



The ECRB needs a logo; this one is temporary until the regulators determine an appropriate logo

Draft Work Programme

(formation to end of year 2006)

Draft
28 June 2006

[add contact information]

Contents

1. INTRODUCTION	1
1.1 Adoption of ECRB Administrative Structure and Processes.....	1
1.2 Cross Border Trade and Harmonization of Market Rules.....	2
1.3 Monitoring of Regulatory and Market Developments	2
1.4 Harmonization of Licenses	3
1.5 Auction Office.....	3
1.6 Tariff Benchmarking and Affordability Studies	4
2. ECRB TASK FORCES	4
2.1. Internal Market Task Force (IM TF).....	4
2.2 Institutional Compliance (IC TF)	5
2.3 Tariff Task Force (T TF)	5
2.4 Gas Task Force (G TF)	6

1. INTRODUCTION

The Energy Community Regulators Board (ECRB) is an institution of the Treaty establishing the Energy Community, which entered into force on _____, 2006. It is composed of one representative of the energy regulator of each of the Contracting Parties to the Treaty, pursuant to relevant parts of the *acquis communautaire* on energy. The European Community is represented by the European Commission, assisted by one regulator of each Participant under the Treaty, and one representatives of the European Regulators Group for Electricity and Gas (EREG). Observers under the Treaty are invited to attend ECRB meetings and contribute to work performed by the ECRB.

The ECRB is a venue through which the regulators of electricity and gas from South East Europe who are Contracting Parties to the Treaty (the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Montenegro, Romania, the Republic of Serbia and the United Nations Interim Administration Mission in Kosovo) come together co-operatively to pursue issues of common interest and concern, in particular the integration of electricity and gas market development in the SEE with that underway in the European Union. To this end, the ECRB includes the European Commission as its Vice-President and input from Participants and EREG.

The work programme of the regulators is built upon the ECRB's role is four-fold as defined in the Treaty: (1) advise the Ministerial Council or the Permanent High Level Group on the details of statutory, technical and regulatory rules; (2) issue Recommendations on cross-border disputes involving two or more Regulators, upon request of any of them; (3) take Measures, if so empowered by the Ministerial Council; and (4) adopt Procedural Acts. As the ECRB is an institution formed under the Treaty, effective upon entry into force of the Treaty, and as the ECRB will have less than half a work year in 2006, this work programme addresses only the initial activities of the ECRB, running through the end of 2006. Another work programme will be developed for activities for 2007.

There are six major themes in the 2006 CEER work programme:

1.1 Adoption of ECRB Administrative Structure and Processes

As the ECRB forms upon the entry into force of the Treaty, it is a new institution under the Treaty and requires the adoption of an Internal Rules of Procedure, along with various other administrative procedures and decisions that address its funding, staffing, and operations.

1.2 Cross Border Trade and Harmonization of Market Rules

The objective of regulators in the Energy Community is to ensure that the regulatory framework facilitates cross-border trade, and that the framework is sufficiently harmonized among its members to promote rather than retard competition. SEETEC, supported by CIDA, has issued a lengthy final draft study (final report expected in the Fall, subsequent to receipt of comments from the regulators and TSOs) of the obstacles to trade and compatibility of market rules. The report identifies several tasks for regulators, and specifically certain tasks for the ECRB, all before January 1, 2008, if not earlier. Taken together, these tasks include: development of national auction rules and adaptation of national rules to regional coordinated allocation; development of specific rules in transmission tariff methodology for utilization of funds; assist harmonization and supervise development of market rules and market opening; input and participation in specific modules to help decision making; among others (all related to this list of activities). The ECRB has been tasked by the Athens Forum to comment on the SEETEC report, as the action items set forth in this report are intended to contribute to the roadmaps for each country, being developed by the Energy Community Secretariat in Vienna, to be issued around October 2006.

1.3 Monitoring of Regulatory and Market Developments

The Electricity and Gas Directives (2003/54/EC and 2003/55/EC) provide for increased reporting activities at both the European and national level from 2005 onwards. Upon the signature of the Treaty by the Contracting Parties, the regulators of the ECRB are subject to similar reporting requirements.

The European Commission closely monitors the implementation of the Directives through their annual benchmarking reports on the implementation of the internal market. These currently cover the EU Member States but the European Commission has indicated that similar processes are anticipated for the SEE. With respect to the EU Member States, the Commission has asked regulators to assist them in monitoring and reporting back on the degree of implementation, of the legislative and regulatory framework including any set of guidelines/recommendations issued by the ERGEG. The Commission has developed a reporting structure for the national regulators of the EU Member States, and the regional regulatory institutions of CEER and ERGEG assist this process. Regulators' monitoring activities, through both CEER and ERGEG, involve careful monitoring of: the implementation of relevant legislation and voluntary agreements and compliance by market players; the extent to which non-discriminatory network access is a reality on the ground; and the actual level of competition in energy markets. A parallel role will be taken by the ECRB, which will assist national regulators in their development of regulatory reports along the lines of those developed by the

European Commission for the EU Member States.

For competition to operate effectively it is of central importance that information is provided to the market place in a timely, efficient and transparent manner so that market players can understand the basic forces which influence prices and can seek to anticipate future events. In this way market players can make informed and efficient decisions. It is therefore important that information is, where possible, made public by those who hold it and that information is properly managed where it is not possible for it to be published. This is of particular importance where network companies are affiliated to participants in the competitive part of the market. For these reasons ECRB's 2006 work programme will focus more on the transparency of electricity information, including the provision of information to the market place and the management of information, whereas transparency issues relating to gas are expected to be addressed in the ECRB's 2007 work programme.

The reliability and effectiveness of market monitoring functions are significantly enhanced by application of a common approach to a system of accounts for all licensees, which in turn provides a solid basis for reporting and evaluation of licenses operating in the regional market, and assists the development of a healthy investment climate. The ECRB will develop a discussion paper on the application of a uniform system of accounts and participate in the develop of a workplan aimed at facilitating regionally harmonized approaches for the unbundling of accounts.

1.4 Harmonization of Licenses

The harmonization of licenses in the SEE region, and particularly exploration of the treatment of traders and suppliers and how these are licensed in each Contracting Party, is needed in order to facilitate trade and open the SEE markets to various market players. ECRB will develop a discussion paper that addresses these issues and offers guidelines for licensing going forward for 2007.

1.5 Auction Office

The European Commission at the 8th Athens Forum has indicated the possible development of an auction office. Such office must adhere to a sound regulatory framework. The ECRB shall work, with ETSO, on disseminating information to the regulators in the region on an implementation plan with respect to the Auction Office, and shall assist the finalization of any such implementation plan. The ECRB shall offer input from the regulators as to the development of an interim report on the Auction Office, currently scheduled for presentation to the 9th Athens Forum in October 2006.

1.6 Tariff Benchmarking and Affordability Studies

The CEER WG SEEER has completed a transmission tariff benchmarking for the SEE region. The next step is a retail tariff benchmarking that addresses what consumers are paying, and complements and assists the work of the ERGEG task force on South East Europe, which is currently addressing affordability issues through the development of guidelines. These efforts will address considerable concerns in the SEE region regarding the ability of customers to pay cost reflective prices. The economic conditions of most of the Contracting Parties suffer greater imbalances and poverty than do the countries of the EU Member States, and correspondingly have less developed social assistance structures on average. Thus, a concentrated examination of the issues underlying how prices are currently calculated in the region and the actual cost are critical components of any analysis that could address the social issue successfully.

2. ECRB TASK FORCES

Background

An effectively competitive electricity market in South East Europe will require, at the highest level, suitably connected, integrated and reliable transmission systems and compatible wholesale market arrangements. These should facilitate trade and so promote efficient price discovery and liquid markets. A key requirement for efficient trade to happen is that all market participants have access to appropriate transmission access and wholesale market data on a non-discriminatory basis. For these reasons, ECRB's four Task Forces are structure to address various aspects of these core points. The Task Forces continue the excellent work of the CEER WG SEEER Task Forces, and maintain their structure; they are: (1) Internal Market; (2) Institutional Compliance; (3) Tariffs; and (4) Gas. The following offers additional information regarding the work of each Task Force.

All guidelines and discussion papers produced by the ECRB TFs will be open to public consultation prior to their finalization.

2.1. Internal Market Task Force (IM TF)

The work will address market design issues of relevance for regional markets and for internal market efficiency and competitiveness, notably: (1) the ITC mechanism; (2) congestion management; (3) adaptation of national auction rules to regional coordinated allocation; and (4) harmonization of licensing to facilitate trading.

This work of this TF will be influenced by the responses to the ERGEG “Creation of Regional Electricity Markets” public consultation paper and work undertaken by CEER. Several deliverables are envisioned: (1) a discussion paper on application of the ITC mechanism in South East Europe, and, in conjunction with SETSO, and information session; (2) a discussion paper recommending approaches to regional harmonization of licenses sufficient to facilitate cross-border trade; and (3) a comment paper that responds to SEETEC’s Report on Obstacle to Trade, including suggestions as possible adaptation of national auction rules to a regional coordinated allocation; (4) input to roadmaps developed by the Energy Community Secretariat.

