



Energy Community Regulatory Board

Work Programme 2017

Amended version April 2017

PRESIDENT'S FOREWORD

Distinguished readers,

It is my very pleasure and honour to herewith introduce the 2017 Work Program of the Energy Community Regulatory Board (ECRB). I am proud to witness that over the years ECRB matured from a coordination platform to a group of profound experts that actively contribute to market design and energy policy in the Energy Community. The new responsibilities attributed to ECRB under the Third Package and Regulation (EC) 347/2013 as well as additional competences on the horizon stemming from the implementation of Third Package related network codes and guidelines are exciting new challenges that require us to re-shape our collegial and decisive role even more. As President of ECRB I am delighted seeing our members fit and prepared for the new tasks ahead.

The success of our cooperative regulatory work in previous years encouraged us to continue concentrating our work on two main pillars, namely wholesale and retail gas and electricity markets. In the core of our related activities lies the aim to provide coordinated regulatory positions to energy policy debates, harmonizing regulatory rules across borders, sharing regulatory knowledge and promote customer protection. Beyond that, ECRB is committed to strengthen its role as independent regional voice in context of strategic regional energy market development. The expertise of our members builds a bridge between the technical needs of the regulated industry and the interest of customers.

Our specific organizational structure, involving regulators from the Energy Community, the European Union and the Agency for Cooperation of Energy Regulators, will also in 2017 continue to provide central support to our mission of streamlining regulatory rules between the Energy Community and European Union. This is supported by cooperation with international partners such as the Council of European Energy Regulators and the Mediterranean Energy Regulators.

I cannot close without thanking those who so actively support the work of ECRB with their engagement and enthusiasm. It is the expertise of our members and the organizational backup of the Energy Community Secretariat that allows ECRB to deliver successfully.

A handwritten signature in black ink, appearing to read 'Branislav Prelević', with a long vertical stroke extending upwards from the end of the signature.

Branislav Prelević, ECRB President

ABOUT ECRB

The **Energy Community Regulatory Board (ECRB)** operates based on the Energy Community Treaty. As an institution of the Energy Community¹ ECRB advises the Energy Community Ministerial Council and Permanent High Level Group on details of statutory, technical and regulatory rules and makes recommendations in the case of cross-border disputes between regulators.

ECRB is the independent regional body of energy regulators in the Energy Community and beyond. ECRB's mission builds on three pillars: providing coordinated regulatory positions to energy policy debates, harmonizing regulatory rules across borders and sharing regulatory knowledge and experience.

