Council meeting, where an interim report of ECRB was presented by its President.
IV. ECRB ACTIVITIES

Creation of a stable regulatory and market framework is one of the key tasks of the Treaty. Further focus is the establishment of a single regulatory space for trade in Network Energy. Thus, the national regulators and the ECRB as a specific Energy Community institution have leading role for the achievement of these goals. This requires further active cooperation among the national regulatory institutions in the process of development of the energy market on national and regional level via harmonized approach along the lines of the Treaty.

Therefore, the Work Programme shall incorporate specific part of activities, which ECRB shall perform towards achieving the objectives of the Treaty. These activities – as indicated in the ECRB Work Programme - shall be considered as integral part of the Work Programme of the Energy Community.

PERFORMANCE in 2008

This is subject to a separate report by ECRB; it is envisaged that this report shall be presented on an annual basis.

However, it shall be also noted that the ECRB activities were supported actively by the ECRB Section of the Secretariat in the following major areas:

a) ECRB Section has elaborated National Reports for most of the Contracting parties describing the progress made by the Contracting parties in establishing an open electricity market.

b) ECRB Section has elaborated based on the available National Reports an interim Market Development Report which has been approved by the ECRB and is going to be to be presented to the MC.

c) ECRB Section has elaborated a Cross-border Capacity Benchmarking Report based describing the current state of play concerning Cross-border capacity allocation in the region.

d) ECRB Section has finalized and published a Survey on the development of the gas market in South East Europe.

e) The ECRB has started a Study on the Improvement of Interconnection, Interoperability, Transparency and Harmonisation of Operational Rules for Natural Gas Transportation in the Energy Community. Results are expected by the end of 2008.
f) ECRB Section has supported the various ECRB Working Groups with its expertise in issues related to gas and electricity.

g) The ECRB monitors the implementation of best practices on the protection of vulnerable customers. Later, a specific study on Study on (Electricity) Tariff Methodologies and their Impact on Prices and Energy Consumption Patterns in the Energy Community was launched. Results are expected by the end of 2008.

h) The ECRB Section has tabled proposals for a regulatory framework supporting the Gas ring, which have been under discussion within the ECRB.

i) ECRB Section’s experts visited during their missions to the Contracting Parties several regulatory authorities, companies and ministries in order to discuss open questions concerning the establishment of an open energy market in the region and provided assistance on the implementation of Regulation 1775/2005.

j) Supporting the regional approach in coordinated auctioning, further to the other work in this direction, the Secretariat – upon approval of ECRB – launched three studies concerning the congestion management process in electricity.

V. ENVIRONMENT

1. Activities

The indicated tasks in this part of the Work Programme are based on the explicit requirements of the Acquis as envisaged by the Treaty (Article 16).

Thus, following the deadlines for the implementation of the relevant elements of the environmental Acquis, concrete activities for each of them have been envisaged.

Reviews of implementation

The activities in this aspect are related to the following reviews concerning:

- Adoption of the (Directive 85/337/EEC) and its amendments in each Contracting Party;
- Adoption and proper implementation of Article 4(2) of Directive 79/409/EEC of 1979 on conservation of wild birds in each Contracting Party;
- Preparation for proper and timely implementation of Directive 1999/32/EEC relating to a reduction of the sulphur content of certain liquid fuels;
• Measures undertaken by Contracting Parties to draw up programmes for progressive reduction of total annual emissions from existing plants, and the steps concerning limitation of emissions of certain pollutants into the air from large combustion plants (Directive 2001/80/EC);

• State of play with the adoption of the Council Directive 96/61/EC concerning integrated pollution prevention and control;

Deliverables: Technical assistance shall be provided by the Secretariat to the Contracting Parties. The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

In general, the work on environmental issues within the Energy Community has to get substantial impetus. Therefore, in parallel with the concrete activities concerning the implementation of the relevant Acquis, the Work Programme envisages explicitly training of representatives of the Contracting Parties in the area.

