

THE ENERGY COMMUNITY WORK PROGRAMME 2016 – 2017

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I. INTRODUCTION

This outline of the Work Programme of the Energy Community 2016-2017 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 2014-2015 the Energy Community has worked intensively towards implementation of the *acquis* under the Treaty in all specified areas (electricity, gas, oil, renewables, environment, energy efficiency, security of supply and competition). As reflected in detail in the Secretariat's annual implementation reports, the Contracting Parties have benefited from support by the Secretariat in transposing and implementing the *acquis* through drafting the legislation, compliance reviews, implementation partnerships, enforcement and negotiations for upgraded legislation, streamlining and coordination of technical assistance, capacity building, workshops, monitoring etc. Such support will continue also in the next budgetary period 2016-2017.

The work to be expected from the Contracting Parties, but also from the Energy Community institutions will become even more intensive as the focus shifts from mere transposition to true implementation, mostly through secondary legislation and regulatory acts. The Third Energy Package, which is expected to be transposed during 2015, will have to be implemented in 2016 and 2017.

The steps to be taken in that respect with the assistance of the Secretariat 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). Some Contracting Parties (Ukraine, Moldova, and Bosnia and Herzegovina) are particularly challenging with 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 with the details as the reforms progress. This will increase the workload of both the Contracting Parties and the Secretariat significantly and pose new challenges for which the Energy Community is currently not sufficiently experienced and staffed.

Besides assisting in developing rules and procedures for all Contracting Parties individually, the future tasks of the Energy Community will also include conceptualizing regional approaches and solutions by the Energy Community institutions in an unprecedented depth and scope.

On a third layer, the Energy Community will have to get 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 and distribution system operators will be particularly work-intensive and absorbs already a lot of capacities at the Secretariat.

The Energy Community will also be involved in the creation of organized markets. Most recently, 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, 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.

Over the past years, the Ministerial Council also broadened the scope of the *acquis communautaire* substantially. As has been mentioned, the Third Package brings big implementation challenges in the electricity and gas sectors. The network codes which are going to be adopted in next budgetary period deal with detailed procedures for which the Energy Community so far is not well prepared. The Renewables Directive, energy efficiency *acquis* (Energy Services Directive, Energy Performance in Buildings Directive, Energy Labelling and Delegated Regulations) and the Oil Stocks Directive in the petroleum sector are other cases in point. They will require intensive support by the institutions, and in particular by the Secretariat.

The same goes for new *acquis* in statistics. In the environmental area, new Directives (the Industrial Emissions Directive for existing and new plants) have been adopted recently. Other upgrades of existing environmental *acquis* (environmental impact assessment, sulphur in fuels) may be expected. Most importantly, the Large Combustion Plants Directive, arguably the piece of Energy Community *acquis* with the highest impact on many Contracting Parties' budgets, is to be implemented by the end of 2017 which will require a far more intensive assistance to Contracting Parties by the institutions. The persistent task of implementing the Large Combustion Plants Directive and Industrial Emissions Directive with its huge impact on the energy sectors and a low degree of preparedness only two years before the expiry of the deadline will require much more attention and work by the Energy Community during the upcoming biennial.

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 Groups for electricity and gas have adopted ambitious work programmes and will be crucial for attaining one of the Treaty's key objectives, security of energy supply.

As regards electricity in particular, recent initiatives at EU level for cooperation and the establishment of the Regional Security Coordination Initiative (RSCI), CORESO (Coordination of Electricity System Operators) and TSC (TSO Security Cooperation) affect the Energy Community and open another front of activities for the Secretariat. Some of the Contracting Parties (Ukraine, Moldova, Kosovo*, and Albania) are particularly problematic as they have chronic difficulties with regular curtailments, or high dependency on volatile hydrology or insecure upstream conditions which often need preparedness and prompt concerted reaction.

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 center stage in that respect and requires an increased level of attention by the institutions. This will benefit pan-European security of supply. Although the Contracting Parties are particularly vulnerable, security of gas supply for the entire Europe is linked to the fact that the EU Member States and the Contracting Parties share the same infrastructures which bring gas from the same source of supply. The need for a concerted response to prevent and mitigate the risks of regular supply, demonstrated in the 2014 security supply stress tests, will need pan-European follow-up. It is expected that the next period will require more coordination amongst the Contracting Parties but also increased cooperation with the EU and its Member States.

