

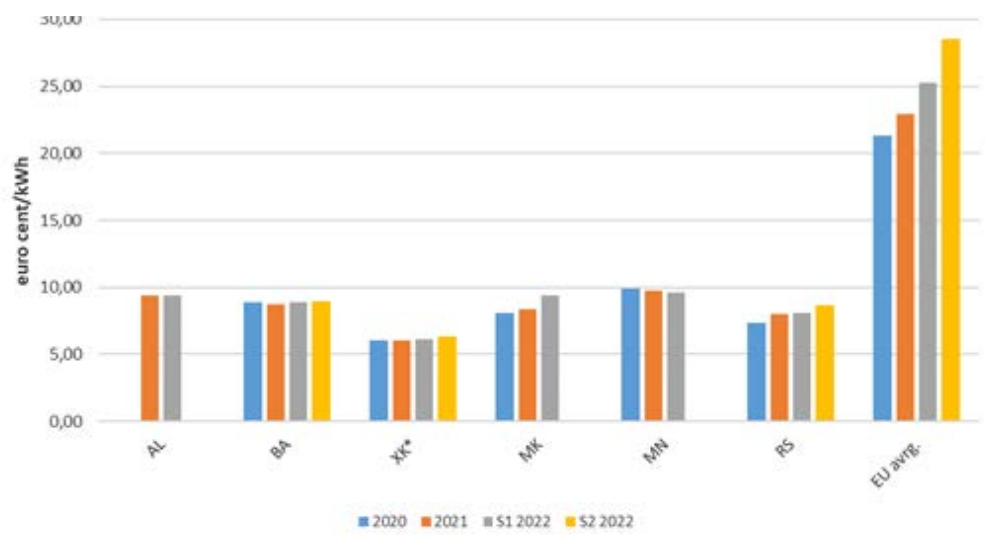
Protection of vulnerable households in the Western Balkans Contracting Parties in the context of rising energy prices and the EU Energy Support Package

1. Introduction

The COVID-19 pandemic and the Russian invasion of Ukraine affected European energy markets in an unprecedented manner, contributing to substantial increases in energy prices and raising concerns over the energy supply. The high energy prices and soaring inflation are expected to significantly increase the number of energy poor households and worsen their living standards. This may be particularly painful for the Energy Community Contracting Parties, where levels of energy poverty were at the much higher level already before the energy crisis¹.

While the households of the Western Balkans Contracting Parties mostly have not seen the dramatic increases in the electricity and gas prices as has been the case for the households in the European Union so far (Figures 1 and 2), the indirect impact on living standards via inflation rates is significant (Figure 3).

Figure 1 Electricity prices for households in the WB EnC CPs and EU from 2020 to 2022 (in euro cent/kWh)



Source: Eurostat; Note: Band DC: 2 500 kWh < Consumption < 5 000 kWh

¹ For more information on energy poverty levels in the Energy Community Contracting Parties, please see *Study on Addressing Energy Poverty in the Energy Community Contracting Parties*, DOOR, EIHP, December 2021 (https://www.energy-community.org/dam/jcr:f201febd-3281-4a1f-94f9-23c3fce4bbf0/DOOREIHP_poverty_122021.pdf)

Figure 2 Gas prices for households in the WB EnC CPs and EU from 2020 to 2022 (in euro cent/kWh)

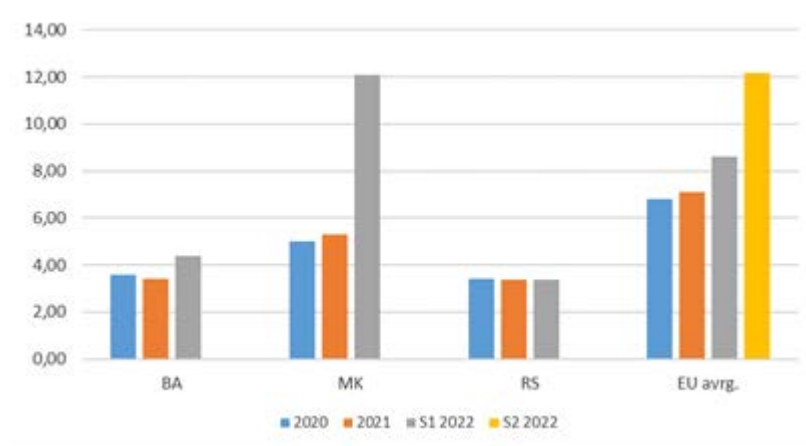
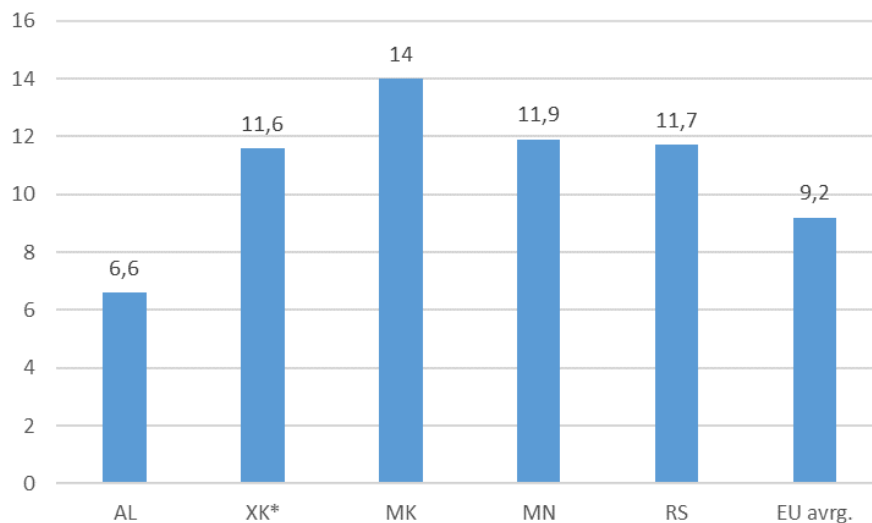


Figure 3 Harmonized index of consumer prices (HICP), monthly data, 12-month average change, December 2021-December 2022 (in %)



Source: Eurostat

Furthermore, taking into consideration that almost all household customers were supplied at regulated prices, it can be assumed that developments on the wholesale energy markets were not directly transferred to the retail markets² and that substantial state subsidies have been provided to the energy companies in order to partially cover the financial gaps. Interventions in the end-user price setting for

² For more information on the link between wholesale and retail electricity prices, please refer to the Energy Community Secretariat's publication *CBAM Readiness Tracker* available here: https://www.energy-community.org/dam/jcr:d6e80d5e-9290-4e8b-ac7e-5170ec59808a/EnC%20Tracker%202006_2023_final.pdf

households and small and medium enterprises were in place in the Western Balkans Contracting Parties even before crisis, provided through the mechanism of public/universal supply. While price regulation is generally recognized as one of the main obstacles to creating competitive and well-functioning retail markets, this is especially the case when prices are determined at a level below costs and when cross-subsidization between groups of customers is applied. In its *Regulation on an emergency intervention to address high energy prices*, the European Council allowed, by way of derogation and under specific circumstances, the temporary possibility to set electricity prices below cost³. However, this limited possibility should retain an incentive for demand reduction and implementation of energy efficiency measures. After reviewing the emergency interventions applied across the European Union⁴, the European Commission proposed the electricity market reform⁵, including structural measures that should enable balance between exceptional price regulation, demand reduction and protection of vulnerable consumers. This report provides more details on price regulation and measures employed by the Western Balkans Contracting Parties to protect household customers in the following chapters.

In order to support the Western Balkans to mitigate the immediate socio-economic impact of the energy crisis, but also to increase the resilience and facilitate clean energy transition, the European Commission created the **Energy Support Package** of 1 billion EUR in November 2022⁶. For the immediate measures, a budget support of up to 500 million EUR was set to address the impact of increased energy prices on small and medium-sized enterprises and vulnerable households. 90% of the funds for immediate help have been disbursed in the beginning of 2023, with the rest to be disbursed upon successful implementation of national action plans by the beneficiaries. Further 500 million EUR was provided via the Western Balkans Investment Framework to advance the energy transition and energy security of the region.

The Energy Support Package for the immediate measures is implemented via State and Resilience Building Contracts between the European Commission and the Western Balkans Contracting Parties, including the list of outcomes and activities to reach the objectives of the support.

The purpose of this report is to provide brief information on how the Western Balkans Contracting Parties support the vulnerable and energy poor households during the unprecedented energy crisis, particularly differentiating between the overall support for all households and the assistance to those in extreme need. In this context, this document will summarize the activities agreed and currently being performed in order to implement the abovementioned State and Resilience Building Contracts in terms of protecting vulnerable households.

2. Albania

a. Price regulation and measures to address energy crisis

Household customers are eligible to change supplier, but also entitled to supply at regulated prices. All households are currently supplied at regulated prices.