Deliverables: Workshops for governmental officials.

Time line: One workshop per year (concrete time frame to be specified).

PERFORMANCE IN 2008 ON ITEM V

a) In 2008, the Secretariat has remodeled its internal responsibility assignment so as to better target the implementation of the environmental acquis.

b) The Secretariat has initiated comprehensive fact-finding missions; it presented an initial implementation report to the PHLG at its meeting in March 2008. The report focuses on the acquis of which the implementation deadlines have already expired, namely the Environmental Impact Assessment Directive and the Wild Birds Directive.

c) An updated version of this report has been included in the general Implementation Report which was presented to the Ministerial Council meeting in June 2008.

d) A further update is prepared for the PHLG and the Ministerial Council in December 2008 as a part of the overall implementation report. The Secretariat monitors the implementation of the environmental acquis and its application to concrete projects continuously.

f) The Secretariat took part in the ReRep Meeting on Energy and Climate in SEE in June 2008
e) The 1st ECS Environmental Workshop focusing on the implementation and application of the Environmental Impact Assessment Directive has taken place on 12 March 2008 with over 80 participants.

VI. RENEWABLES

1. Activities

In the area of renewables, the Work Programme envisages steps by the Secretariat to support the Contracting Parties in relation to implementation of the Acquis as it stands in the Treaty (Article 20). Particular focus will be put on the continuation of the activities undertaken till now – the implementation of the Plans of the Contracting Parties, building on the results of the Report on the implementation of the Acquis on renewables in the Energy Community (September 2007) prepared by the Energy Institute HRVOJE POZAR, Croatia.

Thus, in this relation the Work Programme envisages the following major tasks:

- Supporting a harmonized approach with regard to the development of the plans of the Contracting Parties – taking the specifics of the relevant Contracting Party into account – at the same time focusing on the regional approach; in parallel, harmonization in terms of the intended time schedule in order to follow the core intentions of the Treaty shall be targeted thus gain fully the benefits of the regional approach.

**Deliverables:** The Secretariat shall provide technical assistance to the Contracting Parties in development of their plans. Further, it shall report to the PHLG on the outcome.

**Time frame:** 2008.

- Monitoring and Assistance to the Contracting Parties with respect to the endorsed Plans for the implementation of Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market.

**Deliverables:** Technical assistance to the Contracting Parties by the Secretariat. Annual and periodic reports on the implementation of the Treaty and operational support shall be also developed.

**Time frame:** Technical assistance shall be provided within the Programme period upon request. The information shall be presented with the relevant annual and periodical reports on the implementation of the Treaty.

- Monitoring and Assistance to Contracting Parties with respect to their plans for the implementation of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport.
Deliverables: Technical assistance to the Contracting Parties by the Secretariat. Annual and periodic reports on the implementation of the Treaty and operational support shall be also developed.

Time frame: Technical assistance shall be provided within the Programme period upon request. The findings shall be presented with the relevant annual and periodical reports on the implementation of the Treaty.

- Organization of training on key requirements of Acquis Communautaire, which is part of the Treaty, in relation to renewables.

Deliverables: Workshops for governmental officials.

Time line: One workshop within the second half of 2008.

- Assistance to the Contracting Parties in relation to the usage of the Flexible Mechanism under the Kyoto Protocol. This shall include activities, related to capacity building for project preparation. The Secretariat shall prepare a concept to the approach, however, targeting not only the Contracting Parties, which have ratified the Kyoto Protocol, but also those which still have not done it. Further, although the accession to the Kyoto Protocol is not mandatory under the Treaty (Article 13), the Secretariat shall support this process for the Contracting Parties, which have not ratified it yet.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties. Workshops for governmental officials concerning best practices.

Time line: One workshop within the first half of 2009.

PERFORMANCE IN 2008

a) The work prior to adoption of the Work Programme 2008 – 2009 indicates substantial and concrete steps forward in line with the Treaty.

