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Energy Newsflash

55th ISSUE
December 2017

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the highlights...

ENERGY MARKETS

Greece: Public Consultation on the Draft Law on Energy Exchange

On 1 December 2017, the Ministry of Energy and Environment launched a public consultation regarding the Draft Energy Exchange Law. The Draft Law regulates the establishment of the Energy Exchange which will operate the Day-ahead and the Intraday Electricity Markets, the Energy Financial Market, the Market of Natural Gas (including the Natural Gas Balancing Market) and the Environment Market...

ELECTRICITY

Greece: Public Consultations on Six Electricity Codes

On 18 December 2017, the electricity market operator (LAGIE) launched a public consultation on the three codes, and other accompanying documents, in regard to the new markets to be established in compliance with the law 425/2016 (so called the Target Model Law). The three codes are: the Day-ahead Market Code, the Forward Market Code, and the Intraday Market Code. On 19 December 2017, the electricity TSO ADMIE, launched a public consultation, phase A, of the Balancing Detailed Design and the Balancing Market Code. On 26 December 2017, the energy regulatory authority (RAE) launched a public consultation on the proposals of LAGIE and ADMIE to amend the Code on Electricity Transactions and the Code on Operation of the Transmission System, respectively…

Albania: Decisions Regarding Electricity Market

On 8 November 2017, the Energy Regulatory Entity (ERE) approved the Methodology of Calculating the Transmission Tariffs of the Electricity. On 10 November 2017 ERE approved the Regulation on the Standard Quality Criteria for Supply Service and Security Performance of the Electricity Distribution and the Methodology for Calculating the Tariffs of the Electricity Distribution System Operator. On 10 November 2017 ERE also adopted the Transmission Code. On 23 November 2017 ERE approved the Methodology for Determining of Tariffs for Electricity Sold to Customers Supplied by the Universal Service Provider and the Regulation on the determination of regulatory fees for licensees of the electricity sector. On 24 November 2017 ERE approved the Provisional Rules for the Electricity Balancing Mechanism…

OIL & GAS

EnC: Opinion of the Advisory Committee regarding the Case 18/16

On 28 November 2017, the Advisory Committee of the Energy Community (EnC) issued the Opinion regarding the case ESC 18/16 initiated against the Republic of Serbia in regard to the alleged non-compliance with the competition acquis. The matter in question relates to the agreement on supply of natural gas from Russia, which contains a destination provision i.e. that the supplied gas is intended for the use exclusively on the Serbian gas market... The Secretariat of the EnC believes that this clause will inhibit Serbian buyers to re-export Russian gas to other parts of the EnC and, thus, that it contradicts the fundamental objectives of the market integration contained in the Treaty...

Albania: Decisions Regarding the Natural Gas Network and its Operator

On 8 November 2017, the Energy Regulatory Entity (ERE) issued the Decision No.178/2017, on the methodology for calculating the tariffs for the transmission and distribution network of the natural gas. On the same date, ERE by the Decision No.179/2017 approved the final certification of Albgaz sha as a combined natural gas operator. On 10 November 2017, ERE by virtue of the Decision No.187/2017, decided to approve the licensing of Albgaz sha on the natural gas distribution activity. On the same date, ERE, by virtue of the Decision No.188/2017, approved the licensing of Albgaz sha on the natural gas transmission activity…

ENVIRONMENT

EU: Commission Action Plan for a Modern and Clean Economy

On 12 December 2017, during the One Planet Summit in Paris, the European Commission presented a new Action Plan for the Planet, which includes ten initiatives of the European Union aimed at creation of a modern and clean economy, and a fair society, powered by sustainable energy…

EU: Commission Publishes its Third Report on Energy Union's State

On 24 November 2017, the European Commission published its Third Report on the State of the European Energy Union, showing that, due to the progress made during 2017, the EU is on track to implement its Energy Union project...

Energy Markets what's new...

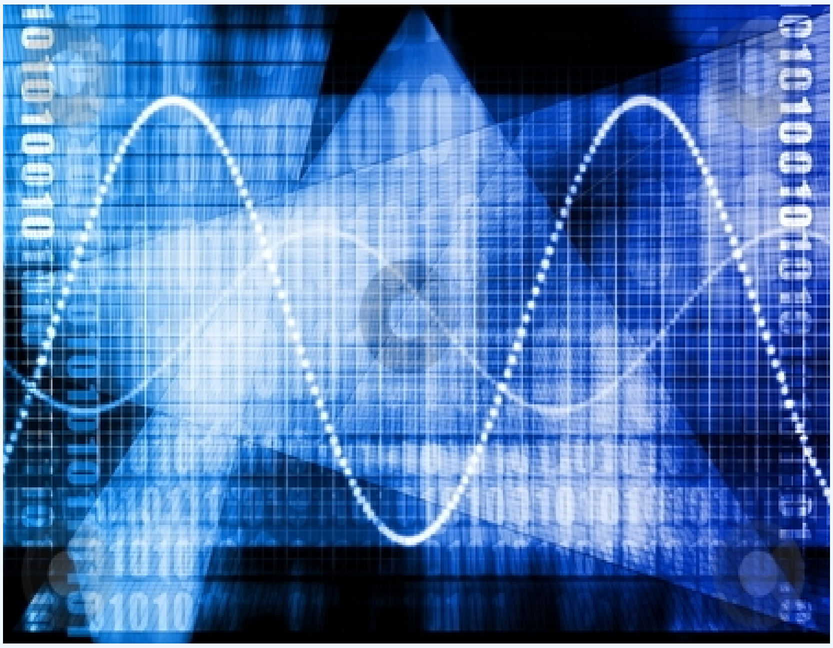
EU: Monitoring Report of the Network Code on Interoperability and Data Exchange

by Theodorou Theodoros, (Athens)

On 4 December 2017, the Agency for the Cooperation of Energy Regulators (ACER) publishes its first report on the Implementation of the Interoperability and Data Exchange Network Code (Regulation (EU) No 2015/703). More precisely, this ACER's report examines the implementation and effectiveness of the national approaches against the provisions and the objectives of the Code. The primary target of this Code is to facilitate cross-border gas transports and effective market integration between the Transmission System Operators (TSO's) and the network users. Furthermore, rules on interoperability and data exchange aim at contributing to security of supply and competitive prices for customers by easing the flows of gas across EU. The report showed that most Interconnection Agreements are in place, however regulatory supervision is insufficient, the harmonisation of data exchanges has not yet been achieved due to initial delays and the transparency standard in gas quality and odourisation has not yet been met. According to the report's recommendations, NRAs ought to proactively assess the Interconnection Agreements in place and promote the implementation of the ENTSO-G Common Network Operation Tool as data exchange standard.

Greece: Law on Energy Communities Submitted to the Parliament

by Mira Todorovic Symeonides, (Athens)



On 11 December 2017, the Ministry of Environment and Energy submitted to the Greek Parliament the Draft Law on Energy Communities. The Draft provides for the possibility that citizens, municipalities, as well as legal entities of private and public law, participate in production, distribution and supply of energy. The Draft Law aims to: support innovation; improve energy efficiency; increase penetration of RES and participation of prosumers as well as local acceptance of RES projects; reduce energy costs for households and SMS enterprises; and strengthen solidarity and social economy. The Draft Law regulates, as a general rule, that energy communities are non-profit organizations, but they are entitled to distribute profit if they have at least fifteen members (10 on islands), 50% of which are individuals. At least 50% of the members should be legally connected to the place of such energy community's seat. The Draft Law provides certain incentives for energy communities including: benefits regulated by the Development Law; priority in processing of the application for connection to the grid; reduced minimum capital to 10% of the capital required for obtaining of an energy supply license; and for the RES and High-efficiency CHP production units: a) priority in processing of the applications for issuing of production license; b) payment of the reduced guarantee (by 50%); and c) exemption from payment of the annual tax for maintaining of RES and High-efficiency CHP license. Certain incentives may be introduced with respective ministerial decisions, such as: exemption from auctions on RES Feed-in-Premiums (FiPs) or participation under special regime and conditions; and reduced fees charged by the Representative of Last Resort.

ENERGY MARKETS highlight...

Greece: Public Consultation on the Draft Law on Energy Exchange

by Mira Todorovic Symeonides, (Athens)

On 1 December 2017, the Ministry of Energy and Environment launched a public consultation regarding the Draft Energy Exchange Law, amending the Law No. 4425/2016 on Urgent Regulation of the Ministers of Finance, Environment and Energy, Infrastructure, Transport and Networks, and Employment, Social Security and Social Solidarity, for the implementation of the agreement on fiscal goals and corrective reform and other provisions (the Target Model Law) and the Framework Energy Law No. 4001/2011. The consultation lasted until 11 December 2017.