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1854>

⁴ https://energy.ec.europa.eu/system/files/2023-06/COM_2023_302_1_EN_ACT_part1_v2.pdf

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023PC0148>

⁶ <https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-12/WBIF%20Energy%20support%20pack%20221202.pdf>

Measures implemented to address impact of energy price surge

In Albania, the national regulatory authority ('NRA') intended to introduce the block tariff for the monthly electricity consumption of more than 800 kWh, with the sale price of electricity of 42 ALL/kWh (36 euro cent/kWh). The consumption up to 800 kWh was still to be priced at 9.5 ALL/kWh (8.1 cent/kWh). The proposed tariff scheme was initially set to enter into force on 1st of October 2022 and be accompanied by a plan to reduce electricity consumption by state institutions by 15%. However, on 30th September 2022, in the light of an improved hydrology and the reduction of imports by the power generation company, it was decided to postpone the entry into force of the new tariff scheme. On the other side, the Government obliged the generation company KESH to sell the entire quantity of energy produced to the universal service provider, at the price of 2 euro cents/ kWh. The Government also launched a project that should help citizens to change the form of energy supply. The project concerns the installation of solar panels for 2,000 households, which will be supported by financing 70% of the cost of purchasing and installing solar panels. This support scheme however does not target vulnerable customers specifically, but all households in Albania. Finally, the amount of electricity bill subsidy for vulnerable customers was increased.

b. Protection of vulnerable households

According to the Power Sector Law (2018), a vulnerable customer means a household customer which due to social reasons is entitled to certain special rights regarding the electricity supply, ensured on explanatory cases.

The same law defines that the Ministry responsible for social affairs, in cooperation with the Ministry responsible for energy, the Finance Ministry and in consultation with the regulatory authority (ERE) and the stakeholders, shall draft the criteria, the procedures to obtain the vulnerable customers status and the way to support them. These criteria and procedures should have been approved by the way of a Council of Ministers decision. However, such a decision is not yet taken. The criteria to benefit from the vulnerable customer status should take into account the following:

- a) customers with low income, which use electricity to supply their home;
- b) customers whose electricity consumption is connected to the single-phase grid with maximum power of about 16A;
- c) maximum level of energy consumption per person, depending on the season;
- d) direct support from the state budget;

In the absence of the secondary legislation required by the Power Sector Law of 2018, Albania still uses the previously adopted measures to support the vulnerable customer. There are three measures to aid vulnerable consumers targeting **low-income individuals**. The first measure provides financial support to vulnerable households that consume up to 200 kWh/month of electricity. The second measure protects the same social categories as the first measure for a consumption threshold of 300 kWh/month. Households can apply for both measures. The total cash benefits for those entitled to both measures represents 1,288 ALL (10.42 EUR) of financial support per month. The third measure supports the installation of solar thermal collectors for low-income households.

1. Direct financial support to low-income households

Compensation for increased electricity prices for energy consumption threshold of 200 kWh/month

Implementation Interval: 2006- now

Number of eligible households: 213,000

Support per beneficiary: max. cash benefit of 640 ALL (EUR 5.2)/per month

Eligibility criteria: families receiving social assistance (social payments), disability allowance beneficiaries, old-age pensioners, paraplegics and tetraplegics, and low-income families with a monthly income below 35,000 ALL (EUR 283) per month; threshold of 200kWh of monthly consumption

Approximate annual expenditure: 874 million ALL (EUR 7.2 million)

2. Direct financial support to low-income households

Compensation for removing the protected energy consumption threshold of 300 kWh/month

Compensation to vulnerable households due to the scrapping of the two-tier pricing structure that had been in place since 2008 for threshold consumption of 300 kWh/month

Implementation Interval: since 2015

Number of eligible households: 213,000

Support per beneficiary: max. cash benefit of 648 ALL (EUR 5.30)/per month

Eligibility criteria: families receiving social assistance (social payments), disability allowance beneficiaries, old-age pensioners, paraplegics and tetraplegics, and low-income families with a monthly income below 35,000 ALL (EUR 283) per month; consumption up to 300 kWh per month

Approximate annual expenditure: 1.76 billion ALL (EUR 15 million)

The two measures described above are implemented cumulatively i.e. the eligible households receive both subsidies.

3. Financial Support for renewable energy sources and improved energy efficiency

Program for the installation of solar thermal collectors for low-income households⁷

Implementation Interval: since 2022

Number of eligible households: approx. 20,000 local families in total (2,000 families in 2022)

Support per beneficiary: max. 70% of the cost of the installed solar panels per households

Eligibility criteria: low-income families

Approximate annual expenditure: approx. EUR 8 million (EUR 1.7 million in 2022)

c. Action plan for implementation of EU Energy Support Package

According to the European Commission's Action Document for State and Resilience Building Contract for Albania⁸, 80 million EUR was allocated to the state budget to support the measures to mitigate the socio-economic impact of energy crisis. More specifically, the national action plan envisages subsidizing energy prices for households and small and medium enterprises, financial aid to vulnerable persons, and diversifying energy sources through new wind and solar investments. One of the outputs to be delivered

⁷ New Guideline of Minister of Infrastructure and Energy (No. 22, 27.10.2022) determining the rules, procedures and methodology for family customers who benefit from financing measures for saving energy from solar panels and minimizing the effects during the state of emergency in electricity (see draft law, "On promoting the use of energy from renewable sources")

⁸ https://neighbourhood-enlargement.ec.europa.eu/document/download/449c96a0-bac2-4c48-968b-9c67244e3b49_en?filename=C_2022_9163_F1_ANNEX_EN_V3_P1_2394930.PDF

by the action is to have *measures to support households and vulnerable groups in place to fight against energy poverty*. This output is to be reached via the following activities:

- Continued subsidies for households to counter the price increase of energy bills throughout the state of emergency period (until June 2023) and
- Continued support to vulnerable categories of citizens that are beneficiaries of economic aid schemes with an allowance for energy supply.

The implementation of the activities is monitored through the following indicators:

Table 1 Albania, Energy Support Package, Indicators and measures to support vulnerable households

Indicators		Baseline (value and year)	Targets by the end of the budget support contract (value and year)
Expected outcome: socio-economic impact of the crisis is mitigated, with a special focus on vulnerable households	Number of universal service supply customers benefiting from the support, disaggregated by sex and age when relevant	1,107,214 households (2022)	The same or more (2023)
Induced outcome: measures to support households and vulnerable groups are put in place to fight against energy poverty, including clear conditions for their phasing out	Status of support schemes to households and vulnerable groups	Application of the electricity tariff at the level before the crisis (2022)	Application of the electricity tariff at the level before the crisis for households, while having the higher tariff for consumption above certain level ⁹ (end 2023)
Direct outputs:			
1. Continued subsidies for households to counter the price increase of energy bills	1. Number of households benefiting from subsidy support	1. 1,107,214 households (2022)	1. Equal and more (end 2023)
2. Continued support to vulnerable categories	2. Number of beneficiaries of allowance for energy supply	2. 11,200 persons (2022)	2. Equal or more (end 2023)

⁹ The higher tariff for consumption above certain level has not been introduced yet.

d. Conclusion:

There are no new support schemes for vulnerable customers in Albania introduced for the purpose of addressing energy crisis. The Energy Support Package budgetary support is directed to maintain the price regulation for at least 1,107,214 households at the existing level and to support at least 11,200 vulnerable customers via an allowance for energy supply. The effectiveness of the EU support package can be assessed after finalisation of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

2. Bosnia and Herzegovina

a. Price regulation and measures to address energy crisis

Household customers are eligible to change supplier, but also entitled to supply at regulated prices. All households are currently supplied at regulated prices.

Measures implemented to address impact of energy price surge

In Bosnia and Herzegovina, the prices for household customers were not changed in 2021 and at the beginning of 2022.

The Government of *Federation Bosnia and Herzegovina* amended and supplemented the Decision on the implementation of measures to reduce household electricity costs and stimulate energy efficiency with the aim to introduce the subsidy in the amount of a maximum of 25.50 BAM (13.05 EUR) per month bill for household customers of “Elektroprivreda Bosne i Hercegovine” d.d. Sarajevo (EPBIH), and 27 BAM (13.85 EUR) for household customers of “Elektroprivreda Hrvatske zajednice Herceg Bosne” d.d. Mostar (EPHZHB), depending on the consumed electricity in the period from 1 July 2022 until 30 November 2022. Additionally, in October 2023 the Government passed the Decision limiting the increase in electricity supply prices for qualified customers, capping the price increase for qualified customers in 2023 to max. 20% (applicable for long-term contracts valid one or more years)¹⁰.

