



*Energy Community Regulatory Board*

**ECRB**

**Work Program 2012**



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## 1 INTRODUCTION

### 1.1 The Energy Community

The Energy Community extends the European Union's (EU) internal energy market to South East Europe (SEE). By signing the Treaty<sup>1</sup> the signatory parties<sup>2</sup> agreed to implement the *acquis communautaire* on electricity, gas, environment, competition and renewables<sup>3</sup> with a view to realize the objectives of the Treaty and to create a regional gas and electricity market within South East Europe (SEE) capable of attracting investment. Given the small size of the national markets it is commonly understood that following a **harmonised regional approach** for the energy market of the Energy Community remains the key requirement for the promotion of investments in the Region.

### 1.2 The Energy Community Regulatory Board (ECRB)

The Energy Community Regulatory Board (ECRB)<sup>4</sup> operates based on Article 58 of the Energy Community Treaty. As an institution of the Energy Community the ECRB advises the Energy Community Ministerial Council and Permanent High Level Group on details of statutory, technical and regulatory rules and should make recommendations in the case of cross-border disputes between regulators. The work of the ECRB is supported by the Energy Community Secretariat.<sup>5</sup>

#### 1.2.1 Scope of Work

The key objective of the cooperation of energy regulators within the ECRB is to support the harmonized development of regulatory rules in the Energy Community. Within the necessary range of national specificities, streamlining of regulatory measures and providing a stable regulatory market framework remains a key promoter for a number of core objectives of the Treaty – such as market integration, facilitation of investments, competition and security of supply.

The ECRB acts as a coordination body of the national regulators for exchange of knowledge and development of common best practice solutions for implementing the Treaty in a harmonized way.

<sup>1</sup> The Energy Community has been established by the Treaty establishing Energy Community, signed in October 2005 in Athens and entering into force on 1 July 2006. Treaty establishing the Energy Community (hereinafter "The Treaty"). The Treaty was signed in October 2005 in Athens, Greece and entered into force on 1 July 2006. Details on the Energy Community and ECRB see [www.energy-community.org](http://www.energy-community.org);

<sup>2</sup> The **Parties** to the Treaty are the European Community, on the one hand, and the **Contracting Parties**, namely, Albania, Bosnia & Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, Ukraine and UNMIK (pursuant to United Nations Security Council Resolution 1244). 15 European Union Member States have the status of **Participants**. Armenia, Georgia, Norway, and Turkey take part as **Observers**.

<sup>3</sup> For details of the relevant *acquis* see:

[http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/Treaty](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Treaty)

<sup>4</sup> For details see [www.ecrb.eu](http://www.ecrb.eu).

<sup>5</sup> Detail on the Energy Community and ECRB see [www.energy-community.org](http://www.energy-community.org); ECRB details see additionally [www.enc-ecrb.org](http://www.enc-ecrb.org).



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The ECRB focuses on three key areas of regulatory responsibilities: gas, electricity and customers.

### **1.2.2 Objectives and Priorities**

ECRB activities are performed in line with the following overall objectives and priorities to the extent linked to regulatory work<sup>6</sup>:

- Development of competitive national gas and electricity markets;
- Integration of national markets and development of competitive regional markets in electricity and gas, which may involve a significant level of market monitoring;
- Identification and active contribution to abolishment of barriers for cross border trade and competition in cooperation with national competition authorities;
- Rolling back regulated prices in the electricity and gas sector and protection of vulnerable customers and social issues;
- Security of supply;
- Network security and quality of service;
- Renewable energy sources and energy efficiency.

In performing its task the ECRB actively coordinates and cooperates with the other Energy Community institutions. Such coordination is of utmost importance given the legal fact that any regulatory activity can only start from broader energy policy decisions and build on existing legal powers and framework rules.

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<sup>6</sup> See as well overall Work Programme of the Energy Community 2012-13; [www.energy-community.org/pls/portal/docs/1084185.PDF](http://www.energy-community.org/pls/portal/docs/1084185.PDF)

## 2 ECRB WORK PROGRAMME 2012

### 2.1 GENERAL ACTIVITIES

#### 2.1.1 ECRB Annual Report

##### DELIVERABLES

ECRB Annual Report 2011

##### CONTENT

According to its Internal Rules<sup>7</sup> the ECRB will prepare an Annual Report on its activities. The report will be prepared in 2012 for the previous calendar year (2011). The report will focus on the activities of the ECRB but not relate to market developments.

