



Energy Community Regulatory Board

ECRB

Work Programme 2010

25 November 2009



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1. THE ENERGY COMMUNITY REGULATORY BOARD

1.1 BACKGROUND

The Energy Community Regulatory Board (ECRB) operates based on Article 58 of the Energy Community Treaty¹. As an institution of the Energy Community the ECRB advises the Energy Community Ministerial Council (MC) and Permanent High Level Group (PHLG) on details of statutory, technical and regulatory rules and should make recommendations in the case of cross-border disputes between regulators. The work of the ECRB is supported by four staff members of the Energy Community Secretariat.²

1.2 SCOPE OF WORK³

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

The ECRB takes the role of a coordination body between the national regulators with a view to exchanging knowledge and developing common best practice solutions for implementing the Treaty in a harmonized way.

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

1.3 OBJECTIVES AND PRIORITIES - MANDATE

ECRB activities are performed in line with the following overall objectives and priorities to the extent linked to regulatory work⁴:

- 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 abolishment of barriers for cross border trade and competition;
- Protection of customers and social issues;

¹ Treaty establishing the Energy Community (hereinafter "The Treaty") The Treaty was signed in October 2005 in Athens, Greece and entered into force on 1 July 2006.

² Detail on the Energy Community and ECRB see www.energy-community.org; ECRB details see additionally www.enc-ecrb.org.

³ See as well overall Work Programme of the Energy Community 2010-2011; <http://www.energy-community.org/pls/portal/docs/390178.PDF>.

⁴ See as well overall Work Programme of the Energy Community 2010-2011; <http://www.energy-community.org/pls/portal/docs/390178.PDF>.

- Security of supply;
- Network security and quality of service;
- Renewable energy sources and energy efficiency.

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

2. ECRB WORK PROGRAMME 2010

Within the framework of the overall responsibilities and objectives, as outlined above, the present Work Programme describes the details of the ECRB Work Programme 2010.

2.1 GENERAL ACTIVITIES

2.1.1 Task Force Reporting

2.1.1.1 Workstream A – ECRB Annual Report

DELIVERABLES

ECRB Annual Report 2009

CONTENT

According to its Internal Rules the ECRB shall prepare an Annual Report on its activities. The report will be prepared in 2010 for the previous calendar year (2009). The report will focus on the activities of the ECRB but not relate to market developments.

WORK APPROACH

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

TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| | | | |

2.1.1.2 Workstream B – ECRB Regulatory Market Development Statement

📁 DELIVERABLES

ECRB Regulatory Market Development Statement 2009

📁 CONTENT

The Energy Community Secretariat in line with Article 67 (b) Energy Community Treaty is monitoring the market development with a view to submitting a yearly progress report to the Ministerial Council (MC). Input by national regulators to this review activity is key for analysing implementation in praxi.

With a view to developing a common data and information basis for the reporting of the Energy Community Secretariat, the ECRB in 2009⁵ agreed that national regulators will follow a common reporting structure for preparation of their national reports and complete an online questionnaire (database) on market indicators. The data and information will directly feed into the market development reporting of the Energy Community Secretariat (Article 67 (b) Energy Community Treaty).

In addition a short ECRB Regulatory Market Development Statement will provide a regulatory view on the market development in 2009.

📁 WORK APPROACH

The Market Development Statement will be prepared by the ECRB Section for approval by the ECRB.

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.1.1.3 Workstream C – Report 8th Region

📁 DELIVERABLES

Report on the development of the 8th Region - Annex to ERGEG Annual Report on Regional Initiatives.

📁 CONTENT

⁵ Conclusions of the 10th ECRB meeting,
http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/ECRB_BOARD%20RESULTS.

In 2009 the ECRB for the first time was offered by ERGEG to include a status report on the development of the 8th Region as annex to the ERGEG Annual Report on Regional Initiatives. The responsibility of preparing such report remained with the ECRB.

A report on the progress and key activities of the 8th Region will be prepared also in 2010 as annex to the 2010 ERGEG Annual Report on Regional Initiatives.