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 infrastructure package is of relevance for the Energy Community, as well as the Energy Efficiency Directive and the Electricity Transparency Regulation. They are expected to be incorporated on the 2015 Ministerial Council. It may also be expected that as sustainability aspects of energy policy are gaining more ground in Europe and globally, the relatively limited *acquis* on environment under Title II of the Treaty may also have to be reinforced, for example by incorporating some of the directives and/or regulations suggested in the High Level Reflection Group's report.

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. But 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 2016-2017.

Moreover, the Energy Community competition authorities established among themselves and with the Secretariat a Competition Network which is expected to produce tangible results, and hence requires input, in the upcoming years. In the absence of effective enforcement procedures, also the work of and coordination between national State aid authorities needs to be significantly enhanced, which in turn will require additional work for the Energy Community.

TSOs for electricity are already integrated in ENTSO-E, and the same result should be achieved for gas TSOs and their involvement in ENTSO-G. Further, the work will continue in the next period on strengthening networking among DSOs in electricity and in gas sectors in the Energy Community.

In the near future, we may expect the finalization of the negotiations with Georgia about the membership what will extend the Energy Community's borders further to the East.

Discussions with Turkey on membership and with Switzerland and Azerbaijan on observer status are ongoing.

In the past two years, the Secretariat, due to its increased contribution to the stakeholders' and donors' activities, is regularly engaged in preparation and joint implementation of regional initiatives by IFIs. For example, the Secretariat has a joint implementation role with leading International Financial Organisations on three regional initiatives in the Western Balkans, which were submitted by the Energy Community Secretariat to the WBIF: Regional Energy Efficiency

Programme (WBIF and EBRD); Gas to Power (WBIF and the World Bank); Efficient Biomass Based Heating and Cooling (WBIF and the World Bank).

Moreover, the Secretariat was nominated by the Regional Cooperation Council (in which European Commission/DG NEAR is also represented) as the Energy Dimension Coordinator for the implementation of the SEE 2020 Strategy. This requires significant additional work for the benefit of the development of the energy sectors in the region.

In the past two years the Secretariat, in the absence of an enforcement system apt to secure investor protection, was also engaged intensively in investor-state dispute resolution and reconciliation. The settlement of the dispute between CEZ and Albania as well as negotiations between KOSTT and EMS are only the most prominent examples. Judging from the most recent developments and signals, this trend will intensify in the future and needs a more structured approach by the Energy Community and its institutions.

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;
- Organize and further develop the events of the Energy Community and its institutions;
- Provide timely, reliable and fair information to all institutions as a basis for their decision-making;
- Facilitate and assist the institutions and Parties in the implementation of the decisions and recommendations;
- Coordinate the work of working groups and task forces where needed;
- Provide assistance of organizational, conceptual and legal nature to all Contracting Parties;
- Promote the objectives of the Energy Community, including, but not limited to publications, presentations, public relations, maintaining and developing the website, liaising with other international institutions and bodies, donors, investors etc.;
- Manage and implement the budget of the Energy Community in line with availability, objective necessity and applicable rules; and
- Carry out other tasks, conferred on it by the Ministerial Council.

2. INSTITUTIONAL MEETINGS

Organisation of events and meetings within the scope of work of the Secretariat represents a substantial workload both on substance as well as on administrative level. Through definitions of the Energy Community institutions in the Treaty (see Title V), the type of meetings and events are pre-defined. The meetings range from the meetings of the Ministerial Council (meeting once a year), meetings of the Permanent High Level Group and Energy Community Regulatory Board (meeting 3-4 times a year) to the workshops organised on an ad hoc basis.

All those meetings provide input relevant for the work of the Secretariat as well as basis for taking decisions relevant for the progress to be made in the implementation of the Treaty's obligations.

As required under the Treaty the budget of the Energy Community *covers the operational expenses of the Energy Community necessary for the functioning of its institutions*, so called institutional budget.

The operational expenditures of the institutions, except of the Secretariat, contain costs relevant for the organisation of events as well as of costs of refunding of travel expenses for the eligible participants at the meetings. Those operational expenses or institutional budgets, are integrative part of the overall budget of the Energy Community.

