



CEER

**Work Plan 2005-2007
and Work Programme 2005**

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CEER Work Programme 2005

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1 INTRODUCTION

The present document (CEER Work Plan 2005 - 2007 and Working Programme 2005) sets the strategic issues and guidelines for the Council of European Energy Regulators (CEER) activities in the next three years and identifies the priorities and operational workplan for the first year. An annual revision of the three year Work Plan and annual Work Programme, starting in July each year is needed.

Goals and Themes

The fundamental goal of the European regulators, working together in the CEER, is to foster the creation of competitive, efficient and sustainable internal markets for electricity and gas in Europe. To further their fundamental goal, CEER members will share experiences, exchange information, and build capacity through training and benchmarking on key issues. While the European Regulators Group for Electricity and Gas (EREG) is the route by which European regulators provide formal advice to the European Commission, the CEER will provide informal advice through the development of policy positions on internal market matters. There is close collaboration by Regulators across the EREG and the CEER, but each has separate working groups and separate work programmes. For full details of the work of EREG in 2005, see the EREG Work Programme on the EREG website www.ereg.org.

The themes of the work programme reflect the CEER's goals:

1. **Non-discriminatory access to network and associated infrastructure.** The CEER vision involves gas and electricity firms competing to supply consumers using regulated networks on an open and non-discriminatory basis. To that end, the largest part of the work programme consists of technical work to develop and monitor the rules for non-discriminatory third party access to electricity and gas transmission and distribution grids. This work should ensure that all players can access networks on an equal basis, in terms of availability, quality and pricing of transportation services.

2. **Markets and cross border trade.** The regulators wish to ensure that market rules foster pan-EU competition and the development of the internal energy market, and that every market player can have access to an appropriately organized energy market. The work programme therefore includes a number of work streams that consider the appropriate form of market rules, and any necessary cross-border harmonisation, with particular regard to wholesale power market, gas trading hubs, and balancing markets. Work could extend to the identification of 'best practice' regulation. The fundamental strategy is to develop market integration at a regional level, including appropriate harmonisation of national energy markets and regulatory practices, as part of a process of progressively reducing barriers to cross-border trade and the completion of the single energy market. A working group dedicated to South East Europe will also work on issues for the development of an effective and competitive energy market in South East Europe and help harmonise regulatory practices between the EU and South East region.
3. **Investment and security of supply.** The regulators are committed to a vision of competitive energy markets and effectively regulated networks, which together provide effective and efficient investment signals to meet the needs of European consumers and guarantee continued high levels of security of supply. *Inter alia*, market signals and regulation should ensure an efficient level of cross-border interconnection and co-ordination. The programme includes important work to further these goals.
4. **Competition.** Competition law is an important complement to *ex ante* regulation. The regulators wish to ensure that the European and national competition authorities are aware of potential distortions to competition and any anti-competitive behaviour in European energy markets, and are willing to provide them with necessary technical assistance, subject to our own resource constraints. The programme includes ongoing professional dialogue between the regulators and competition authorities.
5. **Monitoring.** European energy markets are already subject to existing and currently proposed Directives and Regulations, together with national laws and regulations, and voluntary agreements proposed or in place. The regulators will devote significant resource to monitoring the effects that these rules are having on the ground.

6. **Better regulation.** The regulators aim to improve the quality and legitimacy of their work and this will continue to engage with other interested parties on a bilateral or multilateral basis. They will share experiences, identify best regulatory practices, organise training through the Florence School of Regulation and enhance international co-operation. Some practical examples within the 2005 work programme are the establishment of an information exchange database within CEER, collaborative exchange with other regional associations of regulators, a Regulatory Benchmarking report of all CEER members and the convergence of regulatory practices among regulatory authorities of South East Europe.

7. **Environment.** Where appropriate and recognising the difference in relevant competences among its members, the CEER will analyse environmental issues that are of particular importance to energy markets, such as renewable energy support and emissions trading.

Types of Work

The types of work proposed can be categorised as:

1. High level policy development

Work of this type is aimed at developing the regulators' medium and longer term vision of the development of the European regulatory and market framework. Where appropriate the regulators will agree common high level positions on key regulatory issues. This work will also translate into informal advice given to the European Commission and the European Parliament in particular through the ITRE and ENVIR Committees, for example regarding any future legislative proposals that may be under consideration. Some specific examples in the 2005 work programme include analysis and (where appropriate) development of common positions on investment incentives; on security of supply; on a Community Framework for the support of renewables; on whether further harmonisation of gas balancing rules is desirable. *Inter alia* CEER will define a "Road Map" leading from regional markets to a single energy market, an "Action Plan" for the realisation of a fully integrated regional electricity market in South East Europe (SEE) and a strategy paper on the establishment of a SEE regional gas market.

2. Detailed development of policy proposals

This work involves developing detailed “guidelines” for practice in relation to specific issues and seeking to establish these either as voluntary agreements with the European industry, or as proposals for binding guidelines to be adopted via comitology (in which latter case the proposals would necessarily come from the ERGEG). Some examples within the CEER work programme for 2005 include the development of and/or refinement of Guidelines for Good Practice on Transparency (electricity and gas); effective Unbundling; Gas Capacity Allocation and Congestion Management; Third Party Access to Line-pack; on the “regulatory test” proposed for electricity Infrastructure Investment; and on criteria for exempting new infrastructure from Third Party Access (electricity and gas). It is also intended to make detailed recommendations on a number of issues, including for example conditions for the correct functioning and interactions of power exchanges, indicators of market power, how to foster gas hub trading, and on the mechanism for the development of the regional standard market design in South East Europe.

3. Monitoring of regulatory and market developments

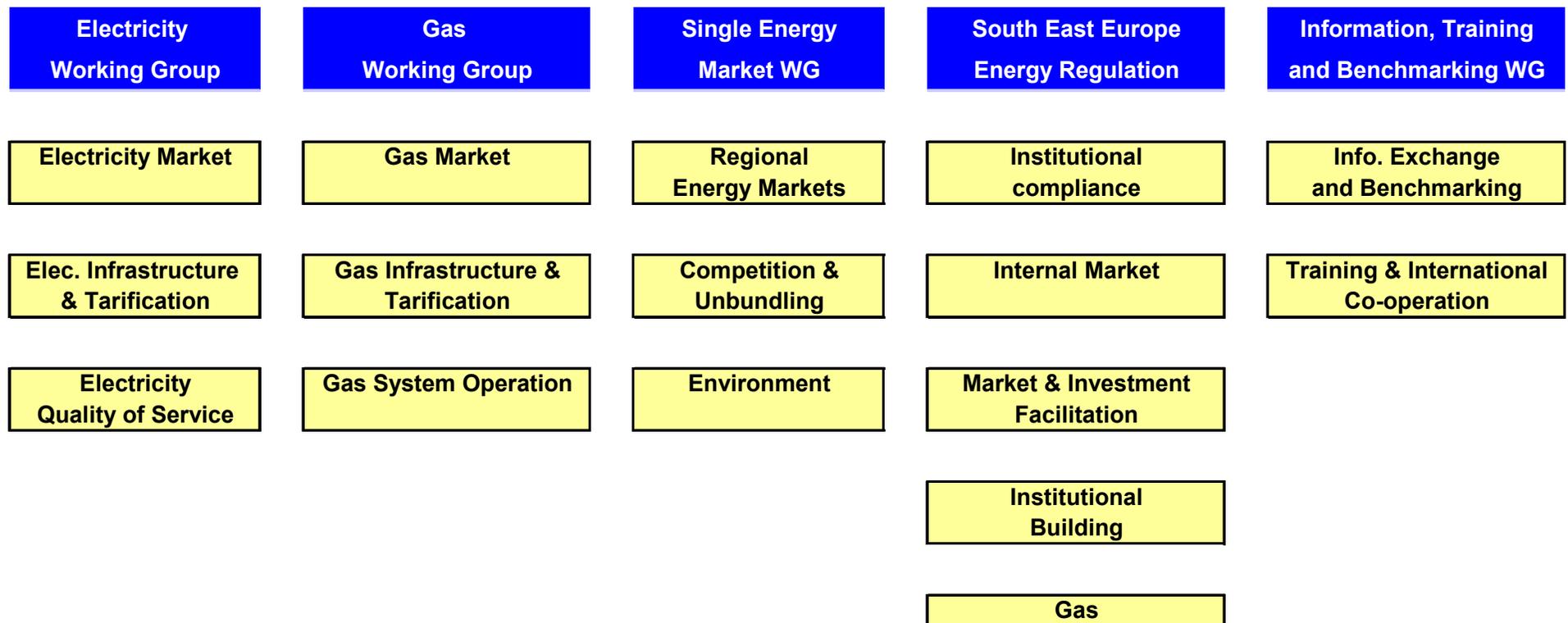
This involves careful monitoring of the implementation by market players of relevant legislation and voluntary agreements, of the extent to which non-discriminatory network access is a reality on the ground, and of the actual level of competition in energy markets. It will also involve significant interaction with national and European competition authorities. CEER will review unbundling in Member States and will report to and collaborate with DG COMP and DG TRANSPORT AND ENERGY on Quality of Electricity Supply; track the impact of the emissions trading schemes and will monitor and report on all aspects of South East European market (e.g. the development institutional building, implementation of the CBT mechanism and the congestion management guidelines and the evolutions of the Treaty). There will be a coherent follow up and close collaboration with ERGEG who will collaborate with the European Commission in providing a structured and harmonised approach to the monitoring requirements from 2005 onwards under the new Electricity and Gas Directives.

Individual Working Groups and their priority issues - Allocation of the tasks

CEER's work is organised across five different working groups (WGs), each containing specialist task forces (TFs) as outlined below. This document contains 5 subsections corresponding to each of the five working groups; Electricity (EWG), Gas (GWG), Single Energy Market (SEM), South East Europe Energy Regulation, (SEEER) and Information, Training and Benchmarking (ITB). Appendix 1 outlines the issues to be addressed, the deliverables and deadlines.

The five priority electricity topics in the CEER's 2005 work programme are the analysis of power exchanges in a regional market perspective, transparency of information, infrastructure investment, benchmarking quality of service and security of supply. In gas, the main issues for further work are balancing, investments in new gas infrastructure and the role of the national regulators, gas hubs, and transparency and congestion management issues relating to non-discriminatory access regimes. For the SEM WG, the focus is on strategic issues of market integration and the process for the evolution towards single competitive markets, including analysis of *ex post* competition issues, monitoring of regulatory and market developments and the development of detailed guidelines/recommendations on issues such as transparency and environmental issues. For the SEEER WG, the activities are wide ranging and the priorities will in large part be determined by the evolutions of the Treaty for the Energy Community in South East Europe. The new ITB WG will focus on setting up a database for information exchange, benchmarking and the co-ordination of training and international co-operation. A summary table of the work of the individual working groups can be found in Appendix 2, with a priority level attached to each work strand: high (A) or medium (B).