The Draft Law regulates the establishment of the Energy Exchange which will operate the Day-ahead and the Intraday Electricity Markets, the Energy Financial Market, the Market of Natural Gas (including the Natural Gas Balancing Market) and the Environment Market. In regard to electricity, there will be four organised markets in the Interconnected System: the Day-ahead Market, the Intraday Market, the Balancing Market, and the Energy Financial Market. The Balancing Market for balancing of electricity and capacity will be operated by ADMIE. The new company under the name "Hellenic Energy Exchange S.A" (abbreviated name "EXE. S.A.") will be established by split-off of significant sections of the current Market Operator's (LAGIE) business and will undertake the role of the Market Operator. The Regulatory Energy Authority (RAE) approves, in regard to the adequacy of the shareholders, the first purchase of the EXE S.A. shares and any subsequent transfer of these shares. However, direct or indirect participation of the State in the EXE S.A may not fall below 35%. LAGIE will become the Operator of the RES and of the Guarantees of Origin.

The Energy Exchange shall further establish a new company for clearing the transactions performed on the Day-ahead and the Intraday Markets (the Clearing Company). The shareholder of the Clearing Company may be the Energy Exchange itself or other shareholders which obtain RAE's approval. RAE shall also approve any transfer of shares in the Clearing Company above 20%, 1/3, 50% and 2/3 of its capital.

The Energy Exchange should obtain from RAE the operation licenses for the Day-ahead Market and the Intraday Market, and from the Securities' Commission, after the proposal of RAE, the license for operation of the Energy Financial Markets, which will include at least the market of the Energy Financial Means with physical delivery. Exceptionally, the license for financial activities will not be required if the Energy Exchange undertakes to operate exclusively as an organised trading facility (OTF) and only for derivatives with physical delivery of electricity. The Clearing Company should also obtain the operation licenses from RAE. In order to perform the operations related to the Energy Financial Markets, EXE S.A. shall conclude respective agreements with the Athens Stock Exchange (ATHEXGroup) and its subsidiary Company for Settlement of Transactions of the Athens Stock Exchange S.A. (ATHEXClear) or other company related to ATHEXGroup. Clearing of the Energy Financial Market transactions will be performed by an entity which has obtained respective license from the Securities Commission. If such license relates to Energy Financial Means for products with physical delivery, a prior consent of RAE is required. Again, such license is not required for OTF for derivatives with physical delivery.

The Draft Law proposes division of supervision authorizations over EXE S.A. between RAE and the Securities Commission, while the Securities Commission and the Bank of Greece will supervise companies providing investment services and credit institutions, which participate in the Energy Exchange as members. The Bank of Greece will regulate conditions for participation of credit institutions in the energy markets. Further, RAE shall approve the appointment of the BoD members and other persons managing both the Energy Exchange and the Clearing Company. RAE will also approve new or amended codes regulating the operation of these markets, as well as the regulations on operations issued by the Energy Exchange and by the Clearing Company. The Draft Law authorizes RAE to regulate terms and conditions for the operation of the Market of Natural Gas, Natural Gas Balancing Market and the Environment Market.

Electricity what's new...

Albania: MoU between Albania and Kosovo regarding Common Energy Exchange

by Odisea Xhelita, (Tirana)

Albania and Kosovo have signed a Memorandum of Understanding (MoU) on the establishment and operation of a common energy exchange, after the meeting of both governments of Albania and Kosovo, held in the south-eastern city of Korça, on 30 November 2017. The MoU is a part of an agreement to establish a common energy market of Albania and Kosovo launched in March 2014. The energy exchange aims to facilitate sales and purchases of electricity prices that reflect the real market value and eliminate the need of public tenders. The first step toward establishing a common market was finalized in June 2016 with the inauguration of 400 kV interconnection power line worth 75.5 million euro ($87.9 million) between Albania and Kosovo financed by the German government through the KfW Development Bank. Almost all of Albania's electricity is produced by hydro power plants, while over 98% of Kosovo's electricity output is generated by coal-fired power stations. Despite progress, both countries suffer power shortages due to insufficient output, the age of their grids and theft.

BiH: Amendments to the Grid Connection Rules

by Nebojsa Milanovic, (Banja Luka)

On 2 November 2017, the State Electricity Regulatory Commission of Bosnia and Herzegovina adopted a Decision amending and supplementing the Grid Connection Rules. The amendments concern the rules for connection of electrical installations to the electricity transmission grid and for putting them into operation (commissioning), more precisely: a) the rules on approval of grid connection of high voltage installations and facilities, and the content of such approval; b) the rules on approval of commissioning of high voltage installations and facilities; c) the rules on approval of temporary and permanent operation of the consumer's facilities and the content thereof; and d) the rules on grid compliance tests. The Decision was published in the "Official Gazette of BiH" No. 83/17 of 17 November 2017 and came into force on the eighth day after its official publication.

BiH: 2018 Rules for Allocation of Cross-border Transmission Capacities

by Nebojsa Milanovic, (Banja Luka)

On 22 November 2017, the State Electricity Regulatory Commission of Bosnia and Herzegovina adopted a Decision on approval of the Rules for Allocation of Cross-border Transmission Capacities, in particular: a) the Rules for annual and monthly auctions for allocation of transmission capacities on the border between regulation areas of EMS AD Belgrade (EMS) and the Independent System Operator in Bosnia and Herzegovina (ISO BIH); b) the Rules for daily auctions for allocation of transmission capacities on the border between regulation areas of EMS and ISO BIH; c) the Rules for intraday allocation of transmission capacities on the border between regulation areas of ISO BIH and EMS; d) the Rules for intraday allocation of transmission capacities on the border between regulation areas of ISO BIH and the Montenegrin Electric Transmission System (CGES); and e) the Rules for intraday allocation of transmission capacities on the border between regulation areas of the Croatian Transmission System Operator (HOPS) and ISO BIH. The Decision is effective as of the day of its adoption.

Bulgaria: Agreement between Bulgarian and FYR of Macedonia Electricity TSOs

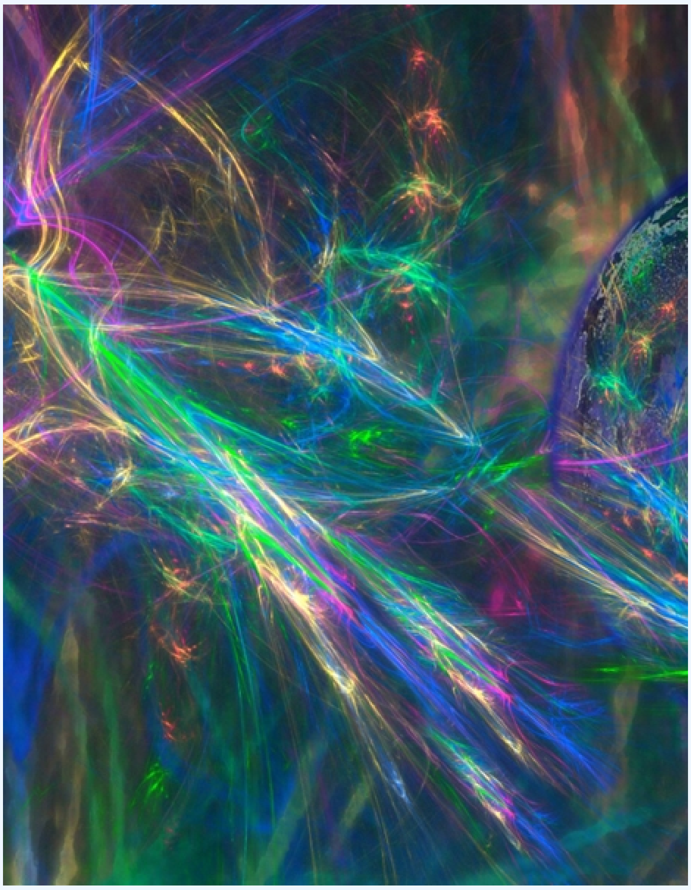
by Daniela Dzabarova Anagnostopoulou, (Sofia)

On 23 November 2017, the Bulgarian Electricity System Operator (ESO) and the Macedonian Electricity Transmission Operator (MEPSO) signed an agreement for conducting joint auctions on allocation of transmission capacities. The document was signed during the intergovernmental session between the two countries, which took place in Strumitsa (FYR of Macedonia). The agreement was signed on the grounds of the harmonized common Rules for allocation of transmission capacities on border between the two countries, approved by their National Regulatory Authorities. The document regulates the conditions for carrying out joint auctions between the two operators, which shall be applied during 2018. The new rules will make it easier for energy traders to use a single platform. With the joint auction procedures in place the participants from the FYR of Macedonia will be able to participate together with their Bulgarian partners in the daily auctions conducted by ESO on behalf of the two operators. The auction procedures for booking of available annual and monthly transmission capacity will be organized and conducted by MEPSO. The joint auction procedures are the necessary first step towards unification of electricity markets and merger of energy exchanges in South-Eastern Europe.