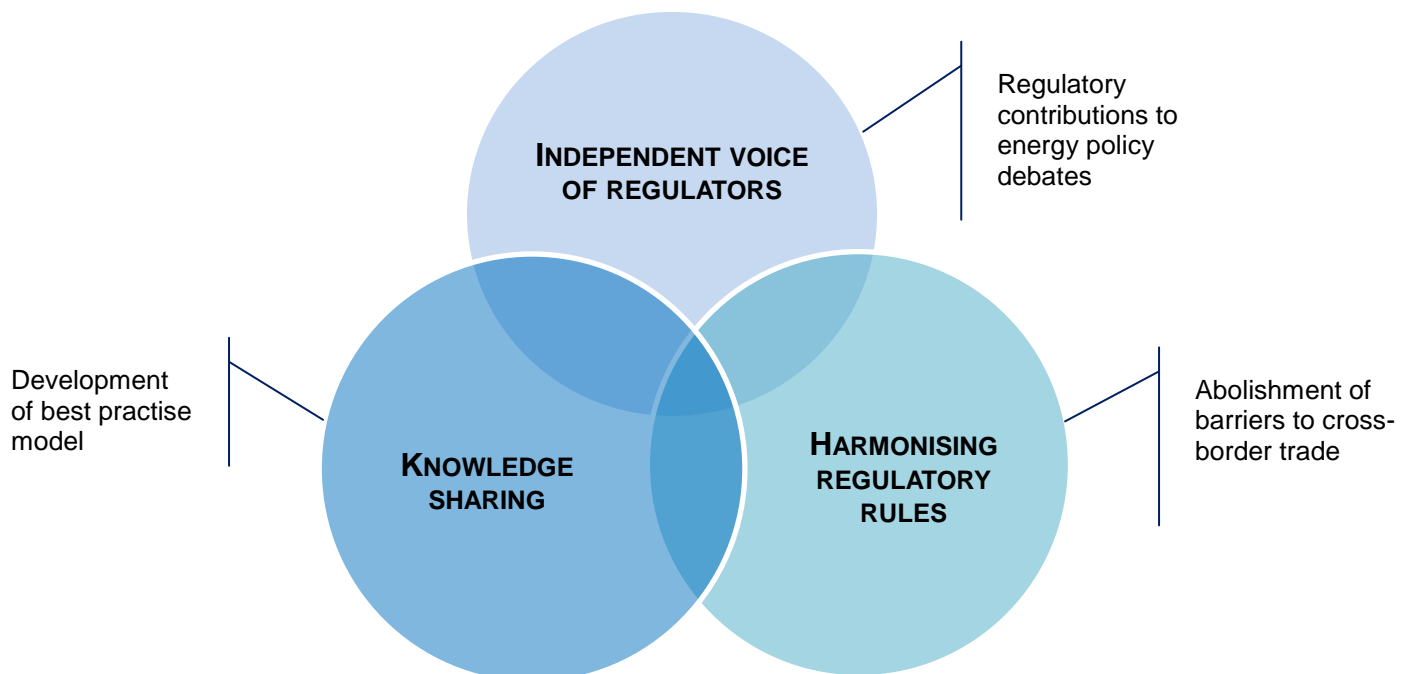


Figure 1: ECRB mission and objectives

¹ www.energy-community.org.

2017 ACTIVITIES IN BRIEF

Activities related to **customer issues, electricity and gas** form the backbone of ECRB work in 2017. This structure mirrors the core areas of regulatory tasks on national level and reflects the building blocks of necessary regulatory cooperation on regional level.

The three pillars of ECRB activities are organised in the relevant Working Groups. Under this general set up, the *Customers and Retail Markets Group* covers retail market related aspects of the electricity and gas sectors while the *Electricity Working Group* and *Gas Working Group* focus on wholesale related aspects of the relevant sectors.

The following illustration provides an overview of ECRB activities in 2017 and shows the relevant reporting structures.

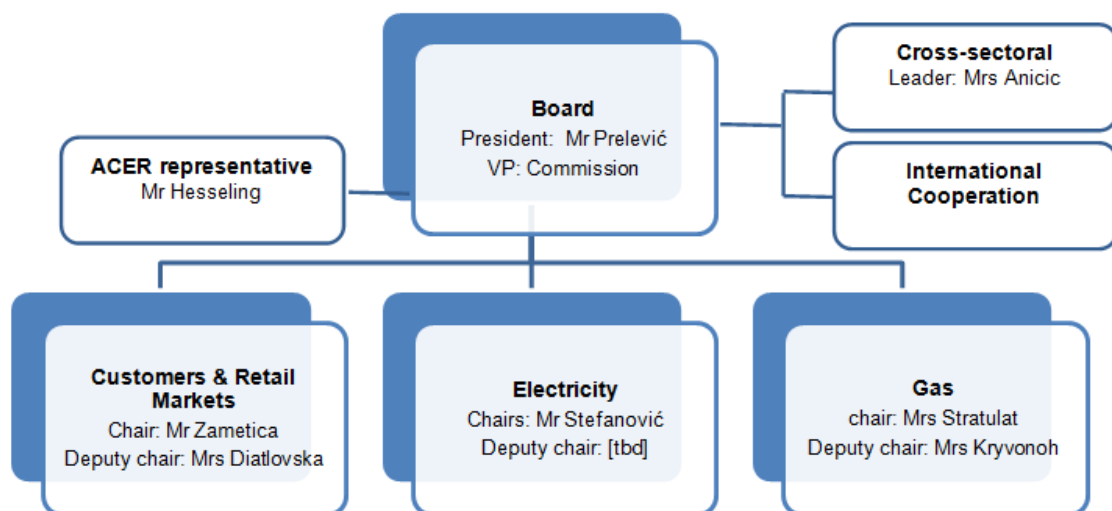


Figure 2: Overview of ECRB activities in 2017

CROSS - SECTORAL

1. Energy Policy

Task Force	Leader	Scope	Deliverable	Due
I. Compliance enforcement by regulators	<i>Mrs Anicic</i> (REGAGEN)	The 11 th Energy Community Gas Forum 2016 underlined that “in the context of promotion truly competitive markets, NRAs shall ensure to supervise consistent and continuous application of primary and secondary legislation and make use of their enforcement and penalty rights in case of non-compliance. The Forum invited the Energy Community Regulatory Board (ECRB) to present an assessment of the effectiveness of regulatory enforcement practices to the next Forum.” ²	Assessment paper	Gas Forum 2017: presentation of interim results 12/2017: final report
II. ECRB positions on Contracting Party TSO certifications	Coordinated by the ECRB President based on PA No 01.1/2015	<p>The Third Energy Package requires designation of national gas and electricity transmission operators (TSO). Articles 9(6) and 10(1) of Directive 2009/72/EC and Directive 2009/73/EC require certification of the relevant TSO by the national regulatory authority (NRA) as pre-condition for a successful designation. The certification procedure aims at proofing the TSO's compliance with the unbundling requirements of the Gas and Electricity Directives (cf Articles 9 leg cit).</p> <p>Pursuant to Article 3(1) of Regulation (EC) 714/20093 and Article 3(1) of Regulation (EC) 715/20094, the Energy Community Secretariat (“Secretariat”) shall within a maximum of 4 months examine the notified draft decision of a Contracting Party's NRA in relation to certification of a gas or electricity TSO (hereinafter “Draft Decision”) as to its compatibility with Articles 9 and 10(2) of the Gas and Electricity Directives; the Secretariat has to consult the Energy Regulatory Board (“Board” or “ECRB”) on the Draft Decision. The Board shall develop an Opinion on the Draft Decision and submit it to the Secretariat.</p>	ECRB Opinion	Upon receipt