CEER Working Groups/Task Forces Structure 2005



2 ELECTRICITY WORKING GROUP (EWG)

Issues to be addressed

The following is competent in any issue linked to the electricity sector and mainly, as regards 2005 in:

- A. Conditions for the correct functioning of and interactions among different power exchanges
- B. Consistency requirements between different market designs for highest possible electricity markets completeness and compatibility
- C. Development of Regulatory Guidelines of Good Practice on Transparency
- D. 3rd CEER Benchmarking report on quality of service and quality regulation
- E. Guidelines for development and implementation of the method proposed for Infrastructure Investment (Procedures to perform the "Regulatory test")
- F. Security of Supply (SoS) related market design features and recommendations in relation with investments on infrastructure
- G. Definition of criteria for exempting new electricity interconnectors from Third Party Access (TPA)

Organisation

The following three Task Forces will be established within the EWG:

- Electricity Market Taskforce (EIMa TF)
- Quality of Service Taskforce (QoS TF)
- Electricity Infrastructure Taskforce (Einfra TF)

2.1 Electricity Market Task Force

Issues to be addressed

- Conditions for the correct functioning of and interactions among different power exchanges in relation to cross border trading in general and congestion management in particular
- Comparative analysis of power exchanges features related to cross border trading
- Recommendations (internal to CEER) for the approach regarding the role of power exchanges in Cross Border Trade (CBT) and Congestion Management (CM)
- Development of regulatory Guidelines of Good Practice on Transparency
- Consistency requirements between different market designs for the highest possible electricity markets completeness and compatibility
- Security of Supply (SoS) related market design features

Background

The Electricity Market TF will be devoted to technical, organisational and operational regulatory matters aimed at ensuring efficient daily market functioning. Electricity market issues of a specific nature, that is to say unlikely to be raised and solved in a common way for gas and electricity, are to be dealt with by this specialized TF of the EWG.

It is notably the case for the architecture of the market design that it must take care of the specific technical and economical behaviour of an electrical system and avoid built-in flaws. This is especially true for short term market design issues that must take into account the increasing interaction between the market features and the technical features of grid operation when the real time is approaching. The task force will have to elaborate on the existing work done up to 2005 by the EWG, for example on congestion management issues and on system operation issues, in order to examine the main compatibility issues between the various “blocks” of market design already studied. This will enable the TF to propose rules and arrangements which promote consistency requirements between different market designs.

Furthermore, specific Security of Supply (SoS) issues related to the aspects of the market design need to be carefully examined in order to ensure adequate capacity development and improvements in generation and transmission. This way, the efficient and secure market & system operation on medium and long-term timescales shall be ensured.

Some of the current market design consistency issues relate to:

- The organisation of technical and procedural interfaces, notably time schedules and notification templates, between day ahead and/or intra-day trading arrangements and balancing arrangements;
- The liability of all interacting actors in light of the proposed UCTE Multi Lateral Agreement insufficiencies and of the content of various existing agreements in order to better secure cross border trading for all market players;
- The co-existence between bilateral exchange arrangements and organised wholesale markets such as power exchanges and various types of pools. Here special attention needs to be paid to non-discrimination against other market participants and/or bilateral agreements;
- Interaction between cross border capacity allocation mechanisms and the design of the connected markets;
- The various ways to ensure the appropriate degree of transparency in transmission and generation in order to ensure fair competition between all types of market players.

The Electricity Market TF shall identify any further issues of interest to be tackled as appropriate and as needs emerge during 2005. This shall be coordinated and approved at the EWG level.

Approach

As the Electricity Market TF has to consider the overall electricity market aspects, which are not possible to be solved in a common way for electricity and gas, this TF shall in 2005 rely on the results of and co-operate in an efficient manner with the CEER Electricity Infrastructure TF, with the ERGEG System Operation TF (on the issues of balancing and the issues of possibly usage of power exchanges in co-ordinated congestion management) and CEER Regional Energy Markets TF (on power exchanges in a regional market perspective).

Where appropriate and necessary, the common deliverables and co-ordination of work shall be defined in more detail also after the Work Programme approval by the CEER's General Assembly, under the supervision and approval of the EWG and EFG Chairman.

The Electricity Market TF activity focus in 2005 is:

- Conditions for the correct functioning of and interactions among different power exchanges, with the related deliverables and work to be shared with the ERGEG (EFG) Congestion Management Task Force and the planned work of the Congestion Management “mini fora”:
 - Role and use of power exchanges in line with the Regulation (1228/2003), with the Congestion Management Guidelines (“in the making”) and with the new concept “flow based market coupling” presented during the XIth European Electricity Regulatory Forum (Florence Forum) in September 2004
 - The Nordpool experience, ETSO-Europex proposals and other possible alternative approaches in continental Europe
 - Transparency of information and operation of power exchanges
 - Non-discrimination in capacity allocation (e.g. against bilateral contracts)
 - Cross-border financial securities and obligations

The output of this work will be shared with the SEM WG to inform their work on regional markets.

- Transparency requirements on transmission and generation, based on the results of the questionnaire and survey of balancing systems in the CEER member countries (EWG System Operation TF results in 2004 in the form of a CEER internal paper)
 - Information requirements and current availability
 - (Legal) framework for the fulfilment of transparency requirements
- Consistency issues and requirements between medium and short term arrangements and other aspects of market designs in order to ensure the highest possible electricity markets completeness and compatibility
- Desirable incentives for system operators and market players to maintain adequate operational margins, ensuring an appropriate level of Security of Supply on the one hand and efficient market functioning and framework conditions on the other.

2.2 Quality of Service Task Force

Issues to be addressed

- 3rd CEER Benchmarking Report on Quality of Electricity Supply, with a special part devoted to the analysis of standards and incentives actually enforced in some countries for quality of service (in particular continuity of supply)
- Develop terms of reference for the further years (2006-2007)

Background

In early 2003, a number of regulatory authorities that had not previously been involved in the original Quality of Supply WG actively participated in the WG by supplying relevant information on quality levels and standards in their respective countries.

- Reports

During 2003 the WG produced two reports; The CEER's "Second Benchmarking Report on Quality of Electricity Supply" was published on September 2003 and circulated during the World Forum on Energy Regulation (Rome, October 2003); the report "Public Service Obligations in the Electricity Service" (December 2003) is a document for internal CEER use only.

- Dissemination

A number of the WG members participated in the roundtable session on "Market Liberalization and Quality of Supply" at the 17th CIRED conference in Barcelona (12-15 May 2003).

- Co-operation with New Member States

A workshop organised by ERRA took place on 10 November 2003 in Budapest. During the workshop quality of supply regulation issues were discussed with Accession Country regulators (Latvia, Lithuania, Hungary, Turkey, Romania, Bulgaria). ERRA decided to continue the work: a second meeting to analyse quality data available in new Member States took place in Riga on 5 March 2004 with regulators from Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Turkey participating.

The Quality of Supply WG was suspended in 2004 with the reorganization of WG's and TF's.

There are at least three reasons to restart selected CEER activities in this field:

1. The new Electricity and Gas Directives stress the importance of consumer protection and quality of supply enhancement; most of these activities have to be performed at national level.
2. Most European regulators have relevant powers and responsibilities in this field.
3. There is a high request from New Member States to work on these topics.

For these reasons, a new Quality of Service TF has been created in 2005 with the purpose of drafting the 3rd CEER Benchmarking Report on Quality of Electricity Supply.

Approach

- The 3rd CEER Benchmarking Report on Quality of Electricity Supply
- Terms of Reference for further studies

The 3rd Benchmarking Report on Quality of Electricity Supply shall update the comparison already available in the 2nd Benchmarking Report and enlarge the number of countries with available data for comparison. Within the 3rd CEER Benchmarking Report a special part shall be devoted to comparing existing quality standards and incentive/penalty regimes in some EU countries. Finally the report shall also deal with analysis of further mechanisms and regulatory details for improving quality (voltage quality contracts, treatment of exceptional events, medium term effects of quality regulation).

Within the TF a large participation should be encouraged, in order to have as widest as possible scope for comparison in the 3rd Benchmarking Report. In particular, the member countries where the Regulator knows the actual levels of continuity of supply should participate.

Work on the comparison of the actual levels can be accomplished mainly by e-mail. The analysis of standards and incentives requires at least 2-3 days of meetings for the TF members, in order to present in detail different experiences and for full discussion of critical issues. A final meeting of the TF shall be devoted to the identification of priority topics for 2006-07 work. A link with other groups focused on benchmarking quality of service should be established, in particular with:

- The Joint Working Group CIGRE' C4.07/CIREN (Power quality indices and objectives);
- The Joint Research Project led by University of Cambridge (UK), Department of Applied Economics and Cambridge (Mass, USA) MIT, around the benchmarking of cost efficiency and quality of service.

While the main tasks of the TF's work in 2005 will be the publication and dissemination of the 3rd Benchmarking Report on quality of electricity supply, in addition, the terms of reference for further work will be developed. These could focus on some regulatory mechanisms for Quality of Supply. Some preliminary ideas for further studies (2006-2007) include:

- Voltage quality contracts

Quality contracts can be a useful tool to reveal customer preferences; regulators should use this market-like tool in order to satisfy special quality needs without increasing distribution tariffs. A thorough understanding of real experience of quality contracts (especially in France) and a comparison for common schemes of contract can be useful to develop market culture in quality regulation across Europe.

- Exceptional events which impact on continuity

Some countries (Italy, UK) have recently introduced statistical methods to identify exceptional events which have a major impact on continuity. This is a new trend in regulation, because it reduces the administrative burden for verifying the application of severe weather clauses. The CEER could develop a common method for recommendation to all member countries.

Attention should be devoted also to network vulnerability issues, like design standards for networks and associated costs.

- Network structure, continuity levels and medium-term effects of quality regulation

Joint work on the classification of density levels is useful for a more meaningful comparison of actual continuity levels and further research on the correlation between continuity levels and demand/territory characteristics could be recommended.

Monitoring of medium term performance in network management is useful to prevent and avoid undesirable effects of quality regulation. CEER work could be developed, starting from the UK experience in this field.

The above topics and others (which may emerge from the TF discussions) could be treated in 2006-2007.

In order to better justify quality regulation incentives and penalties, research is needed to better understand customer satisfaction, customer expectations and customer willingness to pay or to accept compensations (WTP/WTA) for quality. A research project on WTP countries could contribute to a deeper understanding of values used by regulator in their incentive/penalty schemes. This issue should be addressed within the new “Customer Focus Group” established within the ERGEG and not within this TF.

2.3 Electricity Infrastructure Task Force

Issues to be addressed

- Prepare guidelines for the development and implementation of the (“regulatory test”) methods proposed for Infrastructure Investment
- Definition of criteria for exempting new electricity interconnectors from Third Party Access (TPA)
- Develop CEER recommendations on the “Regulatory test” for infrastructure investment

Background

A proposal on "Regulatory control and financial reward for electricity transmission infrastructure" prepared by the Electricity Infrastructure Task Force was approved by the General Assembly, in May 2004, and sent to the European Commission. It includes:

- A discussion on the currently used or potential incentive mechanisms for transmission investment, and possible criteria to assess the technical and economic justification of a new network investment;
- Reflections on the nature of merchant lines and the different regulatory schemes that can be employed accordingly;
- The initial regulation proposal itself: the scheme for regulated investment and the specific regulation to include merchant investment, given its special condition as an exemption to the general rule
- The technical procedures whose detailed development is needed to implement the proposal for infrastructure investment.

