

★ Energy Connectivity Initiative

The Vienna Summit of the Western Balkans 6 Initiative¹ (“Berlin process”) on 27 August 2015 provided a renewed impetus to the development of the regional electricity market spanning the six Contracting Parties of the Energy Community in Southeast Europe: Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Montenegro, Kosovo* and Serbia. The heads of government, foreign and economic ministers of both EU Member States and the six focus countries, in cooperation with the European Commission, decided to take steps to improve energy connectivity in the region by facilitating investments and prioritising market development. The Summit endorsed four “Projects of Energy Community Interest” for inclusion in the EU’s Instrument for Pre-Accession Assistance 2015 multi-country programme. They include power interconnectors and reinforcement of the region’s electricity transmission system.

Expectations towards the implementation of the commitments made by the WB6 countries are growing over time and output will have to be delivered by all key players in the sector.

As a complement to the infrastructure projects, the Western Balkan countries committed to implementing so-called “energy soft measures”² as key preconditions for the development of a regional electricity market. Delivering on improved cross-border balancing cooperation, regional coupling of day-ahead markets and closer cooperation in capacity allocation requires the active engagement of all the key players in the sector. Based on their technical responsibilities, the transmission system operators assume a key role in the implementation of these regional integration measures and are thus expected to find agreements governing all of these areas. The national regulatory authorities are expected to facilitate the governance, compliance, fairness and transparency of the implementation process. The legislative bodies of each Western Balkans 6 country are expected to provide

the necessary legal and institutional framework allowing the entities to successfully and timely implement the commitments made. Implementing the energy soft measures will require comprehensive reform packages for most countries. The general implementation deadline for most deliverables is the next Western Balkans 6 Summit scheduled to take place in France in July 2016.

The Summit tasked the Energy Community Secretariat to lead the development of the regional energy market and assist in the implementation of the measures. The present Monitoring Report by the Energy Community Secretariat is the second in a series of bimonthly reports on the progress made by the six Western Balkan countries. The Monitoring Report consists of six Country Reports and an Infrastructure Report. The Country Reports, broken down by the measures agreed at the Summit, do not aim to provide a comprehensive description of the status quo, but rather identify whether progress is on track or alternatively if urgent action is required in order to implement the measures by the agreed deadline.

⚡ Energy Soft Measures Implementation

| Measure | Albania | Bosnia and Herzegovina | Kosovo* | FYR of Macedonia | Montenegro | Serbia |
|--|---------|------------------------|---------|------------------|------------|--------|
| Primary Law(s) | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| Complementary Legal Acts | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| Organised Day-ahead Market | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| National Balancing Market | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| Regional Capacity Allocation | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| Price Deregulation | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| DSO Unbundling | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| TSO Unbundling | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| NRA Independence | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ | ⬆️ |
| Implementation of Inter-TSO Agreements | / | / | ⬆️ | / | / | ⬆️ |

⬆️ Critical ⬆️ Significant delay ⬆️ Insufficient progress ⬆️ Pending
 ⬆️ Progress on track ⬆️ Significant progress ⬆️ Accomplished

* Throughout this Report, this designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

1 Final Declaration of the Western Balkans Summit Vienna 2015

2 Addendum to the Final Declaration of the Western Balkans Summit Vienna 2015



WB6 Infrastructure: Introduction

The present Report maps the progress to date in the realisation of the investment projects prioritized for grant co-financing from the EU pre-accession funds (IPA) at the Vienna Summit of the Western Balkans 6 Initiative. The four electricity infrastructure projects concerned have received the label "Project of Energy Community Interest (PECI)" by the 2013 Energy Community Ministerial Council for their significant positive impact on the energy markets of the Energy Community countries when built. The funding comes in addition to the already existing technical support offered for investment preparation. This approach follows the example of the European Union, where a special fund, the *Connecting Europe Facility (CEF)*, was created to support the EU energy priority infrastructure (Projects of Common Interest).



Electricity Infrastructure Projects of Energy Community Interest (PECI) – IPA 2015 Investment Projects Co-financed



- Albania – FYR of Macedonia Power Interconnection (I): Grid Section in Albania
Investments: € 70 million
EU Grants: € 14 million (20%)
- Albania – FYR of Macedonia Power Interconnection (II): Grid Section in the FYR of Macedonia
Investments: € 49 million
EU Grants: € 12 million (24%)
- Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro
Investments: € 127 million
EU Grants: € 25 million (20%)
- Trans-Balkan Electricity Corridor (II): Grid Section in Serbia
Investments: € 28 million
EU Grants: € 6,6 million (24%)
- Co-financed IPA 2016 (expected)
- Co-financed IPA 2017 (expected)