² Cf. https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4326453/3D2CE0E6B1EE4C6AE053C92FA8C060A6.pdf, para 3.

2. International Cooperation

Sharing best practice experience with other regional regulatory bodies is not only recommended from an efficiency point of view but also when keeping in mind the goal of integrating regional markets. ECRB is committed to continue and strengthen the well established streams of cooperation with the Agency for Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER), the Mediterranean Regulators (MEDREG) and the Energy Regulators Regional Association (ERRA).

Task Force	Leader	Scope	Deliverable	Due
III. Customer Protection within Closed Distribution System	<i>Mrs Diatlovska</i> (NEURC) and <i>Mr Žutobradić</i> (HERA)	Article 28 of Directive 2009/72/EC sets the provisions on closed distribution systems and possible exemption that may be provided for them in terms of tariff methodologies and functioning. Provided that such closed distribution systems may among others supply households and small consumers, the transparent and level playing field for all consumers (despite the fact where is has its connection point) in terms of supplier switching, consumer rights and customer protection should be established. Providing adequate criteria and conditions for classification of closed distribution systems, determination of rules for their functioning as well as requirement concerning relationship with their consumers requires commonly accepted approaches.	Survey comparing closed distribution system regulatory frameworks in Energy Community and European Union with a view to identify best practices. Related experiences and findings may further be discussed at a dedicated workshop or within the Working Group format.	12/2017
IV. Quality of Supply in Gas	<i>Mr Barcaru</i> (ANRE)	According to Article 41(1) lit h of Directive 2009/73/EC regulators have to approve requirements for quality of services and supply. Learning from the experience in the electricity sector ⁵ , existing standards and indicators for the gas sector shall be analyzed including similarities and differences in comparison electricity sector.	Analytical paper	12/2017

⁵ https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4152416/332DC7CA33704372E053C92FA8C0A017.pdf.

ELECTRICITY

co-chair: *Mr Stefanović* (AERS)

Task Force	Leader	Scope	Deliverable	Due
I. Wholesale Market Opening	<i>Mr Lanza</i> (AEEGSI)	<p>Effective wholesale market opening is central for establishing a competitive regional Energy Community electricity market and its integration with the European market. A harmonized regulatory approach is necessary in this context.</p> <p>With a view to supporting effective wholesale market opening, activities will focus on regulatory support to forward capacity allocation and day-ahead market integration in South East Europe. The activity also targets providing coordinated regulatory input to the South East European day-ahead market coupling projects established under the Western Balkans 6 Initiative⁶.</p>	<ol style="list-style-type: none"> 1. Bi-annual Tetris table on capacity allocation surveying implemented cross-border capacity allocation mechanisms⁷ 2. Bi-annual WMO progress monitoring report reviewing the implementation progress of the SEE RAP in visual form of different maps 3. Coordinated regulatory input to the South East European day ahead market coupling projects 4. Harmonized regulatory review of SEE CAO rules: ad-hoc commenting or preparing harmonized and joint proposals for ECRB approval 5. Transparency monitoring compliance with the transparency requirements of Regulations (EC) 714/2009 and 543/2013 – update of 2016 assessment⁸ 	<p>Bi-annually</p> <p>Bi-annually</p> <p>Upon project development</p> <p>upon delivery</p> <p>12/2017</p>

⁶ https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6; see also more specifically the related Memorandum of Understanding: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4126415/3178C3FCD7C364E1E053C92FA8C0F233.pdf.

⁷ Such as the allocation modality (split 50:50; joint auctions, SEE CAO, other), information on TSO / Auction Office contact for submission of requests for capacity etc.

⁸ https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4448463/431356469FD733B2E053C92FA8C09A1E.pdf.