 WORK APPROACH

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

 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.1.2 Task Force Cooperation with ERGEG

 DELIVERABLES

Cooperation with ERGEG

 CONTENT

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

Coordination of ECRB activities with European developments is guaranteed via the coordination function of the European Commission, acting as Vice-President of both the ECRB and the European Regulators Group for Electricity and Gas (ERGEG). In addition the Participating Countries to the Treaty are at the same time member of the ECRB and ERGEG (Working Groups).

More specific exchange of information and streamlining in relation to regional market developments is in addition provided by ECRB participation in the ERGEG Regional Initiatives.

A report on the progress and key activities of the 8th Region will be prepared also in 2010 as annex to the 2010 ERGEG Annual Report on Regional Initiatives.

 WORK APPROACH

- Participation in ERI TF meetings
- Participation in GRI SSE meetings

📁 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2 ELECTRICITY WORKING GROUP

The aim of the ECRB Electricity Working Group (EWG) is to monitor regulatory environment, discover legal and regulatory barriers for regional market integration and to develop in this respect best practice solutions for the implementation of a competitive regional electricity market.

In addition to the input the EWG will provide to the general activities of the ECRB as described in chapter 2.1, the work of the EWG will in 2010 focus on:

- Monitoring: compliance with Regulation (EC) 1228/2003 and market monitoring in the 8th region (in cooperation with USAID);
- regulatory framework for establishing a SEE Coordinated Auction Office;
- regional balancing;
- proposals on compatible market rules and effective regional wholesale market opening;
- harmonization of trade licensing regimes;
- wholesale market opening and compatibility of market rules;
- Cross border cooperation of regulators related to investment projects of regional dimension.

2.2.1 Task Force Monitoring

2.2.1.1 Workstream A - monitoring compliance with Regulation (EC) 1228/2003

DELIVERABLES

Monitoring report on the implementation of Regulation (EC) 1228/2003 and annexed guidelines

CONTENT

Compliance with the legal requirements of the Energy Community acquis remains one of the core requirements for the development of a functioning electricity market. The Energy Community Secretariat in line with Article 67 (b) Energy Community Treaty is monitoring the proper implementation by the Parties with a view to submitting a yearly progress report to the Ministerial Council (MC). Input by national regulators to this review activity is key for analysing implementation in praxi. Compliance with Regulation (EC) 1228/2003 and its annexed guidelines is of core relevance for both

- the implementation of common congestion management and capacity allocation procedures in the Region with a view to effectively establishing the 8th region and
- the setting up of an Coordinated Auction Office for South East Europe (SEE CAO)⁶.

⁶ As urged by the 10th Athens Forum, see conclusions.

Against this background the EWG will continue its monitoring activity on compliance with Regulation (EC) 1228/2003 and its annexed guidelines⁷.

 WORK APPROACH

ECRB Section will prepare a monitoring report based on the assessment of questionnaires filled in by the national regulatory authorities of the Contracting Parties.

The ECRB EWG will perform an assessment regarding the implementation of Regulation (EC) n° 1288/2003 in the based on questionnaires received from the National Regulatory Authorities. This will include the envisaged necessary next steps for overcoming the existing deviations from the regulation. After discussion in the EWG the report will be presented to the ECRB.

 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2.1.2 Workstream B - market monitoring in the 8th region (in cooperation with USAID)

 DELIVERABLES

Common platform for regional Market Monitoring in the 8th Region

 CONTENT

Following the decision of Athens Forum⁸ a Market Monitoring Pilot Project in SEE is financed by USAID and performed by a Consultant (Potomac Economics). Continuous support of ECRB is required for the success of the project. The workstream will concentrate on providing feedback to the consultants.

The aim of the project is for SEE regulators to learn about possible modes for Market Monitoring and define modes for Market Monitoring in the 8th Region. Having in mind that Market Monitoring remains one of the crucial performances of regulators for successful market functioning SEE regulators will have to start performance of Market Monitoring activities on national and possible agreement on regional level and based on the consultants´ knowledge.