The technical procedure to allow the implementation of the proposed regulatory scheme has been the basis of the 2004 work and will continue in 2005. The task force is preparing a description of the “regulatory tests” that are used in EU countries, with the objective of establishing some future recommendations on how to perform this test and the specification of the information that has to be made available for this purpose.

The Electricity Infrastructure Task Force has also been addressing the definition of criteria for exempting new electricity interconnectors from TPA. According to the new Regulation on Conditions for Access to the Network for Cross-border Exchanges in Electricity (1228/2003), new direct current interconnectors may, upon request, be exempted from the provisions concerning regulated TPA in the Regulation and in the Electricity Directive (2003/54/EC). Furthermore, this exemption shall apply also in exceptional cases to AC interconnectors and significant increases of capacity in existing interconnectors.

During 2004 the CEER published its position on the European Commission's draft Proposal for a Directive concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment (COM (2003) 740).

Approach

The Electricity Infrastructure Task Force, based on a working paper concerning the description of the regulatory test that are used in EU countries, will prepare Guidelines for the development of the method proposed for infrastructure investment and establish recommendations on how to perform the regulatory test and the specification of the information that has to be made available.

The Electricity Infrastructure Task Force, taking into account the CEER Position on the European Commission's Proposal for a Directive concerning measures to safeguard security of electricity supply and infrastructure investment and the revised Proposal(s) on the Draft Directive will prepare recommendations in view of the implementation of this draft Directive in relation to investments in infrastructure.

Based on a review of the existing interconnectors where exemptions of regulated TPA are applied and the reasons why and the rules applying to these interconnectors, the TF will prepare a set of rules regarding those situations where exemption may be applied and under which conditions exemption can be granted; on what kind of conditions could/should be imposed regarding the duration of the exemption and on non-discriminatory access to the information regarding the interconnector that has to be made available.

3 GAS WORKING GROUP (GWG)

Issues to be addressed

The Gas Working Group is competent in any issue linked to the gas sector and mainly, as regards 2005 in:

- A. Transparency (or other issue related to draft Gas Regulation)
- B. Calculation of Available Capacity (calculation methods)
- C. Flexibility and efficient capacity use
- D. Design and implementation of wholesale energy market relating to Gas Hubs
- E. Experience of the development of regional markets and hub based trading
- F. Construction of new infrastructure
- G. Quality of supply on specific aspects
- H. Guidelines of Good Practice for LNG terminals
- I. Gas Balancing
- J. Security of Supply

Organisation

The following 3 Task Forces will be established within the GWG in 2005:

- Gas Market TF
- Gas Infrastructure and Tarification TF
- Gas System Operation TF

In addition, a Quality of Service TF will commence work in 2006.

In order for the work to be taken forward in 2005, there are individual work streams within two of the Task Forces which report to a single Task Force leader, who in turn is responsible for reporting on and managing the progress of work. These work streams are as follows:

1. Infrastructure and Tarification:
 - 1.2) Infrastructures & Tarification: Calculation of Available Capacities (CAC)
 - 1.2) Infrastructures & Tarification: Flexibility and Efficient Capacity Use (FEC)
 - 1.3) Infrastructures & Tarification: Construction of New Infrastructures (CNI)

2. System Operation:

2.1) System Operation: Security of Supply (GSoS)

2.2) System Operation: Gas Balancing (GBal)

2.3) System Operation: Hub (GHub)

In order to reflect the priority of issues identified by the General Assembly it is proposed that work in the early part of 2005 will focus on the priority A tasks. It is anticipated that the work of Balancing and Infrastructure and Tarification (CNI) Task Forces will be presented at the Xth Madrid forum in 2005. Correspondingly, substantive work on priority B issues will not begin until after May 2005, and will be properly scoped out then.

3.1 Gas Market Task Force

Issues to be addressed

- Transparency issues – develop best practice for transparency requirements for the definition and publication of information as required under the draft Gas Regulation (COM (2003) 741))
- This TF may also address other issues related with the draft Gas Regulation

Background

The draft Gas Regulation which is intended to come into force in July 2006 specifies that guidelines need to be developed for...*“the definition of the technical information necessary for network users to gain effective access to the system and the definition of all relevant points for transparency requirements, including the information to be published at all relevant points and the time schedule according to which this information shall be published”.*

The TF will identify the key information that needs to be published including guidance on the way in which the information should be defined, collated and published.

Approach

The work of the Gas Market TF will include developing a regulatory input to the development of the guideline under the Gas Regulation. Work will include:

- Developing best practice with and ensuring best practice by stakeholders with respect to transparency requirements for definition and publication of information as required by the Gas Regulation – including how information should be defined, the way it should be collated and the way it should be published
- Inputting/developing guidelines under the Gas Regulation on defining information
- Other work associated with the Gas Regulation as required.

3.2 Gas Infrastructure & Tarification Task Force

The Gas Infrastructure and Tarification Task Force has three dedicated work streams as described below.

3.2.1 Calculation of Available Capacity (CAC) work stream

Issues to be addressed

- Calculation of available capacity

Background

Allocating capacity in networks between users is an important aspect of a transparent and non-discriminatory access regime. A first issue in working out an approach of allocating capacity is the calculation of available capacity. GTE delivered at the VIIIth Forum of Madrid in July 2004 an overview of the state of art related to Calculation of Available Capacities. In this context the VIIIth Madrid Forum (July 2004) invited GTE to illustrate calculating capacities with reference to at least five European transport routes crossing at least two inner EU borders to the next forum.

At the same time the Guidelines for Good TPA Practice for TSOs (GGP2) accepted in September 2003 by the VIIth Forum of Madrid, mention in §5.2 (First set of objectives for 1 October 2003) :

- publication of the maximum technical capacity for flows in both directions, the total contracted firm and interruptible capacities and the available capacity;
- regular updates of short-term capacity availability (month-ahead) based, *inter alia*, on prevailing contractual commitments, and regular long-term forecasts of available capacities on an annual basis for up to 10 years;
- monthly update of available capacities for a period of at least 18 months ahead;
- publication of rules or methodologies for determining operating margins and commitments relating to public service obligations (PSO).

Non-discriminatory access to pipelines implies also an accurate measurement of capacities and the publication of the available capacities as well as the underlying calculation method. This is not yet common practice in Europe. GTE published in the past, by means of a “traffic light” system on its website, the availability of capacities at the major cross-border points. In the context of the GGP2, they abandoned the traffic light system and replaced it with links to the websites of the individual TSOs, but these links are not yet all functioning. It appears that only a minority of cross-border points have available firm entry capacity on the primary market.

While most of the TSOs publish indicative available capacities, they have to be taken as such since the underlying calculation method is not communicated. The TSOs have a considerable discretionary power to choose the many assumptions under which the technical and the available capacity are calculated.

Transparency in this respect has two advantages: (i) it gives a better knowledge to the market on how reliable the firm capacity is; (which level of risk is accepted by the TSOs), and (ii) it reduces the fear of the market players that TSOs could abuse their power to discriminate network users. Transparency can mean in some cases that the information is known by the regulators, without being publicly available. Obviously, knowledge of the true capacity of the network and how much capacity is made available on the market are concerns in the establishment of an efficient, non-discriminatory and transparent TPA regime.

Approach

- Follow-up of GTE’s Analysis of capacities
CEER will follow-up the work done by GTE which will be presented at the Xth Madrid Forum (see “background”). The TF will therefore provide critical analysis and commentary on the methodology and results produced by GTE in identifying the ‘technical capacity’.

- Design of standard calculation rules

CEER wish to design standard simulation rules (scenarios) for network models which TSOs in Europe may use to measure available pipeline capacity in their systems with the purpose to publish and offer capacity in a transparent and non-discriminatory way*.

Monitoring of published capacities by TSOs remains difficult for regulators since they cannot cross-check this information because it has not been validated. Therefore, the monitoring principles deserve special attention by the TF. These theoretical fundamentals will be very useful for the task of following up GTE's analysis. Therefore the second task (design of standard calculation rules) will be realised simultaneously although it is not likely to finish before GTE reports to the Madrid Forum concerning the five European transport routes.

* More technically, the aim is to determine the network scenarios for deriving available capacity and to split it into firm and interruptible capacity with different degrees of firmness. Obviously, commercial firm capacity is derived from a rather worst-case network scenario (low risk of interruption of the remaining capacity). The trade-off between the degree of firmness assigned to firm capacity and the corresponding availability of commercial firm capacity is an important regulatory concern. Of course, TSOs remain responsible for their network models but the specification of the model parameters/scenarios for determining available capacity and its labelling (degree of firmness) should be transparent.

3.2.2 The Flexibility and Efficient Capacity Use (FEC) Work stream

Issues to be addressed

- Guidelines for TPA to line pack
- Additional guidelines for capacity allocation and congestion management

Background

As capacities at cross border nodal points are one important factor that determine the possibilities of access to markets in Europe and thus of the international trade, flexibility and efficient capacity use are crucial to achieve a fully operational and competitive internal gas market.

As part of its Work Programme 2004, the Gas Working Group prepared a Monitoring Report on TSO compliance with the Guidelines with Good TPA Practice. Particularly with regard to the requirement that TSOs should actively support the development of a flexible market a considerable gap between the requirements of the GGP2 and TSOs' practical compliance was monitored. Among others, this relates especially to the implementation of appropriate congestion management mechanisms and incentives for efficient use of capacity.

At the VIIIth Madrid Forum GTE emphasised the need for detailed discussion on the principles governing "Use It or Lose It"^{*}. A further study will take into account previous work carried out by Eurogas and other interested parties, and will be elaborated in close co-operation with CEER, EFET, Eurogas and other interested parties and presented the next Forum. Subsequent there is a need to analyse the congestion management procedures suggested, their effectiveness and extent of their implementation.

Additionally the draft Gas Regulation (COM (2003) 741) includes provisions for guidelines on congestion management (Article 9). For the development of new guidelines under comitology, there is a proposed implementation date of January 2007. Early signalling of areas where regulators believe the existing guidelines are insufficient would be helpful.

^{*} If a network user books capacity and then decides not to use it, another user has the opportunity to use his booked capacity under this principle.

Approach

These tasks are conditional on the ERGEG TF on Cross-Border transport (CBT) terminating its work from the 2004 work programme, thus this activity planned for the second half of 2005.

The TF will concentrate its work on congestion management as one crucial aspect for a flexible gas market. Starting from the requirements of the GGP2 and results of the Monitoring Report 2004 on GGP2 compliance with regard to congestion management the TF will:

- analyse the proposals of the GTE study on UIOLI
- analyse existing congestion management procedures in the Member States
- analyse the extent of implementation of congestion management mechanisms
- benchmark their effectiveness and impact on efficiency and flexibility for the gas market
- highlight necessary improvements
- provide proposals for improved congestion management procedures and a set of rules to be included into the annexed Guidelines of the Gas Regulation.

