

THE ENERGY COMMUNITY WORK PROGRAMME 2018 - 2019

CONTENTS

I.	Introduction.....	1
II.	Overall and cross-cutting tasks	6
III.	Individual elements of the <i>acquis</i>	9
IV.	Cooperating among the energy regulators.....	18
V.	Development of energy infrastructure.....	19
VI.	Statistics.....	19
VII.	Energy Community Summer School.....	22
VIII.	Regional initiatives	23
IX.	Administration and support services.....	26

I. Introduction

Background

This outline of the Work Programme of the Energy Community 2018-2019 is the synthesis of activities linked to the budgeting process of expenditures for the next biennial and is prepared following the requirements relevant for the establishment of the budget laid down in the Energy Community Procedures for the Establishment and Implementation of Budget Audit and Inspection (“*Budgetary Procedures*”).

It takes into consideration the following:

- The Energy Community developments since the entry into force of the Treaty in 2006;
- The necessity to provide a clear framework for further steps towards achieving the Energy Community objectives;
- The ongoing developments of political, legal and economic nature in the Contracting Parties and Observers; and
- The energy developments in the European Union (EU).

Within the current budgetary period 2016-2017, the Energy Community has worked intensively towards implementation of the *acquis* under the Treaty in a broad range of areas including electricity, gas, oil, renewables, environment, energy efficiency, security of supply and competition. As reflected in detail in the Secretariat’s annual Implementation Report, the Contracting Parties have benefited from support by the Secretariat in transposing and implementing the *acquis* through drafting legislation, compliance reviews, enforcement and negotiations, streamlining and coordination of technical assistance, etc. Such support will continue also in the next budgetary period 2018-2019.

Challenges ahead: In the years to come, the work to be expected from the Contracting Parties and from the Energy Community institutions will be focusing on the implementation, mostly through secondary legislation and regulatory acts. The real implementation of the Third Energy Package will continue in 2018 and 2019 after having started during 2016. The same will be of utmost relevance for other *acquis* such as environment (Large Combustions Plants Directive), infrastructure and energy efficiency. Moreover, Georgia, as a new Contracting Party, will have to be speedily integrated the process.

The upcoming challenges requiring the assistance of the Secretariat in the implementation of the Third Package include major tasks such as unbundling and certification of transmission system operators, unbundling of distribution system operators and full market opening. This will also require guidance and concrete drafting assistance for market rules, e.g. related to balancing, day-ahead markets, market coupling etc., rules of technical nature (network codes, action plans in the areas of renewables, energy efficiency, emissions, etc.) and of legal nature (procedural and organizational rules, e.g. for certification). The reforms in some Contracting Parties (in particular Georgia, Ukraine, Moldova, and Bosnia and Herzegovina) are challenging due to their fragmented legislation, complex territorial structure or geopolitical disposition, administrative practices, political considerations and/or language barriers, and that is likely to extrapolate and multiply as the reforms progress. This will increase the workload of both the Contracting Parties and the Secretariat and pose new challenges.

Besides developing rules and procedures for all Contracting Parties individually, the tasks of the Energy Community also include developing regional approaches and solutions by the Energy Community institutions in significantly depth and scope.

Moreover, the Energy Community is getting more involved in the application of the rules in individual cases. This includes, *inter alia*, permitting of infrastructure and generation projects, cross-border cost allocations, environmental impact assessment procedures for individual projects, the enforcement of competition and State aid law in individual cases etc. The unbundling of transmission, including the certification processes, and distribution system operators is particularly work-intensive and absorbs already a lot of resources at the Secretariat. These tasks need to be performed on top of the Secretariat's work-intensive activities in enforcement.

The Energy Community is also involved in the creation of organized markets. For instance, the Secretariat was appointed to participate in the steering committee for developing a power exchange in Albania. Power exchanges in Serbia and other Contracting Parties and/or on a regional level may require similar support.

Public services and vulnerable customer protection, price regulation, taxation, public procurement, financial settlement and viability of service providers, concentration of market power and conditions for entry on the energy markets, cross-border supply, transparency - all these areas have so far not been sufficiently covered by the Energy Community and require more targeted efforts. This trend is visible already today, most prominently in Ukraine.

Expanding the Energy Community *acquis*: Over the past years, the Ministerial Council also substantially broadened the scope of the *acquis communautaire*. As it has been mentioned, the Third Energy Package brings big implementation challenges in the electricity and gas sectors. The network codes which are going to be implemented and continuously adopted, following their further development and/or adoption in the EU, will impose an additional legal framework of unprecedented depth in detail for which the Energy Community Contracting Parties so far are not well prepared. Their implementation will require a more intensive assistance to Contracting Parties' institutions and stakeholders by the Secretariat. The Renewables Directive, energy efficiency *acquis* (Energy Efficiency Directive, Energy Performance in Buildings Directive, Energy Labelling and Delegated Regulations), *acquis* on statistics and the Oil Stocks Directive in the petroleum sector will continue to require intensive support by the institutions, and in particular by the Secretariat.

In the environmental area, two new Directives, i.e. the Strategic Environmental Assessment and Environmental Liability Directives with implementation deadlines of 31 March 2018 and 1 January 2021, respectively, have been adopted by the Ministerial Council in 2016. Environmental Impact Assessment and Sulphur in Fuels Directives have been upgraded according to their latest amendments (with implementation deadlines of 1 January 2019 and 30 June 2018, respectively). A Recommendation on implementing the provisions of the Monitoring Mechanism Regulation for greenhouse gas emissions has also been adopted by the Ministerial Council in 2016.

The implementation phase of the Large Combustion Plants Directive, arguably the piece of Energy Community *acquis* with the highest impact on many Contracting Parties' budgets, will start on 1 January 2018, with the reporting obligations by the Contracting Parties starting on 1 January 2019. The monitoring mechanisms of the flexibility instruments (national emission reduction plan, limited lifetime derogation) will start at the beginning of 2018. Given the major challenges in implementing

this piece of the environmental *acquis*, this will require a continued intensive assistance to Contracting Parties by the institutions.

The High Level Reflection Group in 2014 proposed further extension of the environmental *acquis* with some additional directives:

- Directive 2008/50/EC on ambient air quality;
- Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC as adapted by Directive 2009/30/EC;
- Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading.

Proposals of the High Level Reflection Group are piece by piece becoming part of the Energy Community *acquis*. With additional *acquis*, the workload is more and more intensive and it is expected that in the next period at least two - out of the listed above - additional environmental directives will be adopted by the Ministerial Council.

Security of supply: The security of energy supply in the Energy Community is monitored and closely coordinated by the Energy Community Secretariat in both the context of network operation and safety and energy availability. The Security of Supply Sub-Groups for electricity and gas are dealing with ambitious work programmes, projects for regional cooperation and system adequacy aspects and will be crucial for attaining one of the Treaty's key objectives, security of energy supply.

As regards electricity supply in particular, recent initiatives for cooperation and the establishment of the Regional Security Coordinators ("RSC") affect the Energy Community and require more involvement by the Secretariat. Some of the Contracting Parties (Ukraine, Moldova, Kosovo*, and Albania) are particularly problematic as they have chronic difficulties with regular curtailments, high dependency on volatile hydrology or insecure upstream conditions which often need preparedness and prompt concerted action.

Regional initiatives: In 2015, the Vienna Summit of the Western Balkan 6 Initiative ("Berlin process") provided a renewed impetus to the development of the regional electricity market of the Contracting Parties of the Energy Community. 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 Energy Community Secretariat was called upon to support the implementation of this process.

On 27 April 2016, representatives of transmission system operators, national regulatory authorities, and ministries of energy and power exchanges of the Western Balkan 6 countries committed to implementing a memorandum of understanding (MoU) setting out general principles of cooperation as well as concrete actions to develop the regional electricity market.

Furthermore, the Western Balkan 6 countries in 2016 agreed among themselves on a Sustainability Charter which breaks new ground in many areas (energy efficiency, climate action, renewable energy and investor confidence and protection) and requires support by the Secretariat.