⁷ Following similar deliverables in 2007, 2008 and 2009 – documents available at www.energy-community.org (documents).

⁸ According to item 20 of the 12th Athens Forum conclusions "...The Forum welcomed the USAID market monitoring report and asked for the extension of the contract to support ECRB capabilities to carry out monitoring in the future. The ECRB supports the enlargement of the market monitoring project to include CA and CAO monitoring with suggestion to enlarge the geographical scope of market monitoring to the participants in the future 8th region and CAO participants. ..."

📁 WORK APPROACH

- Providing input to consultants’ deliverables. Cooperation with consultants regarding market monitoring activities.
- A Workshop will be organised with a view to detailed discussions of the monitoring suggestions.

📁 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2.2 Task Force Congestion Management (CM) and Transmission Capacity Allocation – SEE CAO

📁 DELIVERABLES

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

📁 CONTENT

The *Action Plan for establishing a Coordinated Auction Office for Cross Border Capacity Allocation*, developed by the SEE CAO Implementation Group in 2008, defines the tasks and responsibilities for the relevant stakeholders in the process of establishing a SEE CAO. Regulators in this respect play an important role as they are responsible for approving relevant documents (eg. auction rules) elaborated by the TSOs establishing the CAO.

📁 WORK APPROACH

The Task Force will review the CAO related documents prepared by the TSOs⁹ and propose a common regulatory opinion. After EWG approval a proposal for a common regulatory opinion will be forwarded to the ECRB for approval¹⁰. A dedicated presentation of regulators’ experience on approving auction rules for the SEE CAO is to be considered.

⁹ For preparation of the SEE CAO related documents that – according to the Action Plan – have to be submitted by the TSOs, a dedicated Project Team shall be set up.

¹⁰ According to the conclusions of the 11th ECRB meeting (item 3a; http://www.ecrb.eu/portal/page/portal/ECRB_HOME/ECRB_DOCUMENTS/ECRB_BOARD%20RESULTS) the ECRB will issue non binding recommendations on SEE CAO related documents as long as a NTC approach is pursued and even if not all TSOs participate in the SEE CAO in a first step. NRA shall maintain the right to formally approve the SEE CAO related documents on national level but shall take the ECRB recommendation into utmost account. If the national decision should deviate from the ECRB recommendation the ECRB members shall justify the modification to the ECRB. Once a flow based CA mechanism is introduced, the above described decision making process shall be re-discussed with a view to enhancing the role of the ECRB in the decision making process.

📁 TIMETABLE

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

| 2010 | | | |
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2.2.3 Task Force Regional Balancing Mechanisms

📁 DELIVERABLES

- Guidelines for good practice for regional balancing
- Regulatory review of SEE TSOs proposals on Regional Balancing Mechanisms (RBM) and RBM related documents

📁 CONTENT

The Task Force will actively follow the BETSEE regional balancing project which was developed by the SEE under the umbrella of *SETSO SG Regional Balancing* as platform for exchanging balancing energy on regional level between TSOs. It is envisaged that the national regulators will actively participate in the RBM Dry Run in order to provide a regulatory position on the results. In doing so, the Task Force will take into consideration existing best practice approaches and recommendations, such as ERGEG documents on regional balancing.

RBM is strongly linked to the setting up of a SEE CAO. Cooperation with Task Force Regulatory Framework for Establishing a SEE CAO is therefore of utmost importance.

📁 WORK APPROACH

ECRB EWG members will follow the developments regarding regional balancing in the Region.

📁 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2.4 Task Force Compatible Market Rules and Proposals on Effective Regional Wholesale Market Opening

DELIVERABLES

- Review of consultants' proposals and studies outcomes
- Model identifying the necessary steps for implementing the results and recommendations from the *World Bank Study on Wholesale Market Opening*

CONTENT

Effective Wholesale Market Opening (WMO) and compatible market rules are prerequisites for a functioning regional market for electricity. In 2008/9 a study has been developed by Pöyry and Nordpool Consulting and financed by the World Bank on the requirements and recommendations for effective wholesale market opening in the Energy Community. The EWG has actively contributed to the study results and – according to the conclusions of the Athens Forum¹¹ – acted as coordination body for organizing Workshops for discussion of the study results with various stakeholders. Related 2009 work will continue in 2010 with a view to identifying the necessary steps for implementing the results and recommendations from the *World Bank Study on Wholesale Market Opening*.