All contracting Parties developed and presented their national plans in line with the requirements of Article 20 of the Treaty. These were presented at the 5th PHLG meeting on 28 June 2007. The information was reviewed and “PHLG notes that the requirements of Article 20 are fulfilled” (Conclusion 6, 5th PHLG meeting, Montenegro, 28th June 2007). Further, the Ministerial Council adopted the undertaken steps by adopting the PHLG conclusions in this direction (Annex 1, item 1 of the Ministerial Council conclusions, Montenegro, 29th June 2007).

b) Nevertheless, the work of the Secretariat in this direction continues.

- The issue was on the agenda of the 8th PHLG meeting, where a separate report was presented;
The monitoring process in this direction is going on - the Contracting Parties provide update on the developments – the next one shall be reflected by the Secretariat in its report on the Implementation of the Treaty in December 2008.

c) The topic shall be explicitly covered within a Workshop in November 2008, organized in cooperation between the Secretariat and the UK and the Slovenian governments, within a training project for SEE.

VII. COMPETITION

1. Activities

In the area of competition, the Work Programme envisages operational steps towards monitoring of the institutional legislative framework of the Contracting Parties for correspondence with Article 18 of the Treaty.

- Thus, the monitoring of the legislative framework of the Contracting Parties in relation to trade of Network Energy shall focus on identifying the (non)availability of rules which might prevent, restrict or distort competition and analysis of the existing rulings on public aids from the perspective of the energy sector. Relevant technical assistance shall be provided by the Secretariat to the Contracting Parties as to support their efforts towards enforcement of rules in accordance with the acquis under the Treaty.

Deliverables: Technical assistance by the Secretariat to the Contracting Parties. The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Training in relation to the application of the relevant Acquis is also envisaged. One workshop shall be envisaged.

Deliverables: One workshop.

Time line: Second half of 2008.

PERFORMANCE IN 2008

a) The Secretariat has remodeled its internal responsibility assignment so as to better target the implementation of the competition acquis.

b) The Secretariat has initiated comprehensive fact-finding missions; it presented an initial implementation report to the PHLG at its meeting in March 2008. The report focuses on the acquis of which the implementation deadlines have already

c) An updated version of this report has been included in the general Implementation Report which was presented to the Ministerial Council meeting in June 2008.

d) A further update is prepared for the PHLG and the Ministerial Council in December 2008 as a part of the overall implementation report. The Secretariat monitors the implementation of the environmental acquis and its application to concrete projects continuously.

e) The 1st ECS Competition Workshop is under preparation and is planned to take place in December 2008.

VIII. SECURITY OF SUPPLY

1. Activities

Reflecting one of the key tasks of the Energy Community and having concrete practical implications for all Contracting Parties, the issue of Security of Supply finds substantial coverage in the Work Programme.

Therefore, in this relation the Work Programme focuses on several key directions:

1.1 Collection of update information to be basis for adequate decision making

- In this relation, the Secretariat shall undertake further steps towards introduction of a register and information mechanism about safeguard measures, undertaken by Parties in case of crisis on the network energy market. The aim is to provide regular information flow as basis for adequate decision making process. This will be done on the ground of the proposals, which have been already prepared by the Secretariat.

Deliverables: Finalization of a Register.

Time line: First half of 2008.

PERFORMANCE IN 2008

As the current approach towards Security of Supply issues as agreed by PHLG, which is to be proposed at the Ministerial Council meeting in December 2008, does not explicitly focus on this, the topic needs concrete consideration at PHLG level. Additionally the role of the so called Security of Supply Group – to be established following the expected decision on the MC in December 2008 – has to be taken into consideration, thus providing the possibility to set up a sound and transparent register.
Further, the Secretariat shall assist the Contracting Parties in the preparation and the review of the Statements on Security of Supply in accordance with Article 29 of the Treaty.