##### WORK APPROACH

The report will be prepared by the ECRB Section for approval by the ECRB.

##### TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

#### 2.1.2 Cooperation with European Institutions

##### DELIVERABLES

Cooperation with European institutions

##### CONTENT

By signing the Energy Community Treaty the Contracting Parties committed to implement part of the European Union's *acquis communautaire*. When implementing the *acquis* streamlining with best practice experience gained on European level is not only recommended from an efficiency point of view but also when keeping in mind the goal of integrating regional markets. Alignment with European experience of course needs to take into account national and regional specificities of the Energy Community.

Coordination of ECRB activities with European developments is guaranteed via the coordination function of the European Commission, acting as Vice-President of the ECRB and the participation

<sup>7</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/Acts#ECRB](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Acts#ECRB).



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of the Agency for the Cooperation of Energy Regulators (ACER)<sup>8</sup> in the ECRB. In addition the Participating Countries to the Treaty are at the same time member of the ECRB, CEER and the ACER Regulatory Board. Exchange of experience is also ensured by individual European regulators joining the ECRB Working Group meetings subject to their experience on specific agenda items.

📁 WORK APPROACH

Continuous cooperation

📁 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

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<sup>8</sup> According to Article 2 decision D/2011/O2/MC-EnC of the Energy Community (<http://www.energy-community.org/pls/portal/docs/1146182.PDF>) and decision 2011-022 of the Director of ACER on appointing an ACER representative to the ECRB.

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## 2.2 ELECTRICITY

### 2.2.1 Task Force 1 - Regulatory Framework for Establishing Regionally CAM and CMP

#### DELIVERABLES

Regulatory review of SEE CAO related documents prepared and proposed by SEE TSOs

#### CONTENT

Regulation (EC) 1228/2003<sup>9</sup> requires the implementation of a regionally coordinated congestion management and capacity allocation mechanism. By decision of the Energy Community Ministerial Council on establishing the so-called 8th Region, this requirement is applicable in the Energy Community Contracting Parties and neighboring EU Members building the 8th Region. By signing a Memorandum of Understanding<sup>11</sup>, the TSOs of the 8<sup>th</sup> Region set the cornerstone for the development of a South East European Coordinated Auction Office (CAO) for implementing the requirements of Regulation (EC) 1228/2003.

In the process of establishing a CAO as instrument for achieving a regionally coordinated congestion management and capacity allocation mechanism in the 8<sup>th</sup> Region, regulators are responsible for approving relevant CAO related documents (e.g. auction rules). These documents need to be prepared by the Transmission System Operators. Even if the approval of the prepared documents would take place on national level – i.e. by each regulator individually for its national Transmission System Operator – the approach followed by the regulators in the national approval procedure needs to be streamlined throughout the Region. A regional project, such as the CAO, can only operate if the same regulatory rules are applicable in all participating markets.

Task Force 1 is in charge of **coordinating the regulatory positions on the CAO related documents that require regulatory approval.**

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<sup>9</sup> Regulation (EC) 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity, OJ L 176 of 15.7.2003, p 1 et seqq. The same provision is stipulated for the gas market by Article 22 Directive 2003/55/EC (Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC; OJ L 176 of 15.7.2003, p 57 et seqq).

<sup>10</sup> Decision of the MC of 27 June 2008 (2008/02/MC-EnC).

<sup>11</sup> Details see chapter 2.2.

📁 WORK APPROACH

The Task Force will review the CAO related documents prepared by the TSOs<sup>12</sup> and propose a common regulatory opinion. After EWG approval a proposal for a common regulatory opinion will be forwarded to the ECRB for approval<sup>13</sup>. **No consultancy requirement.**

📁 TIMETABLE

It has to be noted that the precise timetable for delivering Task Force results to a significant extent depends on the delivery of proposals by TSOs. The 12<sup>th</sup> EWG meeting agreed that a period of 1 month is assumed for agreement on Task Force level on documents delivered TSOs. All in a period of 2-(max) 3 months is assumed to reach agreement on ECRB level (incl. EWG approval before).