2.2 Institutional Compliance (IC TF)

The ECRB, following on the footsteps of the CEER WG SEEER, underlines the importance and relevance of the transparency work. The ECRB will contribute to the work by CEER, in cooperation with ETSO, SETSO and EURELECTRIC, and SETSO. As part of its market monitoring work, the ECRB will develop transparency requirements in wholesale markets by working up and consulting on guidelines for information management, transparency and accounting. The work is intended to set a broad framework for the identification of information required by market parties to trade in wholesale markets and access transmission infrastructure, particularly cross border interconnectors. Appropriate market data is crucial for example to allow market participants to form price expectations and to invest efficiently in electricity wholesale markets.

The IC TF’s work will result in a set of Guidelines on Data Collection and Transparency and Guidelines on application of a Uniform System of Accounts. It will also include a workshop on information management and monitoring practices, and a second workshop on uniform account standards, from which the Guidelines, respectively, are expected to develop.

The IC TF will also continue the excellent work of the IC TF of the CEER WG SEEER on benchmarking, taking benchmarking to the next step. The IC TF will facilitate development by the national regulators of national reports that correspond to those developed by regulatory authorities in the EU Member States, pursuant to reporting structures developed by the European Commission.

2.3 Tariff Task Force (T TF)

The work of this TF will build upon the transmission tariff benchmarking work conducted by the CEER WG SEEER and will extend to retail tariff benchmarking. A workshop will be held in the fall, with a draft tariff benchmarking report prepared for the next Athens Forum.

2.4 Gas Task Force (G TF)

Capacity allocation, gas transmission tariff benchmarking and gas quality of service will be addressed by this Task Force in cooperation with the CEER WG SEEER Task Force on Gas. The deliverable will be a priority list of activities for the 2007 year, to focus on the increasingly important issues of gas in the South East European region, consistent with developments anticipated as part of the Gas Forum established under the Treaty.

Deliverables of the Electricity Working Group

Point	Issues to be Addressed	Deliverables
ECRB Task Forces		
Internal Market	<p>The work will address market design issues of relevance for regional markets and for internal market efficiency and competitiveness, notably:</p> <ul style="list-style-type: none"> (1) the ITC mechanism; (2) congestion management; (3) adaptation of national auction rules to regional coordinated allocation; and (4) harmonization of licensing to facilitate trading. 	<ul style="list-style-type: none"> (1) discussion paper on application of the ITC mechanism in South East Europe, and, in conjunction with SETSO, and information session (2) discussion paper recommending approaches to regional harmonization of licenses sufficient to facilitate cross-border trade (3) comment paper that responds to SEETEC's Report on Obstacle to Trade, including suggestions as possible adaptation of national auction rules to a regional coordinated allocation (4) input to roadmaps developed by the Energy Community Secretariat.

<p>Institutional Compliance</p>	<p>The work is intended to set a broad framework for the identification of information required by market parties to trade in wholesale markets and access transmission infrastructure, particularly cross border interconnectors. Appropriate market data is crucial for example to allow market participants to form price expectations and to invest efficiently in electricity wholesale markets.</p> <p>The IC TF will facilitate development by the national regulators of national reports that correspond to those developed by regulatory authorities in the EU Member States, pursuant to reporting structures developed by the European Commission.</p>	<ul style="list-style-type: none"> (1) develop Guidelines on Data Collection and Transparency and Guidelines on application of a Uniform System of Accounts. (2) workshop on information management and monitoring practices, and a second workshop on uniform account standards, from which the Guidelines, respectively, are expected to develop.
<p>Tariffs</p>	<p>The work of this TF will build upon the transmission tariff benchmarking work conducted by the CEER WG SEEER and will extend to retail tariff benchmarking.</p>	<ul style="list-style-type: none"> (1) workshop will be held in the fall (2) draft tariff benchmarking report prepared for the next Athens Forum.
<p>Gas</p>	<p>Capacity allocation, gas transmission tariff benchmarking and gas quality of service will be addressed by this Task Force in cooperation with the CEER WG SEEER Task Force on Gas.</p>	<p>priority list of activities for the 2007 year, to focus on the increasingly important issues of gas in the South East European region, consistent with developments anticipated as part of the Gas Forum established under the Treaty.</p>