Bulgaria: Power Plants above 5 MW Obliged to Trade on Energy Exchange as from 1 January 2018

by Veronika Yordanova, (Sofia)

The National Assembly of Bulgaria amended Article 100 of the Energy Act (through transitional and final provisions of the Safe Use of Nuclear Energy Act), and thereby obliged power plants with the installed capacity exceeding 5 MW to sell their electric energy on the Independent Bulgarian Energy Exchange (IBEX). This obligation enters into force on 1 January 2018 as the National Assembly adopted it at the second hearing. The adoption of such a decision was motivated by a need to ensure market transparency – a precondition for market liberalisation – as well as a need to boost exchange liquidity to reach a fair market price. For plants included by the Bulgarian Energy and Water Regulatory Commission (EWRC) in the quota for the regulated market this would apply only for their production outside the quota. The obligation to sell electricity on the exchange would be valid for RES plants as well, but only after they have reached their effective working hours as defined by the EWRC (for which they receive feed-in tariffs).The obligation would also be applicable to cogenerators, outside their highly efficient production, for which there are also mandatory feed-in tariffs. In addition to the obligatory participation of plants above 5 MW on IBEX, the adopted amendment in the Energy Act decreases the minimum amount of sanctions which the EWRC can impose. As of the moment, the sanctions range between 200 000 BGN and 1 000 000 BGN, and the minimum amount is envisioned to drop down to 20 000 BGN.



Greece: Public Consultations regarding EU Electricity Matters

by Andriani Kantilieraki, (Athens)

In late November - early December 2017, the Regulatory Authority for Energy (RAE) launched several public consultations on the European level energy matters. In more detail, on 23 November 2017, RAE launched a public consultation of ENTSO-E on the design of the MARI (Manually Activated Reserves Initiative) Platform for the Manual Frequency Restoration Reserves – mFRR, in line with the provisions of Regulation No. 714/2009 on Electricity Balancing and the Memorandum of Understanding which was signed by the transmission system operators (TSOs) involved in the project. The deadline for the submission of remarks was 20 December. Furthermore, on 27 November 2017, pursuant to the provisions of Article 29 of the Law 4001/2011, RAE issued a press release announcing the on-going public consultations of ENTSO-E, which related to the following matters: a) the suggestions of the TSOs on core managerial requirements, the role and responsibilities in regards to the exchange of information, b) the Common Grid Model Methodology pursuant to Articles 67 and 70 of Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation or "CGMM-v3", and c) the non-binding implementation guidance documents (IGDs) for the implementation of connection network codes and frequency stability parameters. The deadlines for these consultations were set out for 1, 6 and 21 December 2017 respectively. In addition, on 4 December 2017, RAE announced a public consultation on the design of the PICASSO Platform (Platform for the International Coordination of the Automatic frequency restoration process and Stable System Operation) for the Automatic Frequency Restoration Reserves – aFRR, with the deadline of 20 December 2017. Finally, RAE launched a public consultation on the content of the Rules for Daily Capacity Allocation on Swiss Borders and Italy – Greece Border, carried out by the JAO (Joint Allocation Office), for which the deadline was 11 December 2017.

Greece: RAE's Public Consultation on NOME Auctions Quantities for 2018

by Andriani Kantilieraki, (Athens)

On 11 December 2017, the Regulatory Authority for Energy (RAE) issued a press release regarding the launch of a public consultation on the recommendations of the Electricity Market Operator (LAGIE) pertaining to the annual quantity of forward electricity products to be placed at NOME auctions during 2018, the allocation of said quantity and the determination of the auctions' programme. The consultation was launched in line with Article 138 (paragraph 1) of the Law 4389/2016, according to which, following the submission of recommendations by LAGIE, RAE is required to determine the aforementioned points in regards to forward electricity products. After the completion of the consultation, RAE will release the list of the participants accompanied by the content of their written statements and remarks.

Greece: Extension of the Interruptibility Scheme until December 2019

by Mira Todorovic Symeonides, (Athens)

On 18 December 2017, the Minister of Environment and Energy issued the Decision on Interruptibility Services, Type and Content of Interuptibility Agreements, in compliance with the provisions of article 17 of the law 4203/2013 (OJ B' 4546/2017). The Interuptibility Service introduced by the respective 2015 Decision of the Minister of Environment and Energy no. APEHL 184898 (OJ B 2861/2015) lasted until 15 October 2017. The 2017 Decision extends the duration of the services until 31 December 2019. The interuptibility mechanism provides for a compensation paid to certain undertakings, large consumers, which are located in the Greek interconnected system and have entered into contracts with the Greek electricity Transmission System Operator (ADMIE), for their consent to reduce their electricity consumption (load shedding) for a given period of time and given a stated notice time (Power Reduction Order). The European Commission, which in the case no. SA.38711 issued decision (C[2014]7374 as of 15.10.2014) confirming that the three-years service and its financing mechanism do not constitute state aid, now approved its extension until 31 December 2019 (letter no. B.2/CS/RV/2017/118968/12.12.2017).

According to the new Ministerial Decision, there will be two types of services: (a) with a prior notice time of 5 minutes, a maximum duration of 48 hours per interruption and a total duration of 288 hours per year; and (b) with a prior notice time of 5 minutes, a maximum duration of 1 hour per interruption and a total duration of 24 hours per year. ADMIE should organise auctions on which the consumers would provide financial offers for each type of service. ADMIE may conclude Interruptibility Agreements for a total interruptible capacity of up to 1GW for the first type of service and up to 0,6 GW for the second type of service. The service providers are paid for their availability, regardless of whether there was a need to interrupt the supply of electricity, and without additional compensation in the case of interruption. They are paid from the special account held by ADMIE, who also calculates the compensation amounts in compliance with the methodology regulated by the Decision and on the basis of the amounts of the winning offers, while the total monthly compensation paid may not exceed the limit of €15/MWh. The necessary financial means for this measure are secured from the Transitional Levy for Security of Supply, which is paid by all electricity producers connected to the system, including RES producers. The contribution of the electricity producers is regulated in the Decision depending on the production technology and taking into consideration the effect of each technology on the security of supply.

On 22 December 2017, ADMIE published an invitation for consumers wishing to participate in the auction for the Interruptibility Service which will be in January 2018 to submit to ADMIE, by 8 January 2018, the necessary documents.

Serbia: AERS Approves the Agreements on the Cross-border Capacity Allocation

by Mirjana Mladenovic, (Belgrade)

On 8 December 2017, the Council of the Energy Agency of the Republic of Serbia (AERS) approved the agreements concluded between the Transmission System Operator of the Republic of Serbia (EMS) and the Transmission System Operators of Romania (Transelektrika), FYR of Macedonia (MEPSO), Hungary (MAVIR), Bulgaria (EAD), Bosnia and Herzegovina (NOSBIH) and Croatia (HOPS) on the procedure and methods of the cross-border capacity allocation and access to the cross-border transmission capacity for 2018. More efficient use of cross-border capacity will be provided by organizing joint auctions. These agreements enable greater opportunities to the system users and improve the conditions for the development of the electricity market in Southeast Europe and its integration into the European market. The most significant step towards the integration into the European market is made on the border with Croatia where Joint Allocation Office S.A. (JAO) from Luxembourg will organize annual, monthly and daily auctions trough joint European platform in line with the European harmonized allocation rules. On the same session, the Council approved the Rules for Cross-Border Transmission Capacity Allocation on the Borders of EMS' regulation area (Rules). The Rules will be applicable on the borders with the operators of neighboring systems with which the joint auction agreements have not been signed.

Ukraine: Government Commences Corporatisation of Ukrenergo

by Tetyana Vyshnevska, (Kiev)

On 22 November 2017, the Cabinet of Ministers of Ukraine issued Order No. 829-r on approval of the reorganisation of the National Power Company Ukrenergo (current electricity Transmission System Operator (TSO)) into a Private Joint Stock Company. This decision of the Government is an integral part of the process of corporatisation, certification and unbundling of the TSO in accordance with the Electricity Market Law (No. 2019-VIII of 13 April 2017). Pursuant to the Order, the new company will be 100% owned by the state and will manage the assets of Ukrenergo, necessary for the operation and dispatching of the energy system of Ukraine, on the basis of the right of economic management, which means the ability to possess and use these assets without the right to dispose them. The following steps in the corporatisation of the TSO include the asset inventory and assessment as well as the issue of shares and their transfer to the state. To this end the Ministry of Energy and Coal Industry of Ukraine has already established a Commission by means of its Order No. 728 of 5 December 2017. The Order No. 829-r came into force on the date of its issuance.