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

## 2.2.2 Task Force 2 - Balancing

📁 DELIVERABLES

1. Balancing glossary
2. Assessing the possibility of implementing the (ex) ERGEG guidelines for good practise on electricity balancing (**survey**)
3. Guidelines on electricity balancing and imbalance settlement (**study**);

📁 CONTENT

### Deliverables (1) and (2)

Balancing of electricity flows is of core relevance for the functioning of electricity transmission systems and – beyond that – develops towards becoming one of the pivotal point for network

<sup>12</sup> For preparation of the SEE CAO related documents that – according to the Action Plan – have to be submitted by the TSOs, a dedicated Project Team shall be set up.

<sup>13</sup> According to the conclusions of the 11th ECRB meeting (item 3a; [http://www.ecrb.eu/portal/page/portal/ECRB\\_HOME/ECRB\\_DOCUMENTS/ECRB\\_BOARD%20RESULTS](http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/ECRB_BOARD%20RESULTS)) the ECRB will issue non binding recommendations on SEE CAO related documents as long as a NTC approach is pursued and even if not all TSOs participate in the SEE CAO in a first step. NRA shall maintain the right to formally approve the SEE CAO related documents on national level but shall take the ECRB recommendation into utmost account. If the national decision should deviate from the ECRB recommendation the ECRB members shall justify the modification to the ECRB. Once a flow based CA mechanism is introduced, the above described decision making process shall be re-discussed with a view to enhancing the role of the ECRB in the decision making process.

development and regional market integration: linking the national markets to a regional and more dynamic market will develop strong impact on the load flow situation and might also affect grid stability. The envisaged integration of renewable energy sources – especially the integration of wind energy – additionally creates challenge for system operators. In small markets with transmission systems largely depending on one energy source – as prevailing in the Energy Community – reserve requirements, as foreseen by the ENTSO-E<sup>14</sup> Handbook are a relevant cost factor and regional balancing will develop to play an increased role.

A survey on the national balancing markets in the Energy Community prepared by the ECRB in 2010<sup>15</sup> showed that national balancing systems are still poorly established. Related discussions also tabled the need for developing a common understanding of balancing related terms with a view to ensure compatibility of the balancing concepts to be implemented on national and regional level.

The **Task Force shall** therefore

- Develop a balancing glossary with a view to develop a common understanding of balancing related terms
- Assess the possibility of implementing the (ex) ERGEG guidelines for good practice on electricity balancing on Contracting Party level, also with a view to consider the development of regional balancing

#### Deliverable (3)

Imbalance settlement prices should reflect costs of ancillary services and costs of balancing the electricity system, but at the same time, they should discourage balancing responsible parties from manipulation with scheduled transactions. Currently, Contracting Parties face inefficient balancing markets and usually have only one provider of ancillary services. In such circumstances the following issues need to be assessed:

- Measuring ancillary services and balancing energy (start and end of service, service volume etc.).
- Prices of ancillary services in non-market environment (single service provider) and cost of balancing.
- Regulatory monitoring of ancillary services and balancing.
- Appropriate allocation of balancing costs (imbalance settlement schemes which would develop the market and at the same time will discourage BRP from manipulation).
- Monitoring of imbalance settlements.
- Imbalance and other financial clearings.

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<sup>14</sup> [www.entsoe.eu](http://www.entsoe.eu).

<sup>15</sup> [www.ecrb.eu](http://www.ecrb.eu) – documents – ECRB reports.

- Regulatory treatment of imbalance settlement surplus.

