

Monthly report Energy Regulatory Office (ERO)

February 2005

- **Establishment of ERO Board;** The remaining 2 Board members have been nominated by the Government (PISG) and the Assembly is supposed to approve their nomination in the next session. Upon the approval by Assembly, the SRSB shall issue the Letter of Appointment. By doing that, the ERO Board, the ultimate management supervision body of ERO will be complete (5 members) according to Law. There are several documents, of which adoption date is directly related to the date of appointment of the last 2 members, e.g. internal documents, secondary legislation, etc.
- **4th, 10th SEER WG (of CEER).** On the 4th of February 2005, ERO participated in the 10th meeting of the SEER WG (of CEER) in Rome. Apart from the Sponsor Countries of the ECSEE Treaty (Italy, Greece, Slovenia) and the EC, CEER and USAID representatives, members of the regulatory authorities of the following jurisdictions attended: Romania, Bulgaria, Turkey, Bosnia & Herzegovina, Montenegro and UNMIK/Kosovo. The issues discussed were the ECSEE Treaty, regulatory and market developments in each jurisdiction, the regional SEE Regulatory Board (to be formed under the Treaty), and the membership and scope of work of the various task forces to be formed under the WG and the USAID's role in assisting to share the workload.
- **9th, SIDA Project Review Meeting;** on 9th February, ERO staff and Sida held a Project Review meeting. In the meeting the progress in the semi-annual period from 1 September 2004 to 31 January 2005 was assessed. for the Sida-financed project "Advisory to the Head of ERO on DH Sector". Also, the project planning and the proposed addendum no. 3 for the prolongation of the current contract were discussed.
- **10-11th, EBRD Southeast Europe Regional Seminar.** During 10-11th of February one staff member of ERO participated in a EBRD Seminar of SEE in Tirana. The main theme of the Seminar was the role of the private sector in the energy sector in South East Europe. The Seminar intended to focus on issues related to commercialization, regulation and privatization of power and gas distribution, with perspectives from various stakeholders, such as the private sector, governments and regulators, as well as from donors and IFIs, such as EC and the World Bank.
- **10th, Steering Committee Meeting of Incorporation project of POEs;** on 10th of February was held the 1st SC meeting of EAR-supported project (beneficiary: KTA) aiming at incorporating several PSOs. The list of participants included: EAR, KTA, MEM, ERO, OLA/SRSB, UN/POEs Office, and the contracted company of Deloitte & Touche. The project Team Leader of D&T outlined the project purpose by stressing the plans to incorporate KEK, Railways and 2 District Heating companies.
- **10th, Meeting with BMZ/KfW Delegation;** on 10th of February ERO hosted a meeting with the representatives of BMZ of Germany and the KfW offices (Frankfurt and Prishtina). The agenda included a presentation delivered by Head of ERO on the mandate, role, progress achieved, main tasks and challenges in 2005; update on legal and regulatory issues relevant for the energy sector of Kosovo; update on ERO-relevant donor activities (CIDA, WB, EAR, Sida, KfW, USAID, EU-Pillar); and implications of institutional, legal/regulatory changes on KEK. The BMZ/KfW appreciated the progress

achieved by ERO in a short time since its establishment, however, expressed concerns about the key outstanding issues in the sector, particularly of KEK (high losses, low collection, all leading to insolvency) and lack of coordination between the stakeholders. BMZ/KfW expressed interest and possibility for further donor-support to Kosovo energy sector in 2005-2006, however, under conditions of visible progress in technical as well as in financial terms.