The Government of Bosnia and Herzegovina entity *Republika Srpska* has not adopted any decision regarding the price increase limit. However, in July 2022, the Regulatory Commission for Energy of Republika Srpska determined the retail reference price for electricity in the amount of 0.07997 BAM fening/kWh (4.089 euro cent/kWh) which serves as a basis for the determination of the price of the last resort supply. In December 2022, the Energy Regulatory Commission of Republika Srpska approved new tariff rates for distribution network users and public supply in Republika Srpska, introducing (among others) dependence of electricity prices on consumption range (block tariffs) for end customers within the consumption category "Household"¹¹:

¹⁰ Source: “Impact of the electricity price surge in Energy Community Contracting Parties and measures undertaken”, ECRB, May 2023

¹¹ Source: “Impact of the electricity price surge in Energy Community Contracting Parties and measures undertaken”, ECRB, May 2023

Block	€/kWh
I: up to 500 kWh	0.0278
II: 501 to 1500 kWh	0.0467
III: more than 1500 kWh	0.1029

In 2021, the Government of the *Brcko District of Bosnia and Herzegovina* provided funds in the amount of 829,905.60 BAM (424,324.00 EUR) to households customers through the program for subsidies to persons in a state of social need for the consumption of electricity. Additionally, reacting to a 33.6% electricity wholesale price increase in 2022 due to the energy crisis, the State Electricity Regulatory Commission increased universal service price by 26.36% (amounting 0.101 EUR/kWh for households and 0.111EUR/kWh for other consumers), while average distribution use-of-system charge increased by 5,03% (amounting 0.03 EUR/kWh). Finally, the seasonal tariff rates have been equalized with a view to mitigate the financial consequences of the price surge¹².

b. Protection of vulnerable households

There is a definition of a vulnerable customer in Republika Srpska and Brcko District, but not in the Federation BiH. Nevertheless, in Republika Srpska, exact criteria for obtaining the status of a vulnerable customer are still to be defined in the secondary legislation. In both entities and Brcko District there are measures in place to protect vulnerable citizens.

There are currently two short-term measures in place in Bosnia and Herzegovina aimed at providing direct financial support to the most vulnerable households. In Federation BiH, electricity costs are reduced for vulnerable households, including pensioners and beneficiaries of permanent financial assistance who consume a limited amount of monthly electricity. At the local level, residents of Sarajevo Canton who meet certain income and social vulnerability criteria can apply for subsidies for electricity, natural gas, and district heating costs.

1. Direct financial support to low-income households and increase energy efficiency

Reduction of household electricity costs and stimulation of energy efficiency

Implementation Interval: since 2011

Number of eligible households: 67,936 households

Support per beneficiary: subsidizing below-average consumption, i.e., 268 kWh for EP BiH at BAM 5.5/month (EUR 2.75) and 348 kWh from the EP HZHB at 7 BAM/month (EUR 3.5)

¹² Source: “Impact of the electricity price surge in Energy Community Contracting Parties and measures undertaken”, ECRB, May 2023

Eligibility criteria: pensioners with the lowest pension, and recipients of permanent financial assistance with below-average consumption, i.e., up to 268 kWh of electricity from the EP BiH and 348 kWh from the HZHB electricity utility

Approximate annual expenditure: BAM 24.13 million (12 million EUR)

2. Direct financial support to low-income households:

Subsidies for Electricity, Natural Gas and District Heating in the Sarajevo Canton

Implementation Interval: since 2014

Number of eligible households: approx. 1,000 households

Support per beneficiary: 100 BAM/month for months Jan, Feb, March, Nov, Dec

Eligibility criteria: low-income households, including consumers (max. 70 BAM/month (EUR 35)), pensioners (max. 165 BAM/month (EUR 82.5)); two-member pensioner households (max. BAM 220 (EUR 110)); beneficiaries of financial home care support (max. 120 BAM/month (EUR 60)) and criteria on dwelling area (square meters), residential status (Sarajevo Canton), property and mental status (e.g. disabled get subsidy regardless of income or total dwelling area)

Approximate annual expenditure: BAM 0.52 million (0.3 million EUR)

c. Action plan for implementation of EU Energy Support Package

According to the European Commission's Action Document for State and Resilience Building Contract for Bosnia and Herzegovina, 70 million EUR was allocated to the state budget to support the measures to mitigate the socio-economic impact of energy crisis. More specifically, the national action plan envisages supporting vulnerable families to mitigate the impact of high energy prices, as well as households and small and medium enterprises to improve energy efficiency. Among the outputs to be delivered by the action is to have increased access of vulnerable households to immediate energy poverty mitigation measures but also more efficient and rational use of energy resources in residential sector.

The implementation of the activities is monitored through the following indicators:

Table 2 Bosnia and Herzegovina, Energy Support Package, Indicators and measures to support vulnerable households

	Indicators	Baseline (value and year)	Targets by the end of the budget support contract (value and year)
<p>Expected outcome:</p> <p>1. Increased access of vulnerable households to immediate energy poverty mitigation measures</p> <p>2. More efficient and rational use of energy resources in residential sector</p>	<p>1. Share of vulnerable households benefiting from the energy poverty mitigation measures to overcome the price increase of 2022/2023 energy bills for heating</p> <p>2. Number of residential buildings benefiting from affordable energy efficiency measures</p>	<p>1. 25% of vulnerable households benefiting from the energy poverty mitigation measures to overcome the price increase of 2022/2023 energy bills for heating (2022)</p> <p>2. 0 residential buildings receiving grants (2022)</p>	<p>1. 96% of vulnerable households benefiting from the energy poverty mitigation measures to overcome the price increase of 2022/2023 energy bills for heating (2023)</p> <p>2. 4,000 residential buildings receiving grants (2023)</p>
<p>Induced outcome:</p> <p>1. Targeted measures to support socially vulnerable population are put in place</p> <p>2. Continued existing measures to subsidize electricity/utility bills for energy poor consumers</p> <p>3. Financial incentive mechanism adopted to increase energy savings and reduce GHG emissions in the residential buildings</p>	<p>1. Mechanism to support energy poor households to overcome the price increase of 2022/2023 energy bills for heating in place</p> <p>2. Number of mechanisms to subsidize energy poor households' electricity/utility bills</p> <p>3. Number of financial incentive mechanisms to increase energy savings and reduce GHG emissions in the residential</p>	<p>1. 0 (2022)</p> <p>2. 3 (2022)</p> <p>3. 0 (2022)</p>	<p>1. 1 (2023)</p> <p>2. 3 (2023)</p> <p>3. 2 (2023)</p>

	buildings in place		
Direct outputs: 1. Strengthened policy evidence on energy efficiency, energy resilience and related support measures 2. Fiscal space for reallocation of funds to vulnerable stakeholders	1. New tools and products in place by the Government as part of the NECP 2. Volume of sources of financing available to Government for targeting relevant entities in EUR	1. Limited progress (2022) 2. 0 (2022)	1. Significant progress (2023) 2. 70 million EUR (2023)

In April 2023, the Ministry of Foreign Trade and Economy prepared a progress report on the implementation of the Energy Support Package Action Plan and adjusted certain indicators. The table below summarizes the actions envisaged by the amended action plan related to the mitigation of the effects of price increases to vulnerable groups.

Table 3 Bosnia and Herzegovina, Action plan/roadmap, Energy Support Package State and Resilience Building Contract, Progress report

Activities / Indicator	Implementation progress report	Mechanisms of implementation	Timeline of activities
1. Measure: Support for energy poor consumers/vulnerable households¹ to overcome the price increase of heating bills			
<p>Number of vulnerable households who benefitted from support to overcome the price increase of 2022/23 energy bills for heating disaggregated by sex and category</p>	<p><u>Federation of BiH</u>: working group established; one sub-group established for assistance to low-income consumers/vulnerable households; the required criteria have been drafted.</p> <p>The Parliament of the Federation BiH, at the proposal of the Government of the Federation of BiH, adopted the proposed Law on the Budget of the Federation of BiH for 2023 (Official Gazette of the Federation of BiH, 6/23). Within the ongoing transfers to other levels of government and funds, a new transfer is planned for the project - Support of the European Union to Bosnia and Herzegovina in order to mitigate the negative socio-economic impact of the energy crisis for BAM 90.4 million (app. 40 million EUR)</p> <p><u>Republika Srpska</u>: the Government tasked competent ministries to actively participate in the implementation of the IPA 3 annual program for 2023 and the EU budget support for energy needs in coordination with the Ministry of European Integration and International Cooperation. Work in progress- a number of meetings was held among</p>	<p><u>Federation of BiH</u>: the Federal Ministry of Labor and Social policy has finalized the following documents: Draft Programme of spending with categories and criteria, Draft Public call and the Proposed application form.</p> <p>The Ministry will announce the public call to distribute budget support for vulnerable social categories.</p> <p>The categories of households benefiting from the 2022/23 heating season subsidy program are identified as follows:</p> <p>Category 1: Financially uninsured and unable to work adults who do not have the necessary means of support, are unable to work and cannot provide means of living on any other basis, and who have obtained the right to permanent financial assistance according to the regulations in the field of social protection;</p> <p>Category 2: Households in which at least three minor children live and in which none of the adult members has a</p>	<p>Adopting Decree on Programme o implementation of funds on FBiH Government:</p> <p>Q2</p> <p>Announcing Public Call for vulnerable households:</p> <p>Q2</p> <p>Closing of Public Call:</p> <p>Q2</p> <p>Selection process:</p> <p>Q2</p> <p>Transferring funds</p>