The ECRB EWG will review the proposals of the World Bank Consultants' on WMO and define a follow up after the consultants' work. After their analysis the EWG will prepare recommendations for compatible market rules and an action plan for wholesale market opening in the Region.

WORK APPROACH

The Task Force will analyze the final WMO study and elaborate a proposal on the necessary steps for implementing its results and recommendations.

TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2.5 Task Force Harmonization of Trading Licensing Regimes

DELIVERABLE

- Streamlining of the ECRB recommendations for harmonization of trading licensing regimes with the results of the related activities on European level

¹¹ See also item 22 of the 14th Athens Forum conclusions

- Development of a final ECRB recommendation for harmonization of trading licensing regimes based on the 2009 ECRB report and taking into account the related result on European level
- Elaborate details on the necessary legislative measures to be taken in each Contracting Party for implementing the approach recommended

CONTENT

Article 34 Energy Community Treaty allows the Energy Community “to take Measures concerning [...] mutual recognition of licences [...]”.¹² A harmonised approach for trading licenses allowing for their mutual recognition remains a key parameter for facilitation of new market entries and cross border trading, both core drivers for the success of market opening and the development of a competitive regional market. At the same time fair and non-discriminatory competition requires a certain minimum level of transparency and regulatory oversight.

Against this background EWG has developed a proposal for establishing a harmonized system of licensing in the 8th region in 2009. The proposal has been presented to the 14th PHLG meeting (25 September 2009).

At the same time the topic of harmonised treatment and mutual recognition of trading licenses is discussed on European level. Streamlining of the ECRB recommendations with the results of the related activities on European level should be useful with a view to develop a concise approach and against the background of integration of regions. The 2009 recommendations of the ECRB therefore remain preliminary to the extent of possible alignment with the result of the ongoing discussions on European level and may need to be adjusted in the light of the results on European level.

WORK APPROACH

The Task Force will coordinate with the bodies involved in the related discussions on European level (ERGEG, EC). Results of the related EU activities are expected for about March 2010. The ECRB will develop a final position after finalisation of the EU study.

The final position will be presented to the PHLG for further consideration, namely (a) whether Measures concerning mutual recognition of licences in line with Article 34 Energy Community Treaty shall be taken; and (b) which approach should be implemented.

Subject to a related mandate by the PHLG the ECRB envisages to prepare details on the necessary legislative measures to be taken in each Contracting Party for implementing the approach recommended by the PHLG as best Measure for mutual recognition of licences in line with Article 34 Energy Community Treaty.

¹² According to Article 47 (b) Energy Community Treaty such Measures shall be taken by the Ministerial Council (MC). Article 56 (a) Energy Community Treaty provides that the Permanent High Level Group (PHLG) shall prepare the work of the MC. According to Article 58 (a) Energy Community Treaty the Energy Community Regulatory Board (ECRB) shall “advise the MC or the PHLG on the details of statutory, technical and regulatory issues.”.

📁 TIMETABLE

It has to be noted that timing of work significantly depends on the timetable and work progress of related activities on European level. Only when the European discussion has been finalized, streamlining of the ECRB recommendations with the results of the related activities on Europeann level is possible. The precise timing further depends on the position of the PHLG related to next steps and task allocation.

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.2.6 Task Force Projects of Regional Dimension: Regulatory Incentives and Cooperation

📁 DELIVERABLES

Recommendations on

- Regulatory incentives schemes and measures for enhancing and facilitating investment projects of regional dimension.
- Possible regulatory cooperation for harmonised treatment of cross border investments.

