



# ***Energy Community Regulatory Board***

2013 Annual Report

## **ECRB IN BRIEF**

### ***Who is ECRB?***

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The Energy Community Regulatory Board (ECRB) is the coordination platform of national energy regulatory authorities for exchanging knowledge and developing best practices for the regulation of electricity and gas markets in the Energy Community. Our members are the gas and electricity regulators of the Energy Community, European and observer countries.

### ***Our Roots and Context***

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ECRB 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.

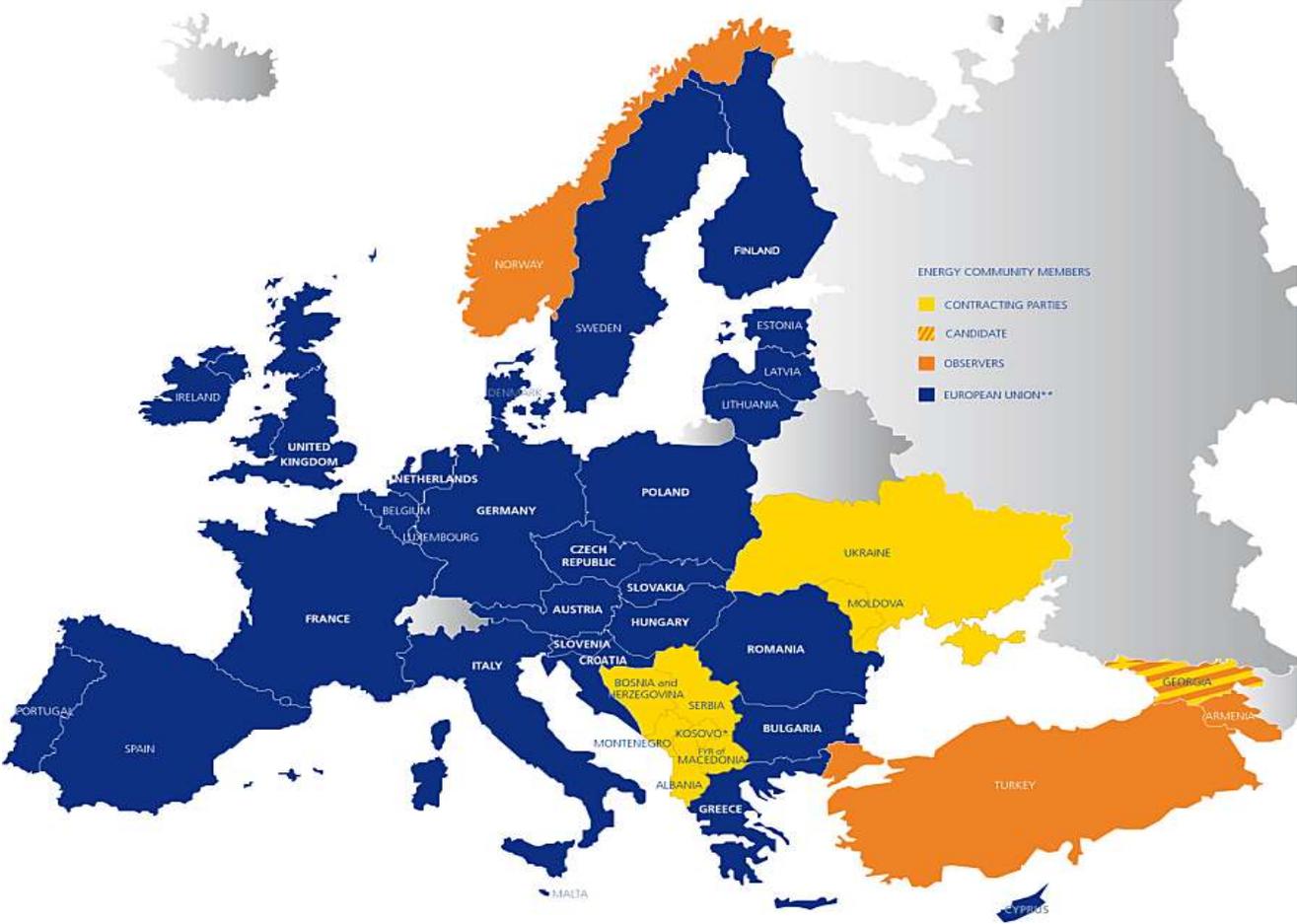
### ***Our mission***

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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.

Further information on the ECRB's activities and deliverables is available on the Energy Community website [www.energy-community.org](http://www.energy-community.org) (about us/institutions/regulatory board).