In this context the following related questions will be addressed:

- interoperability: design of congestion management should take into account the requirements and include consultation with the relevant parties in neighbouring transmission networks.
- examine the responsibilities of shippers and TSOs with regard to congestion management; in this context emphasis will be put on the question how appropriate anti-hoarding mechanisms can be included in the contracts and how a secondary market with simple, transparent and low-cost mechanisms to sublet or transfer capacity and flexibility can be established.

The TF will prepare:

1. A background document outlining the context and analysing the problems. This study will contain data concerning the existing practices and will assess the need for harmonisation. Although this study is not meant to be a position paper, it could be submitted to public consultation, in order to allow interested stakeholders to understand the Regulators' underlying reasoning and to check the data.

2. A position paper highlighting the most important results of the study and containing all the recommendations, in particular the Guidelines intended to be included in the Annex of the Gas Regulation.

3.2.3 The Construction of New Infrastructure (CNI) Work stream

Issues to be addressed

- Construction of new infrastructure

Background

There is a common view that the European Union as a whole will need increased investments in particular because gas consumption will continue to grow more quickly than domestic production. This involves investments in upstream infrastructure (production, pipelines, liquefaction trains, LNG cargos), transport (including interconnections), storage and LNG terminals. This study will focus on activities subject to European TPA regulation, which excludes the upstream business.

Certain European regions need to develop investments, especially in transport and LNG terminals, to allow for more imports, in particular countries/regions with fast growing consumption or declining production. Investments in transport are also needed to improve interconnections between grids/countries and to allow for more trade and competition. Some of these investments are linked to the development of liquidity on gas hubs. Investments in storages are needed to improve security of supply and to allow for an efficient supply to customers.

Investments in infrastructures are therefore needed:

- to ensure security of supply with the development of new entry points, interconnections between countries/regions and storage capacities; and
- to develop competition with new investments allowing for gas trade and participating to the integration of regional markets.

This has been recognised by the European Commission which has set up a programme to financially support transport energy infrastructures projects.

To allow for these investments, there is a need to ensure that the regulatory framework does not impede these investments and that, on the contrary, the regulatory framework is well adapted to both allowing for competition in the gas sector and providing incentives for efficient investments, getting the right balance between both requirements.

The 2003 CEER paper on “Financial reward for infrastructure” noted that the modalities for investments in gas infrastructures in the different EU 15 countries differ widely.

Directive 2003/55/EC, Article 22, allows under some conditions for the exemption of major new gas infrastructures from the rTPA* regime. There is a need to define a CEER position and to provide guidance to future investors on how such exemptions or derogations should apply.

Approach

The work related to new gas infrastructure has been rolled over from the 2004 work programme.

A short questionnaire will provide an overview of planned investments in the Member States and of policies in place in Member States to promote investments. A state of play report will briefly describe the framework for investment projects before and after liberalization.

The TF will also analyse the different characteristics of LNG, interconnectors and pipelines of regional interest to make a classification of these different projects.

The range of tools in the hands of the regulators to overcome the potential barriers for new major investments (special treatment in the rTPA-regime (long term contracts, financial incentives, etc) or exemptions will be presented according to the classification of new projects. The TF will analyse the role of the regulators in promoting competition and new investments. It will also make an assessment of future challenges and difficulties the regulator may have to overcome in facilitating new investments.

The TF will also review reference cases.

* rTAP = Regulated Third Party Access

3.3 Gas System Operation Task Force

The Gas System Operation Task Force has three dedicated work streams as described below.

3.3.1 Security of Supply (GSoS) Workstream

Issues to be addressed

- External communication on security of natural gas supply and problem analysis

Background

It is the intention to continue the work started within the 2003 task force on Security of Supply which related to gas matters. The main output of this TF was a CEER statement on Security of Supply (July 2003). This work will contribute to the implementation of the Directive on Gas Security of Supply (2004/67/EC).

Approach

A lot of the work being done in the different task forces is contributing to Security of Supply (SoS) issues: such as Construction of New Infrastructure, Calculation of Available Capacities, GGP and the promotion of hubs. The outcome of these tasks will therefore be very useful inputs for the Gas System Operation TF. The TF will focus on two issues, external communication of gas security of supply and problem analysis.

The TF will be the point of contact for institutions who want to interact with CEER on Security of Supply (SoS) matters. The TF will actively suggest external communication to show that Security of Supply is intrinsically linked to market organisation and thus falls under the competence of Regulators.

In order to reflect genuine CEER points of views in its external communication, the TF will start some internal exchange of experiences within CEER in order to clarify which is the state of play. Information gathering will be organised within the TF, however surveys may be needed. This work will be supported by a practical scheme to discuss SoS matters from a CEER point of view. This scheme will be applied to the current EU situation in order to focus on the contribution of market organisation in the provision of SoS and hence the role of regulators.

Such a diagnostic is necessary because (i) there is a diversity of views (on the extent of the reliance on the market, quality of supply versus SoS, ...), (ii) of the complexity (short term versus long term, gas versus capacity availability, peak versus volume,...) and (iii) of the wide range of SoS which covers the whole supply chain from production field to consumer. The unbundling of vertically integrated gas companies and the development of a wholesale gas market have increased the number of stakeholders in the provision of supply security⁺. The TF will describe the role of the different stakeholders and their interactions (governments, regulators, transmission system operators, shippers, supply companies, customers and other organisations).

The Council Directive concerning Measures to Safeguard Security of Natural Gas Supply (2004/67/EC) sets security standards like e.g. the “1 in 20” rule for continuity of supply^{*}. These standards have a general nature and have to be transposed into practical criteria which can be applied on the supply chain. Regardless of the involvement of the national regulators in the implementation of such policy rules, they can have an impact on market functioning and on regulated business. The TF will carefully analyse such implications.

⁺ IEA has recently published a comprehensive study on security of gas supply in open markets

^{*} See e.g. Directive 2004/67/EC

3.3.2 Gas Balancing Workstream

Issues to be addressed

- An assessment of gas balancing rules/arrangements across Europe to understand how they impact on competition and whether any further guidelines/harmonization is desirable.

Background

In 2002 the Joint Working Group of the European Gas Regulatory Forum published a strategy paper on “A long term vision of a fully operational single market for gas in Europe” (<http://europa.eu.int/comm/energy/gas/madrid>) which included a step-by-step roadmap aimed at achieving the long term vision. One important aspect of the single market is gas balancing.

The Gas Directive (2003/55/EC) states [Article 8(2)] that *‘Rules adopted by transmission system operators for balancing the gas transmission system shall be objective, transparent and non-discriminatory, including rules for the charging of system users of their networks for energy imbalance’*.

The CEER published a set of “Principles for balancing rules” in September 2003 which were designed to establish robust principles in relation to the roles and responsibilities for balancing as the industry re-structures itself to meet the requirements of the second Gas Directive (2003/55/EC). This report was in addition to the original Guidelines for Good Practice. The report also recommended that the next step should be to understand how differences in balancing rules may act to distort trade between member states. To take this work forward, CEER created in 2004 a Task Force under the Gas Working Group (GWG). This work is being rolled over from 2004.

Approach

The Task Force will review the operation of the gas balancing regimes in Member States (MS). Following the CEER report on balancing rules, the main objectives of the work are to understand:

- How different gas balancing regimes operate, highlighting key national arrangements;
- How different balancing regimes interact with each other;
- To what extent balancing regimes are non-discriminatory, cost reflective, efficient, and conducive to the promotion of competition and the single internal market? and
- What recommendations can be made with regard to the European harmonisation of specific aspects of national gas balancing regimes

The Task Force has already issued a questionnaire on balancing tariffs and rules to inform this paper.

Key areas that the Task Force is expected to look at include:

- A description and evaluation of the present (or foreseen) balancing regimes - e.g. a definition of transportation balancing terms (hourly capacity tolerance, daily capacity tolerance, operational tolerance, hourly volume balance, daily volume balance, cumulative volume balance, nomination notice period etc), concepts and market offers for additional flexibility, penalties for exceeding capacity/out of balance;
- To what extent balancing regimes are non-discriminatory, cost reflective, efficient, and conducive to the promotion of competition and the single internal market;
- Whether the existing set of guidelines and principles identified above are appropriate and in particular if there are any gaps, or areas where the guidelines/principles are not being consistently applied, that are having a negative impact on the development of competition and market liquidity;
- The key interactions between balancing regimes – how they interact and whether there are any distortions between regimes that are impacting on the development of competition and market liquidity; and
- Whether there is a need for any further ‘harmonisation’ of balancing regimes to promote the development of competition together with market liquidity and the impact that these changes would have.

3.3.3 Gas Hubs Work stream

Issues to be addressed

- Analysis of regulatory framework and/or other actions needed to establish a hub-related wholesale energy market in the EU gas market
- Recommendations on how to foster hub-to-hub trading

Background

The 2003 CEER paper on “The development of gas hubs and trading centres in Europe” noted that hubs should result from private initiatives, in response and anticipation of the needs of the markets. The paper described the various regulatory options aiming at promoting the development of hubs. The European hubs have reached varying degrees of maturity.

Approach

First the regulatory framework or other actions needed to establish a hub-related wholesale energy market in the European gas market will be analyzed based on the experience of development of regional markets and hub based trading. In a second step, a new CEER document will propose a description of the traded gas markets in Europe including where possible the current status of the different hubs (general description, number of customers, physical deliveries, net trades, offered services, fees...), the achievements made and the current developments. The TF will conduct a survey with all European Hub System operators. The deliverables should be made in close cooperation with all European Hub System Operators and gas traders (EFET Gas Hub Development Group), with a view to making recommendations on how to foster hub-to-hub trading.

4 SINGLE ENERGY MARKET WORKING GROUP (SEM WG)

Issues to be addressed

- A. Interactions between regional energy markets
- B. Road Map strategy paper
- C. Definition of market power and relevant markets
- D. Co-operation between sector authorities and competition authorities
- E. The level of competition and barriers to efficient trade
- F. Efficient unbundling
- G. Community framework for the support of renewable energy
- H. Efficient Labelling
- I. Tradeoffs between differing targets

Background

The focus of the Single Energy Market working group will be on “strategic” issues. Its main purpose is to define a roadmap leading from regional markets to a single market. After the CEER working paper “Key Interactions and potential trade distortions between electricity markets” which was presented at the Florence Forum in September 2004, the elaboration of a specific “roadmap” is foreseen. Detailed analysis of competition and disturbances to competition, monitoring of regulatory and market developments and the development of detailed guidelines/recommendations on issues such as unbundling, transparency and environmental issues will be the core aspects of the SEM WG’s work in 2005.

The above issues fall into three areas and the taskforces are organized reflecting three themes:

- Regional Energy Market TF
- Competition and Unbundling TF
- Environment TF

The SEM WG and its component Task Forces shall ensure a close collaboration with other relevant WGs/TFs for example with ITB and ERGEG Monitoring TFs (on benchmarking and monitoring of the implementation of the Directives), with Electricity Market TF (on the role of power exchanges in regional markets) and with GWG (on design and implementation of gas trading hubs).