📁 WORK APPROACH

Deliverables (1) and (2) will be developed by the Task Force. **No consultancy requirement.**

**Deliverable (3) will be developed by external consultancy.**

📁 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Deliverable 1			
Deliverable 2			
Deliverable 3			

### 2.2.3 Task Force 3 - Compatible Market Rules and Effective Regional WMO

📁 DELIVERABLES

1. Implementation of the Regional Action Plan for electricity wholesale market opening in SEE (RAP)<sup>16</sup>
2. Monitoring of the RAP implementation (**quarterly reports**)

📁 CONTENT

An open regional wholesale market is one of the major pylons of a future regional electricity market in South East Europe. In order to establish a regional wholesale market a harmonized regulatory approach is necessary. With the financial support of the World Bank, a consultancy study on Wholesale Market Opening has been developed and finalized in 2010<sup>17</sup>. Based on the study's recommendations a Regional Action Plan for electricity wholesale market opening in SEE has been jointly developed by the ECRB and ENTSO-E Regional Group SEE that aligns the study's results with the European Target Model for Electricity Market Integration by 2014.

#### The Task Force will

- Follow up the implementation of the RAP
- Monitor the wholesale market opening process via quarterly reports in line with ACER's quarterly Regional Initiative reporting

<sup>16</sup> [http://www.ecrb.eu/portal/page/portal/ECRB\\_HOME/ECRB\\_DOCUMENTS/PUBLICATIONS/ELECTRICITY/2011/RAP\\_FINAL%20approved%20%20ECRB17%20\\_CLEAN\\_\\_PUBLISHED%20VERSION%20incl%20ENTSO\\_E%20RG%20SEE%20logo.pdf](http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/PUBLICATIONS/ELECTRICITY/2011/RAP_FINAL%20approved%20%20ECRB17%20_CLEAN__PUBLISHED%20VERSION%20incl%20ENTSO_E%20RG%20SEE%20logo.pdf).

<sup>17</sup> [www.ecrb.eu](http://www.ecrb.eu); with an amendment on Moldova and Ukraine published in December 2011 ([www.ecrb.eu](http://www.ecrb.eu)).

- Via the ECRB RAP coordinator ensure active coordination and streamlining of approaches with Ministries, stakeholders and the Energy Community Secretariat

 WORK APPROACH

The deliverables will be developed by the Task Force. **No consultancy requirement.**

 TIMETABLE

Deliverable (1) will follow the timetable of the RAP.

Deliverable (2) will be executed via quarterly reports in line with ACER’s timeline for quarterly reporting on the Electricity Region’s development. According to the conclusions of the 18<sup>th</sup> ECRB<sup>18</sup> EWG and ECRB approval of the quarterly reports shall be executed by written procedure (email).

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Deliverable 1			
Deliverable 2	Once per quarter		

## 2.2.4 Task Force 4 – Harmonization of Wholesale Trading Licenses

 DELIVERABLES

1. Adjustment of the 2009 ECRB recommendations on harmonization of wholesale market licenses to a final European approach (if necessary).
2. Presentation of the final ECRB recommendation to the PHLG and Ministerial Council for agreement on precise measures. Based on this, assessment of the concrete legislative, regulatory and structural steps necessary for implementation for presentation to the PHLG and Ministerial Council.

 CONTENT

The Energy Community Treaty allows the Energy Community to take measures on mutual recognition of licensees. A harmonized approach for wholesale trading licenses allowing for their mutual recognition remains a key parameter for the facilitation of new market entries and cross border trading, both core drivers for the success of market opening and the development of a competitive regional market. At the same time fair and non-discriminatory competition requires a certain minimum level of transparency and regulatory oversight.

<sup>18</sup> [www.ecrb.eu](http://www.ecrb.eu); publications - ECRB Board Results – 18<sup>th</sup> ECRB.

The ECRB already in 2009 developed a proposal for a harmonized system of wholesale licensing in the 8th Region<sup>19</sup>. Having in mind the currently ongoing discussions on European level on the same topic, the ECRB decided to identify the 2009 recommendations as preliminary to the extent of a **necessary adjustment to the final results on European level**.

 WORK APPROACH

Deliverables will be prepared by the Task Force for EWG and, finally, ECRB approval. **No consultancy requirement.**

 TIMETABLE

The development of a precise timing depends on the finalization of results on European level. Work will start from there on and precise milestones can be developed only then.