This report covers the activities of the ECRB for the period of 1 January to 31 December 2013.



The Energy Community



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## PRESIDENT'S STATEMENT

Energy is essential for our economic growth, energy fuels our economy and drives our competitiveness and is a basic need for standard of living. It is therefore not surprising that energy more and more moves into the focus of national, regional and international policy considerations.

Regulators play a central role in the process of opening gas and electricity markets. A well designed regulatory regime stimulates network investments; prudent balance between the targets of security of supply, network security and cost efficiency has to be the guiding principle of our regulatory work. ECRB as coordination body for national regulators takes a core role for the success of the Energy Community process – a regionally coordinated approach is pre-requisite for the development of the Energy Community market(s). Aligning regulatory measures and providing a stable regulatory market framework remains a key promoter for a number of core objectives of the Energy Community Treaty – such as market integration, facilitation of investments, competition and security of supply.

It is my very personal pleasure to hereby introduce you to the work of the Energy Community regulators in 2013. It has been another successful year active in electricity and gas market regulation and customer protection. Our Working Groups and members showed tremendous commitment in contributing to our common goal of improving and harmonizing the regulatory framework of our Region.

I cannot close without thanking all those who have so actively supported the work of the ECRB with their engagement and enthusiasm. It is the expertise of our members and organizational backup of the Energy Community Secretariat that allows the ECRB to present the successful result of work.

A handwritten signature in black ink, appearing to read 'Branislav Prelević', is positioned above the name of the president.

Branislav Prelević, ECRB President

## CONTRIBUTING TO ENERGY POLICY

The Energy Community process targets the establishment of competitive cross-border markets in electricity and gas, safeguarding security of supply, the creation of an investment-friendly framework and promotion of energy sustainability and energy efficiency throughout the region. A well balanced regulatory framework able to serve both the technical needs of the regulated sector and the interest of energy consumers is pre-conditional to meeting these targets. ECRB's expertise contributes to the Energy Community policy debate with technical advice.



*“Progress in achieving the Energy Community targets essentially builds on independent expert input. ECRB proves to be a reliable and knowledgeable partner in energy policy debates.”*

Janez Kopač, Director Energy Community Secretariat

### Key Achievements 2013

In 2013 ECRB contributed to Energy Community policy discussions on various aspects of energy market regulation

- **Customers:** input to the Outline of a Social Strategy for the Energy Community<sup>1</sup> with special focus on protection of vulnerable customers and the regional definition of socially vulnerable electricity and gas customers<sup>2</sup>.
- **Electricity:** recommendation on enhancing transparency in electricity markets<sup>3</sup> and implementation of Regulation (EC) 543/2013<sup>4</sup>.
- **Gas:** input to the Energy Community study in gas security of supply<sup>5</sup>
- **Investments:** input to the Energy Community Strategy<sup>6</sup> including a recommendation related to regulatory investment incentives and the implementation of Regulation (EC) 347/2013<sup>7</sup>.

<sup>1</sup> <http://www.energy-community.org/pls/portal/docs/2918042.PDF>.

<sup>2</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/SOCIAL\\_ISSUES/vulnerable\\_customer](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/SOCIAL_ISSUES/vulnerable_customer).

<sup>3</sup> <http://www.energy-community.org/pls/portal/docs/2746178.PDF>.

<sup>4</sup> OJ L 163 of 15.6.2013, p 1 et seq

<sup>5</sup> <http://www.energy-community.org/pls/portal/docs/2514180.PDF>.

<sup>6</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/Energy\\_Community\\_Strategy](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/Energy_Community_Strategy)

- **Policy development:** recommendation on the implementation of Third Package Network Codes in the Energy Community<sup>8</sup>.

### **Cooperation with International Partners**

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The creation of a harmonised legal and regulatory framework throughout the Region and beyond is a central building block of the Energy Community process. ECRB understands its work as platform for harmonising regulatory rules across-borders.

At the same time exchange with international regulatory colleagues allows us to share best practise experience and develop regulatory solutions that are coherent with neighbouring regions. With the upcoming implementation of the Third Internal Energy Market Package and related Network Codes streamlined understanding of energy market regulation becomes even more important. Our cooperation with the Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) is an essential pillar of our activities.

***“The gas and electricity networks of the Energy Community are part of a larger interconnected system. Our regulatory activities must therefore go hand in hand with European and other Region’s developments. This is also why ECRB supports the soon implementation of the Third Package Network Codes in the Energy Community.”***

Branislav Prelević, ECRB President

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<sup>7</sup> <http://www.energy-community.org/pls/portal/docs/3048024.PDF>; OJ L 115 of 25.4.2013, p 39 et seq.