ELECTRICITY highlights...

Greece: Public Consultations on Six Electricity Codes

by Mira Todorovic Symeonides, (Athens)

On 18 December 2017, the electricity market operator (LAGIE) launched a public consultation on the three codes, and other accompanying documents, in regard to the new markets to be established in compliance with the law 425/2016 (so called the Target Model Law). The three codes are: the Day-ahead Market Code, the Forward Market Code, and the Intraday Market Code. The accompanying documents include the explanations of the market design for each of the three markets, definitions (glossary), and the proposed appendixes to the codes. After adoption of the Law on Energy Exchange, for which the Ministry of Environment and Energy held the public consultation this December and which has still not been submitted to the Parliament, the text of the Codes will be amended in compliance with the new requirements and will be presented for a new public consultation (phase B). This consultation will last until 22 January 2018.

On 19 December 2017, the electricity TSO ADMIE, launched a public consultation, phase A, of the Balancing Detailed Design and the Balancing Market Code. The consultation will last until 22 January 2018. The Design and the Code were prepared in compliance with the Target Model Law and the RAE Guidelines (RAE Decision 67/2017) with the support of the European research institute JRC. After adoption of the law on the Energy Exchange, the text of the Code and the Design will be amended in compliance with the new requirements and will be presented for a new public consultation (phase B).

On 26 December 2017, the energy regulatory authority (RAE) launched a public consultation on the proposals of LAGIE and ADMIE to amend the Code on Electricity Transactions and the Code on Operation of the Transmission System, respectively. The two operators propose to amend the codes in compliance with the Target Model Law in regard to the participation of the new RES and energy efficient CHP plants in the electricity market. The consultation will last until 19 January 2018.

Albania: Decisions Regarding Electricity Market

by Odisea Xhelita, (Tirana)

On 8 November 2017, the Energy Regulatory Entity (ERE) approved the Methodology of Calculating the Transmission Tariffs of the Electricity (Decision No 180/2017). This methodology was approved after considering the comments of OST sha, OSHEE sha, the Ministry of Infrastructure and Energy, the Competition Authority, the People's Advocate, the Consumer Protection Commission, the Albanian Consumer Protection Association, the Chamber of Trade and Industry - Tirana, the Confederation of the Independent Syndicates and other groups of interests. The charges of connection with the transmission system, are excluded from the application of the present methodology. Under the general rules and the basic principles, set out, all incomes are born by the by the users of the transmission system, while the transmission tariff should cover the following activities: i) ownership, construction, operation and maintenance of lines, cables, transformers substations, dispatch centres and the related buildings, as well as the communication facilities; (ii) the cost of ancillary services made by OST sha for the frequency and voltage regulation; iii) the compensation of the reactive energy, which may be allocated to a charge for reactive energy; (iv) other operating costs.

On 10 November 2017 ERE approved the Regulation on the Standard Quality Criteria for Supply Service and Security Performance of the Electricity Distribution (Decision No 181/2017). The Regulation was approved after considering the comments of the USAID Consultants, the Ministry of Finance and Economy, OST sh.a. and the Albanian Consumer Association. Pursuant to the Regulation, OST should calculate the quality service indicators, which are going to be reported in front of ERR, considering the following: i) the Uncertified Energy; ii) the notification of the planned interrupts on the distribution system; iii) the percentage of clients having electricity meters; iv) the resolution of complaints regarding the voltage's quality; v) the needed time to respond to customer's complaints regarding the measurement; vi) the needed tie to respond to requests for new connections; vii) the Average Interruption Duration Index; viii) the Average Interruption Frequency Index; ix) the needed time to resolve a defect on the distribution system; x) the needed time for reconnection due to the non-payment of invoices; xi) the needed time required for controlling the system after costumer's request; xii) the voltage quality. On the same date ERE approved the Methodology for Calculating the Tariffs of the Electricity Distribution System Operator (Decision No 182/2017). Pursuant the general rules and the basic principles se out on the Regulation, all incomes should be born by the users of the distribution system, while the distribution tariff should cover: i) the ownership costs, the construction, the operation and maintenance of lines, the cables, the substations of transformers and the related facilities; ii) the tariff of the distribution system operator should reflect the actual cost of services for each customer group according to the voltage levels; iii) the distribution tariff should be calculated in such a way so it is avoided the cross-subsidization between customer groups; iv) the end customers shall bear the costs the of the electricity losses according to the voltage level that they are supplied to. On 10 November 2017 ERE also adopted the Transmission Code (Decision No188/2017). The Code should enable OST to: i) establish, design, develop, maintain, operate and operate the Electric Energy System efficiently, in accordance with the requirements of the Albanian Market and Regional Market; ii) complete any bilateral or multilateral agreements subject to the interconnections and inter-state transmission of electricity, toward the neighbour countries or abroad through the European network ENTSO; and iii) eliminate discrimination for any user of the transmission network.

On 23 November 2017 ERE approved the Methodology for Determining of Tariffs for Electricity Sold to Customers Supplied by the Universal Service Provider (Decision No 189/2017), after considering the comments of the relevant groups of interests, among others OSHEE, Ministry of Energy and Infrastructure, Competition Authority, People's Advocate, Albanian Consumer Protection Association, Albanian Consumer Association, Chamber of Commerce and Industry, Electricity Trading Manager for Albania and Kosovo. Pursuant the Methodology, the retail prices are revised and approved on an annual basis and the regulatory periods, providing about the next 12 months. The Universal Service Provider's request toward ERE should have the following content: i) the list of the incomes and expense for the last 12 months; ii) detailed data of purchasing and selling electric energy for the last 12 months; iii) the foreseen electric energy to be procured during the next 12 months; (iv) the foreseen required incomes for the regulatory period; v) the allocation of the required incomes for the forecasted period; vi) the required distribution for the proposed price structure in order to obtain the required incomes for each price category. On the same date, ERE approved the Regulation on the determination of regulatory fees for licensees of the electricity sector (Decision No 190/2017), after having considering the comments OSHEE sha. Pursuant the general rules and the basic principles, set out on the relevant Regulation, ERE's financial resources consist of regulatory fees, determined by it itself for licensees of the electric energy sector from the payment of licenses. The Regulatory Fees, pursuant to the Law on the electric energy sector are calculated and collected annually for each licensed company, regardless, the relevant company hadn't commenced its licensed activity, and furthermore the any regulatory fee should be in proportionate to the annual revenues of each licensee. On 24 November 2017 ERE approved the Provisional Rules for the Electricity Balancing Mechanism (Decision No 193/2017), after having taken into consideration the comments of KESH sha, OSHEE, the Ministry of Energetic and Industry (MEI), and the Competition Authority (CA). Pursuant the Regulation, all registered participants as balancing parties are subject of balancing responsibilities. OST shall use the balancing services provided by market participants, according to the availability of the balancing service suppliers, while for the transitional period, the main balancing service supplier is the state-owned generator, KESH, under the regime of public service and the respective prices. The other generators, potential for balancing service, may offer their services under these rules on the basis of a signed contract.

Oil & Gas what's new...

EU/ENTSOG: Union-wide Security of Gas Supply Simulation Report

by Tetyana Vyshnevska, (Kiev)

On 21 November 2017, ENTSOG published a report on Union-wide simulation of gas supply and infrastructure disruption scenarios (hereinafter: "the Report"), carried out by ENTSOG in cooperation with the Gas Coordination Group in accordance with the requirements of Regulation (EU) No. 2017/1938 concerning measures to safeguard the security of gas supply. The main objective of the Report is to establish which Member States can address the identified risks against the failures of the main gas supply routes or infrastructures, including in relation to LNG. The Report includes 19 supply and infrastructure disruption scenarios and covers all the Emergency Supply Corridors as well as 13 different Risk Groups of Member States. In addition, the simulations consider the demand of non-EU countries supplied exclusively through the European gas infrastructure (e.g. Bosnia and Herzegovina, Switzerland, FYR of Macedonia, Serbia), the exports to Ukraine (based on the last two winters), and the transits towards Kaliningrad and Turkey (based on the last 5 winters). Pursuant to the Regulation, ENTSOG shall conduct the Union-wide simulation of gas supply and infrastructure disruption scenarios every four years (at least).