**Deliverables:** Statements on Security of Supply.

**Time line:** Second half of 2009.

**PERFORMANCE IN 2008**

The Statements on Security of Supply, which have to be elaborated every two years and which were delivered for the first time for the 2nd MC meeting in June 2007, were highly welcomed by all shareholders of the Energy Community process. It is reasonable to expect the same quality of information in the next Statements on Security of Supply to be delivered for the MC in June 2009, hence providing a sound basis for decisions regarding next steps/actions to be taken in relation to the improvement of the security of supply status.

Yearly training activities for governmental officials in this relation shall be organized as to identify and cope with open issues on national and regional level.

**Deliverables:** One workshop per year.

**Time line:** Second half of 2008 and 2009.

**PERFORMANCE IN 2008**

The topic shall be explicitly covered within a Workshop in November 2008, organized in cooperation between the Secretariat and the UK and the Slovenian governments, within a training project for SEE.

1.2. Following a decision of the Ministerial Council (Conclusion 8, Ministerial Council meeting on 29th June 2007), the Work Programme envisages steps towards implementation of several key directives related to the issue of security of supply in the area of electricity and gas; this refers both to adoption and implementation, as well as to the relevant institution building in the Contracting Parties, which shall provide objective conditions for the proper implementation of the acquis.

These activities shall cover:

- Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment;
• Regulation 1775/2005/EC on conditions of access to the natural gas transmission networks.

The focus of activities will be related to assisting the Contracting Parties in development of plans for implementation of this part of the acquis as well as for the implementation activities themselves. Further, monitoring shall be provided.

In parallel, development of a concept for institution building under the above mentioned directives is respectively envisaged.

**Deliverables:** Technical assistance by the Secretariat to the Contracting Parties for the above mentioned activities. Further, regular reviews shall be performed - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty. A respective study shall be developed.

**Time line:** Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council and the requests of the Contracting Parties.

1.4 Further, taking note of the importance of the Mutual Assistance Obligation, next steps in this direction shall be at the attention of the Energy Community under the explicit guidance of the European Commission.

**Deliverables:** Annual reports to the PHLG.

**Time line:** 2008 and 2009.

**PERFORMANCE ON ITEM VIII IN 2008**

a) **Having prepared summary of the answers to the questionnaire submitted to the Contracting Parties in year 2007 to the PHLG meeting in March 2008, the Secretariat presented its views on eventual establishment in three consecutive steps of a Security of Supply Group for gas and electricity as well as for the implementation of Article 44 to 46 of the Treaty.**

b) **The proposed approach was in principle agreed by the PHLG (Conclusions 7-8). The**

c) **On this ground, the Secretariat developed and proposed a Procedural Act on establishment of Security of Supply Coordination group; the proposal was accepted by PHLG (Conclusion 6, 10th PHLG Meeting, Zagreb, 25.09.2008), which shall be considered by the Ministerial Council in December 2008.**

d) **Further, the Secretariat developed and proposed Roadmap templates for the implementation of Directives 2005/89/EC and 2004/67/EC, which were approved by the PHLG and which are basis for further work of the Contracting Parties in this direction (Conclusion 7, 10th PHLG Meeting, Zagreb, 25.09.2008).**
IX. ENERGY EFFICIENCY

1. Activities

There is no explicit acquis on Energy Efficiency in the Treaty. However, the Treaty (Article 35) envisages the possibility of developing measures in this relation. Further, the PHLG (Conclusion 7 of the PHLG meeting on 28th June 2007), supported by the Ministerial Council, noted the importance of the topic and requested further steps in this direction.

Therefore, the Work Programme envisages concrete steps towards targeting the issue of Energy Efficiency in the following main areas:

- Setting up a Task Force (concept to be approved by the PHLG) in order to involve Contracting Parties in developing Energy Efficiency Plans in Contracting Parties

The Secretariat has formally proposed a concept in direction establishment of a Task Force on Energy Efficiency within 2007. On the ground of the agreed approach, next steps shall be undertaken in this direction. The Secretariat, providing operational support to the Task Force, shall contribute to putting Energy Efficiency measures into practice along the line of the agreed framework.