<sup>8</sup> <http://www.energy-community.org/pls/portal/docs/2202177.PDF>.

## WORKING FOR THE BENEFIT OF CUSTOMERS

We understand energy market liberalisation not as standalone policy but a means of increasing social welfare and consumer benefit. The interest of customers therefore has to be the benchmark for measuring the success of market liberalisation. Customer protection is in the focus of ECRB since its very beginning. Our experts analyse the various building blocks that form a customer friendly regulatory framework and



elaborate best practise recommendations. Developing solutions that meet the needs of customers but at the same time do not create barriers for competition is the leading principle of our work. ECRB has also in 2013 repeated its call for abolishment of market distorting customer protection schemes, such as in particular non-cost reflective energy price regulation.

***“Protection of vulnerable customers must be a leading policy target. However, if we want our energy markets to deliver efficiently for the benefit of end-users, prudent and well-targeted social protection schemes have to be developed that are neutral to market functioning.”***

Edin Zametica, Chairman Customer Working Group

### Key Achievements 2013

In 2013 ECRB contributed to building a customer friendly regulatory framework in the Energy Market with various analyses and recommendations:

- **Tariffs and prices:** status review of main criteria for allowed revenue determination for transmission, distribution and regulated supply of electricity and gas<sup>9</sup>.
- **Social strategy:** input to the Outline of a Social Strategy for the Energy Community<sup>10</sup> with special focus on protection of vulnerable customers and the regional definition of socially vulnerable electricity and gas customers<sup>11</sup>.

<sup>9</sup> <http://www.energy-community.org/pls/portal/docs/2768183.PDF>.

<sup>10</sup> <http://www.energy-community.org/pls/portal/docs/2918042.PDF>.

<sup>11</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/SOCIAL\\_ISSUES/vulnerable\\_customer](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/SOCIAL_ISSUES/vulnerable_customer)

- **Vulnerable customers:** report on the treatment of vulnerable customers in the Energy Community<sup>12</sup>.
- **Grid connection:** analysis of existing grid connection rules and their customer-friendliness<sup>13</sup>.
- **Customer contracts:** status review of customer contracts<sup>14</sup>.
- **Customer involvement:** increasing customers' awareness of market liberalisation and the benefits they can gain from active participation in a competitive market continued to be a central element of ECRB in 2013. The organisation of the first joint customer Workshop with CEER and ERRA has proven a successful platform for exchange of regulatory best practise in this area.

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<sup>12</sup> <http://www.energy-community.org/pls/portal/docs/2124179.PDF>.

<sup>13</sup> <http://www.energy-community.org/pls/portal/docs/2010185.PDF>.

<sup>14</sup> Finalized 2014 - <http://www.energy-community.org/pls/portal/docs/3048024.PDF>.

## FOCUS ELECTRICITY

The Energy Community Electricity markets undergo continuous reforms towards effective market opening. Complementary to our customer and retail related activities ECRB puts focus on supporting wholesale market development. The cornerstones of this work manifest in the so-called “Regional Action Plan for Wholesale Market Opening in South East Europe”<sup>15</sup>, mirroring the building blocks and



targets of the so-called “Electricity Target Model” on European level – long term capacity allocations, day ahead markets, intraday markets and balancing. The finalisation of the Project Team Company in charge of establishing a Coordinated Auction Office in South East Europe (SEE CAO) tasks in late 2013 and initiation of discussions on the set up of Power Exchanges can build the basis for effective progress in 2014. Still, a number of reforms are required on national basis to back up regional developments – among them the phasing out of non-cost reflective regulated energy prices, ensuring cost-reflectivity of network charges, the introduction of market based balancing and day ahead models and the abolishment of single buyer models. ECRB in 2013 continued providing expert advice to necessary national reforms and regional wholesale market development by supporting a harmonised regulatory approach for regional projects.

***“We expect 2014 to bring essential progress in terms of regional electricity wholesale market opening. ECRB is committed to actively support developments by providing a harmonised regulatory approach for projects of regional relevance, such as the SEE CAO, the regional balancing initiative and Power Exchanges. Still, success will depend on national reforms allowing for market based solutions.”***

Nenad Stefanović, Chairman Electricity Working Group

<sup>15</sup> <http://www.energy-community.org/pls/portal/docs/1090177.PDF>.

### ***Key Achievements 2013***

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In 2013 ECRB contributed to enabling a harmonised regulatory electricity framework in the Energy Market with various analyses and recommendations:

- **Transparency:** recommendation on enhancing transparency in electricity markets<sup>16</sup> and implementation of Regulation (EC) 543/2013<sup>17</sup>
- **SEE CAO:** common ECRB position on the SEE CAO Auction Rules<sup>18</sup>.
- **Reporting:** quarterly reports on the development of the 8<sup>th</sup> Region as part of ACER's quarterly reporting on the development of the electricity regions<sup>19</sup>.
- **Market Monitoring:** development of Market Monitoring Guidelines<sup>20</sup> for monitoring TSOs' calculation indicators and allocation of available transmission capacities; the development process received consultancy support by Potomac Economics, financed by USAID. Related monitoring is facilitated by specially designed software ("SEEAMMS") which has been tested in a dry-run by Energy Community regulators, coordinated via the Electricity Working Group.

Acknowledging and emphasising the importance of in-time implementation of the **Third Energy Package related Network Codes**<sup>21</sup> the ECRB in 2013 for the first time included coordinated review of public consultations on Third Package related Framework Guidelines and Network Codes in its Work Program. The ECRB thereby intended to promote early awareness on the upcoming legislative rules among regulators and in-time reflection of E Energy Community specificities in the rules development process. Input on electricity related public consultation drafts has been coordinated via the Electricity Working Group.

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<sup>16</sup> <http://www.energy-community.org/pls/portal/docs/2746178.PDF>.

<sup>17</sup> OJ L 163 of 15.6.2013, p 1 et seq

<sup>18</sup> <http://www.energy-community.org/pls/portal/docs/2716178.PDF>.

<sup>19</sup> [http://www.energy-](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/ELECTRICITY/Regional_Market/8th_Region)

[community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/ELECTRICITY/Regional\\_Market/8th\\_Region](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/ELECTRICITY/Regional_Market/8th_Region).

<sup>20</sup> Finalized in 2014 – ref. <http://www.energy-community.org/pls/portal/docs/3040037.PDF>.

<sup>21</sup> See also: recommendation on the implementation of Third Package Network Codes in the Energy Community (<http://www.energy-community.org/pls/portal/docs/2202177.PDF>).

## FOCUS GAS

Attracting investments remain a key requirement for the developing of a liquid and competitive gas market in the Energy Community. Facilitating and stimulating new investments is therefore a core responsibility of both national legislation and regulatory praxis. For the gas sector the concept of a so-called “Gas Ring” aims at connecting all Contracting Parties, considering also the needs of the Region with regard to the electricity sector as well as the (existing or planned) regional pipelines, LNG



terminals and storage facilities that could be connected to the Gas Ring. Realization of such infrastructure calls for a common regulatory approach on regional level. ECRB in 2013 continued contributing to the gas infrastructure development debate with expert input of regulatory relevance.

***“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.”***

Vincenzo Cioffo and Nikola Vištica, co-Chairmen Gas Working Group

### ***Key Achievements 2013***

Our 2013 gas related activities focussed on the regulatory requirements for the realization of a broader gas infrastructure concept in the Energy Community:

- ***Regulatory aspects of the Gas Ring development:*** providing input to phase II o of the Energy Community Regional Energy Strategy<sup>22</sup>, i.e. the identification of Projects of Common Energy Community Interest (PECI)<sup>23</sup>.
- ***Network development:*** focus was put on the regulatory role related to the preparation and implementation monitoring of the ENTSO-G Network Development Plan (TYNDP); a dedicated Workshop supported experience sharing with European regulators.

<sup>22</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/Energy\\_Community\\_Strategy](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/Energy_Community_Strategy).

<sup>23</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/PECIs](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/PECIs).

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<sup>24</sup> See also: recommendation on the implementation of Third Package Network Codes in the Energy Community (<http://www.energy-community.org/pls/portal/docs/2202177.PDF>).



## ECRB WORK STRUCTURE AND PUBLICATIONS 2013

Working Group	Task Forces	Deliverables / Publications
<b>Policy</b>	<b>Cross-sectoral</b>	<ul style="list-style-type: none"> <li>- Input to the Outline of a Social Strategy for the Energy Community<sup>25</sup> with special focus on protection of vulnerable customers and the regional definition of socially vulnerable electricity and gas customers<sup>26</sup>.</li> <li>- Recommendation on enhancing transparency in electricity markets<sup>27</sup> and implementation of Regulation (EC) 543/2013.</li> <li>- Input to the Energy Community study in gas security of supply<sup>28</sup></li> <li>- Input to the Energy Community Strategy<sup>29</sup> including a recommendation related to regulatory investment incentives and the implementation of Regulation (EC) 347/2013.</li> <li>- Recommendation on the implementation of Third Package Network Codes in the Energy Community<sup>30</sup>.</li> </ul>
<b>Customers</b> <i>Chairman: E. Zametica</i>	<b>Customer Protection</b>	<ul style="list-style-type: none"> <li>- Report on the treatment of vulnerable customers in the Energy Community<sup>31</sup></li> <li>- Analysis of existing grid connection rules and their customer-friendliness<sup>32</sup></li> </ul>
	<b>Tariffs an Prices</b>	Status review of main criteria for allowed revenue determination for transmission, distribution and regulated supply of electricity and gas <sup>33</sup>
	<b>Customer Education</b>	Joint CEER/ECRB/ERRA Customer Workshop
	<b>Customer Contracts</b>	Status review of customer contracts <sup>34</sup>

<sup>25</sup> <http://www.energy-community.org/pls/portal/docs/2918042.PDF>.

<sup>26</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/SOCIAL\\_ISSUES/vulnerable\\_customer](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/SOCIAL_ISSUES/vulnerable_customer).

<sup>27</sup> <http://www.energy-community.org/pls/portal/docs/2746178.PDF>.

<sup>28</sup> <http://www.energy-community.org/pls/portal/docs/2514180.PDF>.

<sup>29</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/Energy\\_Community\\_Strategy](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/Energy_Community_Strategy)

<sup>30</sup> <http://www.energy-community.org/pls/portal/docs/2202177.PDF>.

<sup>31</sup> <http://www.energy-community.org/pls/portal/docs/2124179.PDF>.

<sup>32</sup> Finalisation of 2012 activities ( <http://www.energy-community.org/pls/portal/docs/2010185.PDF>).

<sup>33</sup> <http://www.energy-community.org/pls/portal/docs/2768183.PDF>.

<sup>34</sup> Finalized 2014 - <http://www.energy-community.org/pls/portal/docs/3048024.PDF>.



Working Group	Task Forces	Deliverables / Publications
<b>Electricity</b>  <i>Chairman: N. Stefanović</i>	<b>Regulatory Framework for Establishing Regional Capacity Allocation Mechanisms and Congestion Management Procedures</b>	Common ECRB position on the SEE CAO Auction Rules <sup>35</sup> .
	<b>Balancing</b>	<i>Ongoing activity / Status review on existing balancing models as input to the Regional Balancing Initiative</i>
	<b>Compatible Market Rules and Effective Regional Wholesale Market Opening</b>	Quarterly reports on the development of the 8th Region as part of ACER's quarterly reporting on the development of the electricity regions <sup>36</sup>
	<b>Harmonization of Wholesale Trading Licenses</b>	<i>Ongoing activity</i>
	<b>Market Monitoring</b>	<i>Ongoing activity / Market Monitoring Guidelines<sup>37</sup> Market Monitoring dry-run via testing SEEMMS web based platform</i>
	<b>Renewables</b>	<i>Capacity building platform</i>
	<b>Third Package</b>	Coordinated review of to public consultations on Third Package related Framework Guidelines and Network Codes in the electricity sector

<sup>35</sup> <http://www.energy-community.org/pls/portal/docs/2716178.PDF>.

<sup>36</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/ELECTRICITY/Regional\\_Market/8th\\_Region](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/ELECTRICITY/Regional_Market/8th_Region).

<sup>37</sup> Finalized 2014 - <http://www.energy-community.org/pls/portal/docs/3040037.PDF>.



Working Group	Task Forces	Deliverables / Publications
<b>Gas</b>  <i>Co-Chairmen: V. Cioffo / N. Vištica</i>	<b>Regulatory Aspects of the Gas Ring Development</b>	Input to phase II o of the Energy Community Regional Energy Strategy <sup>38</sup> , i.e. the identification of Projects of Common Energy Community Interest (PECI) <sup>39</sup>
	<b>Third Package</b>	Coordinated review of public consultations on Third Package related Framework Guidelines and Network Codes in the gas sector
	<b>Network development</b>	Workshop on the regulatory role related to the preparation and implementation monitoring of the ENTSO-G Network Development Plan (TYNDP)

Our publications are available for download on the Energy Community website (Documents / ECRB).

A detailed description of our Task Forces' scope of work can be found in the ECRB Work Programme 2013 available on the Energy Community website (Documents / Work Programmes and Annual Reports / ECRB).

<sup>38</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/Energy\\_Community\\_Strategy](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/Energy_Community_Strategy).

<sup>39</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Investments/PECIs](http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Investments/PECIs).