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

### 2.2.5 Task Force 5 – Regulatory Investment Incentives

 DELIVERABLES

1. Follow up of 2010/2011 Energy Community study on regulatory investment incentives – preparation and coordination of measures recommended by the study to be implemented on national and/or regional level.
2. Presentation of the final ECRB recommendation to the PHLG and Ministerial Council for agreement on precise measures. Based on this, assessment of the concrete legislative, regulatory and structural steps necessary for implementation for presentation to the PHLG and Ministerial Council.

 CONTENT

Attracting investments is of core relevance for market development in SEE. Realization of the necessary infrastructure calls for a stable regulatory and market framework, a common regulatory approach on regional level, the creation of a single energy market<sup>20</sup> without internal frontiers, developing competition on a broader geographic scale and exploring economics of scale. Investments in new transmission line projects remain a key requirement for the developing of a liquid and competitive electricity market in SEE. Facilitating and stimulating new investments is therefore a core responsibility of both national legislation and regulatory praxis.

<sup>19</sup> [www.ecrb.eu](http://www.ecrb.eu) – documents – ECRB reports.

<sup>20</sup> Title IV of the Treaty.

The ECRB in 2009/2010 analyzed the existing regulatory instruments for stimulating investments in new infrastructure projects and the powers of regulators as regards cooperation and harmonization of regulatory rules related to projects crossing more than one border of Contracting Parties (“cross border investments”) <sup>21</sup>. Based on the report’s recommendations, a study on possible regulatory investment incentives (both for electricity and gas) has been commissioned by the Energy Community Secretariat in 2010 and finalized in 2011.

The **Task Force will assess** the necessary steps for implementing the study’s recommendations and propose recommendation to the PHLG and Ministerial Council for agreement on precise measures. This shall include an assessment of the concrete legislative, regulatory and structural steps necessary – to the extent they can be analyzed from regulatory level - for presentation to the PHLG and Ministerial Council.

 WORK APPROACH

Deliverables will be prepared by the Task Force for EWG<sup>22</sup> and, finally, ECRB approval. **No consultancy requirement.**

 TIMETABLE

2011			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

### 2.2.6 Task Force 6 – Market Monitoring

 DELIVERABLES

1. Providing input to the USAID financed consultant, Potomac Economics, for finalization of the Market Monitoring Guidelines and development of a market monitoring database and a web interface for exercising the monitoring activities.
2. Providing input to the regional market monitoring activity – where necessary – that is foreseen to be exercised by the Energy Community Secretariat based on the market monitoring database.

 CONTENT

The SEE Market Monitoring project was initiated following an invitation from the 8<sup>th</sup> Athens Forum in June 2006 to establish a Market Monitoring Pilot Plan. The Pilot Plan became effective in

<sup>21</sup> www.ecrb.eu – documents – ECRB publications.

<sup>22</sup> The electricity related part will be subject to EWG approval, the gas related part will be subject to GWG approval. See GWG Task Force 1.



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December 2006 with the financial support of USAID and engagement of the consultant Potomac Economics. The Market Monitoring project defines a set of common market monitoring indicators that – after the finalization of the project – are expected to be commonly applied by the Energy Community regulators.

In addition to the national implementation of the Market Monitoring guidelines, regional monitoring is expected to be prepared by the Energy Community Secretariat once the online database will be operational. While the final set up of the regional monitoring shall be left to the discretion of the Secretariat, Task Force 6 will coordinate national regulatory input to the extent necessary and not anyway automatized via the database.

#### WORK APPROACH

The Market Monitoring Guidelines, monitoring database and a web interface for exercising the monitoring activity will be prepared by the USAID financed consultant, Potomac Economics. Task Force 6 will coordinate input to this activity; **no additional consultancy requirement.**

Input to the regional monitoring activities will be coordinated by Task Force 6 (in cooperation with Task Force 1) to the extent necessary and not anyway automatized via the database. **No consultancy requirement.**

📁 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
MM Guidelines			
Implementation of MM on national level			
National monitoring by NRAs Input to regional monitoring			Et sq. (2013 et sq.)

The precise timing for development of the monitoring database and a web interface will need to be developed in agreement with Potomac Economics/USAID.