	<p>representatives of competent ministries in order to define consumer categories, modalities of implementation and reporting on the implementation of the Action Plan/Road Map.</p>	<p>registered independent activity or earns income based on employment;</p> <p>Category 3: Households where children live with only one parent who does not earn income higher than the minimum wage;</p> <p>Category 4: Households from the category of one-member or two-member households in which people over 65 years of age live and in which only one member is a pension recipient up to the amount of the guaranteed pension.</p> <p>The model for conducting the public call has yet to be confirmed.</p> <p><u>Republika Srpska:</u> The Ministry of Health and Social Protection conducted consultations with other relevant ministries on the drafting of the programme for supporting vulnerable households from the system for social protection, protection of children and protection of war veterans and disabled veterans. In the interest of ensuring quality in identifying the beneficiaries of this project, data was requested from the Republika Srpska Pension and Disability Insurance Fund and the Health Insurance Fund relevant to selecting beneficiaries. Ministry of Health and Social Welfare will announce the public call to distribute</p>	<p>to local level for their final payment to selected households:</p> <p>Q2</p> <p>Payment to final users:</p> <p>Q3</p>
--	--	---	--

		<p>support for energy poor consumers</p> <p>The Ministry of Health and Social Protection identified three categories of users: Beneficiaries of the right to child benefit under the law regulating childcare, Beneficiaries of the right to monetary benefits under the law regulating social protection and a third category based on special criteria. Currently, the number of beneficiaries, i.e. households that will be included is being determined and criteria are being established for the election of households in line with the competences of the social protection, children’s protection systems and war veterans and disabled people’s protection.</p> <p>On 23 February 2023, the Government adopted the Decision on the manner of realizing the Energy Support Package for energy poor consumers.</p>	
<p>Number of vulnerable consumers who benefitted from Sarajevo Canton through existing subsidy for electricity, natural gas, and district heating in two winter months disaggregated by sex and category</p>	<p>Government of Canton Sarajevo adopted decision 02-04-38266-22.1/22 in order to support financially most vulnerable citizens due to the increase of energy prices.</p> <p>In October/November 2022, Government supported 39.000 pensioners with lowest pension and 1410 recipients of financial social assistance.</p> <p>Total number of supported citizens is:</p>		

	<p>40.410</p> <p>Financial resources from budget for this purpose: 4.283.500, 00 BAM.</p> <p>Summary: target is met.</p>		
2. Measure: Subsidies for energy poor consumers for electricity bills			
<p>Number of vulnerable consumers who benefitted from FBIH Government per Decision on Implementation of Measures for Reducing Household Electricity Costs and Stimulating Energy Efficiency Measures disaggregated by sex and category</p>	<p><u>Federation of BiH:</u> In July 2022, the Government of the Federation of BiH adopted the Decision amending the Decision on the implementation of measures to reduce household electricity costs and stimulate energy efficiency, and extending its validity until 30 June 2023. According to official reports from Elektroprivreda BiH and Elektroprivreda HZHB, average number of subsidy users per month in Federation of BiH in 2022 is 62.568 (49.839 by EPBiH and 12.729 by EPHZHB). Total amount of subsidies in Federation of BiH in 2022 in BAM 6.287.033,45 (3,2 million EUR) (EPBiH BAM 4.404,729 and EPHZHB BAM 1.882.304,45).</p> <p>In 2023, EP BiH reports in first two months the average number of subsidy users is 46.734, total amount in BAM 559.856 (286,442 EUR). EPHZHB reports on first two months of 2023: average subsidy users 12.505 and total amount in BAM 107.835,19 (55,000 EUR). In total there is on average 59.239 subsidy users in this period with total</p>	<p><u>Federation of BiH:</u> For household customers of from JP Elektroprivreda BiH d.d. Sarajevo and JP Elektroprivreda HZHB d.d. Mostar who exercise the right to minimum pension and permanent financial assistance, electricity costs are subsidised in such a way that below-average consumption (below 268 kWh per month from JP Elektroprivreda BiH, and below 348 kWh per month from Elektroprivreda HZHB d.d.) is subsidised with BAM 5.50 (2.8 EUR) and BAM 7 (3.6 EUR) per month, respectively.</p>	

	<p>amount of 667.691,19 BAM (341,615 EUR)</p> <p>Summary: 96% of target is met so far.</p>		
<p>Number of vulnerable consumers who benefited from the Brčko District Government Program for providing financial support to socially vulnerable consumers for paying utility bills disaggregated by sex and category</p>	<p>During 2022, the Government of Brčko District of Bosnia and Herzegovina granted subsidies (in the amount of 850,000.00 KM- 434,890 EUR) for communal services to persons in a state of social need from the category: pensioners with low pensions, beneficiaries of permanent basic financial assistance, families of children with developmental disabilities, persons with wartime and peacetime disabilities, persons from the records of the Employment Service, women - over 55 years and men - over 60 years). This makes about 12,393 users who benefited from this measure. The same measure is planned for 2023 with approximately the same number of users.</p> <p>Summary: funds have been provided to achieve 100% of the goal in 2023.</p>	<p>The Budget for 2023 was adopted, providing BAM 850,000.00 (434,890 EUR) for subsidies to vulnerable consumers. As in previous years, the Department for Health and Other Services, the Sub-Department for Social Protection is responsible for these activities, and it has already adopted criteria that were applied when developing lists for allocation of subsidies to vulnerable consumers.</p> <p>EU funds provided for the District will be added to the 2023 budget allocations. The Government of the Brčko District of BiH will adopt the Programme of spending these funds.</p>	

d. Conclusion

A part of funds shall be allocated to a new mechanism to support energy poor households to overcome the price increase of 2022/2023 energy bills for heating, which is currently being designed. The remaining funds shall be allocated to the existing schemes for protection of vulnerable households. The effectiveness of the EU support package can be assessed after finalisation of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

3. Kosovo*¹³

a. Price regulation and measures to address energy crisis

Household customers are eligible to change supplier, but also entitled to supply at regulated prices. All households are currently supplied at regulated prices.

Measures implemented to address impact of energy price surge

Kosovo* declared state of emergency amid electricity crisis between July 2022 and January 2023. The regulatory authority and the Government adopted several decisions aiming to protect consumers with the right to universal service supply. The adopted measures included: the allocation of 20 million EUR for subsidizing the import of electricity; the extraordinary review of the tariffs for regulated activities in the electricity sector; allocation of 90 million EUR to subsidize the final customers entitled to universal service supply; approval of the retail electricity tariffs for all consumers entitled to universal service supply taking into account the Government's decisions on the allocation of subsidies and introduction of the two block-tariff for the household customers (the first block for the consumption up to 800 kWh/month, while the second for the consumption higher than 800 kWh/month). It is defined that there is no price increase for the first block, i.e., up to 800 kWh consumed during the month, while the consumption that exceeds 800 kWh/month (second block) would be priced at 12.52 cents/kWh during peak hours and 5.9 cents/kWh during off-peak hours.

b. Protection of vulnerable households

A vulnerable customer is defined as a household customer that qualifies for protection or assistance according to the rules and criteria established by the ministry in charge of social welfare (as defined in the Law on Electricity and the Law on Natural Gas).

Direct financial support on electricity costs is provided to two categories of vulnerable electricity consumers, namely recipients of the Social Assistance Scheme and recipients of war-related benefits¹⁴.

¹³ Throughout this document, the symbol * refers to the following statement: This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Advisory Opinion on the Kosovo declaration of independence.

¹⁴ According to the Kosovo Household Budget Survey, 2017 and World Bank (2021) study: In 2017 SAS only covered 7% of the population, while 15.8% was classified as energy poor. Some income groups in need are highly underrepresented in SAS support.

1. Direct financial support to low-income households

Subsidizing consumed electricity for families benefiting from various Social Assistance Schemes (SNS, FDIL, SPV and SPPT)

Implementation Interval: since 2019 (measure extended)

Number of eligible households: 36,648 households (23,316 from SNS scheme, 10,314 from FDIL scheme, 967 from SPV scheme and 1,953 from SPPT scheme)

Support per beneficiary: approx. EUR 120 per household/year

Eligibility criteria: families benefiting from the Social Assistance Scheme (SNS), Martyrs' Families and War Invalids Scheme (FDIL), Blind Persons Scheme (SPV) and the Paraplegic and Tetraplegic Scheme (SPPT)

Approximate annual expenditure: EUR 4.5 million

New scheme planned for vulnerable energy consumers for 2024.

c. Action plan for implementation of EU Energy Support Package

According to the European Commission's Action Document for State and Resilience Building Contract for Kosovo*, 75 million EUR was allocated to the budget to support the measures to mitigate the socio-economic impact of energy crisis. More specifically, the national action plan envisages financial support to vulnerable households, incentivizing energy savings and increasing the energy efficiency of buildings. Among the outputs to be delivered by the action are increase of socio-economic wellbeing of consumers with focus on vulnerable consumers and increased access to reliable, energy and resources efficient affordable housing facilities.

The implementation of the activities is monitored through the following indicators:

The current protection scheme is only partially consistent with the Law on Electricity and with obligations arising from membership in the Energy Community Treaty with respect to protection of electricity vulnerable customers.

Table 4 Kosovo*, Energy Support Package, Indicators and measures to support vulnerable households

	Indicators	Baseline (value and year)	Targets by the end of the budget support contract (value and year)
Induced outputs: 1. Increase of socio-economic wellbeing of consumers with focus on vulnerable consumers 2. Financial incentive mechanisms set by KEEF for residential consumers	1. Number of vulnerable consumers 2. New mechanism for residential consumers in place	1. over 36,000 (2022) 2. 0 (2022)	1. around 200,000 (2023) 2. 1 (2023)
Direct outputs: 1. Direct financial support is provided to vulnerable/energy poor households 2. Improved green housing facilities 3. Increased access to financial services and products to households and commercial entities to support renewable energy and resource efficiency investments	1. Number of vulnerable consumers 2. Number of residential buildings 3. Number of households benefiting from heating appliances and other energy efficient technologies	1. 36,000 (as of 2022 24,627 on the social scheme and other vulnerable groups) 2. 1,000 single houses (2022) to be verified 3. 2,377 households	1. around 200,000 (2023 and possibly 2024) 2. additional 1,000 single houses and 5-10 public multi-apartment blocks for vulnerable households (2024), of which at least 10% are women led HHs 3. additional 3,000 households

d. Conclusion:

There are no new support schemes for vulnerable customers in Kosovo* introduced for the purpose of addressing energy crisis. The Energy Support Package budgetary support is directed to fund the existing support schemes to vulnerable customers, improved green housing facilities and increased access to financial services supporting RES and energy efficiency investments. Concerning vulnerable customers, the objective is to provide direct financial support to app. 200,000 energy poor households. The effectiveness of the EU support package can be assessed after finalisation of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

4. Montenegro

a. Price regulation and measures to address energy crisis

Household customers are supplied under non-regulated prices. According to the Energy Law, the public suppliers are entitled to change prices for households under certain restrictions. Namely, the prices for this category of customers cannot be increased beyond the weighted electricity price realized in the previous year and futures for the following year on a reference energy exchange nominated by the regulator; in that way the price increase was limited to 7% in 2017 and 6% in 2018 and 2019. The restrictions on household price increase can be prolonged for the period of three years if the regulatory authority estimates that conditions for liquid market are not fulfilled. The regulator made a decision to prolong the restriction for the period 2020-2022 and the price increase is limited to 6%. In practice, electricity prices for households have not been changed since 2019.

b. Protection of vulnerable households

The Energy Law defines vulnerable customers based on health and social criteria. There are two measures offered to socially vulnerable households in the form of direct financial support for electricity expenses and prohibiting the halting of electricity supplies to vulnerable customers.

1. Direct financial support to vulnerable households

Subsidy for electricity bills to vulnerable consumers (Ordinance on Supplying Electricity to Vulnerable Consumers)

Implementation interval: since 2019

Number of eligible households: approx. 400-700 households

Support per beneficiary: 50% of monthly electricity bills, for a max. of 600 kWh of consumed electricity

Eligibility criteria: vulnerable consumers based on the social and health status of household members, and who exercise the right to receiving: material support, domestic care and assistance allowance, and disability allowance.

Approximate annual expenditure: N/A

Direct financial support to vulnerable households

Subsidy for Electricity Bill to Vulnerable Households (Electricity Bill Subsidization Program)

Implementation interval: since 2019

Number of eligible households: 17,000 – 21,000 households

Support per beneficiary: approx. 24 EUR/month; subventions are 40% of the bill if it is up to 60 €, for bills of more than 60 EUR it is fixed to 24 EUR.

Eligibility criteria: 1. Beneficiaries of material social welfare support and users of social housing according to the Act on Social Protection and Child Protection, 2. Beneficiaries of material social welfare support for war veterans, 3. Beneficiaries of disability support

Approximate annual expenditure: EUR 2,8 million

Additionally, the Energy Law prohibits suspending electricity supplies to vulnerable consumers who require health and social care, while for vulnerable consumers requiring social care, the suspension is

prohibited from the beginning of October to the end of April, regardless of possible overdue bills for consumed electricity.

c. Action plan for implementation of EU Energy Support Package

According to the European Commission’s Action Document for State and Resilience Building Contract for Montenegro, 30 million EUR was allocated to the state budget to support the measures to mitigate the socio-economic impact of energy crisis. More specifically, the national action plan envisages supporting pensioners and the most vulnerable families affected by increased energy prices and efficiency improvements in households, companies, tourism, and industry. In addition to facilitating the mitigation of the immediate socio-economic impacts of energy crisis on vulnerable households, the action also promotes reforms that address sources of vulnerability in the energy sector. In April 2023, the Government of Montenegro adopted the Information Regarding the Allocation of Direct Budget Support from the European Commission to Montenegro for overcoming the Energy Crisis, with the Action Plan Roadmap 2023 Energy Support Package, introducing some amendments to the Action Document for State and Resilience Building Contract for Montenegro.

The implementation of the activities is monitored through the following indicators:

Table 5 Montenegro, Energy Support Package, Indicators and measures to support vulnerable households

	Indicators	Baseline (value and year)	Targets by the end of the budget support contract (value and year)
Expected outcomes: 1. To mitigate the immediate socio-economic impact of the energy crisis on vulnerable households 2. Reforms that address sources of vulnerability in the energy sector are promoted	1. Persons in need benefitted from electricity bill subsidy 2. Strategic framework NECP addresses vulnerability in the sector	1. 0 (2022) 2. No (2022)	1. 20,160 (2023) 2. Yes (2023)
Induced outputs: 1. Vulnerable social groups received subsidized electricity bill to mitigate the negative effects of the energy crisis 2. Strategic framework for the NECP is defined	1. Scheme for enabling subsidy of the electricity for vulnerable groups (e.g. via price caps) 2. New mechanism for residential consumers in place	1. no (2022) 2. no (2022)	1. yes (2023) 2. yes (2023)

Direct outputs: 1. Vulnerable social groups defined 2. Client-oriented approach is defined for vulnerable social groups identified for applying for subsidies facilities 3. Funds are made available for electricity bill subsidies 4. preparatory works are in place for the NECP	1. Projection of number of persons in vulnerable groups that could benefit from assistance 2. Procedure for applying for electricity subsidy 3. Funds available for subsidies 4. A draft NECP is produced	1. no (2022) 2. no (2022) 3. no (2022) 4. no (2022)	1. yes (2023) 2. yes (2023) 3. yes (2023) 4. yes (2023)
---	--	--	--

In April 2023, the Government of Montenegro adopted the *Information Regarding the Allocation of Direct Budget Support from the European Commission to Montenegro for overcoming the Energy Crisis, with the Action Plan Roadmap 2023 Energy Support Package*, introducing some amendments to the Action Document for State and Resilience Building Contract for Montenegro. The table below summarizes the actions envisaged by this action plan related to the mitigation of the effects of price increases to vulnerable groups.

Table 6 Montenegro, Updated Action Plan Roadmap 2023 for Energy Support Package Energy Support Package, Indicators and measures to support vulnerable households

Indicators	Starting point	Objective by 2024	Implementing body	Budget	Source of verification
The number of persons from vulnerable groups who are beneficiaries of electricity bill subsidies.	All persons who meet the requirements according to the current regulations receive 30-40-50% subsidy on the electricity bill (20,652 persons in 2022)	All persons who meet the requirements according to current regulations receive either 30-40-50% or more subsidies on their electricity bill (until December 31, 2023).	Power Utility of Montenegro ('EPCG')	3,085,260.17 EUR ¹⁵	EPCG Ministry of Capital Investments for subsidies on electricity bills of 50%. Ministry of Labor and Social Welfare for subsidies on electricity bills of 30% and 40%.
A scheme for enabling subsidy for electricity for vulnerable groups (e.g. through price caps). For the purpose of this activity, vulnerable are all entities that used subsidies for the electricity bill	Scheme was adopted	Budget will be ensured to maintain the upper limit of prices for vulnerable citizens regardless of the basic price of energy (until 31 December 2023)	Ministry of Capital Investments EPCG	4,500,000 EUR ¹⁶	Ministry of Capital Investments EPCG

¹⁵ The total amount of the annual subsidy for 2022 is €3,085,260.17. Subsidies are given based on lists that EPCG receive from the Ministry of Labor and Social Welfare. Subsidies are given in the amount of 30%, 40% or 50% according to the criteria prescribed by a special act.