Croatia: Tariffs for the Receiving and Dispatch of LNG

by Sanja Tolj Par, (Zagreb)

On 10 November 2017, the Croatian Energy Regulatory Agency (NRA) adopted the Methodology for determining the amount of tariff items for the acceptance and dispatch of LNG (Official Journal, 110/2017) pursuant to Article 11, Paragraph 1, Subparagraph 9 of the Energy Activities Regulatory Act (Official Journal, 120/2012) and Article 88, Paragraph 1, Subparagraph 4 of the Gas Market Act (Official Journal, 28/2013, 14/2014 and 16/2017). The Methodology determines the energy management model of the LNG terminal, formulas and elements for the calculation of allowed revenues of the LNG terminal operator, tariff items and manner, elements and criteria for calculation of tariffs, as well as calculation of fees for the use of the LNG terminal.

Serbia: Protocol Regarding the 2012 Agreement on Gas Supply to Serbia

by Vuk Stankovic, (Belgrade)

On 20 December 2017 the Government of the Republic of Russia adopted the Protocol of the 2012 Intergovernmental Agreement on supply of natural gas to Serbia permitting Serbia to re-export Russian natural gas to third countries. The aim of the Protocol is to abandon clauses restricting the re-export of Russian natural gas to the countries in Central and Eastern Europe and to settle the Case-18/16 initiated by Energy Community Secretariat against the Republic of Serbia. The Government officials from Russia and Serbia announced that the contracting parties are currently exploring the possibility of connecting Serbia to the Turkish Stream gas pipeline. One day earlier, on 19 December 2017, Gazprom, and Srbijagas, signed Addendum to the long-term agreement on the Russian gas deliveries to Serbia, increasing the current supplies from 1.5 billion cubic meters to 2 billion cubic meters per year starting from January 2018.

Ukraine: Reduction of Rent Payments for Natural Gas Extraction from New Wells

by Tetyana Vyshnevska, (Kiev)

On 7 December 2017, a draft law No. 6776-d of 14 November 2017 on amending the Tax Code of Ukraine as regards balancing of budgetary receipts in 2018 was adopted by the Parliament. Inter alia, the draft provides for a significant reduction of rates of rent payable by natural gas extraction companies for using the ground under the surface for extraction purposes, with the view to incentivise domestic natural gas extraction from new wells and to attract the much needed investments into the sector. Moreover, according to the draft, the rent rates established as of 1 January 2018 shall apply until 1 January 2023 and shall not be subject to any increase or adjustment resulting in their increase. That being said, in case a new regime promoting natural gas extraction in Ukraine is set up, gas extraction companies will be able to opt for the latter. In order to become law, the draft should be signed by the President and published in the official journal.

OIL & GAS highlights...

EnC: Opinion of the Advisory Committee regarding the Case 18/16

by Mirjana Mladenovic, (Belgrade)

On 28 November 2017, the Advisory Committee of the Energy Community (EnC) issued the Opinion regarding the case ESC 18/16 initiated against the Republic of Serbia in regard to the alleged non-compliance with the competition acquis. The matter in question relates to the agreement on supply of natural gas from Russia, which contains a destination provision i.e. that the supplied gas is intended for the use exclusively on the Serbian gas market. The Secretariat of the EnC believes that this clause will inhibit Serbian buyers to re-export Russian gas to other parts of the EnC and, thus, that it contradicts the fundamental objectives of the market integration contained in the Treaty.

The procedure against Serbia was initiated on 12 January 2017, when the EnC Secretariat sent to the Republic of Serbia an Opening Letter stating that it has failed to comply with its obligations under Article 6 read in relation with Articles 18 and 19 of the EnC Treaty by ratifying an intergovernmental agreement with the Republic of Russia which agreement requires from the contracting parties to conclude an agreement which would be contrary to Article 18(1)(a) of the EnC Treaty. Secondly, on 16 March 2017, the Secretariat sent to the Republic of Serbia a Reasoned Opinion on the same matter, which underlines the fact that the Serbian Government failed to response to the Opening Letter. The Reasoned Opinion states that provisions of the 2012 natural gas supply agreement between the Republic of Serbia and the Republic of Russia, which stipulated that the delivered gas was intended solely for the Serbian market, are against the EnC's regulations. The Republic of Serbia is requested to rectify the breach within a time limit of two months. Thirdly, on 19 May 2017, after performance of a preliminary procedure, the Secretariat of the EnC submitted a Reasoned Request on Serbia's failure to comply with the EnC competition acquis. Further, on 19 July 2017, the Serbian Ministry of Mining and Energy responded to the Reasoned Request stating among other (i) that the Republic of Serbia has singed the respective agreement with the Russia in order to provide safe and regular supply of gas to the market of the Republic of Serbia; (ii) that signing of this agreement was necessary for the safe supply of natural gas to consumers who in accordance with the law were entitled to the supply at regulated prices; (iii) that supply at regulated prices is an activity of general economic interest; (iv) that due to the limited number of pipelines, the agreement did not compromise trade in natural gas in any way that would be contrary to the interests of the EnC; (v) that the Republic of Serbia is of the opinion that there has not been a breach of the Treaty in the manner in which the Secretariat states in the Reasoned Request.

On 6 October 2017 the Advisory Committee of the EnC held a public hearing in order to assess the facts and the applicable law. The hearing was attended by the representatives of the EnC Secretariat while the Republic

of Serbia submitted a letter informing that it had taken specific steps to find a solution to the case. After reviewing all the submitted documents the Advisory Committee concluded that the Republic of Serbia, by concluding and ratifying the respective agreement for the supply of natural gas from the Russia, in particular the abovementioned clause, has failed to comply with the obligation under the Treaty, in particular Article 6 (obliging all EnC Contracting Parties to facilitate the achievement of the EnC's tasks and abstaining from any measures which could jeopardise the attainment of the objectives of the EnC Treaty) in relation with Articles 18 (regarding the Acquis on Competition) and 41 (regarding the Internal Energy Market).

Albania: Decisions Regarding the Natural Gas Network and its Operator

by Odisea Xhelita, (Tirana)

On 8 November 2017, the Energy Regulatory Entity (ERE) issued the Decision No.178/2017, on the methodology for calculating the tariffs for the transmission and distribution network of the natural gas, after considering the comments of Albgaz sha, Albpetrol sha, the Ministry of Infrastructure and Energy, the Ministry of Finance and Economy and the Albanian Competition Authority. The determination of the network tariffs is based on the following principles: i) the network charges will reflect the relevant costs; ii) the difference between the real network costs (the realized revenues) and the references allowed through the tariff, should be smallest possible.

On the same date, ERE by the Decision No.179/2017 approved the final certification of Albgaz sha as a combined natural gas operator, which decision will be communicated to the Energy Community Secretariat (ECS), OST sha, the Ministry of Economy and Finance (MEF), Ministry of Infrastructure and Energy (MIE) and the Competition Authority (CA). Pursuant the law on the natural gas sector, a combined operator exercises its activity separately from the other activities in the natural gas sector, which are not connected to the operation of transmission and distribution systems of liquid natural gas and the deposit facilities. On 10 November 2017, ERE by virtue of the Decision No.187/2017, decided to approve the licensing of Albgaz sha on the natural gas distribution activity. The license of Albgaz sha on the natural gas distribution activity is valid for 30 years, meantime Albangaz sha should submit additional documents related to the ownership titles on its assets, the environmental permits, the insurance certificate, the business plan, the daily projected volumes, the working schedule, the maintenance schedule, and the average quantity of the natural gas foreseen to be distributed. On the same date, ERE, by virtue of the Decision No.188/2017, approved the licensing of Albgaz sha on the natural gas transmission activity. The license of Albgaz sha on the natural gas transmission activity is also valid for 30 years, while Albgaz sha should submit to ERE additional documents related the ownership titles on its assets, the environmental permits, the insurance certificate, the business plan, the daily projected volumes, the working schedule, the maintenance schedule, and the average quantity of the natural gas foreseen to be distributed.

On 24 November 2017, the ERE, by virtue of the Decision No.188/2017, commenced the procedure for approving amendments on the regulation for changing the supplier on the natural gas sector.

Infrastructure what's new...