### 2.2.7 Task Force 7 – Renewables

📁 DELIVERABLES

Discuss the elements stemming from the introduction of power production from renewable energy sources (RES) that impact the regulatory rules and provide a platform for exchange of regulatory experience on EU and Energy Community level in this respect.

📁 CONTENT

European experience shows, that the enforced implementation of power production from renewable energy sources (RES) also has significant impact on the models for regulating electricity systems. This stems from the effects decentralized production and priority access have on network capacity needs to the impact on balancing.

An analysis of the ECRB in 2011<sup>23</sup> showed that a broad variety of rules related to RES exists in the Contracting Parties. Especially, the powers of regulators are not equally stipulated, with some having in-depth approval and definition rights and others not being involved in the RES sector at all. Against this background of only a number of regulators being involved in RES related rule setting at all, the **Task Force shall** in principle act as platform for an exchange of regulatory experience on EU and Energy Community level in the RES area with a view to identify

📁 WORK APPROACH

Activities will be performed by the Task Force. **No consultancy requirement.**

<sup>23</sup> [www.ecrb.eu](http://www.ecrb.eu) - publications.



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📁 **TIMETABLE**

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter



## 2.3 SEE COORDINATED AUCTION OFFICE IMPLEMENTATION GROUP

### DELIVERABLES

Providing a **discussion and coordination platform** for Transmission System Operators (TSOs), regulators and traders for discussions on the establishment of a SEE CAO

### CONTENT

Regulation (EC) 1228/2003 requires the implementation of a regionally coordinated congestion management and capacity allocation mechanism. By decision of the Energy Community Ministerial Council<sup>24</sup> on establishing the so-called 8th Region, this requirement is applicable in the Energy Community Contracting Parties and neighboring EU Members building the 8th Region. By signing a Memorandum of Understanding<sup>25</sup>, the TSOs of the 8<sup>th</sup> Region set the cornerstone for the development of a South East European Coordinated Auction Office (CAO) for implementing the requirements of Regulation (EC) 1228/2003.

The SEE CAO IG has been established by the 10<sup>th</sup> Athens Forum<sup>26</sup> and acts as coordination platform bringing together regulators, International Financing Institutions, the European Commission, network operators, network users and traders with a view to discussing the establishment of a SEE CAO. Regulatory input is thereby coordinated in the ECRB EWG, TSO positions are coordinated via the SEE CAO Project Team Steering Committee<sup>27</sup> - upon establishment to be substituted by representatives of the SEE CAO Project Team Company - and the ENTSO-E Regional Group SE, traders are represented by EFET<sup>28</sup>.

### TIMETABLE

It has to be noted that the precise timetable for delivering Task Force results to a significant extent depends on the delivery of proposals by TSOs (Project Team) and regulatory review within the ECRB Electricity Working Group Task Force 1.

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

<sup>24</sup> Decision of the MC of 27 June 2008 (2008/02/MC-EnC).

<sup>25</sup> Details see chapter 2.2.

<sup>26</sup> Paragraph 37, conclusions 10<sup>th</sup> Athens Forum.

<sup>27</sup> An ECRB independent coordination body of the TSOs of the 8th Region that committed to set up and co-finance the setting up of a SEE CAO Project Team Company; the Steering Committee is chaired by the Montenegrin TSO. The European Commission, International Financing Institutions, the SEE CAO IG Chairman and the Energy Community Secretariat participate in the group as observers. The Project Team Company is responsible for the organisation setting up of a future SEE CAO.

<sup>28</sup> European Federation of Energy Traders.

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## 2.4 GAS

### 2.4.1 Task Force 1 – Regulatory Aspects of the Gas Ring Development

#### DELIVERABLES

1. Providing input to the finalization of the 2010 Gas Ring consultancy work and follow up of its results.
2. Follow up of 2010/2011 Energy Community study on regulatory investment incentives – preparation and coordination of measures recommended by the study to be implemented on national and/or regional level. Presentation of the final ECRB recommendation to the PHLG and Ministerial Council for agreement on precise measures. Based on this, assessment of the concrete legislative, regulatory and structural steps necessary for implementation for presentation to the PHLG and Ministerial Council<sup>29</sup>.
3. Providing input to the ongoing discussions on Energy Community level on the realization of a Gas Ring.