4.1 Regional Energy Market Task Force

Issues to be addressed

- Interactions between regional energy markets
- Road Map Strategy paper

Approach

The focus of the task force is on facilitating the integration of regional markets towards the single European market. Its key output will be to define a roadmap leading from regional markets to a single energy market. This will be achieved this by looking at the design and implementation of wholesale markets, the development of regional markets, the key factors which affect interactions between markets, and considering and making recommendations on what options exist for managing or accommodating these interactions.

Work will build on the ideas in the CEER's Working Paper "Key Interaction and Potential Trade Distortions between Electricity Markets" that was presented at the XIth Florence Forum of September 2004. This paper sets out some first ideas about the sources of potential distortions between electricity markets and their relative importance. Work for 2005 aims to build on this paper both by a more in-depth assessment of the nature and importance of interactions, and by expanding the discussion to include gas issues more explicitly. The latter requires a close collaboration between this TF and GWG on this issue.

There are already a number of regional markets established in Europe. The TF will examine regional initiatives from the EU and elsewhere that knit together national markets into supra-national markets and will give useful case studies (Nordpool, Mibel, Great Britain, All Island market (Ireland), Austria/Hungary from which key lessons can be drawn. Key for electricity will be proposals for measures which address impediments to the development of efficient wholesale markets. Work that covers electricity will be viewed in the context of the regional 'mini-fora' on congestion management. A "Road Map" will be developed which will define the necessary interactions between regions for the realisation of a single energy market.

4.2 Competition and Unbundling Task Force

Issues to be addressed

- Indicators of market power in a regional context
- Evaluation of remedies on merger cases, which remedies for which problems
- Unbundling review in member states
- Guidelines for Good Practice for unbundling
- Co-operation with the European Commission (DG TREN, DG COMPETITION)
- Transparency in trade

Background

Competition and unbundling are closely related issues, in particular in relation to levels of vertical integration, and central to both is the issue of monitoring. Competition issues include defining criteria for assessing market dominance, predatory and anti-competitive behavior and criteria for monitoring, but also assessing the ways in which market dominance can distort the functioning of markets and competition. Analysis of competition and market structure issues can help inform the work on the implementation of unbundling provisions.

Unbundling is one of the primary structural remedies to avoid market distortion via abusive behaviour of incumbents. Electricity and Gas Directives ((2003/54/EC) and (2003/55/EC)) pay special attention to this structural remedy (by requiring the legal unbundling of TSOs and DSOs), but at the same time envisage a broad concept of market surveillance. Regulatory authorities will have to report extensively on the degree of competition and measures undertaken in the member states. A close co-operation between regulatory authorities, competition authorities and the European Commission is therefore necessary.

In practical terms the existence of market power and the delineation of relevant markets depend on the specifics of actual market design. Market design in most countries is part of the competencies of sectoral regulatory authorities. Feedback from market power analysis to the process of designing the specific markets is therefore necessary. Remedies against the possibility of abusive behaviour are either implemented on a case-by-case basis or directly into market rules. Competition authorities are mainly active in the first case and sector

regulatory authorities in the second. One area where some co-ordination of market design will be necessary is cross border trade. Standardized trading rules might be necessary to allow for efficient trade. One key issue will be measures to guarantee efficient bilateral trade which is normally not organized and where price reporting plays a very prominent role.

Approach

In 2004 the CEER was already working on market definition and on indicators for assessing the competitiveness of markets. The Competition and Unbundling TF will further address the standard definition of market power and relevant markets.

- As delineation of relevant markets is to be found in actual decisions of competition authorities, a comparison and analysis of these decisions shall provide guidance for future cases.
- Remedies to address existing market power are to be evaluated further. Special focus will be given to different aspects of market deficiencies, like lack of liquidity, high concentration, lack of transparency, etc.
- Proposals on how to adapt the analysis of market power to regional markets will be made.

Already in 2004 CEER surveyed the co-operation in merger cases between sector regulatory authorities and competition authorities. A draft report on merger cases concluded that co-operation between these bodies needs to be strengthened at both a national and European level. At the European level the CEER will focus on establishing a structured co-operation with DG COMPETITION.

Regarding unbundling, as a first step, the TF will assess the unbundling measures in place in Member States. This will form the basis of a report which will identify the key issues to be tackled in ensuring effective unbundling. In a second step, the TF will recommend Guidelines for good practice for effective unbundling.

2005 will be key to the Commission's evaluation of the effect of liberalisation on gas and electricity markets. This TF will co-operate with DG TREN in preparing an initial structure for the Reporting required under the new Directives.

Furthermore the TF shall address the question of the level of competition and barriers to efficient trade. Transparency is essential for efficient trade. Interaction between bilateral markets and organized markets will be analyzed. Questions to be addressed are whether it is possible to set some additional rules on transparency and trading in these markets without provoking a “grey” and unofficial market. The TF proposes to recommend guidelines on good practice for transparency.

4.3 Environment Task Force

Issues to be addressed

- A recommendation regarding necessary improvements in the field of Renewable Energy Sources for Electricity (RES-E) support schemes.
- Recommendations and basic principles in order to minimize fraud risks in connection with disclosure systems and to strengthen the reliability of tracking systems.
- A paper highlighting the impacts of different Directives on the Internal Energy Market and containing recommendations for necessary improvements.

Background

The need to reduce the dependence of the European economy on imported primary energy and fossil fuel impact on the environment has encouraged countries to increase the share of renewable energy sources (RES) for electricity supply.

In May 2004 the European Commission published the report “The share of renewable energy in the EU” [COM(2004) 366 final] that presented the achievement of the indicative targets for RES-E set by Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market. CEER published in September 2004 a report “Current experiences with renewable support schemes in Europe” that highlighted the problems with heterogeneous support schemes and how the current design is leading to market distortions and cost inefficiencies.

In October 2005 the European Commission will publish a report that may contain the proposal for a Community Framework for support schemes. In order to reduce the existing market distortions and technical problems, as outlined in the CEER report, common rules are needed.

Besides Directive 2001/77/EC other Directives have direct and/or indirect impacts on the internal energy market and on the achievement of the indicative targets of the Directive 2001/77/EC. The European Emissions-Trading scheme will start in 2005, the implementation of the Water Policy Framework will directly influence the electricity production in hydro power plants and the Draft Directive on Energy End-Use Efficiency and Energy Services (COM (2003) 739) is in the pipeline.

In order to design an efficient and effective support schemes within a competitive internal electricity market the impacts of the different regulations have to be outlined and market distortions have to be reduced.

Approach

In accordance with Article 4 of Directive 2001/77/EC, the European Commission is required to publish a report in October 2005 that may also contain a proposal for a Community Framework for the support of renewable energy. As CEER had uncovered various problems in connection with the (heterogeneous) support schemes, CEER will provide input for this European Commission report and will propose next steps in order to reach a level playing field for the support of renewable energy.

The promotion of renewable energy within the liberalized energy market is strongly linked with a reliable disclosure system that has to be implemented according to Article 3 of the Directive 2003/54/EC on the internal energy market. The Environment TF will provide recommendations and basic principles in order to minimize fraud risks and to strengthen the reliability of tracking systems.

On the European level as well as on the national level the targets of different directives and regulations compete with each other. Therefore, the effectiveness and the efficiency of the achievement of the different targets are reduced. Starting from the 2004 CEER report "Current experiences with renewable support schemes in Europe" the TF will:

- Analyse the trade offs between the targets of the different Directives (e.g. water policy framework, emissions-trading, energy service, etc.)
- Analyse the impacts of the different directives on the energy market (especially on the electricity price and possible market distortions) and

- Present the outcomes in a paper that will also contain recommendations for necessary improvements.

The TF will also track the evolution of the emission trading scheme which is set to commence in January 2005. Of particular interest to regulators is the impact of the emissions trading scheme on the electricity market. Currently there is no agreed figure for the future estimated price of tradeable allowances, thus making it difficult to predict the influence of the regime on electricity (wholesale and end-user) prices. Also important is any potential trade distortions arising from the different National Allocations Plans. Towards the later part of 2005 the TF will track the analysis of the functioning of the emissions trading scheme once information on its functioning becomes available. The scope of the TF's work in this field will be further elaborated during the course of the year in accordance with the requirements of the General Assembly.

5 SOUTH EAST EUROPE ENERGY REGULATION WORKING GROUP (SEEER WG)

Issues to be addressed

- A. Monitoring and reporting on developments on the Institutional building in South East European (SEE) region
- B. Convergence of regulatory practices among the regulatory authorities of the countries of SEE region
- C. Elaborate and propose actions for the improvement of the competencies of the regulatory authorities of the countries of SEE region (Follow-up on the 2nd Regulatory Benchmarking report)
- D. Follow-up of the implementation of SEE CBT mechanism with the aim to consolidate EU-CBT and SEE-CBT mechanism
- E. Implementation of the Regulation in SEE countries
- F. Monitoring of the implementation of the transparency guidelines and the imposition of congestion management mechanisms throughout the SEE countries
- G. Further elaborate on the development of the SEE regional Standard Market Design
- H. Monitoring of the evolutions related to the legal framework for the establishment of the ECSEE and the corresponding institutional building
- I. Report on the existing situation in the national gas markets in SEE region
- J. Elaborate on a strategy for the development of the SEE regional gas market, with focus on transit issues. Investigation of synergies with the work of the CEER Gas Working Group.

Background

The CEER WG on South East Europe Energy Regulation was set up with the objective to helping to establish an effective and competitive SEE Energy market.

The environments in which the activities of this Working Group take place differ from those experienced by the other CEER WGs. This is mainly because the SEE region consists mostly of countries that are not EU members, there is neither a harmonized legislative

framework, nor the equivalent to the EU Directives and, consequently, there are no fixed regional points of reference for the energy sector of the region. In addition to that, a large number of International Funding Institutions and governmental agencies from all over the world (the so-called Donors' Community) have been active in the region for many years now, establishing, in some cases, mechanisms that are not following the EU practice.

The active participation of the EU Institutions, the establishment of the Athens Forum, the prospect for joining the EU and the development of a legal basis for collaboration in the energy sector, has created a large momentum in the SEE region and has already achieved great progress. Developments are very fast, in many respects, and are expected to become faster.

The work of the CEER WG SEEER during 2005 will focus on the establishment of a stronger collaboration between its members (mostly non-CEER members), stronger collaboration with the European Institutions (mainly EC), ETSO and the Donors' Community, faster knowledge-transfer from the EU to the SEE, close monitoring of the evolutions in the region and the active participation at all levels of the Athens Process, through position papers, presentations and reports, as necessary. All issues related to the energy Treaty under discussion between EU and the countries of the region will greatly influence this work for the major part of 2005.

Organisation

The following Task Forces will be established within the SEEER WG

- Institutional Compliance Taskforce (InCo TF)
- Internal Market Taskforce (InMa TF)
- Market and Investment Facilitation Taskforce (MInF TF)
- Institutional Building Taskforce (InBu TF)
- Gas TF

Depending on the developments of the ECSEE Process, the structure outlined above may have to be amended, following the proposal of the WG chairpersons.