📁 CONTENT

Investment projects crossing borders typically increase interconnection capacity and thus support cross border trade and integration of markets. The provision of regulatory instruments for facilitation of new investments is a general requirement for regulatory systems. Following up related work in 2009, the Task Force will analyze the existing incentive models and best practice models in other Regions with a view to develop recommendations on regulatory incentive schemes for the Contracting Parties.

As regards regulatory treatment of investment projects crossing borders, a harmonised regulatory approach remains to be the key requirement of investors. The Task Force will analyze the possibilities for achieving harmonised regulatory positions, including their legal status and potential alternatives.

📁 WORK APPROACH

Deliverables will be developed by the Task Force.

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.3 SOUTH EAST EUROPE COORDINATED AUCTION OFFICE IMPLEMENTATION GROUP

DELIVERABLES

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

CONTENT

The SEE CAO IG has been established by the 10th Athens Forum¹³ and acts as coordination platform bringing together Transmission System Operators (TSOs), regulators and traders with a view to discussing the establishment of a SEE CAO.

Regulatory input is thereby coordinated in the ECRB EWG, TSO positions are coordinated in the responsible Sub-Group of ENTSO-E and traders are represented by EFET.

Specific input on TSO related tasks as defined in the draft Action Plan shall come from the SEE CAO Project Team.

As already in 2009 the South East Europe Coordinated Auction Office Implementation Group will follow the process of establishing the Coordinated Auction Office and the tasks related to this process as described in the Action Plan for establishing a Coordinated Auction Office in the SEE region. The CAO IG will take into account the latest results from the studies on “Legal requirements for establishing a CAO” and “Final establishment of a coordinated congestion management in SEE”.

TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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¹³ See also item 37 of the 10th Athens Forum conclusions.

2.4 GAS WORKING GROUP

The Work Program of ECRB Gas Working Group (GWG) will focus on the main objectives for the gas market in the Energy Community of the Group, namely to facilitating and supporting the development of gas infrastructure interconnecting national markets (“Gas Ring”). By this, the mission of the GWG is to ensuring that a single regulatory framework is applied throughout the Energy Community in a way that enables efficient cross border trade and compatibility of national rules, and thereby reducing regulatory risks for investment.

As a follow up of the 2009 work, the main focus of GWG work will be on regulatory measures supporting and promoting the realization of the Gas Ring. As background for this activity, the GWG will analyse the level of compliance with legal requirements as upgrade to the monitoring activities of the Energy Community Secretariat from a practical point of view and with the scope to ensuring harmonised market models for cross border flows.

2.4.1 Task Force Regulatory Measures for Realization of the Gas Ring

DELIVERABLES

Providing a discussion platform for regulators, TSOs and other stakeholders for discussions on the realization of the Gas Ring. The definition of specific deliverables will depend on the tasks assigned to the Gas Working Group by ECRB.

CONTENT

During 2009 the discussion paper “Regulatory framework for the Development of the Energy Community Gas Ring” was prepared. The paper discusses an analysis of the regulatory instruments and steps necessary for the development of the natural gas market and cross-border investments in the Energy Community.

Taking into account the legislative and financing complexities related to the realization of the Gas Ring, the ECRB GWG will further decide on the future steps following the development of the communication with Transmission System Operators and the conclusions of ECRB.

TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.4.2 Task Force Compliance Monitoring

DELIVERABLES

1. Status Report on implementation of Regulation (EC) 1775/2005
2. Assessment Report on reasons for non-compliance with Regulation (EC) 1775/2005, its impact to the operation of the regional market and possible solutions for improving the SEE market functioning.

CONTENT

Non-compliance with the provisions of the Regulation 1775/2005, as well as incompatibility of various national approaches to its implementation, could seriously impede the development of a functioning regional natural gas market. The Energy Community Secretariat in line with Article 67 (b) Energy Community Treaty is monitoring the proper implementation by the Contracting Parties with a view to submitting a yearly progress report to the Ministerial Council (MC). Also on European level, the regulators were requested (November 2006) to carry out monitoring of compliance with the requirements of the Regulation 1775/2005 within EU Member States.