Secretariat's budget covers expenditures relevant for the employment of experts, related travels, office premises as well as other costs relevant for the everyday operations (third parties contracts etc.).

It is an estimation that in the upcoming budgetary period 2016-2017 the number of meetings will increase (currently some 60-70 meetings) as it is proved to be the best tool to enhance the knowledge transfer and establish best practices in all areas of work of the Secretariat among the stakeholders in the Energy Community.

3. IMPLEMENTATION OF THE ACQUIS

The implementation of the current *acquis communautaire* will remain the biggest challenge for the Energy Community also in the period 2016-2017. The opening of wholesale markets in real terms, the 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 been achieved for far too long. The Secretariat's work in this respect will be intensified and expanded in line with the following key features.

3.1. 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 has already and will in the future be even more involved in assisting in the drafting process of primary and secondary legislation itself, including, where requested, by the regulatory authority, competition authority, transmission system/market operators etc.;
- The Secretariat will provide assistance to the Contracting Parties also by advising them, both in writing and through country missions, on how to implement the *acquis*. The Secretariat will establish special internal task forces for specific problems and specific Contracting Parties tailored to their specific needs and shortcomings. Special emphasis will be put on the new Contracting Parties: Moldova, Ukraine;
- The Secretariat will continue its support for capacity building in national institution such as the national statistics institute, including assistance to improve completeness and quality of energy statistics;

- The Secretariat will further provide assistance in organizing workshops and commissioning studies, where needed, for the part of the *acquis* still awaiting implementation and compliance, as may be the case, with the *acquis*;
- All of the above-mentioned tasks will be of increasing importance and will require more intense work with regard to the new elements of the *acquis* in the areas of the internal market, renewables and oil, but also environment, climate and energy efficiency, where the implementation deadlines are imminent. All these areas constitute new and big challenges for the Contracting Parties, as well as the institutions;
- The Secretariat will continue to provide assistance also to the Observers who have expressed an interest in becoming Parties to the Treaty, in order to bring their internal legislation in line with the *acquis* to the widest extent possible already before accession.

3.2. Reporting

The Secretariat, mobilizing the expertise of all its units, will continue elaborating and publishing its Annual Implementation Report as the most comprehensive reference document on the state of implementation of the *acquis* and basis for further policy and enforcement measures. Furthermore, the Secretariat will release ad hoc reports focusing on different subjects where required by the circumstances or tasks given to it by the other institutions.

3.3. 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 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.

The Secretariat will prioritize cases initiated upon complaint by private bodies which increasingly use this opportunity. Furthermore, the Secretariat will 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.

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.

III. INDIVIDUAL ELEMENTS OF THE ACQUIS

1. ACTIVITIES IN THE ELECTRICITY SECTOR

1.1. Implementation of the Third Energy Package

The Secretariat will continue the current practice of direct assistance by drafting of proposals for new laws or amendments and/or verification of compliance to Contracting Parties who have not

finished this exercise. Subsequent support will be provided for adoption in the governmental bodies and parliaments.

Following the expected expansion of the *acquis*, the Secretariat will assist in the transposition and implementation, as the case may be, of the infrastructure package, the electricity transparency regulation, the energy efficiency directive, security of supply act, relevant acts of the environmental *acquis* related to electricity generation etc.

In parallel, implementation of the *acquis* will impose assessment and/or drafting of new or revised secondary legislation (market rules, grid codes and rules for switching, balancing, metering, capacity allocation – to name just the principle acts). The Secretariat's task is to ensure compliance in this area as well.

Structural reforms will require a special set of measures for unbundling of the transmission system operators and their certification for each Contracting Party. The Secretariat will have a new type of responsibility in the procedure for verification. Other aspects of compliance will need to be supported in the course of implementation of the Third Package such as regulatory powers and independence, unbundling of DSOs, public services and customer support measures, vulnerable customer protection, transparency and data provision etc.

Even before formal incorporation in the Energy Community, the network codes will require implementation – as a framework for each Contracting Party and also as a set of criteria, rules and procedures applied by each TSO and other electricity stakeholders. This process will be monitored and assisted by the Secretariat through informative and coordination events, proposal of policies, drafting of legislation and other kinds of technical support. Cooperation of the Contracting Parties with ACER and ENTSO-E will be supported.