As regards the gas sector, the risks of both short and long term supply interruption have increased significantly in the recent past.

Ukraine, the Energy Community's largest Contracting Party, takes central stage in that respect and requires an increased level of attention by the Energy Community institutions. This will benefit pan-European security of supply.

Although the Contracting Parties are particularly vulnerable, security of gas supply for entire Europe is linked to the fact that EU Member States and Contracting Parties share the same infrastructure which brings gas from the same source of supply. The need for a concerted response to prevent and mitigate the risks to continuous supply, demonstrated in the 2014 security supply stress tests, will need pan-European follow-up. Effective regional cooperation has been recognized as key to achieving the region's energy policy objectives and addressing challenges that EU Member States and Contracting Parties face in the gas sector (see chapter VIII on CESEC).

Furthermore, it is to be expected that the process of incorporating new EU legislation in the Energy Community *acquis communautaire* will continue. Besides the guidelines and network codes in electricity and gas (where the PHLG has already committed to swift and quick incorporation once they are adopted within the EU), the Regulation on wholesale energy market integrity and transparency ('REMIT') is of relevance for the Energy Community in particular, in the context of the guideline on Capacity Allocation and Congestion Management in electricity ('CACM Regulation').

In that regard, of especial importance will be cooperation with 8 bordering EU Member States that at the same time belong to the region designed in the Title III of the Energy Community Treaty.

Regional market: Another area of work where the objectives of the Treaty are to be reached is the establishment of a regional market. The Coordinated Auction Office is operational since 1 January 2015, however, the regional coordination of cross-border capacity allocation has not been fully accomplished. Additional activities related to regional electricity wholesale market opening and its organization, including the potential establishment of a regional power exchange platform and a regional balancing support mechanism, will gain traction in the period 2018-2019.

National regulatory authorities of the Contracting Parties have new competences stemming from the Third Energy Package, Infrastructure Regulation and from establishment of bodies both on national and regional level. Also, the Energy Community Regulatory Board (ECRB), having new competences in the fields of certification, cross-border cost allocation, infrastructure exemption, gas and electricity network codes (and guidelines), will require more assistance, knowledge transfer and development of suitable institutional rules by the Secretariat.

Competition: The Energy Community's competition authorities established among themselves with the support of the Secretariat a Competition Network. This Network shall ultimately serve as a forum for discussion and the exchange of best practices. Since some national State aid authorities are either not operational or not active in the effective enforcement of the Energy Community State aid *acquis*, also the work of and coordination between national State aid authorities needs to be enhanced.

Representatives from the State aid authorities will therefore join the cooperation process. In order to foster cooperation to reach tangible results, the Secretariat will set up working groups that shall produce concrete deliverables like best practices, notices, tool boxes or training material. The working groups shall be formed by a limited number of representatives from either the State aid or the competition authorities and will be headed and advised by the Secretariat.

The Secretariat will organise at least once per year workshops to train and discuss common issues and the deliverables elaborated. Furthermore, the Secretariat will use an online forum in order to share current developments in the Energy Community and European Union and discuss issues faced by several authorities.

Membership in regional associations: Most of the Transmission System Operators (TSOs) for electricity, in contrast with the gas TSOs, have become full-fledged members of ENTSO-E by now. However, it should be the target that all gas TSOs are involved in the work of ENTSO-G in the future.

Further, participation of Contracting Parties' regulators in the so-called 'Energy Regulators Forum' and Power Exchanges in the European 'NEMO platform' will have to be promoted with respect to the implementation of the Guideline on Capacity Allocation and Congestion Management in electricity ('CACM Regulation').

Strengthening the network between the Distribution System Operators (DSOs) from the region, in both electricity and gas sectors, shall also be pursued.

Geographical scope of the Energy Community: In October 2016, the Ministerial Council unanimously approved the accession of the Republic of Georgia to the Energy Community Treaty. In October 2016, Belarus applied for Observer status and the procedure for granting the status could be finalised in 2017. This geographical expansion of the Energy Community will bring additional workload and challenges for the Secretariat.

Cooperation with IFIs and other institutions: Due to its increased contribution to stakeholders' and donors' activities, the Secretariat has been engaged in preparation and joint implementation of a number of IFI and institutional regional initiatives, including: (1) Regional Energy Efficiency Programme (WBIF and EBRD), (2) Gas to Power (WBIF and the World Bank), (3) Efficient Biomass Based Heating and Cooling (WBIF and the World Bank), (4) Gas Sector Reform Implementation Plan for Ukraine (World Bank), (5) Market Monitoring Report (ACER), (6) assistance to Belarus (Central European Initiative), etc. . Particularly strong is the cooperation with USAID on compliance check of the technical assistance provided by this organisation to the authorities of the Contracting Parties.

The Secretariat also assists WBIF/DG NEAR in preparing the regional project pipeline in electricity area, for which technical and financial assistance from multi-beneficiary IPA funds is provided.

Moreover, the Secretariat was nominated by the Regional Cooperation Council (RCC) as the Energy Dimension Coordinator for the implementation of the SEE 2020 Strategy. This requires and will require additional work for the benefit of the development of the energy sectors in the region.

Mediation: In the past two years, the Secretariat, in the absence of an enforcement system apt to secure investor protection, was engaged intensively in investor-state dispute resolution and reconciliation. This tendency is likely to increase in the future.

The successful settlement of the disputes between CEZ and Albania and Gas Natural Fenosa and Moldova, as well as the negotiations between KOSTT and EMS, are the most prominent examples. Building up on the experience of these negotiations, the Secretariat established a Dispute Resolution and Negotiation Centre in October 2016.

In the beginning, the activities of the Centre will focus on negotiations and mediation of investor-state disputes and offering support to national authorities of the Contracting Parties in their negotiations with private parties. Another purpose of the Centre is to facilitate the swift closure of dispute settlement cases under the Energy Community Treaty via tailor-made negotiation and mediation facilities.

II. Overall and cross-cutting tasks

1. PROMOTING AND SUPPORTING THE ENERGY COMMUNITY GOALS AND ACTIVITIES

The Energy Community institutions will continue performing within the scope of their mandates. In relation to the overall and cross-cutting activities, the Energy Community Secretariat in particular will within its mandate:

- Provide assistance to all institutions within the scope of their competences;
- Promote the objectives of the Energy Community via e.g. publications, presentations, public relations, maintaining and developing the website, liaising with other international institutions and bodies, donors, investors etc.;
- Facilitate and assist the institutions and Parties in the implementation of the decisions and recommendations;
- Carry out other tasks, conferred on it by the Ministerial Council;
- Provide assistance of organizational, conceptual and legal nature to all Contracting Parties;
- Organize and further develop the events of the Energy Community and its institutions;
- Coordinate the work of working groups and task forces when needed;
- Provide timely, reliable and fair information to all institutions as a basis for their decision-making;
- Manage and implement the budget of the Energy Community in line with availability, objective necessity and applicable rules;

2. IMPLEMENTATION OF THE ACQUIS

The implementation of the current *acquis communautaire* will remain the biggest challenge for the Energy Community also in the period 2018-2019. The slow opening of the wholesale markets in real terms and lack of liberalization in the retail, the lack of cost-reflectivity of energy prices, the persistence of illegal subsidies and implicit forms of State aid, the insufficiency of the regulatory framework, the lack of regional cooperation and compliance with the environmental and climate *acquis* have not yet been overcome. The Secretariat's work in this respect will be intensified and expanded in line with the following key features.

2.1. Providing assistance to Contracting Parties

- The Secretariat will review all draft legislation, providing comments on their compliance with the *acquis*, making sure that legislation adopted is in line with the obligations under the Treaty. In many, if not most instances, the Secretariat will be (further on) involved in the drafting of primary and secondary legislation, including for the Regulator, competition authority, transmission system/market operators etc.;
- The Secretariat will provide assistance to the Contracting Parties also by advising them on implementation of the *acquis*. For that purpose, the Secretariat has established special

- purpose internal task forces to tailor make solutions according to the particularities, needs and shortcomings of the Contracting Parties (with focus on Moldova, Ukraine and Georgia);
- The Secretariat will continue its support via capacity building to national institutions such as the national statistics institute, competition and State aid authorities, regulatory authorities etc.;
 - The Secretariat will further provide assistance in organizing workshops and commissioning studies, when needed;

All these areas constitute great challenges for the Contracting Parties and the institutions of the Energy Community.

The Secretariat will continue to provide assistance also to the Observers and countries who have expressed an interest in being associated to the Treaty, in order to bring their internal legislation in line with the *acquis* to the widest extent possible already before accession.

2.2. Reporting

As in the past, the Secretariat will report on the progress related to Treaty implementation by issuing annual Reports, as the most comprehensive reference document and basis for further policy development and enforcement measures. Furthermore, the Secretariat will continue to publish reports as part of the Secretariat's involvement in different regional initiatives (CESEC, Western Balkan 6) as well as *ad hoc* reports on different subjects, when required or assigned to the Secretariat by the respective institutions.

2.3. Enforcement of the *acquis*

The Secretariat will continue developing the dispute settlement mechanism under Article 90 of the Treaty towards a tool of Treaty enforcement by following up on all issues of non-compliance with the Treaty. This will be done by applying the Dispute Settlement Rules as amended by the Ministerial Council in 2015 to cases addressing issues of non-compliance individually for each Contracting Party concerned as well by simultaneous cases pertaining across the board to all Contracting Parties in one way or other.

The Secretariat will continue to prioritize cases initiated upon complaint by private bodies, which increasingly use this opportunity. It will also prioritize non-implementation of the Third Energy Package, including its individual elements such as non-compliant market models, impediments to cross-border trade, unduly regulated energy prices and the lack of coordinated capacity allocation. Furthermore, the Secretariat will continue to use the expedited procedure introduced in the amended Dispute Settlement Rules for non-transposition cases.

The Advisory Committee as an institution established under the Dispute Settlement Rules will require further support due to its increased number of members, responsibilities, and its increased scope of work. The Advisory Committee is composed of five, instead of the previous three members. Besides the increased number of members, the Advisory Committee also has an increased number of tasks and responsibilities, one of them being the requirement to conduct a public hearing before giving an opinion to the Ministerial Council. Moreover, due to the increased number of complaints addressed to the Secretariat and the increased number of cases initiated by the Secretariat on its own motion, all of which have to be considered by the Advisory Committee before giving an opinion, the workload

of the Advisory Committee has substantially increased. This will require a larger number of meetings, which will amount to an increase of members' travel expenses.

The Dispute Resolution and Negotiation Centre is expected to develop during the next years. Procedural Rules, as adopted by the Secretariat, will serve the purpose of the first facilitated negotiations between investors and Contracting Parties under the auspices of these rules. The Centre shall establish a panel of mediators of high moral character and recognized competence in the fields of energy law and energy-related negotiations. These mediators may be called upon to assist in negotiations and mediations in Dispute Settlement Procedures, either when bilateral negotiations after the opening of a dispute settlement procedure fail, or after a Reasoned Opinion has been issued.

The Secretariat will develop a framework upon which assistance will be offered to Contracting Parties in their negotiations with the investors. To this end, workshops and trainings will be organised.

Past experience shows that the recourse to enforcement action was most efficient where the Secretariat combined it with its assisting role, i.e. where the finding of non-compliance issues was linked with proposing redrafting of laws and by-laws. The Secretariat will continue to bundle its individual activities in that respect.

Since 2013, the Secretariat, in cooperation with the Florence School of Regulation, organizes an annual Forum on European Energy Law in Vienna to promote the network and exchange of knowledge between energy lawyers and regulators from Contracting Parties and the European Union. The Forum is preceded by a workshop on Energy Community law to address specific legal issues and challenges for the Contracting Parties. These events have met an unusual high demand and will be continued in the future.

The Secretariat started establishing a network formed by legal experts (national judges, representatives of academia and experts practising energy law) from the Contracting Parties, Observers and the EU Member States.

The main purpose of the network will be to increase awareness of the increasing body of energy law in the European Union and the Energy Community, as well as sharing and discussing the latest developments in the field (such as climate and environment issues, new projects etc). It will also aim at facilitating the cooperation between experts from different countries and will constitute a tool for continuous learning and development of all the parties involved.

Initially, the legal network shall function as an online platform enabling constructive exchanges on energy law developments. Topics open for debate by a moderator on a weekly basis may refer to recent developments in the Energy Community or other energy law related news. These debates will then be followed by in-person events (such as workshops and seminars).

III. Individual elements of the *acquis*

1. ACTIVITIES IN THE ELECTRICITY SECTOR

1.1. Transposition and implementation of the Third Energy Package

The transposition of the *acquis* on electricity shall be completed as soon as possible in those Contracting Parties who have not yet finished the task. The Secretariat provides direct assistance in drafting of new laws, amendments to laws and verification of the compliance of draft laws in all new and old Contracting Parties. Subsequent support will be provided in the process of adoption in the governmental bodies and parliaments of these countries.

Following the expected expansion of the *acquis*, the Secretariat shall include in its scope of assistance the transposition and implementation of the infrastructure package, the electricity transparency regulation, electricity elements of the energy efficiency directive, security of supply act, relevant acts of the environmental *acquis* related to electricity generation, relevant acts on energy statistics referring to electricity, the applicable acts related to taxation, public procurements, competition and State aid. Secretariat will also closely monitor the progress in adoption of Clean Energy Package and strive for its early implementation in the Energy Community Contracting Parties.

Work related to the implementation of the transposed provisions in the adopted laws will be required in the years to come in all Contracting Parties. The Secretariat shall sustain and expand its assistance to the ministries, regulators and network operators in assessing the compliance or drafting of new or revised secondary legislation (e.g. market rules, grid codes and rules for supplier switching, balancing, metering, cross-border transmission capacity allocation).

Unbundling of the transmission system operators and their certification in each of the Contracting Parties that has implemented the Third Energy Package will be on the agenda of the Secretariat. By now, the Secretariat has been intensively involved in certification of the electricity TSO in Albania. The procedures for certification of the TSOs in all other Contracting Parties will follow.

Other structural aspects of compliance will need to be supported in the course of implementation of the Third Energy Package, such as regulatory powers and independence, unbundling and compliance of DSOs, customer support and vulnerable customer protection, etc.

In future, the implementation of the Network Codes will require significant engagement of the Secretariat. The model of their enforcement in the Contracting Parties, as approved by the PHLG, will be followed by the needed implementation of the corresponding Regulations. It will be for the Secretariat to monitor and assist via drafting proposals for amendments in the rules and grid codes, organisation of coordination events, proposing policies and other types of technical support. Cooperation of the Contracting Parties with ACER and ENTSO-E in this area will be supported as well. Involvement of Contracting Parties' regulators in the so-called 'Energy Regulators Forum' and Power Exchanges in the European 'NEMO platform' will have to be promoted in context with the implementation of the guideline on capacity allocation and congestion management in electricity ('CACM Regulation').

The progress in the implementation of the *acquis* on electricity shall be monitored and reported also through the Energy Community Annual Implementation Report.

1.2. Liberalization and integration of the electricity markets

As a matter of fact, the development of competitive electricity market environment in the Energy Community has been in delay. In the years to come, the Secretariat will have to ensure the adoption of sufficient and adequate legislative and structural support, including Market Rules, switching platforms and TPA enforcement in the Contracting Parties (like Bosnia and Herzegovina, Kosovo, FYR of Macedonia, Moldova, Ukraine, Georgia), where it is deficient. The Secretariat shall continue to monitor and address abuse of dominance and overregulation, lack of eligibility and supplier switching support, and initiate infringement actions in the cases where assistance has failed.

The wholesale market will continue to be supported through facilitating the establishment of organized trading platforms. Market coupling and establishment of power exchanges will be supported in the context of Western Balkan 6 obligations and the implementation of the CACM Regulation in entire South East Europe, thus replacing the 8th Region. The establishment of day-ahead and intra-day markets will be supported. The initiatives for regional balancing and ancillary services will also be further promoted and supported.

The SEE Coordinated Auction Office (SEE CAO) started its operation in 2015 and expands across the borders of the constitutive TSOs (in Croatia, Bosnia and Herzegovina, FYR of Macedonia Montenegro, Albania, Greece and Turkey). The Secretariat shall continue its efforts to enable the access and to motivate the remaining neighbouring TSOs (from Serbia, Bulgaria and Romania) to include their relevant borders in the CAO and further support settlement of disputes that block the participation of Kosovo* in SEE CAO.

1.3. Security of electricity supply

The security of electricity supply *acquis* covers generation adequacy network security and planning of new infrastructure. The Treaty refers to obligations in disruption of the supply and mutual assistance in cases of crisis. The Secretariat shall continue its assessment of the compliance and provide assistance in the development of the legislation. Following the adoption of new *acquis* for this area at the EU level, a proposal to the Ministerial Council for adaptation and subsequent adoption in the Energy Community shall be also discussed. This relates in particular to the updated *acquis* on the internal electricity market, cross-border trading and EU energy policy governance as well as the new security of supply regulation introduced by the Clean Energy Package from November 2016. Another long-term security measure supported by the Secretariat shall be the monitoring and assistance in implementation of the System Operation Guideline network code.

The Security of Supply Statements, update of which is a biannual obligation for the Contracting Parties, shall be monitored and published. Another form of cooperation assisted by the Secretariat is the Security of Supply Coordination Group – it shall assemble periodically and on *ad hoc* basis, when required to discuss the actual seasonal (winter) preparedness and possible supply crises. The Secretariat is also the focal point for the exchange of information in case of immediate supply shortages or natural disasters. In this context the Secretariat will facilitate communication between stakeholders participating in the online interactive Security of Supply Forum as needed, prepare analysis, recommendations and summaries and coordinate initiatives for emergency assistance.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Transposition and implementation of the Third Energy Package

The Secretariat's role in implementation and transposition of the gas *acquis* required by the Treaty and the Ministerial Council's decisions in the Contracting Parties legal and regulatory frameworks has increased. Not only that the Secretariat will continue monitoring the Contracting Parties compliance with the Treaty's obligations, but it will also actively participate in the development of compliant yet tailor-made solutions in each case. The Secretariat's findings will be reflected in the annual Implementation Reports, as well as in ad hoc reports made for special occasions or region-wide initiatives

Experience has proved that the adoption of the Third Energy Package increased significantly the Secretariat's workload related to assisting the Contracting Parties to properly transpose and implement the *acquis*. During the Secretariat's reviews of draft or adopted legislation, identifying and addressing non-compliance via, inter alia, dispute settlement cases will expand in both number and substance. It is expected that additional support will be needed to assist the Contracting Parties in closing the cases.

The Secretariat will exercise its duties and tasks in implementation of the Third Package such as issuing opinions and advise Contracting Parties when needed. The Secretariat will launch studies focused on specific topics, when necessary. The Secretariat will provide assistance in organizing gas related events within the scope of the Energy Community as well as assisting the Contracting Parties in their participation in the relevant European bodies (ENTSOG and ACER).

2.2. Market integration related activities

In addition to the monitoring and benchmarking of the implementation of the *acquis*, the Secretariat will focus its activities on reviewing the process and providing technical assistance to the Contracting Parties in the development and integration of the gas markets. The market integration will enable departure from limited gas source diversity, due to historical lock-in to long-term supply contracts from a single supplier and missing interconnections or alternative sources, thus fulfilling the objectives of the Treaty. The Secretariat shall support effective regional cooperation in order to address challenges that EU Member States and Contracting Parties face in the gas sector. Besides introducing competition in the wholesale national gas markets, regional integration is seen as an added value with spill over positive effects in the national markets. The work will especially focus on transposing and implementing the gas Network Codes in the Contracting Parties and at the interconnection points with neighbouring EU Member States.

The Secretariat will continue with its activities aimed at the development of gas infrastructure as a precondition for the regional gas market. Particular attention will be paid to identifying and addressing project-specific challenges, especially from regulatory and legal perspectives, whilst taking into account financial sustainability. This process will coincide, *inter alia*, with the promotion of Projects of Energy Community Interest (PECI) as well as with interconnecting gas networks of the Contracting Parties with the gas networks of EU Member States.

2.3. Activities related to security of supply

The Secretariat shall continue assisting the Contracting Parties in solving the challenges related to security of gas supply. It shall review and assist in transposition and implementation of the security of supply gas *acquis*. It shall review and publish the statements on security of supply concerning gas, in accordance with Article 29 of the Treaty and the relevant *acquis*.

The Secretariat shall further promote the work of the Security of Supply Coordination Group, which has been established and will plan and organise its activities in the next periods. The Secretariat will also continue to actively participate in the Gas Coordination Group at EU level.

The Secretariat will continue to be actively engaged in development of EU legislation and policies on security of supply, particularly in relation to Regulation 994/2010 concerning measures to safeguard security of gas supply. It will prepare the foundations for its adoption in the Energy Community. This shall be a particularly challenging task as the solutions to effectively ensure security of supply in both EU Member States and Contracting Parties will be tailor made. Concrete steps related to security of supply risk management will also be considered.

3. ACTIVITIES IN THE OIL SECTOR

The key objective of the activities in this area is to support the developments in the Contracting Parties concerning the oil dimension of the *acquis*. The Energy Community's activities in this area are linked to the implementation of Council Directive 2009/119/EC ("Directive"), which imposes an obligation on the Contracting Parties to maintain minimum stocks of crude oil and/or petroleum products.

The Contracting Parties will have to, with the support of the Secretariat, bring into force the laws, regulations and administrative provisions necessary to comply with this Directive. The majority of the Contracting Parties will draft a model for their respective stockholding system, which includes the composition of emergency stocks and the method of financing. Furthermore, an Action Plan will be drafted concerning the build-up of emergency oil stocks to the 61/90 day obligation as well as the available storage capacities. Based on this draft proposal, a decision should be taken by the government for the oil stocks model.

A critical next step to be undertaken in all of the Contracting Parties refers to the establishment of a monthly data reporting framework, which needs to include quality verifications. Such data collection is fundamental for meeting the obligations under the Directive. The Secretariat has provided each Contracting Party with technical support, to clarify and improve the understanding of the reporting details and methodologies related to the stockholding calculations.

In October 2016, the Ministerial Council adopted the General Policy Guideline which represents the political consensus concerning the Roadmap on Implementation of Certain Deadlines of the Council Directive 2009/119/EC in the Energy Community. All Contracting Parties shall inform the Secretariat by 31 March 2017 about the main provisions of the draft national law to be adopted to transpose Directive 2009/119/EC as well as the Action Plan on the Establishment of Oil Stocks. The adoption shall bring into force the laws, regulations and administrative provisions that are prerequisites to comply with the said Directive by 31 December 2017.

For the purpose of fulfilling the data reporting requirements under Annex I to IV of the Directive, all Contracting Parties shall start regular (monthly) submissions of the JODI Oil Questionnaire before 1 January 2018. Those questionnaires will have to be communicated to the Secretariat by 31 March

2018. A legal basis prescribing the methodology for data gathering and processing and the implementation of an action plan for oil data collection will be necessary to complete the Monthly Oil Statistics (MOS) Questionnaire.

The Secretariat will assist the Contracting Parties and Observers via training activities for government officials and, if required, for the operating companies that are obligated to maintain oil stocks in case of emergency. One workshop is envisaged within the next budgetary period. It shall focus on the Data Collection and Reporting Mechanism (co-organized possibly with the IEA and EUROSTAT).

The annual Oil Forum in Belgrade will continue to serve as an efficient platform for promoting regional cooperation in the oil sector along the frame outlined by the relevant Ministerial Council decisions.

The development of a common emergency oil stocks policy and crisis management in the Contracting Parties will strengthen the security of supply.

4. ACTIVITIES IN COMPETITION

The area of competition falls into two parts (1) Competition law and (2) State aid law, as reflected by Article 18 of the Treaty.

In the area of competition law, the focus of the work in the upcoming years needs to be on the strengthening of the enforcement of competition law in the energy sectors. The national competition authorities are still not using competition law to support liberalization of the energy sectors. As a continuation of its activities in the previous years, the Secretariat will further support the work of both authorities in substance and structure.

In this regard, the Secretariat supports the cooperation of and exchange between the national competition authorities in the framework of the Energy Community Competition Network. The activities of the Energy Community Competition Network will also be extended to cover the application of State aid to the energy sectors.

In the context of State aid, compliance by the Contracting Parties with Article 18 of the Treaty is less advanced. Although all Contracting Parties have adopted the necessary State aid legislation, Ukraine's legislation only enters into force in August 2017; therefore, particular assistance is still required in order to bring Ukraine's secondary legislation in compliance with the Energy Community *acquis*.

Generally, the implementation of the State aid *acquis* is still largely insufficient. Several pending dispute settlement cases in the area of State aid cannot be closed due to the lack of enforcement of State aid rules in the energy sectors. Therefore, the Secretariat shall increasingly assist the national State aid authorities and train their personnel to enhance compliance.

In order to foster the exchange between national authorities, the Secretariat will create *ad hoc* working groups with the aim of issuing concrete deliverables (e.g. recommendations, manuals, workshops, handbooks or toolboxes). The Secretariat will determine and propose specific topics related to the practical enforcement of competition and State aid rules (priority will be given to topics relating to specific practical cases vis-à-vis more abstract topics). For each topic, an *ad hoc* working group will be established which encompasses four representatives (from different CPs) as well as

the representative of the Secretariat. The Secretariat will be actively proposing experts and interested parties to the working process. The working groups shall cooperate in the creation of the above mentioned deliverables with the assistance of the Secretariat. The deliverables shall be presented in the framework of a yearly meeting of the representatives. This yearly event shall consist of workshops, covering training activities and information and discussion of current issues and challenges faced by the national authorities. As the implementation of the State aid *acquis* is generally at an unsatisfactory level in all Contracting Parties - due to a lack of resources and expertise - the activities will increasingly also focus on this area of law.

Furthermore, the Secretariat will use the electronic platform hosted at the Energy Community website in order to share current developments in the Energy Community and European Union and discuss issues faced by several authorities. The platform shall be developed into an open forum for discussing new developments and open issues in a confidential and professional environment between Contracting Parties and exchange best practices.

Also, the Secretariat will increasingly and proactively approach national authorities and propose its assistance with regard to questions of Energy Community *acquis* on competition and State aid in ongoing cases. In this function, the Secretariat will give its opinion on the interpretation and application of competition and State aid law in the form of informal cooperation during the assessment of the case by the national authority or via a formal memorandum if requested by the national authority. The issues raised in such cases may serve as topics for new *ad hoc* working groups. It will also enhance cooperation of the competition authorities and the regulatory authorities in performing market analysis and sector inquiries. Furthermore, the Secretariat will support the authorities with regard to the respective steps following the completion of such an analysis.

The activities related to competition law further include the enforcement of Article 18 of the Treaty, through dispute settlement procedures.

5. ACTIVITIES IN ENVIRONMENT AND CLIMATE CHANGE

The work performed so far in the area of environment covered reporting on the Contracting Parties' progress in implementing the *acquis* on environmental impact assessment, wild birds' protection and the sulphur content of liquid fuels.

The monitoring in this respect will continue. It is, however, key to cover not only transposition, but also implementation within the scope of individual projects. To that end, Contracting Parties are expected to notify the Secretariat of planned projects in the energy sectors and there is a strong growing tendency of civil society organisations notifying the Secretariat via individual complaints in cases where non-compliance in relation to these projects is alleged. Compliance with the rules on environmental impact assessment constitutes a prerequisite for Energy Community's support of individual infrastructure projects. This will continue to be the case with respect to future projects and the Secretariat will continuously monitor compliance of these with the Energy Community environmental *acquis*.

In the past years, one of the main focuses of the Energy Community's work related to environment was the preparation for the implementation of the Large Combustion Plants Directive, which entails the highest challenge for the Contracting Parties. This task, however, cannot be completed by having a narrow view of the environmental rules, but must be seen in its wider context, in particular with regard to social, financial and technical aspects. Consequently, the work in this respect needs to be linked to and embedded in the other activities of the Energy Community and have a specific focus

on developing the climate dimension of the Energy Community. It might also lead to proposals on harmonizing certain rules on a regional level, and/or implementing new EU *acquis*.

By the end of 2015, Contracting Parties willing to make use of the national emission reduction plan (“NERP”) and limited lifetime derogation (opt-out – plants not operated for more than 20,000 operational hours between 1 January 2018 and 31 December 2023) flexibility mechanisms had to submit their respective plans to the Secretariat. Five Contracting Parties are planning to comply with the Directive by adopting and implementing a NERP.

In 2016, the Ministerial Council adopted Decision 2016/19/MC-EnC on a list of plants that can make use of the opt-out mechanism. Monitoring compliance with both the NERP and opt-out rules will start on 1 January 2019, when Contracting Parties will start to submit their reports on the emission inventories of large combustion plants.

The Secretariat will have to verify that the emissions of plants included under the NERPs are progressing towards the emission ceilings established therein according to the rules laid down in Article 6 of Decision 2013/05/MC-EnC. Operators of plants covered by the opt-out regime are required to submit each year to the competent authority a record of the used and unused time allowed for the plants' remaining operational life and the Contracting Parties concerned are required to submit each year a summary of these reports to the Secretariat.

The report of the High Level Reflection Group published in June 2014 initiated an intensive debate on what new elements of the environmental *acquis* should be covered by the Energy Community Treaty. This lengthy debate resulted in the adoption of the “first environmental package” by the Ministerial Council in 2016. At the same time, work on the proposals related to the future of the Energy Community and not yet addressed by the 2016 decisions is expected to remain intensive in the course of 2018-2019. The Task Force on Environment, assisted by the Secretariat, will also actively participate in that exercise. After the adoption of the decisions on the Environmental Impact Assessment, Sulphur in Fuels, Environmental Liability and Strategic Environmental Assessment Directives, focus should be on the Fuel Quality Directive and Chapters II and IV of the Industrial Emissions Directive, that were also identified in the High Level Reflection Group report. The mandate of the Task Force was extended in 2015 with a view to the upcoming work on such proposals.

It should also be borne in mind that further to the *acquis* related to the decrease of flue gas emissions, more attention needs to be paid to the reduction of greenhouse gas emissions in the region. Given the energy sectors' impact in that respect, as well as most Contracting Parties' ambition to join the EU, possibilities for more intense efforts to reduce these gases shall be discussed. The first step in this direction was taken in 2016 by the Ministerial Council's adoption of the Recommendation on the Monitoring Mechanism Regulation (MMR), while the possibilities for emissions trading or carbon taxes to promote the decarbonisation of the energy sector shall remain in focus for the coming years. In this respect, the role of the Sustainability Charter under the Western Balkan 6 framework shall also be underlined.

As the role of the Energy Community in environmental and climate matters is gaining more and more importance, the relevant topics will be addressed at political level involving the environmental/climate administrations of the Contracting Parties in a systematic manner.

6. ACTIVITIES IN RENEWABLES

During 2018-2019, the major focus will be supporting the practical implementation of renewable energy *acquis* in compliance with the *acquis* on State Aid. The implementation of Directive 2009/28/EC in the Energy Community as adapted by Decision 2012/04/MC-EnC and meeting the renewable energy targets in 2020 will have to be done in the most cost-effective way, minimising the impact on the end-user electricity price. Making renewable energy competitive and integrating it in the energy market will be the main focus in the area of renewable energy during 2018-2019.

The Energy Community needs to support citizens and communities in effectively participating in the transition towards a low-carbon energy system – not behaving just as simple consumers on the demand side but also becoming involved in the generation of energy from renewable sources and taking ownership of the process as energy citizens. The de-carbonization agenda will have to include new actors and innovative business models to compete on a level playing field with existing incumbents via community projects and facilitating citizens' participation in the development of renewable energy projects.