EU: Follow-up Study to the LNG and Storage Strategy

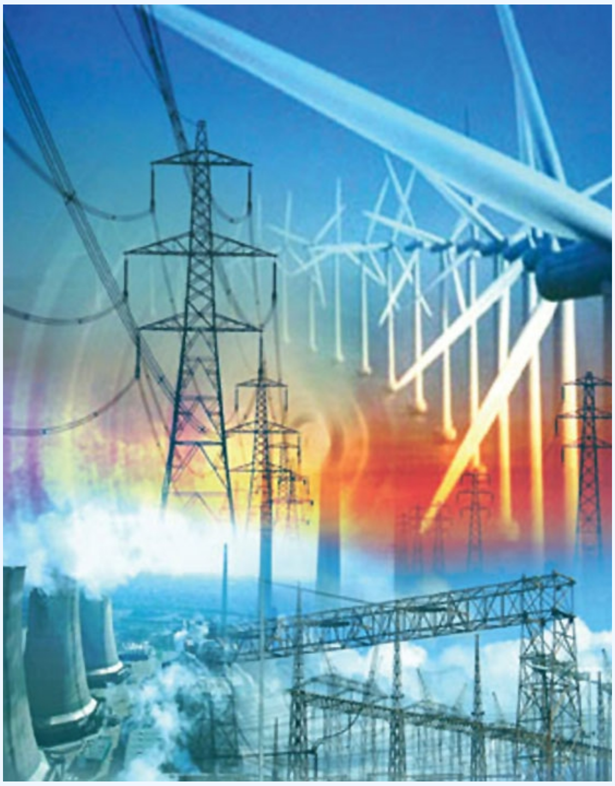
by Maria Cheimona, (Athens)

In December 2017 the European Commission published a follow up study to the LNG and storage strategy, adopted by the Commission on 16 February 2016 as part of a sustainable energy security package. The study considered how liquidity, flexibility and transparency can be improved in the European and global LNG markets. Based on the modelling results, LNG terminal utilization in Europe varies. In 2016 utilization was low, but yearly utilization figures show a substantial increase from 2020 to 2025, as there will be more available competitive LNG on the global market. Even though high LNG supply is beneficial, many countries are not responsive to such scenario due to low interconnectivity and lack of price disparity between neighbouring markets. Modelling results do not project optimistic future for storages, even though they play an important role in providing seasonal flexibility to the European market. Since storage obligations hinder cross border use of storage, alternative regulatory solutions are provided in the study. Under the modelled scenarios the European infrastructure can dynamically serve the needs of the gas system even under the most extreme shocks. Finally, case studies show that while positive government intervention can drive markets forward, the wrong sort of government intervention can hold back or stop a trading market from developing.

EU/Croatia: EU Invests in Krk LNG Terminal to Ensure Energy Security and Diversification

by Evridiki Evangelopoulou, (Thessaloniki)

On 18 December 2017, a grant agreement under the Connecting Europe Facility was signed at the Energy Council for purposes of the Project of Common Interest (PCI) 6.5.1, which envisages a phased development of the liquefied natural gas (LNG) terminal on the island of Krk in Croatia. The EU is committed to build missing energy infrastructure links and ensure that every EU country has access to at least three different sources of gas. The completion of the Action, which implements the first phase of the PCI 6.5.1, should enhance the diversification of natural gas supply for Central Eastern and South Eastern Europe. It should also increase the security of gas supply, improve competitiveness in the region and provide for a more effective integration of key infrastructure projects like the North-South Gas Interconnections in Central Eastern and South Eastern Europe into the European gas market.



Bulgaria/ FYR of Macedonia: Joint Feasibility Study on a New Gas Interconnection

by Gergana Hadjipanteleeva, (Sofia)

Within the Joint Meeting of the Governments of Bulgaria and the FYR of Macedonia held on 23 November 2017 in Strumica (FYR of Macedonia), the Bulgarian Transmission System Operator (TSO) Bulgartransgaz EAD and the state owned energy company Joint Stock Company MER AD Skopje (Macedonia Energy Resources Skopje), concluded an agreement to jointly perform a feasibility study for the construction of a new gas interconnection between the two countries. The two companies will cooperate to study the possibilities of development of a direct interconnection between the gas systems of both countries along with the existing interconnection Dupnitsa-Skopje, through which Bulgartransgaz EAD is presently transporting Russian natural gas to the FYR of Macedonia. The existing infrastructure on their territory and the acquired new one will be assessed along with the investments for realization of the future project. The technical, market, economic and regulatory aspects of the potential construction of the interconnection will be the subject of analysis as well. The project represents a part of the Business Plan of the Bulgarian TSO for the development of the activity 'transmission of natural gas' for the period of 2017-2019, approved by the Bulgarian Regulator – Energy and Water Regulatory Commission - with its Decision No. БП-7 dated 1 August 2017.

Competition - State Aid what's new...

EU/SA.48238, SA.48066, SA.47753, SA.46552: Commission Approves Four French Schemes

by Stefania Chatzichristofi, (Athens)

On 8 December 2017, the European Commission's Decision in cases SA 48238, SA 48066, SA. 47753 and SA 46552 was published in the Official Journal of the European Union (OJEU C/422/2017)). By this Decision the European Commission endorsed four schemes, namely: i) an onshore wind support scheme which will grant support to 3 GW of additional capacity over the next three years, in the form of a premium on top of the market price (so-called "complément de rémunération"), to operators of medium to large-scale onshore installations of more than 6 (six) turbines, or with at least one turbine exceeding the limit of 3 MW; ii) a solar support scheme for large-scale photovoltaic (PV) installations on buildings. Installations will receive a feed-in tariff (FiT) (for installations between 100 and 500 kilowatts) or a feed-in premium (FiP) (for installations comprised between 500 kilowatts and 8 megawatts) over 20 (twenty) years; iii) a solar support scheme for large-scale PV installations, wherein the tender will grant support for up to 3 GW of additional capacity, by means of a FiP over 20 (twenty) years; iv) a support scheme for 200 MW of additional capacity, available to both onshore wind and solar installations not exceeding 18 MW. These schemes are expected to support electricity production from onshore wind and solar on buildings and on the ground in France under EU state aid rules and will allow France to develop over 7 additional GW in renewable energy. Each scheme provides for a bonus to local projects or local participation in projects. The Commission assessed all four schemes under the EU state aid rules and ensured that the use of public funds is limited and there is no overcompensation. It concluded that these measures will boost the share of electricity produced from RES, in line with the environmental objectives of the EU, while the distortion of competition caused by the state support is minimised.

EU/SA.47205: Commission Approves Three French RES Schemes

by Stefania Chatzichristofi, (Athens)

On 8 December 2017, the Decision of the European Commission in case SA 47205 was published in the Official Journal of the European Union (OJEU C/422/2017)). By this Decision the European Commission endorsed three schemes in order to support electricity production from small-scale onshore wind, solar and sewage gas installations in France, in line with EU state aid rules. The schemes are expected to allow France to develop more than 17 additional GW in renewable energy. The approved schemes consist of the following measures: i) an onshore wind scheme which will grant support to 15 GW of additional capacity over the next ten years, taking the form of a premium on top of the market price (so-called "complement de remunération"), to operators of small-scale onshore installations of less than 6 turbines (with an individual limit of 3 MW per turbine); ii) a solar support scheme for small-scale photovoltaic installations in buildings (below 100 kilowatt). Installations will receive a feed-in tariff (FiT) over twenty years. The remuneration varies according to the size of the installation and the business model (installations injecting all electricity into the grid or installations consuming part of the generated electricity). France expects to develop 2.1 GW of solar power under this measure; iii) a sewage gas support scheme. While the scheme is open also to larger installations, it is expected to be applied mainly to small installations. Installations of 500 kilowatts or more will receive support in the form of a premium on top of the market price over twenty years. Installations below 500 KW will receive a FiT over twenty years. The Commission assessed the said three schemes under the EU state aid rules and ensured that the use of public funds is limited and there is no overcompensation. It concluded that the measures will boost the share of electricity produced from RES, in line with the environmental objectives of the EU, while the distortion of competition caused by the state support is minimised.

EU/SA.41539: Support Scheme for High-efficiency CPH in Lithuania Approved

by Viktoria Chatzara, (Athens)

On 8 December 2017, the European Commission's decision concerning a contemplated state aid scheme by Lithuania consisting in providing support to a cogeneration power plant in Vilnius (case No. SA.41539), was published in the Official Journal of the European Union. Vilnius contains the largest district heating system in Lithuania, mostly fuelled by natural gas and biomass boilers; the producers of the required heat are categorized in two groups: heat suppliers and independent heat producers. According to the national law on waste management, a State owned limited liability company "Lietuvos energija" was assigned to carry out the Vilnius CHP project, which was designated as a project of national interest. A tender procedure was then initiated for the choice of a private investor for the project. The submitted tenders however showed that the project's objectives would be more closely attained without the participation of a private investor, thus the tender procedure was discontinued. According to the contemplated state measure, the investment aid granted for the project amount to approximately EUR 150 mil. deriving from EU Structural funds, which will be allocated for the construction of (a) a municipal waste incineration unit, and (b) a solid biomass-fired unit. The beneficiary of the aid is "Vilniaus kogeneracine jegaine", a special purpose vehicle, fully owned by Lietuvos energija, with the object of the development of the Vilnius CHP project. According to the Commission's assessment, the contemplated scheme constitutes state aid, which however fulfils the criteria of the applicable provisions and is deemed to be compatible with the internal market. To be noted that the Commission's decision was also issued following the submission of complaints from competitors in the Lithuanian energy market against the contemplated state aid scheme, and dismissed such complaints. One of such complainants has already filed an action against the Commission's decision before the General Court of the EU; the decision on said action has not been issued yet.