The implementation of the *acquis* shall be closely monitored and the progress reported online as well as in the Energy Community Annual Implementation Report. The Secretariat will assist in organization of related electricity events.

1.2. Liberalization and integration of the electricity markets

Local electricity markets are underdeveloped – the Secretariat will continue to monitor the state of liberalization, market concentration, abuse of public service and overregulation, treatment of eligibility and supplier switching support. Moreover, the Secretariat will continue developing and proposing policy papers aimed at removal of detected obstacles. At the same time, the Secretariat will report on its observations and initiate infringement actions in the cases where every instrument of assistance has failed.

The wholesale market will be supported mainly through facilitating the establishment of organized trading platforms available for each Contracting Party and their integration in the 8th region - which is currently under revision following the proposal of the Secretariat. Several initiatives for the establishment of power exchanges (Croatia, Serbia, Albania and Bulgaria) will be supported. The establishment of day-ahead and intra-day markets will be supported for each environment. The initiatives for regional balancing and ancillary services will be further promoted and supported.

Market coupling initiatives, which are expected to appear in the next period, will be supported. The Secretariat will provide assistance by promoting a common concept. The development of transmission infrastructure will also be supported via the requirements for compliance with ENTSO-E planning and the PECEI project for promotion of relevant investments.

The SEE Coordinated Auction Office (SEE CAO) started its operation in 2015 and expands across the borders of the constitutive TSOs (Croatia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo*, Greece and Turkey). The Secretariat will continue its efforts to enable the access and to motivate the remaining neighbouring TSOs (former Yugoslav Republic of Macedonia, Serbia, Bulgaria and Romania) to include their borders in the CAO and to support both the integration of this activity in the 8th region as well as by supporting the cooperation and sharing of services with other accessible platforms and/or initiatives.

1.3. Security of electricity supply

The activities of the Secretariat in the area of security of supply include assistance in development of the legal framework, monitoring and support for cooperation and coordination among the Contracting Parties.

The security of supply legislation related to the electricity sector cover the requirements of the *acquis* and the Treaty related to generation adequacy, network security, rules applicable in disruption of the supply and obligations for mutual assistance in case of crisis. The Secretariat will continue its assessment and provide assistance to each Contracting Party in the development of compliant legislation.

The formal monitoring obligation relies mainly on the receipt and publication of information in the format of the Security of Supply Statement, which is a biannual obligation of the Contracting Parties. A more effective form of monitoring and assistance of the Secretariat has been developed through the activities of the Security of Supply Coordination Group. The Group gathers at periodic meetings organized by the Secretariat to discuss the 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 interactive forum, prepare analysis, recommendations, summaries and other input documents as may be required to coordinate the matters of common interest of the Coordination Group.

Direct assistance to the Contracting Parties will be provided by the Secretariat through coordination in establishment of a Regional Security Coordination Initiative (RSCI) – an association based on the model of the related EU initiatives TSC and Coreso – as a potential platform for further development and higher levels of cooperation.

The Secretariat will work with respective stakeholders to improve and strengthen the web based coordination platforms as a tool for DSOs and TSOs to communicate their specific interests and concerns related to the implementation of the Treaty and security of supply aspects. The Secretariat will facilitate communication between stakeholders participating in the interactive forum, prepare analysis, recommendations, summaries and other input documents as may be required to coordinate the matters of common interest of the coordination group.

2. ACTIVITIES IN THE GAS SECTOR

2.1. Implementation of the Third Energy Package

The Secretariat will continue monitoring the institutional, legal and regulatory framework in the Contracting Parties in the context of the gas *acquis* required by the Treaty and the Ministerial Council's decisions. The Secretariat's findings will be reflected in the relevant implementation reports.

It is reasonable to expect that the envisaged adoption of the Third Energy Package will increase significantly the Secretariat's work on assisting the Contracting Parties to properly transpose and implement the *acquis*.

The Secretariat will provide assistance to the Contracting Parties in the process of implementation by preparing and reviewing draft legislation and identifying and addressing non-compliance situations. The Secretariat will organize workshops and launch studies focused on specific topics when necessary. The Secretariat will provide assistance in organizing and formulating gas related events within the scope of the Energy Community as well as assisting the authorities of the Contracting Parties in their participation in the relevant European bodies (ENTSOG and ACER).