Follow-up by national regulators (within the geographic scope of the Title III of the Treaty Establishing the Energy Community) to these review activities, in terms of impact assessment and identifying possible solutions (on national and/ or regional level), is an important step towards enhancing the investment climate, competitive environment and security of supply. Against this background the GWG will identify measures that could be taken in order to remove identified barriers to cross-border natural gas trade, taking thereby into consideration the mechanisms provided by the Treaty Establishing the Energy Community.

WORK APPROACH

ECRB Section will prepare a status report based on the ECS monitoring results on implementation of the Regulation 1775 and the ERGEG monitoring exercise related to the same regulation. The status report will cover the geographic scope of the Title III of the Treaty Establishing the Energy Community. The questionnaire will be circulated to NRAs identifying details of mechanisms applied.

The ECRB GWG Task Force will perform an assessment regarding the implementation of Regulation (EC) 1775/2005 based on the aforementioned inputs. The Assessment Report drafted by ECRB GWG Task Force will pay particular attention to the following issues:

- Article 5- CAM & CMP- measures to relief contractual congestion. The report will contain a status review (detailed description of procedures and mechanisms in use, list and expiry dates of long-term contracts etc.); reasons for non-compliance (ex. non-existence of appropriate provisions in primary or secondary legislation, existence of long-term contracts), possible incompatibilities of national arrangements with neighbouring systems. Furthermore, the ECRB GWG TF will examine the possible need for establishing more detailed common recommendations / rules on regional level (geographic scope of the Title III of the Treaty Establishing the Energy Community) related to CAM/CAP (secondary markets, interruptible supply, UIOLI etc).

- Article 6- Balancing rules and balancing charges. The report will contain a status review (detailed description of applicable balancing rules and imbalance charges), reasons for non-compliance, possible incompatibilities of national arrangements with neighbouring systems. Furthermore, the ECRB GWG TF will examine the possible need for establishing more detailed common recommendations / rules on regional level (geographic scope of the Title III of the Treaty Establishing the Energy Community) related to balancing rules and balancing charges (allowed imbalances, additional TSO balancing services, imbalance charges formation, rules on establishing balancing groups etc.).

The Assessment Report will include the envisaged necessary next steps for overcoming the existing deviations from the regulation, taking into con. After discussion in the GWG the report will be presented to the ECRB.

 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.4.3 Task Force Cross-Border Transmission Tarification

 DELIVERABLES

Discussion Paper on cross-border transmission tariffication in SEE, outlining current status of cross-border transmission tariffication in SEE (geographical scope of the Title III of the Treaty Establishing the Energy Community), identifying possible needs for harmonization and recommending common tariffication rules for cross border flows.

 CONTENT

The cross-border transmission charges in SEE are not always transparent, i.e. the system users are not always aware if the prices charged for cross-border transmission are just and justified. Furthermore, the spread of cross-border transmission prices in the region may indicate that not same criteria or cost drivers are used in the single jurisdiction. In some cases cross-border transmission pipelines are not subject to regulated TPA (cross-border transmission charges are negotiated), most probably due to reasons of existence of long-term contracts.

Furthermore, as in other parts of Europe, “pan caking” remains an issue that deserves to be addressed on the regional level, especially having in mind the large number of borders in the region. Identifying means to avoid or minimize adverse effects of pan caking should be seen as a medium term priority in the Region.

📁 WORK APPROACH

Taking into consideration previous work done by ERGEG, the Task Force will examine the interaction between cross-border transmission and national transmission within the geographic scope of Title III of the Energy Community Treaty. The status quo on regulated TPA to cross-border transmission pipelines in each jurisdiction will be identified - especially possible different treatment of cross- border transmission from national transmission and its justification.