- Raising public awareness and building capacity for energy efficiency;
- Tracking energy efficiency initiatives and programmes financed by different donors, as well as financing facilities offered by international financial institutions and publicize the information to Contracting Parties;
- Promoting a dialogue among policy makers, regulatory authorities, utilities, energy end-users associations on obstacles to energy efficiency and actions needed to improve the energy intensity;

This will relate to the following concrete elements of attention in the work:

a. Dissemination of best practice;

b. Training on the ground of EC experience and on the ground of the best practice;

c. Harmonization of statistics (based on Eurostat and IEA methodologies);

d. Institution building;

The Secretariat shall be also supportive to the Contracting Parties, which shall consider developing detailed national action plans for the improvement of energy efficiency. This will also include particular attention to popularization of effective steps towards demand side management.

Deliverables:
- Follow-up of the Decision of PHLG (to be taken in 2007) and of the Task Force;
- One workshop for governmental officials

_TIME LINE_: 2008 – 2009

PERFORMANCE ON ITEM IX IN 2008

a) Based on the Treaty establishing the Energy Community (Article 35) and following the concrete decision by the Ministerial Council, the Energy Efficiency Task Force (EETF) was established in December 2007. It became effective upon the adoption of its mandate and election of its chair by a decision of the Ministerial Council (Belgrade, 18 December 2007).

b) The Task Force adopted its Work Programme (January 2008) focusing on four major tasks:

   Task 1 – presentation of a comprehensive state of play of the situation among Contracting Parties and observers in terms of Energy efficiency;
   Task 2 - Preparation of a generic (non customized) Action Plan to advance energy efficiency in the Contracting Parties;
   Task 3 - Initial analysis related to the identification of the EU legislation on energy efficiency that could be extended to the Energy Community and would produce largest impact;
   Task 4 - Development of a Communication and Awareness Raising Campaign plan, allowing the improvement of the energy efficiency in the region.

c) Information on Task 1 (state of play in the Contracting Parties) was presented at the second EETF meeting in June 2008. The first report “Analysis of the energy efficiency in the Contracting Parties and Observer Countries to the Treaty Establishing the Energy Community” was prepared. It comprised an overview of the following: Legal and Regulatory Framework; Policies and Programmes; Institutional Framework; and Recommendations. A short report on the Task Force activities and the progress with the Work programme was presented at the 4th Ministerial Council meeting by the Chair. Task 1 was accomplished as planned.

d) EETF at its third meeting on 23.09.2008 discussed and agreed on a template of a generic Action Plan (Task 2), which is based on the one for National Energy Efficiency Plans prepared by the EU member states. The first National Energy Efficiency Plan shall be prepared for the period 2009-2011 (Deadline – March 2009 by the Contracting Parties. Further plans shall be elaborated respectively for 2012-2014 and 2014-2016.

e) At its meeting on 23.09.2008, the Energy Efficiency Task Force discussed also a proposal on Task 3 of the Work Programme “Analysis of energy efficiency related EC Directives and their impact on the Energy Community, if transposed”. The focus is on the following directives:
• Directive on energy end-use efficiency and energy services (2006/32/EC)
• Directive on the energy performance of buildings (2002/91/EC) -EPBD
• Directive on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances (92/75/EEC)

The deadline for finalizing the analysis is 1st February 2009.

A concrete template and the approach to prepare the analysis were also presented. The template was adopted by the EETF as a concrete basis for further activities in analyzing the effect of the related EC directives if transposed.

f) The last task from the Work Programme is to prepare a Communication and Awareness Raising Campaign plan, by 15 June 2009. This should be based on a model proposed by the Task Force members.

