



Energy Community Regulatory Board

Annual Report 2016

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PRESIDENT'S STATEMENT



Dear Ladies and Gentlemen,

Dear colleagues and friends,

It is my very pleasure to introduce the Annual Report on the activities of the Energy Community Regulatory Board (ECRB) in 2016.

As President of ECRB I am proud to observe that the level of regulatory cooperation continued to mature in the reporting period. Having in mind the – throughout the entire Region – limited human resources available to national regulators and, at the same time, increasing duties and market complexities, we mutually took the prudent decision to focus our regional activities on the most striking common challenges. This approach proved to be a suitable recipe for keeping the level of ECRB deliverables on highest expert standard.

It is needless to say that this success could not have been achieved without the dedicated, committed and knowledgeable contributions and efforts of my regulatory colleagues and their teams. Our Working Group leaders and members showed tremendous engagement and enthusiasm for harmonizing the regulatory framework of our Region – a performance for which I could not be more grateful.

On the content side, the Energy Community in 2016 entered a phase of opening retail sectors and integrating electricity wholesale markets. ECRB proved to be a reliable partner in supporting these developments. Continuous efforts will be needed in the future to work towards truly competitive and liquid energy markets in the Energy Community. I am convinced that the regulatory expertise coordinated and harmonised via ECRB will continue to successfully contribute to these our common goals also in the future.

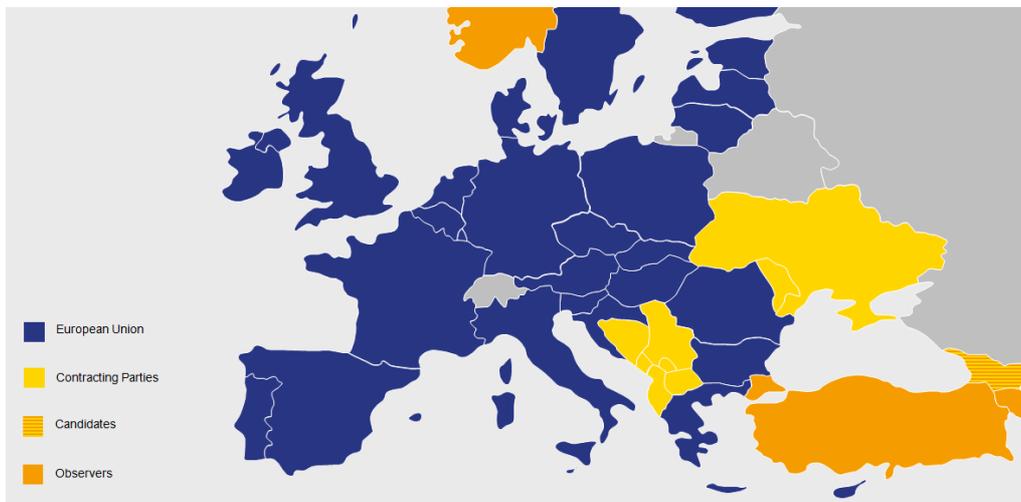
A handwritten signature in black ink, appearing to read 'B. Prelević'.

Branislav Prelević,
ECRB President

ECRB IN BRIEF

Our roots and context

The Energy Community Regulatory Board (ECRB) is the independent regional body of energy regulators in the Energy Community and beyond. It is an institution of the Energy Community. The Energy Community is a union of eight members from South East Europe and the Black Sea region and the European Union.



Energy Community 2016

Our mission

ECRB activities builds on three pillars: providing coordinated regulatory positions to energy policy debates, harmonizing regulatory rules across borders and sharing regulatory knowledge and experience. ECRB promotes the development of a competitive, efficient and sustainable regional energy market that works in public interest. A harmonised and reliable regulatory framework is essential for building trust of investors and customers. Our mission is to facilitate this process for the benefit of Energy Community businesses and citizens. ECRB's advice contributes to achieving the goal of establishing a single energy market in the Energy Community and beyond by building a bridge between the technical needs of the regulated industry and the interest of customers.

Our structure

ECRB is headed by a Board of high-level representatives from the national energy regulatory agencies of the Energy Community Contracting Parties, Observers and EU Member State Participants. The Board is chaired by a President elected by the ECRB Board among the heads of ECRB members. The European Union represented by the European Commission, acts as Vice-President and is assisted by the Agency for the Cooperation of Energy Regulators (ACER).

Our working structure consists of three Working Groups reflecting the key focus of our activities: electricity, gas and customer protection.

ECRB is supported by the ECRB section of the Energy Community Secretariat seated in Vienna, Austria.



This report covers the activities of the ECRB for the period of 1 January to 31 December 2016. Some deliverables have been only published in early 2017.

All publications and deliverables referred to in the present report are accessible on the Energy Community website www.energy-community.org.

Further information on ECRB's activities is available at the same website in the section *about us/institutions/regulatory board*.

JOINING FORCES



“In an interconnected world such as the gas and electricity sectors, prudent regulatory work must build on close cooperation with neighbouring markets and constant knowledge sharing with fellow regulators. The scope to integrate markets also requires us regulators to stay connected and be coherent.”

Branislav Prelević

ECRB President 2016

Sharing best practice experience with other regional regulatory bodies is not only recommended from an efficiency point of view but also when keeping in mind the goal of integrating regional markets. ECRB in 2016 continued its already well-established cooperation with the Agency for the Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and the Association of Mediterranean Energy Regulators (MEDREG).