#### CONTENT

The objective of Task Force 1 is to discuss the possible options for the realization of a broader gas infrastructure concept in the Energy Community. This concept is widely known as so-called “Gas Ring”<sup>30</sup> and aims at connecting all Contracting Parties via a ring, considering also the needs of the Region with regard to the electricity sector as well as the (existing or planned) regional pipelines, LNG terminals and storage facilities that could be connected to the Gas Ring. This would not only significantly contribute to further gasification of SEE, but also provide benefits for upstream and downstream countries.

With a view to move from the theoretical analysis to practical investigation of regulatory requirements for creating Gas Ring, the GWG already in 2010 started discussions the regulatory and financial requirements, putting exemplary focus on two selected parts of a possible “Gas Ring”<sup>31</sup>. In 2010 supporting consultancy work has been commissioned, especially focusing on the financial aspects of investment realization.

Facilitating and stimulating new investments is therefore a core responsibility of both national legislation and regulatory praxis. Realization of the necessary infrastructure – among others - calls for a stable regulatory and market framework and a common regulatory approach on

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<sup>29</sup> The gas related part will be subject to GWG approval, the electricity related part will be subject to EWG approval. See EWG Task Force 5.

<sup>30</sup> The Gas Ring concept was first presented in SEE Regional Gasification Study (SEE Regional Gasification Study (2008), Economic Consulting Associates/Penspen/ Energy Institute Hrvoje Požar, financed by World Bank and KfW; March 2008, <http://www.energy-community.org/pls/portal/docs/36273.PDF>).

<sup>31</sup> The selected routes do not interfere with nor counter-act with the three gas related priority projects identified by the Energy Community and the European Commission of the Gas Ring.



regional level. A consultancy support finalized in 2011 assesses the regulatory instruments for incentivizing investments.

Based on the already existing consultancy deliverables and the related GWG results in 2011, the **Task Force will analyze** the necessary investments for attracting investments to meet the market related and financial requirements for realizing the Gas Ring infrastructure and / or its parts.

 WORK APPROACH

Deliverables will be prepared by the Task Force. **No consultancy requirement.**

 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

## 2.4.2 Task Force 2 – Gas Balancing

 DELIVERABLES

Guidelines for good practice on gas balancing

 CONTENT

Fair and transparent rules for gas balancing are one of the key elements for non-discriminatory gas market operation: only where shippers and users are well informed about their balancing status and related costs and face a transparent cost allocation model for imbalances, trading can happen in a non-discriminatory way.

Gas markets in the Energy Community are still on a low development level. The 2010 ECRB assessment paper on gas market models in the Energy Community showed that balancing rules are barely established. While noting that, first, gas markets need to be established and, secondly, balancing does not necessarily come first when regulatory rules need to be elaborated, the ECRB still emphasized the discrimination potential of non-existing or poorly designed balancing rules and the related negative impact on market opening.

Therefore **a minimum set of very essential gas balancing rules** shall be developed.

 WORK APPROACH

The guidelines will be prepared by the Task Force; **no consultancy requirements.**

📁 TIMETABLE

2011			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

### 2.4.3 Task Force 3 – Interoperability

📁 DELIVERABLES

Assessment of necessary harmonization measures in the area of technical interoperability of neighboring gas transmission systems (**survey**)

📁 CONTENT

Technical interoperability of neighboring gas systems, in praxi, is one of the most crucial pre-conditions for undisturbed cross-border flows. The European Commission and its stakeholders have paid attention to this by intensive discussions on harmonization of interoperability standards. The European Regulatory Gas Forum (“Madrid Forum”) supported a broad variety of harmonized standards<sup>32</sup>. Also Regulation (EC) 1775/2005<sup>33</sup> requires TSOs to ensure interoperability with its connected systems.

Even if gas systems are not developed to a comparable level in all Energy Community Contracting Parties, interoperability of systems –also with the neighboring EU Member States – is key for barrier-free cross border flows. This does not only trigger the success of competition and the operability of a potential future Gas Ring but also has significant impact on security of supply.

The **Task Force will therefore assess** the need for harmonization of technical interoperability.