Timetable

Ad-hoc TF meetings may be scheduled, if there is a need to deal with important issues such as the evolutions around the Energy Community for South East Europe (ECSEE) Treaty, the follow-up of the implementation of the SEE CBT mechanism, the work on the SEE regional market design and implementation, the ongoing work on benchmarking and institutional development, as well as the recently arisen issue of the establishment of regional Institutions which will facilitate progress on the development of the ECSEE market mechanisms, which are in a constantly evolving status.

5.1 Institutional Compliance Task Force

Issues to be addressed

- Monitoring and reporting on developments on the Institutional building in SEE region
- Convergence of regulatory practices among the regulatory authorities of the countries of SEE region
- Elaborate and propose actions for the improvement of the competencies of the regulatory authorities of the countries of SEE region (Follow-up 2nd Regulatory benchmarking report in the South East European region)

Background

During 2004, the Institutional Compliance (InCo) TF concluded with the work on the Regulatory Benchmarking by presenting the 2nd Regulatory Benchmarking Report for the SEE regulatory authorities, which was prepared in close collaboration with USAID.

Approach

During 2005, the main tasks of the InCo TF will be:

- To monitor and report on developments on the Institutional building in SEE region, in particular the proper establishment of regulatory authorities in all the countries of the SEE region, and, most importantly, the establishment of the TSOs of the region and the proper functioning of the TPA regime in the region, with the view to report to the governments, the European Commission and the Forum on the necessary steps for the enhancement of the open access to the grids in the countries of SEE.
- To work on the convergence of the regulatory practices among the regulatory authorities of the countries of SEE, with the view to enhance regulatory performance and harmonization of regulatory practices among the members of the SEEER WG, but also to report its proposals to the countries and the Forum.

- Following the 2nd Regulatory Benchmarking Report, to elaborate and propose actions for the improvement of the competencies of the regulatory authorities of the countries of the region, with the view to report such actions to the Forum and facilitate the steps for the establishment of a stable regulatory framework in the region.

Neither the detailed actions, nor their priority ranking can be described more clearly at this stage since there is not a concrete framework established in the region. Any actions necessary for the InCo TF and any change in its Terms of Reference will be decided by the chairmen of the SEEER WG, in consultation with the members of the WG and CEER, and in accordance with the Internal Rules of the CEER.

For the accomplishment of their tasks, TF members will be in close communication with the European Commission and the Donors and will participate (where necessary) in corresponding meetings, in consultation with the chairmen of the WG.

5.2 Internal Market Task Force

Issues to be addressed

- Follow-up of the implementation of SEE Cross Border Trade (CBT) mechanism with the aim to consolidate the EU-CBT and SEE-CBT mechanism
- Implementation of the Regulation in SEE countries
- Monitoring of the implementation of the transparency guidelines and the imposition of congestion management mechanisms throughout the SEE countries

Background

The TSOs of South-East Europe (SEE), under the umbrella of ETSO, adopted on July 30, 2004 a cross-border trade mechanism for 2004 following the principles of 2004 ETSO mechanism applied in the European Union. This mechanism, the first ever applied in SEE region, is operated from the 1st of July 2004 by the TSOs of Albania, Bosnia-Herzegovina, Bulgaria, FYR of Macedonia, Romania and Serbia.

Approach

During 2005, the main tasks of the InMa TF will be:

- to closely follow the implementation of the SEE CBT mechanism with the aim to consolidate the EU-CBT and SEE-CBT mechanism,
- to follow the evolutions resulting from the eventual implementation of the Regulation, with the view to incorporate such implementation also to ECSEE, in close collaboration with SETSO and EC,
- to monitor the implementation of the transparency guidelines and the imposition of congestion management mechanisms throughout the SEE countries; to contribute to the implementation of a coordinated auction mechanism in the countries of the SEE region,
- collaborate with ETSO (SETSO) and UCTE for the implementation of the above. A series of meetings is already discussed between InMa TF and SETSO for these reasons.

5.3 Market and Investment Facilitation Task Force

Issues to be addressed

- Further elaborate on the development of the SEE regional Standard Market Design
- Follow-up of the evolutions and the work performed by other SEE regional stakeholders, which may have an impact on regional developments on market design
- Collaboration with other regional stakeholders on the development of the SEE regional market design
- Development of guidelines for the cooperative evaluation of infrastructure projects having a cross border dimension within the scope of the Electricity Directive 2003/54/EC and the Gas Directive 2003/55/EC and report to the Permanent High Level Group on the above, according to the Conclusions of the 3rd Athens Memorandum Ministerial meeting in December 2004.

Background

A strong discussion is underway on the very important issue of the transitional path to the establishment of the fully operational integrated regional electricity market in SEE (the so-called Athens or ECSEE Process). This discussion has been initiated by the SEEER WG, during the last two Athens Process Fora, with the introduction of the concept of a Standard Market Design, the development of the basic principles that this Standard Market Design should be based on and the introduction of a proposal of an Action Plan for the implementation of this SMD in a regional level. All these initiatives of the SEEER WG have been widely accepted and have caused very intensive discussions on the way forward. During the last Forum, October 2004, SEEER WG has made a presentation on the options for this transitional path. The corresponding paper was approved by the General Assembly in November 2004 and disseminated as a discussion paper to Athens Forum participants. This issue will be continued during 2005.

Approach

During 2005, the main tasks of the Market and Investment Facilitation (MInF) TF will be:

- To further elaborate on the development of the SEE regional Standard Market Design, with the view to propose a more detailed paper on the mechanisms of the regional market. Deeper investigation of the interaction between national and regional market arrangements will be performed, with the view to prepare the input for the development of the detailed market rules for the regional electricity market
- To collaborate, on a continuous basis and as proven necessary, with all regional stakeholders and in particular with EC, the Donors community and the countries of the region, for the development of the Action Plan for the implementation of a comprehensive approach for the establishment of a fully integrated regional electricity market by 2007 and, in particular, for the transitional steps towards such implementation
- As already tasked by the Forum, the MInF TF will prepare the positions of the WG on the issues above, with the view to formulate the common position of the WG and report to the Forum on the market design for the SEE region.
- Following recent developments and the Conclusions of the 3rd Athens Memorandum Ministerial of the 13th of December 2004, the MInF TF will work on the development of the guidelines for the cooperative evaluation of infrastructure projects having a cross border dimension within the scope of the Electricity Directive 2003/54/EC and the Gas Directive 2003/55/EC. The guidelines, when endorsed by the Working Group, will be reported to the Permanent High Level Group as the proposal of the CEER WG SEEER.

Also probably during 2005, but mainly during 2006 and later, following the evolutions around the Treaty, the MInF TF will collaborate with the stakeholders, and especially with the European Commission and the Donors, for the development of the detailed market rules and the establishment of the regional trading centre and other regional institutions foreseen by the Treaty (e.g. the Regulatory Board and the Secretariat) with the view to contribute to the operation of a fully integrated regional electricity market in SEE by January 2008.

5.4 Institutional Building Task Force

Issues to be addressed

- Monitoring of the evolutions related to the legal framework for the establishment of the ECSEE and the corresponding institutional building
- Intervention towards the European Commission and other stakeholders
- Work on the establishment of the SEE Regulators' Board for Electricity and Gas.

Background

Following the signature of the second Athens Memorandum of Understanding, in December 2003, and the approval by the Council of the mandate to the European Commission for the initiation of the negotiations with the SEE countries for the conclusion of a legally binding Treaty, by mid 2005, between the EU and the SEE countries, the role of the Regulators has become more crucial for the whole process.

Since June 2004, just before the 4th Athens Process Forum, the Permanent High Level Group of the countries has decided the establishment of the South East European Regulators Board for Electricity and Gas (SEERBEG), through the so-called "Tirana Declaration". Following the conclusions of the 3rd Athens Memorandum Ministerial of 13 December 2004, The European Commission will activate the Board once at least five of the signatory parties of the Athens MoUs have finalised any national procedures required for the participation of the national Regulatory Authorities to this Board and have communicated to the Commission the conclusion of such internal (national) procedures. Despite the fact that this Board has been established along the lines of the ERGEG, a strong debate has been initiated on what the competences of this Board will be. To this end, the 4th Forum assigned CEER WG SEEER with the task to develop a paper on the competencies of the SEERBEG and its relationship to the European Commission and the Ministerial Council and to present this paper to the next Forum and beyond, as necessary. To this end, the Institutional Building Task Force of the SEEER WG has been established, for the thorough monitoring of all corresponding evolutions and the provision of the regulatory input to the process.

Recently, following the conclusions of the 4th Athens Forum, InBu TF has prepared a draft paper on the competencies that the South East European Regulators Board for Electricity and Gas (SEERGEG) should have and on the relationship between SEERGEG, European Commission and the Ministerial Council. The paper has been approved by the SEEER WG and the General Assembly of CEER and has been presented in the 5th Athens Process Forum in October 2004.

In addition, a draft of the forthcoming Treaty is already under discussion by the parties, providing for the establishment of the SEE Regulators' Board. Work on the provision of the appropriate regulatory input to this process will also have to be carried out by the InBu TF.

Approach

During 2005, the main tasks of the InBu TF will be:

- To closely monitor the evolutions related to the legal framework for the establishment of the ECSEE and the corresponding institutional building. To this end, it will participate to all relevant meetings, in consultation with the chairmen of the WG, collect all kind of information and develop its proposals towards the members of the WG, accordingly;
- To prepare the common position of the WG SEEER on the legal framework and facilitate the appropriate regulatory input towards the European Commission and the regional stakeholders;
- To develop, according to the evolutions, the regulatory proposals for the establishment of the regional Institutions necessary for the development of ECSEE, report to the WG and prepare its common position on these issues. In particular, to provide the input of the Regulators for the establishment of the South East Europe Regulators' Board for Electricity and Gas, both under the Tirana Declaration and under the forthcoming ECSEE Treaty, when the latter is going to be signed.
- To collaborate with all regional stakeholders, and especially with the European Commission and USAID, on the above.

5.5 Gas Task Force

Issues to be addressed

- Report on the existing situation in the national gas markets in SEE region
- Elaborate on a strategy for the development of the SEE regional gas market, with focus on transit issues

Background

This Task Force was also established in 2004. At this stage the TF has provided an assessment of the existing situation in the national gas markets in SEE. An important issue related to the work of this TF is that the evolutions on the Gas market in SEE are lagging behind corresponding evolutions on the electricity market.

Another recent important development, which will affect the work of the Gas TF in the near future, is the existence of a separate Gas Forum for South East Europe, which is going to take place, most probably, in Istanbul.

Approach

During 2005, the main tasks of the Gas TF will be:

- To finalise the first report on the assessment of the existing situation in the national gas markets in SEE region.
- To elaborate on a strategy paper on the establishment of the SEE regional gas market and in particular to the facilitation of the investments of gas networks of a regional dimension; This work will have to be carefully designed, taking into account all outputs and work already done by the Gas Working Group of CEER under the Madrid Process. Collaboration with the Gas WG will be established.
- To facilitate the transposition of the evolutions related to the Madrid Forum also to the ECSEE and disperse such progress to regional stakeholders and in particular to regional regulatory authorities.
- To collaborate with all relevant stakeholders on the above.