2.2. Market 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 process of development and integration of the gas markets. The focus will be on support in introducing competition in the wholesale gas markets as well as developing gas market rules and their improvement in a coordinated manner.

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 the specific priority projects which coincide and contribute to the realization of the Projects of Energy Community Interest as well as to interconnecting gas networks of the Contracting Parties with the gas networks of EU Member States.

As the incorporation of the regulation on investment projects in energy infrastructure is very likely, its transposition and implementation will require particular focus.

2.3. Activities related to security of supply

The Secretariat shall continue assisting the Contracting Parties in the review of the statements on security of supply concerning gas, in accordance with Article 29 of the Treaty and the relevant *acquis*. The Security of Supply Coordination Group has proved to be an efficient forum and will continue its activities in the next period. The Secretariat will also continue with providing support to the Contracting Parties as well as actively participate in the Gas Coordination Group at EU level.

The development of EU legislation, particularly in relation to the new and adapted Regulation 994/2010 concerning measures to safeguard security of gas supply, shall be followed. Relevant EU legislation will be considered for transposition and implementation within the Energy Community. 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, 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 and in particular:

- Set up of Central Stockholding Entities (CSE);
- Establish parameters for fee charging basis and other financing;
- Develop Emergency Response Planning; and
- Develop an inventory monitoring and reporting system.

In parallel, the Secretariat will monitor the work related to the required storage capacities. This will ensure that the total oil stocks maintained at all times within the Contracting Parties for their benefit correspond to the established requirements.

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. Two workshops are envisaged within the period covered. The first one will focus on the Emergency Response Policy and System including decision-making structure, legislation, financing mechanism, operation of stockholding agencies, stock release mechanism and demand restraint. The second one will be mainly focused 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. The feasibility of a regional approach, i.e. holding stocks jointly with other countries and coordinating stock draw to maximize the economic benefits, will be another concrete objective during 2016 – 2017.

4. ACTIVITIES IN COMPETITION

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

In the area of competition law, the Contracting Parties are relatively well advanced in terms of transposition. 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 continue supporting their work both in substance and structure in 2016 and 2017.

In this regard, the Secretariat supports the cooperation of the national competition authorities in the framework of the Energy Community Competition Network and through the electronic platform hosted on the Energy Community website. Annual meetings of the Network as well as meetings with the national regulatory authorities will continue to take place whenever required. In particular, cooperation of the competition authorities and the regulatory authorities in performing market analysis and sector inquiries will be supported.

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

In the context of State aid, compliance by the Contracting Parties with Article 18 of the Treaty is not as advanced. Despite the fact that all Contracting Parties have adopted the necessary State aid legislation, its implementation is still lacking. Therefore, several pending dispute settlement cases cannot be closed. Moreover, the Secretariat will continue enforcing State aid provisions whenever information is available.

The activities of the Energy Community Competition Network will also be extended to cover the application of State aid to the energy sectors. Annual workshops will be organised in addition to the support that the Secretariat will continue to provide to the national State aid enforcement authorities upon request.

5. ACTIVITIES IN ENVIRONMENT AND CLIMATE CHANGE

The work performed so far in environment covered reporting on the Contracting Parties' progress in implementing the *acquis* where the implementation deadline has already expired, i.e. 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 sector. Compliance with the rules on environmental impact assessment constitutes a prerequisite for Energy Community support of individual infrastructure projects. This will continue to be the case with respect to future projects.

In the past years, the focus 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 challenges for the Contracting Parties. The Secretariat supports the work of the Task Force in that respect, which was established with the aim of completing the implementation of the directive on time. This task obviously cannot be completed by having a narrow view on the environmental rules, but must be seen in its wider context, in particular with regard to issues of relevance to the fuel mix (including the replacement of coal, if needed) as well as 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. It might also lead to proposals on harmonizing certain rules on a regional level, and/or implementing new EU *acquis*.

Following the publication of the report of the High Level Reflection Group in June 2014, an intensive debate has taken place on what new pieces of the environmental *acquis* should be covered by the Energy Community Treaty. Work on the proposals related to the future of the Energy Community is expected to be intensive in the course of 2016-2017 and the Task Force on Environment, with the Secretariat's assistance, will also actively participate in that exercise. As the Environmental Impact Assessment and Sulphur in Fuels Directives are not covered by the Energy Community Treaty with their latest amendments, the first priority should be to carry out the update of these existing pieces of the environmental *acquis*. Furthermore, other pieces of the EU's environmental directives should also be considered with a view to include them in the Energy Community's legal framework. As the mandate of the Task Force expires by the end of 2015, it should be extended with a view to the upcoming work on such proposals.