X. INVESTMENTS

1. Activities

Considering the large need for new infrastructure to sustain the regional market, the issue of investments requires special attention of the Energy Community. This Work Programme focuses further on it, aiming at:

- Finalizing the list of criteria for projects of regional value, and respectively the list of priority projects in energy infrastructure to sustain the regional market development;

**Deliverables:** Report of the Secretariat to PHLG.

**Time line:** First quarter of 2008.

- Supporting project development, monitoring and reporting on progress status of priority projects;

**Deliverables:** Yearly report by the Secretariat.

**Time line:** 2008-2009.

- Preparing Contracting Parties’ reviews of the investment climate and market structure; identifying barriers and deficiencies in the market reform that are hampering investments and making recommendations to the Contracting Parties to reduce these;
Deliverables: On spot reviews by the Secretariat; the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

Time line: Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Organizing training workshops for the Contracting Parties on development, and presentation of infrastructure projects, with a focus on different aspects of financing energy projects, taking the Kyoto Protocol mechanism and subsequent provisions – if any- into account thus aiming at promotion of regional cooperation in the energy sector through raising awareness and publicizing best practices and successful models.

Deliverables: Workshops.

Time line: Annually.

- Organising an Energy Community Investment Conference each year, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects;

Deliverables: Conference

Time line: Annually

These activities organized and/or done by the Secretariat shall contribute within the Programme period to development of concrete infrastructure projects.

In this aspect, the Secretariat shall also continue providing operational support to the Donors’ Community.

PERFORMANCE ON ITEM X IN 2008

a) On the ground of the list of priority infrastructure projects, as adopted by the Ministerial Council in December 2007, the Secretariat continued monitoring the development of the projects via regular information, collected from the Contracting Parties, as well as public information sources and the donors’ community’s reports.

b) A Technical Workshop on investments was organized in April 2008, to discuss the progress, as well as the barriers in investments in priority projects. It was attended by national energy companies, governments and regulatory authorities from the Contracting Parties, as well as the Donors’ Community. With this occasion it was also presented the new IPA Multi Beneficiary instrument: Investment Project Facility (IPF) that provides technical assistance for the
preparation of (pre) feasibility studies, Environmental Impact Assessment, technical documentation, etc.

c) As a follow up, the Secretariat worked with the Contracting Parties and four of them have send applications to the IPF in May 2008, which were accepted and now the technical assistance is under delivery.

- An investment conference was organized in Prishtina on 07.10.2008. It attracted private investors and International Financial Institutions, national energy utilities, government representatives, regulators, Transmission System Operators, donors. The main message was that in order to have investments progressing, the prerequisites are: cost –reflective tariffs, stable and harmonized legislation including authorization and licensing procedure, transparent and level play field, and good governance.

XI. SOCIAL DIMENSION

1. Activities

As experience shows, social aspects are accompanying the energy sector’s reforms and consequently, the Work Programme contains concrete proposals in this direction as well. The focus of the current Work Programme is on institutionalizing the issue within the political guidance and consequent steps towards addressing:

- the socio-economic impacts of the energy sector reforms in SEE;
- development of strategies to deal with the social dimension of the energy sector reforms;
- improvement of the dialogue with the social partners;
- the need for better knowledge and understanding of the social aspects within the Contracting Parties.

In this relation, the Secretariat will focus on the following concrete activities:

- Support to the Establishment of a Social Forum (understood as events within the Social Dimension of the Energy Community) in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community;

**Deliverables:** Organizational Work of the Secretariat.

**Time line:** 2008.

- Assistance to the Contracting Parties and monitoring for the implementation of Article 3 of Directive 2003/54 EC and Article 3 of Directive 2003/55 EC.
**Deliverables:** Technical assistance by the Secretariat to the Contracting Parties. In parallel, reviews on the implementation shall take place - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

**Time line:** Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Support to the Contracting Parties for implementing strategies to deal with the wider social dimension covering issues of affordability, energy poverty, district heating reform, rural distribution, isolated systems and societal impacts of reforms, as they are proposed by the European Commission;

**Deliverables:** The Secretariat shall consider and propose to the PHLG concept for an approach for development strategies in this aspect. Consecutive support by the Secretariat to the Contracting Parties – to the extent needed and requested – shall be provided.

**Time line:** Second half of 2008 for the concept; operational assistance on the implementation.

- Support to the Contracting Parties for the introduction of mechanisms for information and consultation of the social partners for the monitoring of the implementation of the Energy Community and its effects.

**Deliverables:** The Secretariat shall consider and propose to the PHLG concept for information mechanism in this aspect.

**Time line:** The first half of 2008.

- Organization of training workshops on the key requirements of the scope of the social dimension – and for the dissemination of good practices and sharing experience (including those highlighted within the proposed study).

**Deliverables:** Workshops.

**Time line:** Annually.

**PERFORMANCE ON ITEM XI IN 2008**

a) **In line with the Work Programme, the Secretariat organized a workshop in May 2008 to discuss models and best practices for information and consultation of the social partners for the monitoring of the implementation of the Energy Community and its effects. This was attended by government representatives, trade unions, energy companies from the Contracting Parties, and the Donor Community. A number of four best practices were presented and the participants discussed the current situation in their countries.**

b) **At the workshop a concept for the approach, as well as a template for the Social Action Plans was proposed by the Secretariat after consultations with the Social Partners and the European Commission. The template was adopted by the**
participants together with the proposal to establish joint working groups for the preparation of the Social Action Plans, in accordance with the requirements of the Memorandum of Understanding, signed in October 2007. The working groups are set up and started working in all Contracting Parties with the exception of UNMIK, where this is in progress.

c) The 1st Social Forum is being organized on 18-19 November in Tirana. This will be attended by the relevant stakeholders, including the government representatives from both energy and social ministries, social partners, energy companies and regulatory authorities, donors, etc. This will give the Contracting Parties the opportunity to report on the progress made in general with the social issues in the context of the energy reforms, as well as with the preparation of the Social Action Plans.

The outcome of the workshop will be reported at the Ministerial Council meeting in December 2008.

XII. REGIONAL AND CROSS-BORDER ISSUES

1. Activities

Taking into consideration the role of development, establishment and application of common approach of the Parties to the Treaty towards cross-border solutions, the Work Programme focuses also on:

- Steps towards implementation of coordinated mechanism for cross-border electricity and gas trade and transmission of Network Energy.

*Deliverables:* Development of list of criteria for coordinated auction office (by the Implementation Group created by ECRB and TSOs).

*Time line:* Second quarter of 2008.

- Steps towards development of Regional Market Design in the sense and in the scope of the Treaty, thus ensuring compatibility of market designs for the operation of gas and electricity markets.

*Deliverables:* Establishment of national market rules on compatible basis with the regional approach of the Treaty.

- Development of a concept for Regional Market Design in the scope of the Treaty’s requirements.

*Time line:* Second half of 2008.
Preconditions and other practical issues towards efficient development of the market (prohibition of customs duties and quantitative restrictions in particular).

**Deliverables:** The findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

**Time line:** Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

**PERFORMANCE IN 2008**

a) The Secretariat thoroughly assessed the issues of customs duties and measures having equivalent effect on electricity imports in connection with a pending case ECS-2/08.

b) Furthermore, the Secretariat launched an investigation into this issue covering all Contracting Parties. The findings will be reflected in the Implementation Report to be presented to the Ministerial Council in December 2008.

- Effective implementation of Regulations 1228 and 1775.

**Deliverables:** Technical assistance to the Contracting Parties shall be provided by the Secretariat. Further, reviews shall be performed - the findings of the reviews shall be reflected in the relevant reports concerning the implementation of the Treaty.

**Time line:** Annually and periodically in accordance with the relevant decisions of the PHLG and/or the Ministerial Council.