The deliverables of the SEEER WG will depend on the outcome of the efforts undertaken by the WG with regard to all the tasks described above. Common position and strategy papers on issues such as the Standard Market Design for the electricity market in SEE region, the competencies of the SEERBEG, comments on the texts of the European Commission strategy papers and the Treaty, on the ECSEE transitional phase, on the current status of the SEE gas Market, and on the strategy for its development are expected.

6 INFORMATION, TRAINING & BENCHMARKING WORKING GROUP (ITB WG)

Issues to be addressed

- A. Information exchange and databases
- B. Reporting standards and benchmarking
- C. Co-ordination of training and international co-operation

Organisation

- Information Exchange and Benchmarking (IEB TF)
- Training and International Co-operation (TIC TF).

It is suggested that Communication officers of CEER members should participate in these TF's. The WG will work in close collaboration with the CEER Secretariat, the SEM WG and the two ERGEG Monitoring task forces.

Background

It was agreed, at the General Assembly meeting of October 2004 that a Working Group on Information, Training and Benchmarking (ITB WG) is established and that it be part of the CEER Work Programme for 2005. The core activity of ITB WG concerns the implementation of a set of CEER databases of information, benchmarking and the management of the international collaboration activities of CEER.

Information exchange, benchmarking and peer-reviews were the issues that originally motivated European regulators to promote CEER on a more institutional basis. These activities have been developed on an occasional basis within the activities of Working Groups, normally in response to CEER position papers. Systematic benchmarking activities were carried out on Quality of supply, Public Service Obligations and on International price

comparisons. Occasionally, regulators have disseminated to CEER members specific questionnaires aimed at collecting data for their own regulatory needs.

There is a need today to capitalize and build on these initiatives in order to give continuity to such activities on a structural level. An effort should be made to structure a comprehensive data base of information and sound statistics to serve the needs of CEER Members for their internal and external purposes. Such databases of information and statistics will be updated and maintained by the CEER Secretariat.

The new Gas and Electricity Directives provide for increased reporting activities at both the European and national level from 2005 onwards. These efforts will need coherent follow up and collaboration.

Specialised training for existing and new regulators is among the main objectives of the CEER. Three training courses for regulators were organised by CEER, in collaboration with the Energy Regulators Regional Association (ERRA), and the first steps for the establishment of the Florence School of Regulation, in collaboration with the European University Institute and the European Commission, were taken. Many CEER members are currently involved in bilateral training programmes, twinning and technical co-operation activities with non EU regulators. Training and co-operation with regulators from other countries in Europe and the developing world is not only a role for CEER members, but also an area where mutual information and coordination could offer substantial benefits for both providers and beneficiaries of training and other collaboration activities.

A better co-ordination and information sharing of the training and international collaboration activities of individual CEER Members presents important economies of scope for CEER: it could help the international activities of single regulators and at the same time start shaping and structuring extra CEER relations (i.e. ERRA, NARUC and other regional associations of regulators). With these issues in mind, the General Assembly decided to set up this new Working Group in 2005.

6.1 Information Exchange and Benchmarking Task Force

Issues to be addressed

- setting up a CEER database of information and statistics and of a web based system of regular updating and data maintenance managed by the Secretariat;
- drafting a benchmarking report of CEER Members (akin to the Regulatory Report drafted for the South East European region); and
- following up the new Reporting activities of Regulators to the European Commission according to the new directives (definition of the methodology for a Customer satisfaction inquiry in Europe) in collaboration with the ERGEG.

Background

A. Information exchange and databases

The availability of a good information basis on international standards and data is a fundamental pre-requisite for up-to date and coherent modern regulation. Regulators often refer to sources of such information provided by specialised data suppliers or operators' associations. However, it is clear that neither operators nor consultants nor other public institutions have the same in-depth knowledge of core regulatory matters like access tariffs and rules, transmission and distribution costs, quality of service standards and indicators. Indeed, such information, if not properly checked by regulators, could lead to the dissemination of lower quality information that confuses industry, policy makers and consumers throughout the EU. An effort should be made to structure a comprehensive data base of information and sound statistics to serve the needs of CEER Members for their internal and external purposes. Such databases of information and statistics will be updated and maintained by the CEER Secretariat.

B. Reporting standards and benchmarking

In respect of the European Commission's 2004 Annual Report on the Implementation of the Gas and Electricity Markets, a better co-ordination between the European Commission and the Regulators was achieved through specific meetings of the SEM WG. Collaborative activity between Regulators and the European Commission in view

of the 2005 reporting activities that the new directives require from the European Commission, regulators and EU Members will be carried out in 2005 under the ERGEG. These efforts will need coherent follow up in collaboration with the ERGEG in terms of defining methodologies, the parameters and the reporting structure.

Approach

Information Exchange and Databases

In 2005 the IEB TF will concentrate on the establishment a set of data bases of information and the definition of maintenance procedures; the databases will then be maintained by the Secretariat under the direction of the ITB WG. The Information exchange and Benchmarking Task Force should work in collaboration with the CEER Secretariat and the Quality of Service TF and strong links of collaboration should also with the ERGEG.

This line of activity will concentrate on the following objectives:

- identification of the relevant set of data and information to be collected on a regular basis by the regulators through the Secretariat;
- harmonization of definitions, selection of relevant metrics and indexes;
- structuring and organisation of data- bases;
- proposal for a publicity policy (i.e. reporting of statistics, confidentiality standards); and
- identification of best practice methodologies for collecting and maintaining data and information (web based solutions, data base administration).

The main databases to be built could fall under the following:

- database of information regarding CEER Members (i.e. functions, powers, budget, financing, human resources, organisation, regulatory activities...);
- database for the monitoring of regulatory activity (i.e. distribution, transmission costs and end-user tariffs, methodologies for tariff regulation and parameters used, energy price statistics as a follow up of the IPC WG output, indexes of switching,..); and
- databases of statistics of the energy sector (i.e. market structure and main operators, network data, data on production and consumption, energy taxes...).

Due to the confidential nature of some of the data collected, the database should have a “reserved” section to be used mainly by national regulators, or their nominated staff, for their own work. Any public use of data, e.g. in relationships with the EC, TSOs and other interested parties should be specifically authorised by the General Assembly upon a proposal of the WG.

Reporting Standards and Benchmarking

Regarding the Reporting Standards and Benchmarking, this activity is primarily focused on the determining the variables for the new reporting requirements in the new Directives from 2005 onwards. This requires from the IEB TF in 2005 an active participation by the IEB TF Chairperson (or his representative) in the ad hoc ERGEG “Reporting TF” in terms of determining the variables (and methodologies). The objective is that the collection of data which will be prepared in a standard way by the national regulators for the national country reports and this same information will then be aggregated by the European Commission for their European report.

It would in particular:

- a) provide the harmonisation of the CEER databases developed by the Information exchange and databases line of activity, and work with the ERGEG in determining the data to be provided annually by the regulators to the European Commission;
- b) develop a Regulatory Benchmarking report of CEER Members on the lines of the similar exercise achieved by the SEER WG in 2004; and
- c) define the methodology and questionnaire for a Consumer perception enquiry into the effects of liberalisation (if consultancy funds will be made available by the EC an *ad hoc* enquiry could be developed or a set of questions could be inserted in existing national enquiries by the regulators or the national statistics offices) in collaboration with the Customer Interest Focus Group of ERGEG.

6.2 Training and International Co-operation Task Force

Issues to be addressed

- the creation of a database of training opportunities and collaboration activities of CEER members;
- the collaborative exchange with other regional associations of regulators; and
- the evaluation of a possible CEER participation in the Euromed initiatives in the field of energy.

Background

Specialised training for existing and new regulators is among the main objectives of the CEER. Three training courses for regulators were organised by CEER, in collaboration with the Energy Regulators Regional Association (ERRA), and the first steps for the establishment of the Florence School of Regulation, in collaboration with the European University Institute and the European Commission, were taken.

Many CEER members are currently involved in bilateral training programmes, twinning and technical co-operation activities with non EU regulators. Training and co-operation with regulators from other countries in Europe and the developing world is not only a role for CEER members, but also an area where mutual information and coordination could offer substantial benefits for both providers and beneficiaries of training and other collaboration activities.

A better co-ordination and information sharing of the training and international collaboration activities would be of real value. The International Co-operation and Training will take forward the development of an *International Training and Collaboration Network*.

Approach

The Training and International Cooperation TF would ensure the dissemination of information on training and other co-operation activities, and may suggest the establishment of co-ordinated activities or seek contacts with the relevant European Commission Directorates.

The proposal is to create an *International Training and Collaboration Network*, in collaboration with the Florence School of Regulation that will co-ordinate CEER training activities in the EU Member States countries. There will also be direct involvement of ERRA and relevant university training institutions in Europe as appropriate. All training activities for CEER will take place through the Florence School of Regulation (FSR) and the co-ordination between the CEER and the FSR will be managed by the TIC TF, in collaboration with the CEER Secretariat. It will also coordinate training and collaboration activities of non EU regulators and association of regulators (i.e. EU programmes, Twinning, technical collaborations). The Task-force will meet only twice a year and would normally operate by email.

The first step for the development of the *International Training and Collaboration Network*, managed on a permanent basis by the Secretariat, *will* be the creation of a database covering:

- current and pending co-operation projects run by CEER members, their staffing, resources, and financing;
- availability of trainers, staff for field activities, hosting of internships, study visits etc.; and
- requests from non European Commission Member States for co-operation.

Another line of activity is the continued collaboration with other regional organisations of regulators (ERRA, NARUC) which may be extended to other organisations (Camput, ARIAE).

A third would be to evaluate possible collaborative arrangements between CEER and the Mediterranean regulators involved in the Euromed initiative of the European Commission in relation to the Maghreb and Mashreq energy markets.