To that end, 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. This will include the usage of JI and CDM as well as the possibilities for emissions trading or carbon taxes to promote the decarbonisation of the energy sector.

6. ACTIVITIES IN RENEWABLES

In 2016-2017, the major focus will be supporting the full implementation of Directive 2009/28/EC in the Energy Community as adapted by Decision 2012/04/MC-EnC to ensure the implementation of the NREAPs (National Renewable Energy Action Plans) by the Contracting Parties as well as meeting the interim renewable energy trajectories. Taking into account the ongoing and envisaged amendments to Directive 2009/28/EC in the EU, adequate adaptation for the Contracting Parties might be expected by the Ministerial Council either in 2016 or 2017.

The second round of progress reports on the promotion of energy from renewable sources of the Contracting Parties will be expected by 31 December 2016. In 2017, the Secretariat will report on the overall progress in renewable energy in the Energy Community to the Ministerial Council for the second time after the adoption of the Renewable Energy Directive in 2012.

The Secretariat will assist the Contracting Parties in the complete transposition of the Renewables Directive as well as in the implementation process. A proposal to the Ministerial Council for the establishment of the Renewable Energy Coordination Group was supported by the Contracting Parties during their coordination meeting in 2015. The establishment of such working group may create the basis to carry on enhanced activities addressing the barriers in development and progress of renewable energy in electricity. Priority will be given to the heating, cooling and transport sectors, as these sectors are lagging behind. Identification of potential projects to foster regional cooperation in renewable energy will also be undertaken.

Specific training sessions covering all aspects and requirements of the Directive will be organized. The Energy Community will continue working with the International Financial Institutions and the Donors' Community in addressing the specific requirements of the legal and regulatory frameworks to ensure sufficient finance and completion of renewable energy projects by the private or the public sector in the Contracting Parties. Operational guidance to the Contracting Parties shall be arranged by the Secretariat making the best use of the EU's knowledge and experience gained during the implementation process in the EU Member States.

7. ACTIVITIES IN ENERGY EFFICIENCY

The key objective for 2016 and 2017 is to support harmonized development of energy efficiency in the Energy Community by implementing the obligatory energy efficiency *acquis* and achieving concrete savings through the implementation of National Energy Efficiency Action Plans (NEEAPs).

The significant efforts needed to achieve this objective are closely related to the fulfilment of the explicit requirements of the energy efficiency *acquis*, such as transposition of the Energy Efficiency Directive (2012/27/EU), Energy Performance of Buildings Directive (2010/31/EU) and Energy Labelling Directive (2010/30/EU) and the Delegated Regulations.

Activities will include the following:

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.

To this end, the Secretariat together with EBRD through the Regional Programme for Energy Efficiency (REEP) will continue to directly support the Contracting Parties in the preparation of the secondary legislation required to implement the buildings directive as well as the primary legislation for the transposition of the Energy Efficiency Directive.

Operational support will be provided by the Secretariat in the implementation and reporting on the 2nd National Energy Efficiency Action Plans in order to achieve intermediate energy savings targets. The Secretariat will also support the preparation of the 3rd NEEAPs 2016-2018.

The Secretariat will support the implementation of awareness raising campaigns as well as organizing specific annual training sessions.

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. COOPERATION AMONG THE ENERGY REGULATORS

1. Objectives

Streamlining of regulatory measures and providing a stable regulatory market framework remains a key enabler for a number of core objectives of the Treaty and respectively represents 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, regulatory rules are required to be harmonized 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.

2. Activities

Within its objective of facilitating the (development of) harmonized regulatory rules, the ECRB shall continue to focus on three key areas of regulatory responsibilities: gas, electricity and customers.

In this relation the Secretariat will support ECRB activities in relation to:

- Development of competitive national gas and electricity markets;
- Integration of national markets and development of competitive regional markets in electricity and gas, which may involve a significant level of market monitoring;

- Identification and active contribution to the abolishment of barriers to cross-border trade and competition in cooperation with national competition authorities;
- Phasing out regulated prices in the electricity and gas sectors and protection of vulnerable customers and social issues;
- Security of supply;
- Network security and quality of service; and
- Renewable energy sources and energy efficiency.