Based on the status review, the Task Force will analyze possible non-compliance with the *acquis* on natural gas and/or distortions of cross-border trade, and propose adequate solutions to be implemented on the regional level. The analysis will, among others, focus on the following questions:

- does different treatment of cross- border transmission compared to national transmission in regulated TPA regime exist;
- if special treatment of cross-border transmission exists, what kind of economical justification supports it (e.g. higher costs);
- is there a need for common tariffication rules for cross border tariffs, and how should the tariff be structured to increase the efficiency of usage of the pipeline;
- which are the options to avoid or minimize the consequences of pan caking;
- which tools could be used by the institutions of the Energy Community to implement the common tariffication rules (recommendation vs. decision).

The result of this analysis will be presented in the discussion paper on cross-border transmission tariffication.

📁 TIMETABLE

| 2010 | | | |
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| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
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2.4.4 Workshop on Gas Market Models

📁 DELIVERABLES

Workshop for detailed discussion of market models.

📁 CONTENT

The workshop will discuss the detailed market models in the Contracting Parties

- Presenting the existing implementation approaches for the single provisions of Regulation (EC) 1775/2005;
- Presenting best practice models on European level and from European markets;

- Identifying areas of Regulation (EC) 1775/2005 that still need to be implemented in the detailed market rules and discussing possible approaches;
- Identifications of not harmonised market models and solutions with a view to overcoming related barriers for cross-border flows;
- Agreeing a way forward;

The preparation of the workshop will be based on related surveys of the GWG in 2009, namely

- A list of questions on details of the national market models (based on the Articles of the Gas Regulation);
- Detailed questions regulators would be interested to discuss/exchange views on, namely on how to implement specific requirements of the Gas Regulation and how they are to be understood (best practice models; existing models on EU level) – e.g. what is market based balancing, how to design secondary markets or others (open for suggestions).

The speakers and the audience for the workshop will be NRAs and TSOs (potentially ministries of the Contracting Parties that do not have established TSOs).

 WORK APPROACH

ECRB Section to prepare workshop based on and including input from GWG members.

 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| | | | |

2.5 CUSTOMER WORKING GROUP

In addition to the input the ECRB Customer Working Group (CWG) will provide to the general activities of the ECRB as described in chapter 2.1., the work of the CWG in 2010 will be organized in accordance with the structure described hereinafter.

2.5.1 Task Force Customer Protection

DELIVERABLES

- *Part 1 – workshop*: workshop on improving participation of consumer representations in the regulatory process.
- *Part 2 – vulnerable household customers*: possible follow up of 2009 work on vulnerable household customers (depending on the related conclusions and requests of the 15th Athens Forum in November 2009 on the ECRB deliverable 2009)

CONTENT

- *Part 1 – workshop*: the organization of the workshop on ways on improving participation of consumer representations in the regulatory process follows the conclusions of the Report on the Implementation of the Best Practice Guidelines on the Protection of Vulnerable Household Customers, prepared by the CWG in 2008. The participation of the European Commission, ERGEG regulators and European Consumer Associations’ representatives is envisaged.
- *Part 2 – vulnerable household customers*: upon request of the 14th Athens Forum the CWG in 2009 discussed the understanding of “vulnerable household customers” and presented its findings to the 15th Athens Forum in November 2009. It will depend on the conclusions and views of the 15th Athens Forum, whether the CWG will have to follow up work in 2010.

WORK APPROACH

Part 1 – workshop: following the agreements made at the 9th and 10th CWG meeting, ECRB Section will identify the main topics and speakers for the workshop. After principal approval of CWG in December 2009, the ECRB Section will continue with next organizational steps.

TIMETABLE

The workshop will be organised back to back with the 3rdCWG 2010.

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| | | | |

2.5.2 Task Force Quality of Electricity Service and Smart Metering

DELIVERABLES

- *Part 1 – quality of electricity service*
 - (1) *Workshops*: two workshops in context with the Energy Community Study “Assistance to regulators in introducing and approving service quality regulation in the Energy Community”.
 - (2) *Follow up*: follow up of the framework of Energy Community Study “Assistance to regulators in introducing and approving service quality regulation in the Energy Community”. The deliverable will depend on the recommendations of the study.
- *Part 2*: Survey investigating the current status of smart metering in the Contracting Parties