¹⁶ EPCG has introduced energy saving incentives for two categories of users of measures/discounts:

1. Discounts - energy saving incentives for users who consume less than 500 kWh per month (total expected cost for 2023 around 4,500,000.EUR);
2. Discount to help citizens of Pljevlja due to air pollution (total expected cost for January, February and March 2023 approx. 160,000.00 EUR).

of 30%, 40% or 50%.					
A scheme for providing support for vulnerable groups due to the increase in energy prices.	0	Persons with the lowest incomes whose standard is threatened by rising prices of electricity and energy sources- pensioners and users of social welfare schemes. (47,573)	Ministry of Labor and Social Welfare	8,329,000 EUR (Energy Support Package) ¹⁷	Ministry of Labor and Social Welfare

¹⁷ Payment carried out in April 2023.

d. Conclusion:

Out of 30 million EUR received via the Energy Support Package, the Montenegrin Government allocated 8,3 million EUR to additional subsidies for electricity bills for the most vulnerable groups- pensioners with the lowest pensions and the recipients of the social welfare subsidy. This measure is implemented in addition to the existing schemes. The effectiveness of the EU support package can be assessed after finalisation of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

5. North Macedonia

a. Price regulation and measures to address energy crisis

In the electricity sector, household customers are eligible to change supplier, but also entitled to supply at regulated prices. All electricity household customers are currently supplied at regulated prices. In the gas sector, all households are supplied at non- regulated prices.

Measures implemented to address impact of energy price surge

By end October 2022, the *Government of North Macedonia* adopted several legal acts to cope with the price surges, namely: the Decree determining the criteria and conditions for declaration of crisis in the electricity sector, Decision for limitation of the trade margin on the electricity market to 10%, Program for protection of vulnerable energy consumers for 2022, decisions for approving financial means for dealing with electricity supply crisis and decisions aiming to oblige JSC TE-TO (CHP) to generate 160 MW of electricity daily and sell it to JSC ESM at price not greater than 190 EUR/MW. Additionally, the Government declared a state of electricity crisis effective until 9 December 2021 and gave a consent to the JSC ESM to activate TPP Negotino with operation for temporary additional production of electricity in conditions of electricity crisis. The Government adopted further decisions capping prices for water management utilities and certain food producers¹⁸ (80 EUR/MWh) and secondary schools (95 EUR/MWh). Moreover, public lighting has been shifted from open to regulated electricity market. In 2022 the Government transferred app. 193.56 million EUR to the incumbent ESM from the state budget.

The *NRA of North Macedonia* (ERC) has undertaken the measures to protect consumers by adopting the decisions against suppliers that have not complied with their obligations set in their license, the Energy Law and Rules for Electricity Supply and decisions against suppliers that presumably abused the market. The ERC also adopted the amendments to the tariff system for the sale of electricity to consumers supplied by the universal supplier and the supplier of last resort in order to change the price paid by consumers supplied by the supplier of last resort, instead of 50% higher than HUPX it will be 20% higher than HUPX. ERC set new electricity transmission and distribution use- of- system (UoS) charges, as well as tariffs for households and small consumers applicable as of 1st January 2022. The transmission UoS charges increased by 23.78%, distribution UoS by 40.37, while the average price for households and small consumers increased by 11.60%. In June 2022 ERC adopted a new tariff system for universal supply, introducing block tariffs. Further decision of ERC (applicable as of July 2022) resulted in decrease in TUoS by 0.03%, increase of DUoS by 20.94% and increase of universal supply price by 26.74%. Finally,

¹⁸ Meat, eggs, milk

ERC further adapted the tariffs as of 1st January 2023- decrease of TUoS by 8.66%, decrease of DUoS by 19.75% and decrease of the average price for universal supply by 4.085%¹⁹.

The Government of North Macedonia and NRA did not adopt any measures in *retail gas market* to protect customers from a significant increase in the price of natural gas. It is worth noting that the household gas market in North Macedonia is emerging, with only 396 customers being supplied in 2021. In 2022 the transported natural gas quantities decreased by 34.28% in comparison to 2021 due to high commodity prices. In 2023 ERC increased the gas transmission tariffs by 13.05% compared to 2022. The distribution tariffs have been increased by 21.77%.

b. Protection of vulnerable households

North Macedonia recognizes vulnerable consumers in its laws and other official documents and identifies energy vulnerable consumers on the basis of income and health criteria. The Strategy for Energy Development of the Republic of North Macedonia until 2040 obliges the Government to define programs for the protection of vulnerable consumers. The Energy Act and the Social Protection Act provide the legal basis for the annual Program for the Protection of Vulnerable Energy Consumers, which defines vulnerable consumers and conditions for utilizing funds targeting vulnerable energy consumers. It also defines Electricity Supply Rules obliging energy suppliers to supply energy (electricity and natural gas) to vulnerable consumers.

An energy subsidy for low-income households and vulnerable consumers is outlined in the annual Programs for Protecting Vulnerable Energy Consumers. Moreover, there are measures under the annual Program for Promotion of Renewable Energy Sources and Encouraging Energy Efficiency in Households aiming to improve energy efficiency of vulnerable households and at the same time represent long-term measures as they address the root causes of energy poverty. Both programs were adopted for 2023.

1. Direct financial support to vulnerable households for energy bills

Energy subsidy for low-income households and vulnerable consumers

Implementation Interval: continuous, annually adopted

Number of eligible households: N/A (approx. 1/3 of eligible households)

Support per beneficiary: MKD 1,000/month (EUR 16)

Eligibility criteria: low-income households and vulnerable consumers (as defined in the *Program for Protecting Vulnerable Energy Consumers for 2021*)

Approximate annual expenditure: 8 million MKD/ year (EUR 131,000)

2. Direct financial support to vulnerable households for energy bills in critical times

Extra support on electricity bills for guaranteed minimum assistance (GMA) beneficiaries and for pensioners (between March and May), as well as an energy bill discount for low-income households (for 12 months)

¹⁹ Source: "Impact of the electricity price surge in Energy Community Contracting Parties and measures undertaken", ECRB, May 2023

Implementation Interval: 2022

Number of eligible households: 35,000 households received the GMA, 328,840 pensioners received the one-off support, and 6,500 low-income households received the energy bill discount

Support per beneficiary: N/A

Eligibility criteria: GMA beneficiaries, pensioners and low-income households

Approximate annual expenditure: N/A

3. Financial Support for renewable energy sources and energy efficiency improvements

Subsidies for Renewable Energy Sources and Energy Efficiency Improvements in Households, including solar thermal collector, PVC or aluminum windows, pellet stoves and photovoltaic panels

Implementation Interval: since 2007

Number of eligible households: differs yearly, in 2019 approx. 3600 approved applications

Support per beneficiary: 1. for solar thermal collector (max. EUR 162 per household and max. EUR 243 for low-income households), 2. PVC or aluminum windows (max. of EUR 324 per household and max. EUR 405 for low-income households), 3. Pellet stoves (max. of EUR 324 per household and max. EUR 405 for low-income households) and 4. Photovoltaic panels (max. EUR 1004 per household)

Eligibility criteria: households and low-income households

Approximate annual expenditure: approx. MKD 52 million (EUR 842,606)

4. Measures undertaken by operators and suppliers (such as protection against disconnection in winter months)

c. Action plan for implementation of EU Energy Support Package

According to the European Commission's Action Document for State and Resilience Building Contract for North Macedonia, 80 million EUR was allocated to the state budget to support the measures to mitigate the socio-economic impact of energy crisis. More specifically, the national action plan envisages subsidizing household electricity bills, supporting SMEs to maintain business continuity and promoting state investments for energy transition, renewable energy sources, and energy efficiency. The main outputs to be delivered by the action are accelerated energy transition to a sustainable climate neutral economy and energy security and protection of energy users from increase in energy prices.