This will in particular but not exclusively involve the areas explained in the following sections.

2.1. Regional Market Development

The Secretariat will support ECRB's work with regard to integration of national markets and development of competitive regional markets in electricity and gas. The related work will aim at identification and abolishment of barriers for cross-border trade and competition and prepare best practice solutions, e.g. related to compatibility of tariffication and market rules including, wholesale market opening and regional balancing.

2.2. Coordinated Auction Office

The Secretariat will support work of the ECRB with regard to the development of the Coordinated Auction Office (CAO).

2.3. Investments

The Secretariat will support ECRB work related to the role of regulators in facilitating new investments in electricity and natural gas, the measures needed for providing an investment friendly regulatory framework and the improvements necessary in this respect. Regulatory activities in this respect typically involve:

- Regulatory investment incentives including tariff rules on gas and electricity networks;
- Regulatory involvement in permissions; (harmonized/mutual) licensing;
- Exemptions from regulatory rules for new infrastructure based on clearly defined legal criteria; and
- Definition of the regulatory tasks in gasification of the region;

2.4. Customer Protection

The Secretariat will support ECRB work will in identifying the possible regulatory instruments and best practice solutions for addressing customer protection issues, including the social dimension of energy supply. This particularly involves customer protection in regulatory rules and regulatory instruments for addressing vulnerable customers and energy poverty within a competitive market framework, including regulated prices and clearly defined PSOs.

2.5. Safety, Energy Efficiency, Renewables and Security of Supply

Secretariat will support ECRB work related to the necessary activities of regulators with regards to network safety, energy efficiency, renewables and security of supply. While these topics are

typically not part of regulatory responsibilities, they affect to some extent other tasks of regulators and vice versa require the provision of appropriate regulatory measures.

V. DEVELOPMENT OF ENERGY INFRASTRUCTURE

This section focuses on activities aiming at facilitating the investment process in projects of regional value, based on transparency and fair and equal treatment of all relevant projects and investors. Explicit emphasis will be placed on deficiencies in the implementation of the *acquis*.

Individual activities will include the following:

The Secretariat will assist the Contracting Parties in their transposition of Regulation 347/2013/EU as is likely to be adopted and adapted by the Ministerial Council Decision in 2015.

Based on the adoption of the Regulation, the Secretariat will update the List of Projects of Energy Community Interest and propose this list for adoption by the Ministerial Council. The Secretariat will maintain up-to-date information on the development of each of the projects included in the list as adopted by the Ministerial Council. The information will be made publicly available and shall be disseminated upon consideration by the Ministerial Council once a year.

The Secretariat will assist the European Commission's DG NEAR in selecting the projects that may benefit from co-financing under the "Connectivity Agenda". In this respect, it 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.

The Secretariat will continue to facilitate the preparation of project documentation by working closely with the incumbent companies and the Western Balkans Investment Facility as well as Donors' Community and private investors.

The Secretariat will continue reviewing the existing investment practices in the Contracting Parties from the perspective of the Treaty, identifying barriers and deficiencies in the 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. It will also continue working with the Investors' Advisory Panel in order to identify the barriers to investment and recommend solutions to mitigate these in the Contracting Parties. Regular bi-annual meetings of the Advisory Panel will be organised by the Secretariat.

The Secretariat will support and organise 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.

The Secretariat will provide operational support to the Donors' Community upon the guidance of its Chair in relation to promotion and development of investments along the guidance by the Ministerial Council.

VI. STATISTICS

Consistent, uniform and reliable energy statistics are an indispensable tool to set and monitor energy policies. In the past period, experts from all Contracting Parties committed to develop action plans to bring their energy statistics in line with the agreed common platform, based on the guidelines and templates developed by the Secretariat. Similarly, the study on “Energy statistics in the Energy Community” resulted in detailed and harmonized action plans for the Contracting Parties and a road map of activities.