📁 WORK APPROACH

Deliverables will be prepared by the Task Force; **no consultancy requirement**.

📁 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

<sup>32</sup> So called “Common Business Practises”, issued by EASEE Gas.

<sup>33</sup> Regulation (EC) No 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks, OJ L 289 of 3.11.2005.

## 2.5 CUSTOMERS

### 2.5.1 Task Force 1 – Customer Protection

#### DELIVERABLE

Providing input to the 2012 Energy Community activities related to customer protection and, in particular, the protection of vulnerable household customers.

#### CONTENT

Protection of customers is in the focus of the CWG activities from its beginning and already in previous years special attention has been drawn on concepts for protection of vulnerable household customers. The topic gained special relevance through the 3<sup>rd</sup> European legislative package on gas and electricity that requires Member States to develop a definition for vulnerable customers on national level and ensure their special protection. In line with the European approach, the ECRB in 2009 – with an update report in 2011<sup>34</sup> - concluded that vulnerable customers need to be defined on national not regional level and their protection needs to be made part of a broader social system.

**The Task Force will** in 2012 focus on providing input to the 2012 Energy Community activities related to customer protection and, in particular, the protection of vulnerable household customers .

#### WORK APPROACH

Activities will be performed by the Task Force. **No consultancy requirement.**

#### TIMETABLE

The precise timing depends on the schedules for the related Energy Community activities.

2011			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

### 2.5.2 Task Force 2 – Customer Supplier Switching

#### DELIVERABLE

Guidelines for Good Practice on customer supplier switching

<sup>34</sup> [www.ecrb.eu](http://www.ecrb.eu) – documents – ECRB reports.

📁 CONTENT

A transparent, simple, swift a reliable customer switching procedure is one of the core pre-requisites for the development of a competitive retail market. The gas and electricity Directives require the implementation of standards that allow eligible customers to switch their supplier. In this respect, one of the key objectives of regulators is to contribute to the compatibility of necessary data exchange processes.

**Guidelines for the development of harmonized switching rules** shall be developed. They shall identify possible legal, regulatory, market related, economic, technical and operational barriers in enhancing switching activities and propose solutions that would gradually move towards well-functioning harmonized switching procedures.

📁 WORK APPROACH

The deliverable shall be supported by **external consultancy** (study).

📁 TIMETABLE

2011			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Study			

### 2.5.3 Task Force 3 – Small Customers' Electricity Generation

📁 DELIVERABLE

**Survey** on households' and other small customers' electricity generation

📁 CONTENT

Over-attracting support schemes for electricity production from renewable energy sources (RES) are likely to lead to over-installation of new power plants on all voltage levels. In particular support schemes for photovoltaics promote small and micro generation.

In the Energy Community electricity generation was in the past to a prevailing extent perceived as an activity of the monopolistic incumbent. Consequently, legal frameworks and rules have developed rather slowly in relation to independent generation.

In this context it is important to ensure that the practices and rules in the Contracting Parties allow for small generation on low voltage level (small and micro generation). The **Task Force will** assess the status quo related to households' and other small customers' electricity generation and prepare recommendations.

📁 WORK APPROACH



The deliverable shall be prepared by the Task Force for CWG and, finally, ECB approval. No **consultancy requirement**.

 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter

#### 2.5.4 Task Force 4 – Grid Connection

 DELIVERABLE

Analysis of the existing grid connection rules and their customer-friendliness (**survey**)

 CONTENT

Grid connection covers a number of customer relevant elements. Inappropriately designed rules can create significant financial but also legal burdens especially to household customers. This includes the responsibilities for grid connection, the fees charged, the network ownership border after connection including all linked aspects of maintenance and, last but not least, the availability and responsibility for dispute settlement and the general extent of regulatory powers.

The status quo of this field shall be assessed by the Task Force for the Contracting Parties and Observers with a view to identify potential room for improvement and /or harmonization and develop recommendations, if needed.

 WORK APPROACH

The deliverable shall be prepared by the Task Force for CWG and, finally, ECB approval. No **consultancy requirement**.

 TIMETABLE

2012			
1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter