



Energy Community Regulatory Board

Annual Report 2017

CONTENT

CONTENT	1
ECRB IN BRIEF	4
Our roots and context	4
Our mission	4
Our structure	5
JOINING FORCES	6
CROSS-SECTORAL	7
Key Achievements 2017	7
WORKING FOR THE BENEFIT OF CUSTOMERS	8
Key Achievements 2017	8
INTEGRATING WHOLESALE ELECTRICITY MARKETS	9
Key Achievements in 2017	9
CREATING COMPETITIVE GAS MARKETS.....	10
Key Achievements in 2017	10



PRESIDENTS' STATEMENT



Ladies and Gentlemen,

Dear colleagues and friends,

2017 marked a year of new regulatory challenges: the launch of negotiations on the implementation of Third Package delegated acts, so-called Network Codes, as well as on the Regulation on electricity wholesale market integrity and trade (REMIT) centrally supported our common regulatory goal of further integrating the Contracting Parties' electricity and gas sectors with the EU neighbouring markets. The committed contributions of our regulatory colleagues to these discussions finally led to the adoption of a first set of five gas and electricity network codes in January 2018.

New challenges remain in front of us: we have now entered the phase of implementing the adopted network codes. At the same time an even more demanding set of electricity market guidelines is ahead of us. We are convinced that the knowledge, expertise and prudence of our regulatory colleagues will allow us to deliver successfully.

The implementation of new legislative acts will also require regulators to cooperate even closer, the further markets integrate. Enhanced coordination with our neighbouring EU colleagues will become more and more crucial in this context. Our long-lasting common work in ECRB provides us with the necessary experience for these new challenges: ECRB has already in the past proven highest standards in meeting new duties – Opinions on preliminary national certification decisions, Opinions on draft third party exemptions decisions and Opinions on draft network codes are only a few examples.

We shall not close before also praising the numerous additional deliverables prepared by our ECRB colleagues: ECRB monitoring activities significantly matured and developed into profound and detailed market analyses. At the same time customer protection remains a central pillar of ECRB work. It is needless to say that this success could not have been achieved without the dedicated, committed and knowledgeable contributions and efforts of the working group chairs and their teams.

Finally we were able to further enhance cooperation with other regional regulatory bodies such as the Council of European Regulators, CEER, and the Mediterranean Energy Regulators, MEDREG: the agreement on developing a joint ECRB-MEDREG deliverable for the first time in 2018 is a promising and exciting step towards joining regulatory forces that do not only share geographic neighbourhood but also regional similarities. At the same time, the continuous support of the Agency for the Cooperation of Energy Regulators, ACER, has developed into a well established partnership for which we could not be more grateful.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read 'Giorgi Pangani', written over a blue horizontal line.

Giorgi Pangani
ECRB President 2018

A handwritten signature in black ink, appearing to read 'Branislav Prelević', written over a blue horizontal line.

Branislav Prelević
ECRB President 2017

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, a union of nine members from South East Europe and the Black Sea region and the European Union.



Energy Community

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. Cross-sectoral work is organised in dedicated Task Forces.

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 2017.

Some deliverables have been only published in early 2018.

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 on 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 2017

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 2017 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).

CROSS-SECTORAL



“ECRB has proven highest standards in meeting new duties – Opinions on preliminary national certification decisions, Opinions on draft third party exemptions decisions and Opinions on draft network codes are only a few examples.”

Giorgi Pangani

ECRB President 2018

New duties came on the agenda of ECRB with the adoption of the Third Package, such as providing an Opinion on preliminary national certification decisions of national energy regulatory authorities and Opinions on draft network codes. At the same time cross-sectoral areas remain a central interest of regional regulatory work.