Discussions on the renewable energy policy post-2020 in the Energy Community will be initiated following the adoption of a new Renewable Energy Directive and a new proposal for a renewable energy framework might be finalised and tabled for adoption by the Ministerial Council in 2019.

The third round of progress reports on the promotion of energy from renewable sources by the Contracting Parties will be expected before the end of 2018.

In 2019, the Secretariat will report on the overall progress in renewable energy in the Energy Community to the Ministerial Council for the third time after the adoption of the Renewable Energy Directive in 2012.

The last report on the progress in the promotion of energy from renewable sources in the Energy Community is due in 2021.

The Secretariat will further assist the Contracting Parties in full transposition of the Renewables Directive as well as in its implementation. Extension of the Renewable Energy Coordination Group for 2018-2019 will be proposed to the Ministerial Council in 2017. Continuation of current activities will enable development of policy measures for higher uptake of renewable energy in electricity but also in heating, cooling and transport, as the last three are lagging behind. Finalisation of the biomass consumption surveys and compilation of revised biomass data in the previous years will ensure reliable and accurate reporting of energy statistical data required to design the proper renewable or energy efficiency policy measures taking into account a realistic heat demand.

Identification of potential projects to foster regional cooperation in renewable energy will also be undertaken, due to the fact that several Contracting Parties might have reached the 2020 renewable energy targets.

Training sessions covering specific aspects of the Directive will be organized back to back to the Renewable Energy Coordination Group. The Energy Community will continue working with the International Financial Institutions and the Donors' Community to ensure completion of renewable energy projects by the private or the public sector and addressing the requirements of the legal and regulatory frameworks in the Contracting Parties. Operational guidance and assistance to the Contracting Parties shall be provided by the Secretariat.

7. ACTIVITIES IN ENERGY EFFICIENCY

The key objectives in 2018 and 2019 include supporting the implementation of Energy Efficiency Directive 27/2012/EU and aligning energy efficiency policy in the Energy Community with the EU, namely the amendments to the Energy Efficiency Directive and to Directive 2010/31/EU on energy performance of buildings. Moreover, Georgia, following its accession to the Energy Community, will have to be supported first with the transposition of all three pieces of the obligatory energy efficiency *acquis* and also the implementation of by-laws.

Significant efforts will be needed to achieve these objectives as the Energy Efficiency Directive's implementation will require adoption of secondary legislation and setting up of a new governance structure. Moreover, the foreseen changes of the Energy Labelling Directive (2010/30/EU) and the additional Delegated Regulations will have to be also incorporated in the Energy Community *acquis* in 2018 – 2019.

Technical assistance to the Contracting Parties in the process of implementation of the energy efficiency *acquis* will be provided by the Secretariat in the form of training workshops using the EU's knowledge and experience, missions and meetings of the Energy Efficiency Coordination Group. The Secretariat will regularly monitor and review the progress. The focus will be in particular on transposition of the Energy Efficiency Directive and the implementation of the Energy Performance of Buildings Directive, as well as on the incorporation of the amendments to these two Directives in the Energy Community *acquis*.

In 2016, EU has allocated another 50 million Euro for energy efficiency. Some 25 million will go to scale up the current Regional Energy Efficiency Programme, implemented jointly by EBRD and the Secretariat, to include technical assistance and co-financing residential buildings' renovation programmes in the Western Balkans (REEP Plus).

To this end, the Secretariat together with EBRD through the Regional Programme for Energy Efficiency Plus (REEP Plus) will continue to directly support the Contracting Parties in the implementation of the buildings directive, as well as of additional legislation needed for the residential sector (e.g. condominium laws). REEP Plus will also assist with the secondary legislation needed for the transposition of the Energy Efficiency Directive.

Operational support will be provided by the Secretariat in the implementation and reporting on the 3rd National Energy Efficiency Action Plans (NEEAPs) in order to achieve intermediate energy savings targets. The Secretariat will also support the preparation of the 1st NEEAPs under the EED in 2018 - 2019.

Another area of intervention will be the support for the development of energy services markets and the use of private financing in public sector utilities and buildings rehabilitation. This support will be implemented through REEP Plus, together with EBRD.

Promotion of schemes for long-term and sustainable financing of energy efficiency measures shall be organized by the Secretariat on an annual basis.

The Secretariat will continue working with the International Financial Institutions to develop financial instruments and facilities for investments in energy efficiency.

IV. Cooperating among the energy regulators

Streamlining of regulatory measures and providing a stable regulatory market framework is a key focus of the work of the Energy Community Regulatory Board (ECRB). This concerns e.g. market integration, network transparency, facilitation of investments, competition and security of supply. Within the necessary range of national specificities linked to this, it is necessary to harmonize regulatory rules to the maximum extent possible on a cross-border basis in order not to create barriers to cross-border trade and investments and consequently security of supply.

The Energy Community Treaty attributes a primarily advisory role to the ECRB as regards technical and regulatory questions. So far, the Ministerial Council has never made use of the possibility granted under the Treaty to enrich the ECRB's responsibilities with decision-making powers. In the light of this, ECRB activities to date focused on providing a regional platform for cooperation of regulators to exchange knowledge and develop recommendations on regulatory best practice solutions. The Third Energy Package and Infrastructure Regulation introduced new ECRB tasks that significantly differ from the characteristic ECRB activities to date. In this context, the ECRB is expected to provide a single regional regulatory Opinion on certification of TSOs, decide on infrastructure exemptions in case national regulators cannot agree on an exemption model and decide on cross-border cost allocation for investments falling under the scope of the Infrastructure Regulation in case of disagreement between the national regulators involved. Additional new obligations can also be expected in the future.

Enabling the ECRB to perform its newly gained competences professionally and prudently and to mature from an advisory to a genuine decision-making regional regulatory body will require increased assistance, knowledge transfer and development of suitable institutional rules by the Secretariat.

Beyond the duties stemming from the Energy Community legal framework, the ECRB will continue defining its activities in its annual work programmes. In performing its tasks, the ECRB shall actively coordinate and cooperate with the other institutions set up by the Energy Community Treaty and with ACER, ENTSO-E and ENTSG.

V. Development of energy infrastructure

In October 2015, the Ministerial Council adapted and adopted Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, with a deadline for transposition of 1 January 2017. One year later, in October 2016, the Ministerial Council adopted the first list of Projects of Energy Community Interest (PECI) and, respectively the list of Projects of Mutual Interest (PMI) in line with the Regulation.

The Secretariat's activities within the Work Programme will focus on the following:

- Implementation of the first PEGI and PMI lists, as well as preparing the second version of the lists for Ministerial adoption in 2018;
- Monitoring of transposition of Regulation 347/2013/EU by the Contracting Parties;
- Activities in facilitating the investment process in projects of regional importance, based on transparency, fair and equal treatment of all relevant projects and investors; Explicit emphasis will be placed on deficiencies in the implementation of the *acquis*;
- Assistance to the European Commission (DG NEAR) in selecting the projects that may benefit from co-financing under the "Connectivity Agenda". In this respect, the Secretariat will monitor very closely some selected regional projects proposed for co-financing and organise regular progress meetings in order to remove barriers and improve communication and the decision-making process;
- Preparation of project documentation by working closely with the incumbent companies and the Western Balkan Investment Facility as well as the Donors' Community and private investors;
- Reviewing the existing investment practices in the Contracting Parties from the perspective of the Treaty, identifying barriers and deficiencies in market reform, as well as business practices, transparency, fair and equal treatment of investors, including good practices for transparent tendering and procurement of new generation capacities;
- Support and organisation of information exchanges and training for the Contracting Parties on the development and presentation of infrastructure projects, with a focus on different aspects of financing possibilities based on best practices;
- Provide support to the Donors' Community in relation with the promotion and development of investments following overall policy guidance by the Ministerial Council.