Cooperation with Our International Partners

- ✓ **ACER:** deepening our cooperation with ACER has been supported by ACER opening its Gas Regional Initiative South South East to the Energy Community
- ✓ **CEER:** the 4th joint ECRB / CEER workshop focused on customer protection and retail markets
- ✓ **MEDREG:** the 3rd ECRB / MEDREG Roundtable focused on regulatory investment incentives

WORKING FOR THE BENEFIT OF CUSTOMERS



“Creating benefits for customers must be the central driver for all regulatory activities. The Customers and Retail Markets Working Group is dedicated to develop common best practise solutions for this target. Sharing knowledge with our European and Mediterranean colleagues has always been a great asset here.”

Edin Zametica

Chairman Customers & Retail Markets Working Group 2016

The work of the Customer and Retail Markets Working Group builds around various aspects of consumer protection, consumer engagement and awareness raising, facilitating the freedom of supplier choice and fostering effective retail market competition.

Key Achievements 2016

- ✓ **Alternative Dispute Resolution (ADR):** following the publication of a survey on the ADR mechanisms applicable in the Energy Community in the previous reporting period¹, ECRB developed a template brochure informing customers on available ADR tools in their home countries. Use of the template on national level by regulatory authorities shall enable customers to make most efficient use of ADR mechanisms in place. Learning from European experience during a joint workshop held with the CEER importantly supported this activity.
- ✓ **Retail market entry requirements:** following the publication of a survey on the existing requirements for new suppliers' entry into the Energy Community retail markets in the previous reporting period², ECRB developed a template brochure summarizing the necessary steps for entering the retail markets of the Contracting Parties. Use of the template on national level by regulatory authorities shall contribute to promote new market entries and effective retail market opening.
- ✓ **Retail market functioning:** with retail market opening having started in the Energy Community, the development of related indicators is needed to support systematic oversight of retail market functioning. Making use of CEER's examples, ECRB developed tailor made Energy Community retail market functioning indicators.

¹ Part of the ECRB Work Program 2015; published in early 2016.

² Part of the ECRB Work Program 2015; published in early 2016.

INTEGRATING WHOLESALE ELECTRICITY MARKETS



“With opening and integration of electricity wholesale markets taking form, close coordination between the regulators of South East Europe is more important than ever before. It also requires looking beyond the mere borders of the Contracting Parties. We are very grateful for the excellent cooperation established with our EU regulatory colleagues in this context.”

Nenad Stefanović and Salvatore Lanza
Co-chairmen Electricity Working Group 2016

The work of the Electricity Working Group traditionally focuses on wholesale market related topic. This involves both the development of best practise recommendations in this area as well as market monitoring. Continuous knowledge sharing on electricity wholesale market integration developments in the EU, and specifically related to Regulation (EC) 1222/2015 establishing a guideline on capacity allocation and congestion management has also become a central pillar of activities.

Key Achievements in 2016

- ✓ **SEE CAO:** ECRB review and recommendation on SEE CAO Auction Rules³.
- ✓ **Reporting:** effective wholesale market opening is central for establishing a competitive regional Energy Community electricity market and its integration with the European market. A harmonized regulatory approach is necessary in this context. Also in 2016 ECRB performed continuous market monitoring based on its Market Monitoring Guidelines for South East Europe.
- ✓ **Harmonisation of cross-border transmission capacity calculation:** ECRB developed a best practise recommendation for harmonisation of cross-border transmission capacity calculation.
- ✓ **Transparency:** market transparency remains a central driver for wholesale market development and competition. ECRB therefore undertook the activity of reviewing compliance with the publication requirements of Regulation 543/2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009.

³ Versions 1.4 and 1.5.

CREATING COMPETITIVE GAS MARKETS



“Gas markets in the Energy Community face different regulatory requirements – from complex aspects of regulating more mature markets to principle considerations on promoting gas market development. Our target is bridging these pillars and supporting the development of an integrated gas market throughout the Region.”

Nikola Vištica

Chairman Gas Working Group 2016

Given the diverse status of gas market structures and development in the individual Contracting Parties, the Gas Working Group traditionally embeds a wide scope of activities, looking both into detailed regulatory best practise solutions as well as on also broader aspects of market policy. Efficient gas market development in the Contracting Parties will essentially benefit from integration with neighbouring EU markets. At the same time, in particular Ukraine also plays a central role for gas transports to Europe. Coherent regulatory approaches are therefore indispensable. Achieving this target strongly benefits from the successfully established cooperation with neighbouring EU countries in the context of ACER’s Gas Regional Initiative South South East to which the Contracting Parties’ regulators and market participants are participating and contributing.

Key Achievements in 2016

- ✓ **Losses:** acknowledgement of technical and/or commercial losses in national grid/storage tariffication is central in particular in countries where comparably high levels of technical/commercial losses occur. In the light of this, ECRB developed a status survey on regulatory treatment of losses on gas infrastructure, namely transportation, distribution and storage.
- ✓ **Interoperability:** interoperability of interconnected gas networks is a key requirement for undisturbed cross border flows. As a contribution to the initiated discussions on implementing Regulation (EC) 2015/703 on interoperability and data exchange in the Contracting Parties, ECRB provided an assessment of the compliance status quo with these rules.