EU/SA.38454: Development of New Nuclear Reactors at Paks II station

by Viktoria Chatzara, (Athens)

On 1 December 2017 the European Commission's decision on a contemplated by Hungary state measure for the support of the development of new nuclear reactors (case No SA.38454), was published in the Official Journal of the EU. The decision refers to the Paks nuclear power plant (Paks NPP), which is the only nuclear power plant operating in Hungary, belonging to the 100% State-owned electricity trader and power producer, the MVM Group. According to an intergovernmental agreement (IGA) between the Russian Federation and Hungary, both countries shall cooperate in the maintenance and further development of the Paks NPP, including in the design, construction, commissioning and decommissioning of two new power units with water-cooled water moderated (VVER) type reactors, which are intended to compensate for the loss of capacity due to the retirement of the already existing four reactors due until the end of 2032, 2034, 2036 and 2037 respectively. Pursuant to further implementing and separate agreements, Russia undertook to provide Hungary with a state loan to finance the development of the project (Financing IGA), by means of a revolving credit facility of EUR 10 billion, to be used for the direct financing of the necessary investments for the designing, construction and commissioning of the new power units. In addition to this loan, Hungary will grant a further amount of EUR 2,5 billion from its own budget to finance the investment. Apart from the above mentioned amounts, no further subsidy is expected to be granted to the new power units, which will operate under market conditions and without any fixed amount of revenues or guaranteed price. The Commission, taking into account the information submitted to it by the Hungarian government and other interested parties, concluded that the contemplated measure constitutes state aid. Following an analysis of the applicable EU law provisions, the Commission further stated that the measure is compatible with the internal market, subject to the conditions set out in its decision, including (indicatively) Hungary's obligation to ensure that (a) the profits from the new power units shall only be used for the purposes indicated in the decision, (b) Paks II refrains from (re-)investing in the extension of its own capacity or lifetime and the installation of additional generation capacities, other than those of reactors 5 and 6, (c) Paks II's power output trading strategy will be an arms-length commercial profit-optimising strategy, carried out through commercial trading arrangements concluded through bids, and in accordance with the description contained in the Commission's decision.

Renewables what's new...

Ukraine: Parliament Interferes to Reinstate Functioning of NEURC

by Tetyana Vyshnevska, (Kiev)

On 7 December 2017, the Ukrainian Parliament adopted the Law No. 2237-VIII amending the Law of Ukraine on the National Energy and Utilities Regulatory Commission (NEURC) as regards empowering the President of Ukraine to ensure sustainable operation of NEURC. By means of the Law No. 2237-VIII the Parliament aimed to reinstate the Regulator's functionality, obstructed by the lack of quorum brought about by a sick leave and subsequent dismissal of the current NEURC member (in accordance with Presidential Decree No. 78/2017 of 23 March 2017), and untimely appointment of members of the selection committee, which was supposed to select new members of NEURC. The lasting paralysis of NEURC operation could have resulted, inter alia, in suspension of settlements between the Market Operator SE Energorynok and energy producing companies, as well as in losses for investors in new renewable energy projects in Ukraine aiming to obtain a feed-in tariff. Therefore, the President has been entitled to temporarily appoint the lacking members of NEURC in circumvention of the selection process prescribed by the legislation. The Law No. 2237-VIII came into force on 14 December 2017.

Energy Efficiency what's new...

EU: New Renewable Energy Targets

by Kostis Krimizis, (Athens - Member of the Athens and New York Bar)

On 28 November 2017, the European Parliament voted in favour of increasing efficiency and renewable energy targets. The Industry and Energy committee of the European Parliament set a legally binding 40% efficiency goal and national goals for 2030, which form part of the European Commission's Clean Energy Package. As the European Council has already agreed on the general approach on the Energy Efficiency Directive (EED), it is left to the three institutions to set the date for a full plenary session. However, there is a 10% flexibility margin, which allows member states to deviate from the goal originally set. The scope of those new energy goals is to reaffirm the commitment to the promises of the Paris Agreement and to set the track for establishment of fossil fuels free models.

BiH: Energy Efficiency Action Plan for 2016-2018 Adopted

by Nebojsa Milanovic, (Banja Luka)

On 4 December 2017, the Bosnia-Herzegovina (BiH) Council of Ministers adopted an Energy Efficiency Action Plan for BiH for the period from 2016 to 2018 (EEAP). The EEAP incorporates the Federation BiH Energy Efficiency Action Plan for 2016- 2018 and the changes and amendments to the Energy Efficiency Action Plan of the Republika Srpska (RS) up to the year 2018. The EEAP includes detailed reports on energy savings achieved in the previous period as well as planned measures and programs whose implementation falls within the jurisdiction of the two entities. The EEAP was drawn up in line with the BiH's obligations under the Energy Community Treaty and the decision on transposition of the energy efficiency directives into the legislation of the Contracting Parties. The EEAP introduces new measures to increase energy efficiency in the production of electricity and energy for heating and cooling, including central heating, as well as new measures in the field of transmission and distribution of electricity and natural gas.

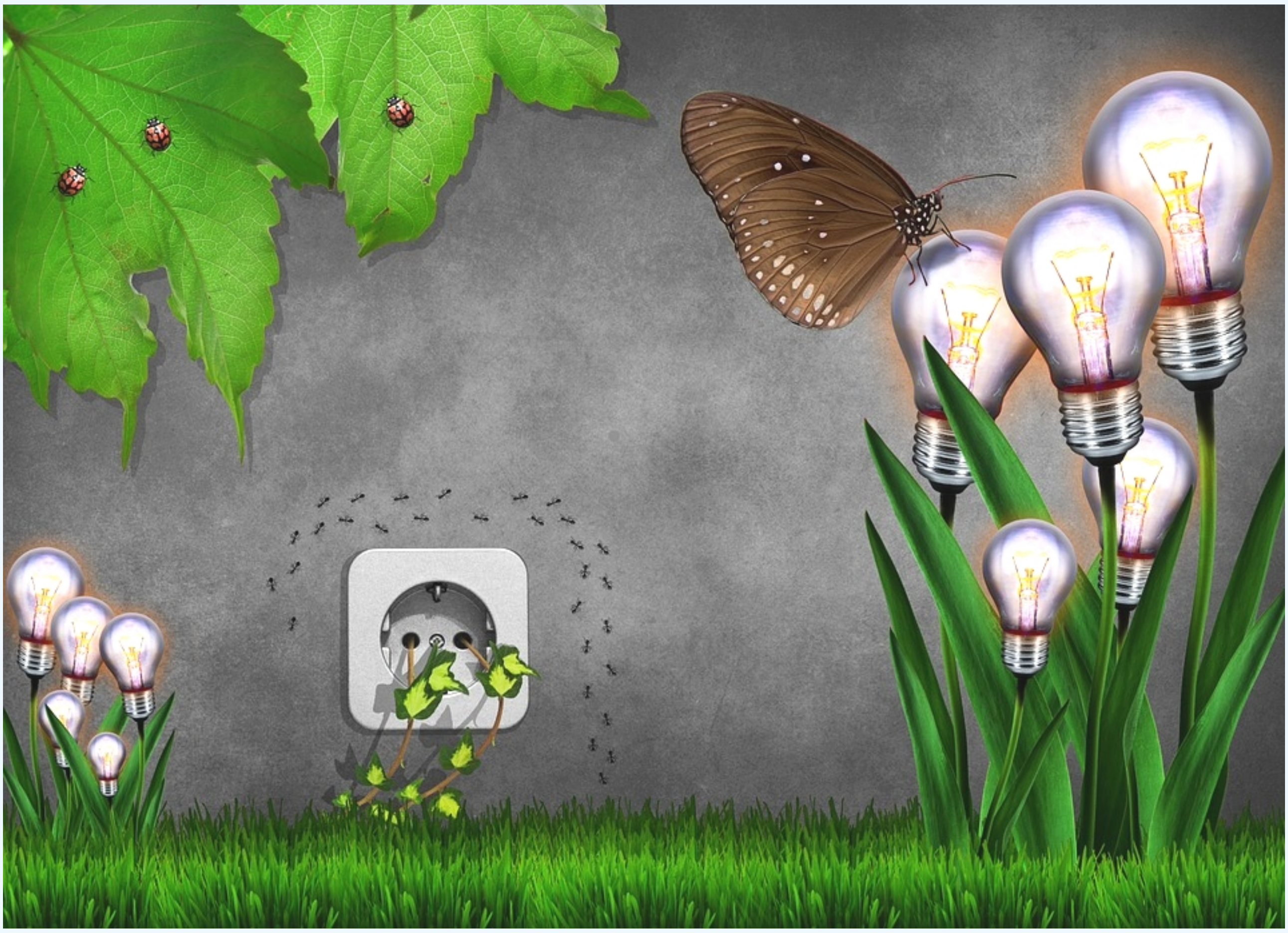
Environment what's new...