The implementation of the activities is monitored through the following indicators:

Table 7 North Macedonia, Energy Support Package, Indicators and measures to support vulnerable households

	Indicators	Baseline (value and year)	Targets by the end of the budget support contract (value and year)
Expected outcomes: 1. Accelerated energy transition to a sustainable climate neutral economy and energy security 2. The energy users are protected from the increase in energy prices	1. Number of households benefitting from energy-related measures 2. Share of population benefitting from eased access to electricity	1. 3,500 (2022) 2. 0.3% (2022)	1. 5,000 (2023) 2. >90% (2023)
Induced outputs: 1. Enhanced system for protecting the most vulnerable persons	1. Number of households receiving support for energy bills	1. 41,878 (2022)	1. >190,000(2023)
Direct outputs: 1. Fiscal space for reallocation of funds to vulnerable stakeholders created 2. Implemented NECP	1. Volume of sources for targeting relevant entities available to Government 2. % of NECP measures implemented	1. 350 million MKD/ 5.7 million EUR (2022) 2. 0 (2022)	1. 830 million MKD/13.5 million EUR (2023) 2. 100% (2023)

In its report on the measures undertaken to mitigate the socio-economic impact of the energy crisis, prepared in April 2023, the Ministry of Economy provided information on the concrete programs implemented to assist households to overcome the price increase of energy bills:

- Subsidizing difference between the estimated generation cost of 121 EUR/MWh and the price at which the generation company sells electricity to universal supplier (for the period January-June 2023 56 EUR/kWh);
- Reduction of VAT to 10% for the period January-June 2023;

- Program for protection of vulnerable consumers, existing scheme annually adopted to reflect the budget availability (around 970,000 EUR for 2023), with annual applications by the potential beneficiaries;
- Program for the promotion of renewable energy sources and energy efficiency, existing annual scheme annually adopted to reflect the budget availability (1,1 million EUR for 2023). The support is offered to all households, but with the greatest amount of subsidy for vulnerable citizens.

d. Conclusion:

The majority of the Energy Support Package funds have been allocated to subsidizing electricity bills for all households. A part of the budget is dedicated to the existing schemes for protection of vulnerable citizens. In addition to this, certain funds from the Energy Support Package are allocated to RES and energy efficiency measures targeting vulnerable customers. The effectiveness of the EU support package can be assessed after finalisation of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

6. Serbia

1. Price regulation and measures to address energy crisis

Household customers are eligible to change supplier, but also entitled to supply at regulated prices. In 2022, approximately 3,700 out of 3,333,214 households were supplied at non-regulated prices by incumbent supplier²⁰.

Measures implemented to address impact of energy price surge

The Government made several interventions (in form of Conclusions) to freeze certain incumbent's (EPS) prices at which consumers are supplied in the open market. In that regard, the Government:

- Extended the period and conditions of supply by EPS of the consumers whose supply agreement ended in October and November 2021 until the end of 2021;
- Extended for one month the supply of consumers whose last resort supply agreement ended on 31 October 2021;
- Issued several Conclusions recommending EPS to cap the prices applicable to customers supplied at non-regulated prices at the price of 75 EUR/MWh (1st January – 31th August 2022), 95 EUR/MWh (1st September – 31st December 2022), 102.6 EUR/MWh (1st January – 1st May 2023) and 110.81 EUR/MWh (1st May – 31st October 2023) respectively. The same Government's conclusions require EPS to cap prices of supply of last resort, whereby the currently applicable price amounts to 144,05 EUR/MWh.

The Government and the Ministry of Mining and Energy have taken several other energy crises mitigating measures:

²⁰ 2022 Energy Agency Annual Report

- Recommendations related to the reduction of electricity and energy sources consumption in households, economy, state administration, local self-government, and public enterprises, adopted by the Ministry of Mining and Energy and published on the website at the end of August 2022, aimed at electricity consumption reduction in the winter period;
- Stimulating electricity customers to reduce electricity consumption: it was recommended to the guaranteed supplier to calculate a discount on electricity charges to household customers, starting with the electricity bill for October 2022 and ending with the bill for March 2023, namely:
 - 15% discount - for households that reduce electricity consumption compared to the same month of the previous year by more than 5% and less than or equal to 20%,
 - 20% discount - for households that reduce electricity consumption compared to the same month of the previous year by more than 20% and less than or equal to 30%,
 - 30% discount for households that reduce electricity consumption by more than 30% compared to the same month of the previous year.

Based on the given recommendations for reducing electricity consumption and stimulating electricity consumer households, consumption in the winter period was reduced compared to the same months of the previous year, namely:

Month	Consumption reduction October 2022 - March 2023.	
	Guaranteed Supply	Commercial Supply
October	-13%	-10%
November	-6%	-5%
December	-8%	-5%
January	-10%	-6%
February	+1%	+1%
March	-9%	-7%

Average saving for the period	8%	5%
Total energy for the period	694 GWh	532 GWh

In December 2022, the Government adopted the Decree on Energy Vulnerable Customer. The Decree will contribute to reducing the energy poverty rate and create conditions for increasing the number of energy vulnerable households, and energy, natural gas and thermal energy customers who will be eligible for subsidies for energy bill payment, from the current 66,834 (year 2021) to around 191,000. The expansion of the protection program for vulnerable customers will mitigate the consequences of the 8% electricity price increase for guaranteed supply with application as of 1 January 2023 and a new 8% as of 1 May 2023, as well as the price of other energy sources. More details are provided in the following chapter.

2. Protection of vulnerable households

Serbia has aligned its energy acquis with the requirements of the third EU Energy Package in terms of protecting the vulnerable energy consumers. Current definitions of vulnerable consumers given in several legislative acts (e.g. Energy Act, Consumer Protection Act) rely primarily on factors such as health and income level. The adopted Act on Energy Efficiency and Rational Use of Energy introduces a definition of energy poverty. The Decree on Energy Vulnerable Consumers, adopted in 2013 and revised in 2015, 2022 and 2023, prescribes in more detail the criteria, manner of protection, conditions, deadlines and procedures for determining the status of an energy-protected consumer.

Currently, there are three direct financial support measures on a national level for socially vulnerable households aimed at reducing monthly electricity, gas or heating expenditures and two local measures in the form of direct financial support to vulnerable energy consumers in Belgrade and Novi Sad.

1. Direct financial support for vulnerable households (electricity)

Deductions for Monthly Electricity Bills (Decree on Energy Vulnerable Consumers, OJ RS No. 137/2022 and 46/2023)

Implementation Interval: Since 2013

Number of eligible households: approx. 191.000 (total electricity, gas and heating)

Support per beneficiary: deduction on monthly electricity bills for quantities up to 250 kWh/ month (single-person household – max. 120 kWh/ month, 2-3 members – max. 160 kWh/ month, 4-5 members – max. 200 kWh/ month, 6 or more members – max. 250 kWh/ month)

Eligibility criteria: status as vulnerable consumer according to household monthly income (approx. EUR 192 for single-person household, approx. 288 EUR for a for a 2- -person household, approx. 418 EUR for a 3-person household, approx. 530 EUR for a for a 4- person household, approx. 643 EUR for a 5-person household and approx. 755 EUR for households with 6 or more members)

Approximate annual expenditure: approx. RSD 4 billion (EUR 34.1 million total for electricity, gas and heating)

2. Direct financial support to vulnerable households (gas)

Deductions for Monthly Gas Bills (Decree on Energy Vulnerable Consumers, OJ RS No. 137/2022 and 46/2023)

Implementation Interval: Since 2013

Number of eligible households: 191.000 (total electricity, gas and heating)

Support per beneficiary: Monthly deduction of monthly gas bills for up to 770kWh for Jan-March and Oct-Dec (single-person household – max. 359 kWh/month, 2-3 members – max. 462 kWh/month, 4-5 members – max. 616 kWh/ month, 6 or more members – max. 770 kWh/month)

Eligibility criteria: Status as vulnerable consumer according to household monthly income (approx. EUR 192 for single-person household, approx. 288 EUR for a for a 2- -person household, approx. 418 EUR for a 3-person household, approx. 530 EUR for a for a 4- person household, approx. 643 EUR for a 5-person household and approx. 755 EUR for households with 6 or more members) and various criteria on gas consumption

Approximately annual expenditure: approx. RSD 4 billion (EUR 34.1 million total for electricity, gas and heating)

3. Direct financial support to vulnerable households (heating)

Deductions for Monthly Gas Bills (Decree on Energy Vulnerable Consumers, OJ RS No. 137/2022 and 46/2023)

Implementation Interval: Since 2022

Number of eligible households: 191.000 (total electricity, gas and heating)

Support per beneficiary: Monthly deduction of monthly heating bills for up to 60% of monthly (single-person household – 60% of monthly bill, 2-3 members – 50% of monthly bill, 4-5 members – 45% of monthly bill, 6 or more members – 40% of monthly bill).

Eligibility criteria: Status as vulnerable consumer according to household monthly income (approx. EUR 192 for single-person household, approx. 288 EUR for a for a 2- -person household, approx. 418 EUR for a 3-person household, approx. 530 EUR for a for a 4- person household, approx. 643 EUR for a 5-person household and approx. 755 EUR for households with 6 or more members) and various criteria on gas consumption

Approximately annual expenditure: approx. RSD 4 billion (EUR 34.1 million total for electricity, gas and heating)

The three above described measures cannot be implemented cumulatively i.e. the eligible households can receive subsidies for electricity or gas or heating. Furthermore the potential beneficiaries have to apply annually for the subsidy.