Key Achievements 2017

- ✓ **ECRB's Opinion 01/2017** on the Preliminary decision of the Serbian regulatory authority for certification of *Yugorosgaz Transport*.
- ✓ **ECRB's Opinion 02/2017** on the preliminary decision of the Serbian regulatory authority for certification of *EMS*.
- ✓ **ECRB Opinion 03/2017** on the European Commission's proposal for a Decision of the Permanent High Level Group adopting five network codes and guidelines.¹
- ✓ **Enforcement powers of regulators:** based on a related invitation of the 11th Energy Community Gas Forum ECRB developed a survey on regulatory enforcement powers and practices

¹ Namely: Commission Regulation (EU) No 2015/703 establishing a Network Code on Interoperability and Data Exchange Rules; amendment to Annex I of Regulation (EC) 715/2009 as amended by Commission Decision (EU) 2012/490 and Commission Decision (EU) 2015/715; Commission Regulation (EU) 2016/1388 establishing a Network Code on Demand Connection in the Energy Community; Commission Regulation (EU) 2016/631 establishing a Network Code on requirements for grid connection of generators in the Energy Community; and Commission Regulation (EU) 2016/1447 establishing a Network Code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules in the Energy Community

WORKING FOR THE BENEFIT OF CUSTOMERS



“The Customers and Retail Markets Working Group is dedicated to develop common best practise solutions that allow customers to benefit from their rights in a liberalised market. Learning from European experience is of central importance for us.”

Edin Zametica

Chairman Customers & Retail Markets Working Group 2017

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 2017

- ✓ **Communication policies of the national regulator authorities:** in 2014 ECRB prepared a promotional leaflet “You are the one who decides! Spend 5 minutes to get to know your energy consumer rights!” targeted for use by NRAs to inform customers on their rights in context with full market liberalization as of 1st of January 2015.² ECRB has assessed the NRAs’ experiences made, level of usage and the effects of this leaflet. The evaluation provides further guidance and recommendations for NRAs for improvement of their customer relations as well as help ECRB to prepare similar communication tools in future.
- ✓ **Retail Market Monitoring:** ECRB prepared a Market Monitoring Report mirroring the related activity of ACER and beyond, adjusted to data availability and market development in the Energy Community including functioning of gas and electricity retail markets.
- ✓ **Customer Protection within Closed Distribution System:** ECRB developed a survey comparing closed distribution system regulatory frameworks in Energy Community and European Union with a view to identify best practices.

²

https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3334025/0633975ADB827B9CE053C92FA8C06338.PDF.

INTEGRATING WHOLESALE ELECTRICITY MARKETS



“Integration of electricity wholesale markets on a larger regional scale, including our neighbouring EU partners, remains the centre of our activities. This target in mind, we aim at upholding market monitoring activities and coordination with EU developments at highest level.”

Nenad Stefanović

Chairman Electricity Working Group 2017

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 2017

- ✓ **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 2017 ECRB performed continuous market monitoring based on its Market Monitoring Guidelines for South East Europe.
- ✓ **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.
- ✓ **Balancing:** ECRB developed a survey on the existing imbalance settlement models in the Energy Community and provided coordinated regulatory input to the regional balancing projects of the Western Balkans 6 Initiative.

CREATING COMPETITIVE GAS MARKETS



“The envisaged adoption of the first set of Third Package related gas network codes and the agreement of our EU neighbours to apply them on interconnection points with Contracting Parties marks an important step towards integrating markets with our European partners. The Gas Working Group is committed to contribute to this process as a central pillar of activities.”

Elena Stratulat

Chairman Gas Working Group 2017

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 2017

- ✓ **Transparency:** market transparency remains a central driver for wholesale market development and competition. ECRB therefore reviewed compliance with the publication requirements of Regulation No 715/.2009
- ✓ **Transmission tariffs:** based on a related survey performed under the umbrella of the ACER Gas Regional Initiative South South East, ECRB developed an analysis of gas transmission tariffs currently applied at interconnection points in South and Central East Europe, including on entry/exit points between EU and Energy Community members and their compliance with the Third Package Network Code on gas transmission tariffs.