CONTENT

- *Part 1 - quality of electricity service workshops and follow up*: within the framework of Energy Community Study “Assistance to regulators in introducing and approving service quality regulation in the Energy Community” the consultant will organize two two-day workshops. The consultant will be assisting NRAs on the introduction and/or improvement of a program aimed at monitoring of quality of electricity distribution service. The project is based on the application of the best experiences of EU Member States to the markets of the Energy Community after including necessary adjustments related to the specificities of national markets. The Task Force will discuss the necessary follow up based on the results of the study.
- *Part 2 – smart metering*: smart metering develops to be of core relevance for the market liberalization. The recently adopted 3rd EU legislative package for the gas and electricity market introduced a legal obligation for implementation of smart meters. Relevant appliances are partly already used in the Contracting Parties. A survey on the status quo of smart metering implementation in the Contracting Parties will give an overview about the level of implementation. Use will be made from related experience on EU (ERGEG) level.

WORK APPROACH

- *Part 1 - quality of electricity service workshops and follow up*: the workshops related to the project will be organized by the consultant, back to back to the first and second CWG meetings in 2010. The ECRB Section will provide organisational assistance, if necessary. Based on the consultant’s final report the Task Force will perform the activities in line with the recommendations of the report.
- *Part 2 – smart metering*: the survey will be prepared by the TF, based on input from national regulators.

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Part 1 - Study | | Part 1 - Follow up | |
| Part 3 | | | |

2.5.3 Task Force Electricity Tariffs

📁 DELIVERABLES

Short update report on prices and tariffs from “Study on Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community” (Electricity Tariff Study 2008)

📁 CONTENT

The 2008 Study on Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community discussed a number of price and tariff developments in the Energy Community. The study results have been presented to the 14th Athens Forum. The Forum requested the ECRB (CWG) to update the Forum on the development with regard to prices and tariffs for electricity. The CWG agreed to extend the data presented in the Electricity Tariff Study 2008 (the study closes with 2007 data) to 2008 and 2009 data.

📁 WORK APPROACH

The report will be prepared by the ECRB Section for review and comments by the CWG members and final ECRB approval. For preparation the ECRB Section will make use of the relevant market indicators provided to the ECRB Section by national regulators as part of their national reporting (online database).

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| | | | |

2.5.4 Task Force Gas Distribution Tariffs and Quality of Supply

📁 DELIVERABLES

Content related guidance/review and follow up of the 2009 Energy Community “Study on regulation of tariffs and quality of the gas distribution service in the Energy Community”

📁 CONTENT

A “Study on regulation of tariffs and quality of the gas distribution service in the Energy Community” will be prepared in 2009. The consultant will prepare the outline of tariff methodologies and quality of service monitoring criteria already applied by the NRAs of the Energy Community and provide proposals for their improvement with a view of phasing out of tariff regulation for end- user customers. The Task Force will provide content related guidance/review to the consultants and after the finalization of the study discuss the follow up its results.

📁 WORK APPROACH

The study will be completed in the first quarter of 2010. TF related work will be executed by the Task Force.

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Study | | Follow up | |

2.5.5 Task Force Billing

📁 DELIVERABLES

Survey on the status quo of billing methodologies in the Contracting Parties and possible recommendations for a best practice approach

📁 CONTENT

Transparent and customer friendly billing methodologies are one of the key requirements for raising customer awareness for switching options and making use of their right to chose the best supplier. Only where bills are understandable and clearly separate between energy prices, tariffs and other costs (eg taxes; green energy ...), customers are able to compare offers. The need for transparent billing has been underlined by the recently adopted 3rd EU legislative package. European regulators have already developed a best practice recommendation for standard bills.

The TF will evaluate the status quo of billing methodologies in the Contracting Parties and consider possible recommendations for a best practice approach, if necessary. Use will be made from related experience on EU (ERGEG) level. In this phase the focus will be on electricity.

📁 WORK APPROACH

The survey will be prepared by the TF and on input from national regulators.

📁 TIMETABLE

| 2010 | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| | | | |



ANNEX 1– STRUCTURE OF THE ECRB