All Contracting Parties should develop capacity to produce complete energy balances compliant with the agreed common platform. The process of capacity building for market monitoring and price transparency requires support by the Energy Community. Key activities elaborated in all action plans are:

- Build an institutional monitoring framework to implement regulation 1099/2008;
- Develop a reporting system to provide energy statistics following unified UNECE/IEA /EUROSTAT methodology;
- Produce annual energy balances based on IEA/EUROSTAT methodology;
- Produce annual energy data in defined questionnaires and submit the data to IEA;
- Develop a reporting system for periodic/monthly energy statistics pursuant to unified UNECE/IEA/EUROSTAT methodology;
- Produce monthly reports for energy data compliant with EUROSTAT / IEA methodologies;
- Develop a reporting system to ensure transparency of electricity and gas prices in accordance with the applicable EU rules effective in the Energy Community;
- Produce periodic (half-yearly reports) on gas and electricity prices and submit them to the ECRB; and
- Develop a reporting system to ensure monitoring of energy related SD indicators.

The Secretariat will organize intensive trainings and workshops and promote the sharing of experiences among the Contracting Parties. It will continue to monitor the progress, identify the bottlenecks and provide support to the work on capacity building related to monthly energy statistics.

The focus in the period 2016-2017 will be on improving quality and completeness of data by implementing the manual on energy consumption in households. The Secretariat will provide its support to the projects in the Contracting Parties in this direction. Special attention will be paid to completing renewables questionnaires with additional data for calculation of renewables shares in compliance with Directive 28/2009. The Secretariat will organize hands-on training sessions to allow the Contracting Parties to develop their own reporting system to calculate renewables shares and communicate it to EUROSTAT.

The Secretariat will support capacity building in the Contracting Parties to develop monthly collections in energy statistics and to establish official communication with international organisations responsible for monthly data collections.

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

VII. 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 2016-2017, the focus will be on the consolidation of new versions of financial systems introduced in 2014. Additional emphasis will be given to quality management in the administrative area. Improved formalization of rules and procedures will be given high priority.

Important inputs for the 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. To enable the required improvements of the quality of the services rendered to the rest of the organization and to remove certain bottlenecks, additional staff will be required in 2016. This increase in staff is part of the budget proposal for the period 2016-2017 and corresponds to the activities outlined in the Work Programme.

The administrative unit will continue its engagement in the overall management and administrative responsibility by providing assurances of compliance in the key areas of the internal control system of the institution. For this aim, the unit assists in organizing external audits. 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. The recruitment functions will continue to be crucial for the success of the organization.

New appointments for the year 2016 will be dealt with after the decision of the Ministerial Council on staff expansion will be taken. 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.

Further appointment of seconded staff in 2016-2017 has been foreseen in the establishment plan of the Energy Community. The Energy Community will also continue to offer an internship scheme to young professionals and/or graduates in accordance with the applicable legal and financial framework of the institution.

3. Finance and Accounting

In 2016 and 2017, all procedures in relation to the use of the accounting system RS will be reviewed and documented in order to follow up on the overall upgrade of the accounting system.

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

In the area of website administration, the implementation an assessment carried out in 2011 will continue to form the framework for the functioning of the administrative part of the website with a view to increase further its user-friendliness.

6. Event Management

The Energy Community organizes between 60 and 80 events each year. Also in the period 2016 – 2017, the organization and preparation of events will continue to be a substantial part of the administrative as well as of the policy work of the Secretariat.

7. Communications and Website Maintenance

Initiated activities within the area of communication will continue in 2016 and 2017 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, updating the legal framework publication, organizing events, improving the user-friendliness and design of the website, regularly updating the website with high quality content, conducting interviews and publishing articles and maintaining contacts with specialized press in the Contracting Parties of the Energy Community and the EU.

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

8. Procurement

An effort shall be made to strengthen the annual procurement planning which together with the improved internal procedures shall ensure smooth implementation. Secretariat will communicate the procurement plans, in particular in relation to the studies and consulting.

9. Legal Support

Besides its manifold and increasingly work-intensive tasks related to implementation of the *acquis* in terms of assisting Contracting parties, monitoring and enforcing, the Legal Unit of the Secretariat will also continue to provide independent legal advice to the Director and to cooperate with operational and administrative units of the Secretariat in all legal matters of administrative nature (internal rules, human resources, procurement, contract management etc.). It will also continue to prepare and/or assist in the preparation of new *acquis* incorporated by the Energy Community.

Done in Tirana on 16 October 2015

For the Presidency