Task Force	Leader	Scope	Deliverable	Due
II. Balancing Market Integration	<i>Mr Malidžan</i> (REGAGEN) and <i>Mr Brkić</i> (HERA)	The Energy Community's Contracting Parties' balancing mechanisms are largely not market based, lack functioning imbalance settlement procedures and do not provide for cross-border procurement of balancing energy and reserves. Linking the national balancing markets to a regional and more dynamic approach would promote the transparent formation of balancing prices, introduce competition in the procurement of balancing services, and positively affect grid stability. This process received additional impetus from the the Western Balkans 6 Initiative ⁹ .	<ol style="list-style-type: none"> 1. Survey on the existing imbalance settlement models in the Energy Community¹⁰ 2. Coordinated regulatory input to the regional balancing projects of the Western Balkans 6 Initiative 	04/2017 Upon project development
III. Wholesale Market Monitoring	<i>Mr Gachechiladze</i> (GNERC)	Market monitoring is a core element of regulatory responsibilities. Only in-depth knowledge of market performance, stakeholder activities and development outlooks allow regulators to create an effective market framework that balances the needs of market players and is able to promote competition, customer protection, energy efficiency, investments and security of supply at the same time.	<ol style="list-style-type: none"> 1. SEE Market Monitoring Guidelines¹¹: regional MM Administrator rotation scheme and identification of trouble shoot need 2. SEE Market Monitoring bi-annual reports 3. Recommendatory paper on SEEMMS indicators interpretation 4. Monitoring report on the development of electricity wholesale markets in the Contracting Parties¹² 	Quarterly Bi-annual 12/2017 12/2017

⁹ https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6; see also more specifically the related Memorandum of Understanding: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4126415/3178C3FCD7C364E1E053C92FA8C0F233.pdf.

¹⁰ Finalization and continuation of the related 2016 activity.

¹¹ With consultancy support financed by USAID, ECRB in 2014 published Market Monitoring Guidelines (MMG) that focus on electricity cross-border trade and, in particular, the calculation and use of cross-border capacities. The MMG aim at increasing transparency of the electricity markets and strengthen cooperation among NRAs to monitor markets in accordance with Regulation (EC) 714/2009 and Directive 2009/72/EC. Use of the MMG is supported by a monitoring database and a web interface.

¹² Based on the indicators applied by ACER for its annual Market Monitoring Report.

Task Force	Leader	Scope	Deliverable	Due
I. Gas Transmission Tariffs	<p><i>Mr Ischia</i> (E-Control) and <i>Mr Cioffo</i> (AEEGSI)</p> <p>supported by ECRB GWG and in cooperation with ACER GRI SSE¹³</p>	<p>The activity targets, in a first step, content-wise preparation of the Contracting Parties' regulators for future implementation of the Third Package Network Code on gas transmission tariffs based on sharing of expertise developed on EU level.</p>	<p>Sharing of regulatory expertise</p> <p>Analysis</p>	<p>GWG-1/2017: discussion of network code on gas tariffs</p> <p>07/2017: interim results</p> <p>12/2017: final results</p>
		<p>Beyond that, analysis¹⁴ shows that gas transmission tariffs are currently over-average high at interconnection points in South and Central East Europe, including on entry/exit points between EU and Energy Community members. An analysis, Energy Community and neighbouring EU¹ members, will look into potential reasoning for observed grid fee levels and their compliance with the Third Package Network Code on gas transmission tariffs.</p>		
II. Regulatory treatment of network losses	<i>Mrs Tubin</i> (AERS)	<p>Following a 2016 survey¹⁵, continue knowledge exchanges as regards:</p> <ul style="list-style-type: none"> - Assessment of losses: assessment methodology, metering (data availability, metering frequency, coincidence of reading, accuracy), data verification. - Identification of main drivers of the assessed losses, including (if available) determination of impact of individual causes on overall losses, information on programmes for decrease of losses (if existing) - Incentives for decrease of losses (e.g. in pricing methodologies etc.). The concept of "NRA approved" losses (if applicable), criteria for determination of acceptable/ approved losses, factor influencing the "approved" values of losses (e.g. material and age of the network). - Analysis of the effects of incentive measures for losses reduction in countries where such measures are adopted and applied. 	<p>Case studies by TF Leaders</p>	<p>One per 2nd and 3rd GWG meeting 2017</p>

¹³ http://www.acer.europa.eu/en/Gas/Regional_%20Intiatives/South_South-East_GRI/Pages/default.aspx. Subject to inclusion in GRI SSE activities.

¹⁴ Cf https://ec.europa.eu/energy/sites/ener/files/documents/Gas_transmission_tariff_CESEC_final_10_05_18.pdf.

¹⁵ https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4448459/4312FCCCF464323BE053C92FA8C04E57.pdf.