- Steps towards mutual recognition of licenses and fostering free establishment of electricity gas companies

**Deliverables:** The Secretariat and ECRB shall prepare analysis on the approach. Consequent recommendations shall be made.

**Time line:** Second half of 2008.

**PERFORMANCE ON ITEM XII IN 2008**

As a precondition to all further efforts in implementing common capacity allocation and congestion management, the 8th Region was established by the Ministerial Council in June 2008 upon proposal by the Secretariat.
XIII. CROSS – CUTTING ACTIVITIES

The cross – cutting activities include especially the organization of the meetings of the institutions set under the Treaty and concern the Ministerial Council, the PHLG, the ECRB, the Athens Forum (electricity), the Gas Forum (gas), the Joint Gas Working Group meetings, events in the context of the Social Dimension of the Energy Community.

These also include all the other events (conferences, training workshops, regional meetings, etc.) organized by the Energy Community Secretariat within the scope the key areas of activity, and which are described under each Section, as necessary.

Deliverables: Event management.

PERFORMANCE ON ITEM XIII IN 2008

The achievements out of the cross-cutting activities, being supportive function to all other areas of work, are in first line linked to the areas of event management, website administration and its maintenance, establishment of internal working procedures and others.

Thus, via these activities, operational mechanisms for better implementation of the Work Programme were established. Therefore, the information below should be considered through this perspective.

a) As regards event management, until the date of this report, the Secretariat supported administratively the organization of some 40 events in the year 2008 till the date of this report; 13 more events are envisaged by the end of the year. The events, organized so far, took place at the seat of the Secretariat in Vienna, as well as in the Contracting Parties and in some Participants.

b) The area of the work within the event administration has undergone reorganization in terms of process in 2008. The Secretariat has created virtual platform, the so called Members Area of the Energy Community through its website, which enables exchange of documentation related to the Energy Community as well as electronic registration to the events. This area will continue its uninterrupted development by the end of 2008 and in the year 2009.

c) In terms of the general administration, an ongoing process of establishment of procedures related to the everyday work of the Secretariat and its staff has been continued. Such procedures and need for their creation is derived on one side from the relevant Procedural Acts (like for example Staff Regulations) or Decisions of the decision-making bodies of the Energy Community (Ministerial Council, PHLG) but also out of the internally defined needs (i.e. through the Financial Management Rules of the Energy Community) by the Director. Based on the requirements of documentation of the establishment of the Energy Community, the Secretariat has created archive of files related to the period commenced after the entry into force of the Treaty on 1 July 2006. Such documentation is supported by continuous updates of the website but also
through ongoing creation of files for the library of archives and registration of documents. Lastly, process of documents registrations through qualified software solution has been in its final pilot phase and is operational since mid 2008.

d) Based on the requirements of the Work Programme of the Energy Community and its relevant institutions (like ECRB) relevant procurement procedures for studies and consulting have been launched in 2008. At the date of this report procedures for five ECRB studies have been launched. r partially under implementation.

e) The Secretariat via its general functions of administration and legal affairs actively supported the establishment of a new body as required under the Procedural Act of the Ministerial Council of 17 November 2006 concerning the budgetary matters, namely of the Budget Committee. The work of the Budget Committee commenced on 30 January 2008 at its corresponding meeting and has been launched for the period of two years in its current composition. The organization of the work of the Budget Committee, its role, tasks and functions, is further specified in the relevant Internal Rules of Procedures of the Budget Committee of 30 January 2008.

In 2008, the Budget Committee provided major support to the Director in the course of budget implementation through its advisory and supervisory functions.

5. The area of human resources development within the Secretariat was marked through introduced management measures like internal seminar (retreat in Jan 2008) and completion of employee dialogues required under the Staff Regulation of the Energy Community. Such interventions enabled organizational development of the Energy Community in terms of its culture and human resources. It is planned to continue introduction of further managerial measures as required for human resources development.