4. Direct financial support to vulnerable households (local measure)

Deduction on Utility Fees (electricity, gas, district heating) in Novi Sad for Families with Three or More Children

Implementation Interval: since 2013

Number of eligible households: N/A

Support per beneficiary: up to 50% of monthly bills (max. 30% for families with 3-5 children, max. 40% for families with 6-8 children, and 50% for families with 9 or more children)

Eligibility criteria: families with three or more children (with residence in Novi Sad)

Approximate annual expenditure: N/A

5. Direct financial support to vulnerable households (local measure)

Subsidy for Utility Products and Services (electricity, gas, district heating) in Belgrade

Implementation Interval:

Number of eligible households: N/A

Support per beneficiary: up to 30% deduction on monthly utility bill and a max. total deduction of RSD 2,400/month (EUR 20) (30% for Category 1, 10-30% for Category 2, 30% for Category 3)

Eligibility criteria: 3 Categories: 1) Pensioners with the lowest tier of pensions and low- income households²¹, 2) War veterans, and families of the deceased, 3) Beneficiaries receiving ensured material support and home care meals, disabled and the severely ill (with residence in Belgrade)

²¹Criteria for low-monthly income household: single-person households (EUR 68 – 196/month), 2 person household (EUR 85 – 196), 3-person household (EUR 102 – 340), 4-person household (EUR 111 -366), 5 or more

Approximate annual expenditure: N/A

3. Action plan for implementation of EU Energy Support Package

According to the European Commission’s Action Document for State and Resilience Building Contract for Serbia, 165 million EUR was allocated to the state budget to support the measures to mitigate the socio-economic impact of energy crisis. The main outputs to be delivered by the action are targeted measures to support vulnerable customers as well as the implemented regulatory steps to support energy security and green energy transition, which include measures to improve energy efficiency for all households, aiming at reducing electricity consumption, as well as subsidy schemes for households and multifamily residential buildings to improve energy performance.

The implementation of the activities is monitored through the following indicators:

Table 8 Serbia, Energy Support Package, Indicators and measures to support vulnerable households

	Indicators	Baseline (value and year)	Targets by the end of the budget support contract (value and year)
Expected outcomes: 1. Counteract the immediate and short-term negative impact of energy crisis on Serbia, with a special focus on vulnerable customers	1. Number of vulnerable households who benefitted from crisis support measures	1. 68,000 (2022)	1. Monthly number is the same or there is a decreased number of vulnerable household customers compared to the same month in the baseline year (2023) ²²
Induced outputs: 1. Targeted measures to support vulnerable customers 2. Regulatory steps to support Serbia’s energy security and energy transition are taken	1. Decree of implementation of the Energy Crisis Roadmap 2. NECP adopted by the Government other	1. 0% (2022) 2. not adopted	1. 100% (2023) 2. adopted (2023)

person household (EUR 128 – 391)

²² According to the Serbian “Roadmap for the Energy Support Package State and Resilience Building Contracts”, the objective is to increase the number of protected households- vulnerable customers up to 190,000 until end 2023.

Direct outputs: 1. Support measures implemented	1. The eligibility and methodology criteria for the identification of beneficiaries are implemented 2. frequency of broadcasted awareness raising campaign on why and how to reduce consumption	1. currently being implemented (2022) 2. none (2022)	1. Criteria fully implemented (2023) 2. according to the broadcasting plan (2023)
--	--	---	--

The *Roadmap for the Energy Support Package State and Resilience Building Contracts* of February 2023 amended certain targets established in the Action Plan Roadmap 2023 Energy Support Package. The table below summarizes the actions envisaged by this roadmap related to the mitigation of the effects of price increases to vulnerable groups.

Table 9 Serbia, Roadmap for the Energy Support Package State and Resilience Building Contracts

I. Objective: Mitigate the immediate socio-economic impact of the energy crisis on vulnerable customers and SMEs				
1. Measure: Subsidies for households to overcome the price increase of energy bills				
Indicator	Baseline	Target	Source of verification	Report on realization from October 2022 to February 2023
<p>Legal basis for the support to energy vulnerable households is in place (criteria for selection of households are defined, procedures are defined).</p>	<p>Decree on energy vulnerable customer ("Official Gazette of the Republic of Serbia" no. 113/15 and 59/18)</p> <p>Decree ceased to be valid on 17 December 2022.</p> <p>(Criteria covers households with minimal incomes, as well as beneficiaries of the right to cash social assistance and child allowance, as particularly vulnerable groups. It prescribes the criteria and conditions for acquiring the status of a vulnerable customer, as well as the scope of the right to reduce the monthly bill for electricity)</p>	<p>The new Decree on the Energy Vulnerable Customer was adopted at the session of the Government of the Republic of Serbia on December 8, 2022, and it came into effect and started to be implemented from 17 December 2022.</p> <p>(The proposal of the Decree on the Energy Vulnerable Customer expands and better defines the type of household that can fall under the criteria of vulnerable in the context of the energy crisis. These include criteria and conditions related to financial position (calculated for the members of the household), entitlement to financial social assistance or child allowance or increased allowance for assistance and care of another person; or the health status of the household member)</p>	<p>Official Gazette of the Republic of Serbia</p>	<p>The Decree on energy vulnerable customer was adopted by the Government of the Republic of Serbia on 8th of December 2022.</p> <p>(„Official Gazette of the Republic of Serbia” no. 113/15 and 59/18)</p>

<p>Number of vulnerable households who benefitted from support to overcome the price increase of energy bills</p>	<p>68,000 households exercised the right to reduce their monthly electricity bills (November 2022).</p>	<p>During 2022 to maintain the same number of protected vulnerable customers (66.000) and gradually increase number of protected households -vulnerable customers up to 190,000 until 31 December 2023. This measure will be via adequate communication channels.</p>	<p>Report on the implementation of the Energy Roadmap prepared by the Ministry of Mining and Energy</p>	<p>Data received from PE EPS for the first month of implementation of the new regulation (January) on the number of energy-vulnerable customers is about 55,000 households. This measure was promoted through public media and other means of information (printed media, internet portals).</p>
--	---	---	---	--

4. Conclusion:

Out of 165 million EUR received via the Energy Support Package, the Serbian Government allocated approximately 26 million EUR (3,1 billion RSD) to expand and better define the type of household that can fall under the criteria of vulnerable customer in the context of the energy crisis. Customers with the energy vulnerability status may receive subsidies for electricity, natural gas or district heating.

The effectiveness of the EU support package can be assessed after finalization of the action (end 2023), when data on disbursed funds and achieving the targets for all indicators will be available.

7. Conclusions and recommendations

This report has analyzed how the Western Balkans Contracting Parties supported the vulnerable and energy poor households during the energy crisis, particularly differentiating between the overall support for all households and the assistance to those in extreme need. In this context, implemented and planned activities under the framework of the immediate help of the Energy Support Package, set in the State and Resilience Building Contracts, have been analyzed.

The following conclusion and recommendations are highlighted:

1. Price regulation mechanisms applied by the Contracting Parties already before crisis have been maintained and in most of the cases, the funds received through the Energy Support Package have been used to keep them up.
2. Additionally, a part of funds is directed towards existing support schemes for vulnerable customers, whereby in some cases the action plans indicate that the number of beneficiaries would be increased. A new mechanism to overcome the price increase of 2022/23 energy bills for heating is being designed in Bosnia and Herzegovina, to which a part of Energy Support Package Funds shall be allocated. In Serbia, the new decree on energy vulnerable customer was adopted in order to allow for increasing number of beneficiaries.
3. North Macedonia and Kosovo* are the only Western Balkans Contracting Parties that allocate certain funds from the Energy Support Package- share for the immediate measures, to renewable energy sources and energy efficiency measures targeting vulnerable customers.
4. The effectiveness of the Energy Support Package provided to assist in mitigating the immediate socio-economic impacts of the energy crisis in the Western Balkans can be assessed only after finalization of the action (end 2023), and when data on disbursed funds and achieved targets for all indicators have been analyzed.
5. The Western Balkans Contracting Parties should ensure market-based supply prices for households as well as adequate measures for protection of energy poor and vulnerable customers pursuant to the Energy Community legislation. Any public intervention in energy price setting must ensure balance between benefits of competitive retail markets, demand reduction and protection of vulnerable citizens. The measures to protect vulnerable and energy poor should incentivize energy saving and demand reduction.
6. The Western Balkan Contracting Parties are invited to cooperate with the Energy Community Secretariat's Centre for Alleviating Energy Poverty in planning and implementing successful and targeted energy poverty measures and are recommended to refer to the Energy Community's *Policy Guidelines on identifying and addressing energy poverty*, published in August 2022²³.
7. One of the main messages of the abovementioned guidelines is herewith reiterated: ***in the light of the energy crisis, implementation of the short-term measures is important to directly relieve the financial situation of poor households. However, it is crucial to limit the implementation of such***

²³ https://www.energy-community.org/dam/jcr:56632fbf-baf6-49c5-ad23-d997b552e1e6/PG2022-02-ECS_poverty-082022.pdf

measures to the vulnerable and poor population, so that the market liberalization and energy transition processes are not jeopardized for the benefit of all citizens, including the poor.