- **14th, 6th meeting of the "Stabilisation & Association Tracking Mechanism"**; On the 14th of February ERO participated in a major Energy Workshop in Prishtina within the framework of the 6th meeting of the "Stabilisation & Association Tracking Mechanism". In the meeting chaired by the new Minister of Energy and Mining, the representatives of the EC had a chance to be informed and asked relevant questions regarding all the recent developments in the Kosovo Energy Sector. All Sector stakeholders, including MEM, ERO, ICMM, KTA, KEK/ESBI, Pillar IV, Donors (EAR, WB, KfW, USAID) and other institutional players attended. The Chairman of ERO Board gave a presentation regarding the mandate, the current organisation, and the work plan of ERO.
- **15th, Kick off Meeting KPMG**; on 15th of February EAR hosted a kick off meeting of EAR-supported project "Technical Assistance for the Capacity Building of ERO". Participants from EAR, ERO and the consortium led by KPMG (Bulgarian office) discussed the initial phase and the implementation of the project. Head of ERO delivered an introduction to ERO's current activities and tasks in 2005. EAR presented their projects in the energy sector, the KPMG consultants presented the scope of work and the schedule of tasks according to TOR of the project. The detailed work plan and the coordination of numerous activities were discussed with ERO staff in another meeting on 16th of February. For each task ERO appointed the counterpart representative to work with consultants of KPMG.
- **16th, IPA Project**; ERO provided comments on the last (draft) report of WB-supported consultants (IPA of Ireland) on TA entitled "Review of the Policy, Legal, Regulatory and Institutional Framework for Private Sector Participation in the Energy Sector in Kosovo" under ESTAP II. The final (3rd) workshop, hosted by ERO, was held in Pristina in ERO building conference room on 16th February 2005. Different stakeholders were present at the workshop. MEM made a commitment to take the lead in implementing the proposed measures.
- **18th, SEETEC project**; ERO reviewed the final version of the report and held a discussion with the consultants.
- **21-22nd, ESTAP II, Kosovo-Albania 400 kV Interconnection line**; ERO staff reviewed the report of Technical Economic Comparison of Alternatives for Interconnection line, and participated in a Steering Committee meeting of ESTAP II together with other local and Albanian SC members, where a decision on the final variant of the route was decided. In the next stage, the consultant (CESI) will prepare a detailed feasibility study of the selected line (Kashar - Vau Dejes – Kosovo B) in a form of a bankable project.
- **22-24th, ESTAP III**; ERO participated in three SC meetings of the forthcoming ESTAP III project of the WB. The main issues of the meetings were; Finalization of Project Implementation Plan (PIP), Project Appraisal Document (PAD), Development of Grant Agreement (DGA), and the process of negotiations with the WB mission. Also, ERO took part on in a meeting dedicated to the design of TSO, split of scope of works between several ongoing (EAR) and forthcoming projects (WB, EAR), the final aim of which is the incorporation of TSO and the implementation of the demanding and investment

intensive TSO project in Kosovo as soon as possible. A Special Coordination Group led by MEM but including other main stakeholders will lead the process of integration of Kosovo into the Energy Community (ECSEE Treaty). EAR expressed readiness to support the activities of the SCG.

- 25th, **ERO – KEK/ESBI**; ERO held a regular contact-meeting with KEK/ESBI, this time focused on the issues of: disconnection procedures, KEK/ESBI procedures for unauthorised use of electricity, fee for legalization of illegal customers, fines for theft and unauthorised reconnection, etc. Based on KEK's policy for unauthorised use of electricity, ERO prepared a proposal of decision and submitted to KEK for final comments. Afterwards, the ERO Board will issue the final Decision for implementation by KEK.. Based on initiative of SRSG, OLA prepared a draft of AD addressing the unauthorised consumers of KEK. ERO was invited by OLA to give the opinion and comments.. ERO submitted to KEK a request for regular supply of ERO with technical, financial and customers' data. So far, KEK has already provided annual technical and some financial data, while ERO is still awaiting the data on customers.
- **Other TA to ERO**; Two TA-type projects in support of ERO are in progress, notably:
 - a. EU-Pillar supported action in the area of development of secondary legislation, which was awarded to the Exergia consultants of Greece. ERO staff analyzed the prepared drafts by Exergia. The proposals and comments were sent back for further review.
 - b. With support of Pierce & Atwood consultants (USAID), a draft Rule on Disconnection and draft Rules on Licensing have been finalized, while the consultants in close cooperation with legal and licensing experts of ERO continue to work on the attachments consisting of various Forms of Licenses.