VI. Statistics

Since the adoption of the *acquis* on energy statistics in 2012, all Contracting Parties should have developed the capacity to produce complete energy balances compliant with Regulation (EC) 1099/2008 and amendments thereof and for price reporting in compliance with Directive 2008/92/EC.

By including the national statistics institutes (NSI) from all Contracting Parties in the activities of the EUROSTAT Energy Statistics Working Group (ESWG) in 2016, the Secretariat shall support the Contract Parties in keeping up with the EU development in energy statistics.

The Secretariat shall undertake thorough stock taking of the energy statistics in Georgia, in cooperation with IEA component of EU4Energy. The timeline established for Georgia shall be taken into account in planning support to NSIs.

In line with the action plans for implementation of the *acquis* on statistics, the Contracting Parties are expected to have fully implemented the Annexes C and D of Regulation 1099/2008 on monthly statistics in 2017 and established regular monthly reporting, as a minimum in accordance with the General Policy Guideline - Roadmap on Implementation of Certain Deadlines of Council Directive 2009/119/EC in the Energy Community adopted by the Ministerial Council on 14 October 2016.

As regards electricity and gas prices, the Secretariat will work towards timely adoption of new pieces of legislation and allowing comparability of prices in the Contracting Parties with the data compiled and published by EUROSTAT.

Directive 2008/92/EC on the transparency of electricity and gas prices, which is an integral part of the Energy Community *acquis* on statistics, has already been replaced by Regulation (EU) 2016/1952 of the European Parliament and of the Council of 26 October 2016 on European statistics on natural gas and electricity prices and repealing Directive 2008/92/EC.

The new Regulation has come into effect on 7 December 2016 on the territory of EU. The Directive shall be repealed on 1 March 2017 when accompanying documentation, instructions and questionnaires for the implementation of the Regulation shall have been developed. For the reporting cycle referring to the first half of 2017, it will not be possible anymore to report to EUROSTAT the prices in the format and questionnaires established under the Directive. This might lead to a break in well-established data series by Contracting Parties, unless the Contracting Parties accede to the new Regulation. Therefore, price reporting under Regulation (EU) 2016/1952 should be established and functioning from the very beginning in the same manner as the EU Member States.

The Secretariat in cooperation with the Commission and Contracting Parties will invest all efforts to have this Regulation adopted and implemented in the Energy Community in parallel with the EU, in the course of 2017 and to ensure that NSIs from Energy Community participate in the price reporting to EUROSTAT for first semester 2017 onwards.

The focus in the period 2018-2019 will be on supporting NSIs to improve quality and completeness of the energy data to meet the needs of policy makers, stakeholders and consumers. The Secretariat will continue to support the projects in the Contracting Parties in this direction, in cooperation with IEA under the EU4Energy initiative.

The Secretariat shall support NSIs in the development of a reporting system for transparency of electricity and gas prices in accordance with the applicable EU rules. The transition to the new reporting system is expected to be facilitated through the participation of national experts in the ESWG and with dedicated training or assistance, when necessary.

In cooperation with EUROSTAT, all Contracting Parties have started to produce renewables questionnaires and following the hands-on training organized by the Secretariat, developed own reporting systems to calculate renewables shares and communicate it to EUROSTAT. This trend is expected to improve further with additional data for calculation of renewables shares in compliance with Directive 2009/28/EU.

The capacity building in the Contracting Parties to develop monthly collections and to establish official communication with international organisations responsible for monthly data collections is planned to be completed in 2017. The Secretariat shall monitor the implementation of the *acquis* as

regards monthly statistics, in particular oil and gas reporting, as a pre-requisite for implementation of the *acquis* on oil stocks.

Following the interest of the national coordinators for energy statistics, the Secretariat will continue to facilitate cooperation in experience sharing and promoting best practice through the regular annual meetings and establishing an electronic communication platform. The final objective is to have the *acquis* on statistics fully implemented with an efficient reporting system in all Contracting Parties, providing relevant, consistent and reliable information for energy policy and monitoring of energy related sustainable development indicators.

VII. Energy Community Summer School

The Energy Community Summer School is a multidisciplinary training program on energy-related topics started in 2016 through an initiative of the Secretariat.

The School focuses on topics relevant for the Energy Community, but most importantly on all aspects related to energy sectors in transition, in particular in South-Eastern and Eastern Europe.

The Summer School provides a unique opportunity to gain an in depth understanding of the energy sectors in their full complexity, covering energy's political, economic, technical, legal and sustainable aspects.

The School is intended to gradually cover, in the context of potential new partners and participants, the broader geographical context of Europe and possibly beyond.

The first Energy Community Summer School was organized in 2016 in Tirana (Albania) with the participation of 39 postgraduate students and young professionals representing 26 nationalities. The programme consisted of 32 expert lectures and interactive group works as well as networking opportunities and cultural activities to discover Albania.

In 2017, the second Summer School will take place at Lake Ohrid (former Yugoslav Republic of Macedonia). In 2018, the Society for Sustainable Development Design (DOOR) in Zagreb (Croatia) will host the third Summer School of the Energy Community.

The Energy Community established a network of renowned universities and academic institutions which will take turns in hosting the Summer School.

VIII. Regional initiatives

In 2015 and 2016, the Energy Community has laid the ground for significant enlargement of its scope of work, engaging more and more in proposing and managing regional initiatives. Within the period 2018 - 2019, the focus shall be on coordinating the implementation and reporting on the progress to the relevant institutions.

Major regional initiatives that emerged in the previous periods are described below:

1. Western Balkan Six Initiative

At the Vienna Summit of the Western Balkan 6 Initiative (“Berlin process”) on 27 August 2015, six Contracting Parties of the Energy Community in Southeast Europe (Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Montenegro, Kosovo* and Serbia) decided to take steps to improve energy connectivity in the region by facilitating investments and prioritising market development.

In this context, the Western Balkan countries committed to implement connectivity reform measures, at national and regional level, as key preconditions for the development of a truly integrated electricity market.

The regional measures consist of establishing spot markets (power exchanges), a regional balancing market and making the best use of the already existing Coordinated Auction Office in Southeast Europe (SEE CAO) for regional capacity allocation. The national measures mainly focus on removing national obstacles to regional electricity market development by creating the appropriate market and regulatory framework.

The Energy Community Secretariat was tasked by the Western Balkan countries to take the lead to develop the regional energy market and to help implementing these measures. Accordingly, the Secretariat is continuously facilitating the process, monitoring and reporting on a bi-monthly basis on the achievements made at regional and national level.

To support implementation of the connectivity reform measures, a Grant Contract on Technical Assistance to Connectivity in the Western Balkans, Component 2: Regional Energy Market was signed between the European Commission and the Secretariat. The implementation period of the project is 24 months starting on 6 June 2016. By signing the contract, the Secretariat accepted the responsibility to manage the project, by governing the grant through identifying implementation actions that are eligible for receiving technical assistance and monitoring progress made on a bi-monthly basis. This project can be regarded as an upgrading of the Western Balkan 6 initiative by providing concerted technical assistance to the beneficiaries and continuing already established reporting practices by the Secretariat.

2. Sustainability Charter

At the Western Balkan 6 (“WB6”) Summit held in Paris on 4 July 2016, the WB6 countries signed the Sustainability Charter to pursue a transition towards a low-carbon and climate-resilient energy sector. Countries committed to put in practice a set of regulatory, policy and practical measures to increase the sustainability of national and regional energy markets as well as the generation and

consumption patterns. At the same time, they agreed to step-up the ongoing efforts to reform and integrate electricity markets.

The Secretariat was tasked to support the WB6 countries in coordinating the process and monitoring the implementation of their commitments. For this purpose, the Secretariat publishes every three months (starting December 2016) a progress report outlining achievements and challenges ahead for the main priority areas, as listed below:

- Improving the governance for energy efficiency;
- Implementing smart support measures improving the sustainability of energy system;
- Fostering climate action and transparency of sustainable energy markets.

Progress made by countries under the Sustainability Charter will be also included in annual reports and discussed at Ministerial level during the next WB6 Summit in Italy (Trieste, 12 July 2017).