Appendix I: CEER Expected Outputs and Deliverables 2005

| ISSUES TO BE ADDRESSED | DELIVERABLES AND OUTPUTS | Deadline |
|---|--|---------------|
| Electricity Working Group | | |
| Conditions for correct functioning of and interactions among different power exchanges. | Comparative analysis of power exchanges features related to cross border trading and Recommendations (CEER internal) for the approach to power exchanges use in CBT and Congestion Management | Q3 2005 |
| Development of regulatory Guidelines of Good Practice on Transparency | Recommendations on Guidelines for Good Practice on Transparency | Oct 2005 |
| Consistency requirements between different market designs for highest possible electricity markets completeness and compatibility | To be determined by Electricity WG | Q4/2005 |
| Security of Supply related market design | To be determined by Electricity WG | Q4/2005 |
| Incentives for new electricity infrastructure | Guidelines for the development and implementation of the method proposed for Infrastructure Investment (Procedures to perform the "Regulatory test") | July 2005 |
| | Recommendations in the light of the implementation of the draft Security of Supply and Infrastructure Investment Directive in relation to investments on infrastructure. | June 2005 |
| Definition of criteria for exempting new electricity interconnectors from TPA. | A set of rules regarding those situations where exemption may be applied (for DC links, AC links and increases in interconnector capacity):under which conditions exemption can be granted; what kind of conditions could/should be imposed regarding the duration of the exemption and non discriminatory access to the interconnector. | October 2005 |
| Benchmarking of Electricity Quality of Supply | 3rd CEER Benchmarking report on quality of electricity supply | November 2005 |
| Gas Working Group | | |
| Develop best practice for transparency requirements (gas) | CEER paper on best practice for transparency requirements for definition and publication of information (gas) | End 2005 |
| Development of guidelines on the calculation of available capacities (gas) | CEER Report setting out guidelines for calculating available capacity (gas) | March 2006 |
| Guidelines for TPA to line pack | Guidelines for TPA to line pack | December 2005 |

| ISSUES TO BE ADDRESSED | DELIVERABLES AND OUTPUTS | Deadline |
|---|--|------------------|
| Capacity allocation and congestion management | Deliverable to be determined—possible Additional Guidelines for capacity allocation and congestion management | December 2005 |
| Construction of New Gas Infrastructure | Report on framework for investment projects before and after liberalisation, classification of new projects, role of regulators in promoting investment and competition, | Q1 2005 |
| Gas Security of Supply | Initial working document on gas security of supply | May 2005 |
| Gas balancing rules | Document (including Recommendations and the way forward) on Gas Balancing Rules/arrangements | Q2 2005 |
| Gas hub-to-hub trading | Report and recommendations on how to foster hub-to-hub trading | Second half 2005 |
| Single Energy Market Working Group | | |
| Interactions between regional energy markets | “Road Map” for the single European energy market | Q2 2005 |
| | Expand above Road Map Paper to cover gas issues | Q 3 2005 |
| | Workshop on case studies to explore experience and lessons of various regional initiatives to join markets | Q 2 2005 |
| Indicators of market power in a regional context | Background paper and recommended indicators of market power | March 2005 |
| Evaluation of merger cases' remedies | Internal report: Competition assessment in energy sector – selected issues | June 2005 |
| Unbundling | Report on the implementation of unbundling in member states | April 2005 |
| | Guidelines for good practice on unbundling | September 2005 |
| Co-operation with DG TRANSPORT AND ENERGY, DG COMPETITION | Initial input in preparing a structure for the reporting under the new Directives | March 2005 |
| Transparency in trade | Guidelines for Good Practice on Transparency | March 2005 |
| Interdependence of bilateral and organized markets | Background paper and recommendations (internal) | June 2006 |
| Recommendation for the improvement of RES-E support schemes | Recommendation for the improvement of RES-E support schemes | June 2005 |
| Analysing impacts of different national targets on the Internal Energy Market | Status-quo analysis of different targets (e.g. Directive 2001/77/EC) on the Internal Energy Market | June 2006 |

| ISSUES TO BE ADDRESSED | DELIVERABLES AND OUTPUTS | Deadline |
|---|---|---------------------|
| Monitoring the emissions trading schemes | Output to be determined –monitoring the impact of emissions trading schemes (e.g on electricity wholesale and end user tariffs. | To be determined |
| South East Europe Energy Regulation Working Group | | |
| Monitoring and reporting on developments on the Institutional building in South East European (SEE) region | Possible report on institutional developments. Intervention of the SEEER WG in the subsequent Forum(s) on the issue. | Last Forum of 2005 |
| Convergence of regulatory practices among the regulatory authorities of the countries of SEE region | Workshop(s) on regulatory issues and practices (involving, possibly the Florence School of Regulation). | Second half of 2005 |
| Elaborate and propose actions for the improvement of the competencies of the regulatory authorities of the countries of SEE region (Follow-up 2nd Regulatory benchmarking report) | Possibly 3 rd SEE Regulatory Benchmarking Report (depends on evolutions on the Treaty) | Last Forum of 2005 |
| Follow-up and contribution to the implementation of SEE CBT mechanism | To be determined (depending on collaboration with other stakeholders) | December 2005 |
| Implementation of the Regulation in SEE Countries | Status Report on implementation of the Regulation 1228/2003 in SEE countries. | December 2005 |
| Monitoring of the implementation of the transparency guidelines and the imposition of congestion management mechanisms throughout the SEE countries | Status Report or position paper on transparency guidelines and congestion management, according to the evolutions. | December 2005 |
| Further elaborate on the development of the SEE regional Standard Market Design | Detailed Paper on the mechanisms of the regional Standard Market Design | Autumn 2005 |

| ISSUES TO BE ADDRESSED | DELIVERABLES AND OUTPUTS | Deadline |
|--|--|---------------|
| Development of the Action Plan for the implementation of a comprehensive approach for the establishment of a fully integrated regional electricity market by 2008 and for the transitional steps | Development of the Action Plan for the implementation of a comprehensive approach for the establishment of a fully integrated regional electricity market by 2008 and for the transitional steps | Summer 2005 |
| Development of guidelines for the cooperative evaluation of infrastructure projects having a cross border dimension | Report to the Permanent High Level Group on for the cooperative evaluation of infrastructure projects having a cross border | Summer 2005 |
| Monitoring of the evolutions related to the legal framework for the establishment of the ECSEE and the corresponding institutional building | Regulatory proposals for the establishment of the regional institutions | End 2005 |
| Work on the establishment of the SEE Regulators' Board both under the Tirana Declaration and the forthcoming ECSEE Treaty | Collaboration with the European Commission and the Donors' community on the establishment of the SEE Regulatory Board | End 2005 |
| Finalise first report on the assessment of the existing situation in the national gas markets in SEE region | Finalise first report on the assessment of the existing situation in the national gas markets in SEE region | February 2005 |
| Strategy paper on the establishment of the SEE regional gas market | Strategy paper on the establishment of the SEE regional gas market | May 2005 |
| Information, Training and Benchmarking Working Group | | |
| Setting up Information exchange and statistics to be maintained by the CEER Secretariat | Setting up Information exchange and statistics to be maintained by the CEER Secretariat | Q4 2005 |
| Regulatory Benchmarking report for CEER Members | Regulatory Benchmarking report for CEER Members | Q3 2005 |

| ISSUES TO BE ADDRESSED | DELIVERABLES AND OUTPUTS | Deadline |
|--|--|----------|
| Identification of statistics | Identification of the statistics to be used for the new reporting requirements from 2005 onwards under the Directives | Q2 2005 |
| International co-operation network | Establishment of an International Training and Collaboration Network | Q4 2005 |
| Collaboration with other regional associations of regulators and Euromed | Evaluation of collaboration with other regional associations of regulators Monitoring the evolution of the Euromed partnership in the energy field and the relations with the regulators of the north Mediterranean | Q4 2005 |

Appendix II: Summary of types of work of individual CEER WGs

| | High level policy development | Detailed development of policy and potential legislative proposals (including completion date) | Monitoring of regulatory and market developments (including completion date) |
|----------------------------------|---|---|--|
| Electricity Working Group | Five priority topics: comparative analysis of power exchanges in a regional market perspective (A) ; transparency of information (A) ; infrastructure investment (A) ; DSO quality of service (B) ; and security of supply (B) . | <p>Electricity Market</p> <p>Conditions for correct functioning and interactions among different power exchanges. A (Q3 2005)</p> <p>Consistency requirements between different markets. A (end 2005)</p> <p>Development of Guidelines for Good Practice on Transparency. A (October 2004)</p> <p>Security of supply related market design features. B (end 2005)</p> <p>Electricity Infrastructure</p> <p>Guidelines for development and implementation of the method proposed for Infrastructure Investment. A (July 2005)</p> <p>Develop recommendations in the light of the implementation of the Security of Supply and Infrastructure Investment Directive. B (June 2005)</p> <p>Criteria for exempting new electricity interconnectors from TPA. B (October 2005)</p> | <p>Quality of Service</p> <p>3rd CEER Benchmarking Report on quality of service and quality regulation. B (November 2005)</p> |

| | High level policy development | Detailed development of policy and potential legislative proposals (including completion date) | Monitoring of regulatory and market developments (including completion date) |
|--------------------------|---|--|---|
| Gas Working Group | Analysis and where appropriate development of common positions on issues of investment incentives (A) , development of trading links (A) , calculation of available capacities (A) , and security of supply (B) . | <p>Infrastructure & tarification</p> <p>Development of guidelines and/or refinement of existing guidelines on:</p> <p>Capacity allocation.* A (March 2006)</p> <p>Congestion management.* A (December 2005)</p> <p>Third Party Access to linepack. B (December 2005)</p> <p>Gas Market</p> <p>Develop best practice for transparency requirements. B (end 2005)</p> <p>System Operation</p> <p>Impact of gas balancing rules and arrangements on competition. A (May 2005)</p> <p>Develop recommendations on how to foster hub to hub trading. B (2nd half 2005)</p> | <p>Assessment of gas balancing rules/arrangements. A (May 2005)</p> <p>Survey involving hub operators. B (2nd half 2005)</p> |

* The ERGEG may later choose to take these work strands forward as advice/proposals to the Commission on binding guidelines via Comitology.

| | High level policy development | Detailed development of policy and potential legislative proposals (including completion date) | Monitoring of regulatory and market developments (including completion date) |
|---|--|--|---|
| Single Energy Market Working Group | <p>Development of CEER position of the strategic issues of market integration and the process for evolution towards single competitive markets. This will also include analysis of ex post competition issues and co-ordination of CEER positions on relevant EU proposals for legislation. A</p> | <p>Competition</p> <p>Competition assessment – selected issues. A (June 2005)</p> <p>Unbundling review in member states. A (April 2005)</p> <p>Guidelines for Good Practice for Unbundling. A (September 2005)</p> <p>Consideration of transparency issues and Guidelines for Good Practice. A (March 2005)</p> <p>Environment</p> <p>Recommendations regarding harmonised Community electricity renewable support schemes. A (June 2005)</p> <p>Analysing the impacts of different national targets on the Internal Energy Market. A (June 2006)</p> <p>Undertake work on the harmonisation of energy efficiency schemes and the evaluation of the impact of emission trading schemes. B (to be confirmed)</p> | <p>Competition</p> <p>Indicators of market power in a regional context. A (March 2005)</p> <p>Co-operation with DG Tren, DG Comp on benchmarking and review of competition. A (March 2005)</p> |

| | High level policy development | Detailed development of policy and potential legislative proposals (including completion date) | Monitoring of regulatory and market developments (including completion date) |
|--|--|--|--|
| South East European Energy Regulation Working Group | Take a leading role to establish an effective and competitive SEE energy market. | Harmonise regulatory approaches and practices between EU and SEE Regulatory Authorities. Propose improvements to the competencies of the SEE regulatory authorities. Consolidate EU CBT and SEE CBT mechanisms. Implementation of Regulation. Develop the SEE standard market design. Develop SEE regional gas market with focus on transit issues. Collaborate with SEE regional stakeholders and the European Commission on the above. | Monitoring and reporting on developments in SEE region. Monitoring the implementation of the transparency guidelines and the effect of congestion management mechanisms in SEE. Monitoring the legal framework for the establishment of the ECSEE. |
| Information, Training and Benchmarking WG | Implementation of a set of CEER databases, reporting and benchmarking of CEER members, and the management of the international collaboration activities of CEER. | | Information exchange and databases/ reporting standards and benchmarking/ co-ordination of training and international co-operation. (end 2005) |