3. EU4ENERGY

The EU4Energy Programme was launched by the European Union in June 2016, as part of its Regional Action Programme – East. It aims at supporting the elaboration and implementation of evidence-based, medium to long term energy policies in Partner Countries, based on improved use of statistics and sharing of best practice and EU experience. The action builds on the work of the former INOGATE Programme and the lessons learnt from it.

The new EU4Energy Programme shall upgrade the scale of regional cooperation, focus on interconnectivity and energy efficiency and follow a result oriented approach.

The project results were merged into five (5) components, which outline the intervention logic of the entire Action:

- Component 1 (EU4Energy Data): focuses on enhanced energy data management;
- Component 2 (EU4Energy Policy): aims at providing greater energy policy analysis and recommendations;
- Component 3: Legislative and Regulatory Environment and Key Energy Infrastructure (EU4Energy Governance) - seeks to generate an improved energy legislative and regulatory framework and implemented policy recommendations as well as to promote investments in key energy infrastructure strategic projects;
- Component 4 (EU4Energy Web Portal): is intended to provide easier access to energy information for policy-makers and relevant stakeholders;
- Component 5: is expected to ensure better communication between the EU and Partner Countries on regional and bilateral cooperation in the field of energy.

Components 1, 2 and 4 are implemented by the International Energy Agency (IEA), whereas Component 3 is implemented by the Energy Community Secretariat (EnCS) in Ukraine, Georgia and Moldova and by the Energy Charter Secretariat (ECS) in Armenia, Azerbaijan and Belarus and Component 5 will be implemented by assigned company (Ecorys) following award of the contract early 2017 by the European Commission.

For the purpose of implementation of Component 3 (see above) of the EU4Energy Governance, a project financing agreement with the European Commission (represented by DG NEAR), the Energy Community (represented by its Secretariat, beneficiary and coordinator) and the Energy Charter (represented by its Secretariat, co-beneficiary) has been signed on 24 June 2016 for the duration of four years⁵.

Implementation of project activities is managed, coordinated and logistically supported by the Eastern Partnership Assistance Unit (EPA Unit), established at the Energy Community Secretariat in Vienna. Late in 2016, project staff has been recruited also at the Energy Charter Secretariat at the headquarters in Brussels to support the implementation of the technical assistance to Armenia, Azerbaijan and Belarus. In addition, regional offices established by the Energy Community in Kiev and in Tbilisi, will ensure a smooth implementation of the Project.

4. Central and South-Eastern European Gas Connectivity (CESEC)

Another regional initiative where the Secretariat has been actively involved is the Central and South-Eastern European Gas Connectivity Initiative (“CESEC”). This is based on the recognised need that regional cooperation is required to achieve the region’s energy policy objectives and address challenges that EU Member States and Contracting Parties face in the gas sector. Therefore, a Memorandum of Understanding was signed on 10 July 2015 as part of the Central and South-Eastern European Gas Connectivity (CESEC) initiative.

The signatory countries expressed their commitment to jointly resolve challenges related to security of gas supply and promote source diversification by implementing coordinated measures that should enable regionally optimal results. They expressed their readiness to sustain the necessary political commitment to oversee the full and timely implementation of the CESEC Action Plan, which includes the following elements:

- Selecting a limited number of key projects benefitting the CESEC region;
- Identifying and addressing project-specific challenges;
- Financing aspects, including the role of IFIs, like EIB and EBRD;
- Addressing market integration challenges.

Together with ACER and the European Commission, the Secretariat was invited to closely monitor the implementation of the Action Plan on a regular basis by using all available tools and institutions foreseen by the EU *acquis*. It supports the Contracting Parties in their implementation of the Action Plan, with a particular emphasis on addressing the market integration barriers and requirements. It has prepared a list of concrete actions, necessary for achieving the CESEC market integration objectives. This serves as a monitoring task assigned under the mentioned memorandum.

Beyond related progress reporting, the Secretariat will promote the implementation of the measures foreseen under the “Energy Community Gas Action 2020”. This Plan aims at providing a close-up of reform measures to be undertaken by the Contracting Parties and on their interfaces with Member States in order to reach the obligations under the CESEC 2.0 Action Plan. This involves a series of activities, including enforcement of existing *acquis*, preparation of new *acquis* and coordination of market related cooperation between Contracting Parties and Member States.

⁵ As of May 2017, discussions regarding amendment of the Contract in place are ongoing, subject to agreement between the organisations involved.

IX. Administration and support services

This section of the Work Programme refers to the general and administrative activities, which support the units of the Secretariat as well as stakeholders within the Energy Community process.

1. Administration

In 2018-2019, the focus will be on introduction of new IT solutions to support increased activities of the Secretariat in the areas of institutional documentation of processes and initiatives. Additional emphasis will be given to improved quality in the areas of work. Further improvement of existing and development of new rules and procedures will be given high priority.

Important inputs for these processes will be the outcome of the annual audits, the input from Energy Community stakeholders and other groups and the overall development of the Energy Community as an organization.

The administrative unit will continue to support the Director in the discharge of his management and administrative responsibility by providing him with assurances in the key areas of the internal control system of the institution. For this aim, the unit assists in organizing external audits for the main accounts and project accounts (see chapter VIII Regional Initiative). It will also continue to provide its support to the Budget Committee, contributing to the preparation of its regular meetings.

2. Human Resources

The prime asset of the Energy Community is its highly qualified staff.

In 2018-2019, no new appointments are planned as it is assumed that recent staffing in 2016 (+5 staff) provide profound basis for the successful implementation of tasks under this Work Program. Integration of new staff members into the organization shall be given particular attention. This will be achieved by continuation of human resources measures such as annual staff retreats, appraisals etc.

The Energy Community will also continue to offer an internship/secondment scheme to young professionals and/or graduates in accordance with the applicable legal and financial framework of the institution.

3. Finance and Accounting

In 2018-2019, all procedures in relation to the use of the accounting system will be reviewed and documented in order to follow up on the potential overall upgrade of the system.

Further attention will be given to the quality of management and special financial evaluation. Links between the systems in operation will be strengthened.

4. Budgeting

Every second year, the budget of the Energy Community has to be approved by the Ministerial Council. Based on Articles 74 and 88 of the Procedures for the Establishment and Implementation of Budget, Auditing and Inspection, the budget is approved on the proposal of the Commission. The

administrative unit will continue to provide overall input and support in the preparation of the budgets in the future.

5. Information Technology

A review of the technical equipment in use will be regularly conducted, taking into account state-of-the-art technology solutions and needs of the Secretariat as an institution.

6. Event Management

The Energy Community organizes between 60 and 80 events each year. Also in the period 2018 – 2019, the organization and preparation of events will be a substantial part of the administrative as well as of the policy work of the Secretariat. It is an estimate that due to increased workload of the Secretariat the number of events might increase.

7. Communications and Website

Initiated activities within the area of communication will continue in 2018 and 2019 with the overall objective to present the activities of the Energy Community to the outside world and to strengthen the Energy Community's image. Activities will include producing publications and reports, organizing events, improving user-friendliness and design of the website and regularly updating the website with high quality content. Efforts will be made to increase the Energy Community's presence in the media, including via conducting interviews, publishing articles and maintaining contacts with specialized press in the Contracting Parties of the Energy Community and the EU.

The Secretariat will further organize the Energy Community *Civil Society Day*, launched in 2016, on an annual basis. The event will contribute increasing the visibility and transparency of the activities of Energy Community and its institutions providing at the same time a forum for a dialogue on issues that matter to civil society stakeholders.

The website will continue to be the most effective and concise tool for communication Energy Community achievements in the area of Treaty implementation and beyond. Technical standards of the Energy Community website shall be also further developed and maintained in future. The Secretariat will also continue to develop its presence in social media, as an additional communication channel to engage with stakeholders.

8. Procurement

In the years to come, procurement shall be strengthened in the context of increased activities in this area of work (also under regional initiatives). Supportive systems for the procurement planning, and implementation, together with improved internal procedures, shall be further developed to ensure quality focus and smooth implementation.