EnC/BiH: Mediation Regarding the Environmental Permits of Two Plants

by Vuk Stankovic, (Belgrade)

On 11 December 2017, Energy Community (EnC) Secretariat announced its decision not to initiate dispute settlement procedures against Bosnia and Herzegovina (BiH) regarding the environmental permits of two planned large lignite and coal combustion plants ("TPP Banovici" and "TPP Tuzla 7"). Initially, in 2016 the EnC Secretariat initiated two procedures ECS-16/16 and ECS-17/16 against BiH due to incompliance with EnC's acquis and unclear pollution control limits, one based on complaint dated 26 July 2016 and second based on complaint dated 20 October 2016. In parallel these environmental permits have been also challenged by three lawsuits at the Sarajevo Cantonal Court and requesting the cancellation of the permits that were issued by the environment ministry, where the procedure is still pending.

In July 2017 the EnC Dispute Resolution and Negotiation Centre conducted the first mediation as part of the EnC's dispute settlement procedure concerning TPP Banovici and TPP Tuzla 7. After the settlement agreement, reached on 28 July 2017, the Ministry of Environment and Tourism of the BiH via Ministry of Foreign Trade and Economic Relations of the BiH submitted to Secretariat amended environmental permits that compile with the requirements set forth in Chapter III and Annex V of Directive 2010/75/EU, which eventually resulted in successful mediation procedure. On 27 November 2017, Elektroprivreda BIH reached financial close for TPP Tuzla 7 plant by signing EUR 613 million-loan agreement with the China Exim bank for development of the project, whereas Energy Permit has not been issued thus far and loan guarantee approval by the State Aid Council is still pending. The construction of the TPP Banovici is foreseen to commence in the first half of 2018.



ENVIRONMENT highlights...

EU: Commission Action Plan for a Modern and Clean Economy

by Tetyana Vyshnevska, (Kiev)

On 12 December 2017, during the One Planet Summit in Paris, the European Commission presented a new Action Plan for the Planet, which includes ten initiatives of the European Union aimed at creation of a modern and clean economy, and a fair society, powered by sustainable energy.

The Action Plan provides for the following: 1) incentivising investors to fund projects such as low-carbon and energy-efficient infrastructure. To this end the Commission's High Level Group on Sustainable Finance is expected to present recommendations for a comprehensive programme of reforms to the EU financial policy framework in January 2018 and a comprehensive action plan with initiatives to stimulate the market for sustainable financial products in March 2018. 2) Establishment of a European Fund for Sustainable Development to create opportunities in Africa and the EU Neighbourhood region, with investment windows for sustainable energy and connectivity; sustainable agriculture, rural entrepreneurs and agribusiness; and sustainable cities. This Fund is supposed to leverage public investment to trigger up to €44 billion of private capital flows to sustainable projects (the first agreements and implementation of first projects are expected by mid-2018). 3) Launch of a new Commission’s initiative - Urban Investment Support (URBIS) - to assist cities in planning and implementation of their investment strategies through provision of tailor-made technical and financial advice. 4) Establishment of an EU Island Secretariat entitled to provide technical assistance and to gather and share best practices between EU islands, as well as support of vulnerable island communities through mobilisation of support and resources for the transformation of energy systems in Small Island Developing States under the umbrella of the International Renewable Energy Agency. 5) Launch of two dedicated initiatives to address climate and industrial challenges faced by coal and carbon-intensive regions (identification of short- and medium-term solutions for the transition of three pilot coal and carbon-intensive regions, as well as provision of region-specific support to boost innovation in five selected industrial regions, aimed at decarbonisation, innovation, digitisation, and developing people's skills). 6) Scaling up of existing youth programmes which create a perfect framework for climate action dedicated projects, and launch of new initiatives to create volunteering and employment opportunities for young people in the areas of environment and climate action. 7) Launch of a new financial instrument - Smart Finance for Smart Buildings Facility - by the European Investment Bank with the view to make energy efficiency projects for buildings more attractive to private investors (by using EU grants as a guarantee for these projects) and to multiply the effect of the funds invested by the EU. 8) Elaboration of the EU rulebook for investment in energy performance of buildings to help national governments and municipalities make informed decisions on whether or not to enter into energy performance contracts. 9) Boosting investment in clean energy and climate research and innovation through means of the Horizon 2020 research programme, deployment of targeted financial instruments to lower the risk of private investments, and creation of stable and ambitious regulatory environment (the Innovation and Modernisation funds within the EU Emissions Trading System). 10) implementation of an industrial policy initiative on batteries for the transport sector (establishment of a complete value-chain for the development and manufacturing of advanced batteries in the EU and setting up an EU Battery Alliance to be launched in February 2018); increased financial support to promote public and private investment in alternative transport and the supporting infrastructure across Europe; simplification of EU public procurement rules to make it easier for public authorities to promote clean mobility solutions in their tenders; introduction of the "user and polluter pays" principles for all vehicles etc.

EU: Commission Publishes its Third Report on Energy Union's State

by Stefania Chatzichristofi, (Athens)

On 24 November 2017, the European Commission published its Third Report on the State of the European Energy Union, showing that, due to the progress made during 2017, the EU is on track to implement its Energy Union project. More precisely, this report follows the publication of the 'Clean Energy for all Europeans' report, which contained all the proposals required for the sectors affecting the Energy Union (energy efficiency, RES, consumers etc.), and acknowledges the Europe on the Move initiative regarding the transport sector as well as the Clean Mobility Package, which was an important step in the implementation of EU's commitments under the Paris Agreement.

The Report underlines that while global changes in energy set challenges to the EU, they also create unique opportunities for the EU to step up its role as a global leader in the clean energy transition while providing energy security to all its citizens. Given that the completion of the Energy Union requires engagement and close cooperation between the Commission, Member States (MSs) and society as a whole, the MSs will need to finalise the draft integrated national energy and climate plans for the post-2020 period by early 2018. The Report also confirms that energy transition is not possible without an emphasis on infrastructure projects.

Further, on the same date the Commission adopted a Communication on the 2030 electricity interconnection target of 15% in order to address the considerable achievements made as well as the remaining bottlenecks, particularly in the field of electricity. Moreover, the European Commission adopted the third list of Projects of Common Interest (PCIs), which are key infrastructure projects aimed at completing the European energy market in order to help the EU achieve its energy policy and climate objectives (affordable, secure and sustainable energy for all citizens, as well as long-term decarbonisation of the economy in accordance with the Paris Agreement).

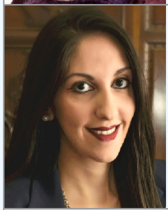
Besides, the Commission reported that the share of renewable energy in the EU energy mix continues to rise and is likely to reach the 20% target by 2020. In the meantime, the EU MSs have to reduce greenhouse gas emissions by at least 20% compared to 1990 levels. The report highlights also the correlation between energy poverty and energy efficiency. With reference to the USA's withdrawal from the Paris Agreement, the Commission announced that the EU should affirm its commitment to fight against climate change and to strengthen global partnerships in this regard.

Additionally, in regards to the Energy Union factsheet regarding Greece, it shows that the energy mix of primary products presents some differences compared to other EU MSs (higher use of petroleum and solid fuels as well as lower use of natural gas and no nuclear). Also, it highlights that the Public Power Corporation (PPC) still retains a dominant position in electricity, even though the country has committed to reduce its market share. Further, Greece has made significant steps towards full liberalisation of its gas retail markets. The share of energy in total household expenditures of the lowest quintile of population is below but close to the EU average. Finally, Greece is expected to achieve its 2020 greenhouse gas emission reduction target.

for further information, please contact **Editing authors**

Mira Todorovic Symeonides, LL.M.
Partner
Rokas (Athens)

Rokas Law Firm
25 & 25A, Boukourestiou Str.,106 71 Athens, Greece
T (+30) 210 3616816; F (+30) 210 3615425
E m.todorovic@rokas.com ; athens@rokas.com



Stefania Chatzichristofi, LL.M, M.Sc.
Associate
Rokas (Athens)

Rokas Law Firm
25 & 25A, Boukourestiou Str.
T (+30) 210 3616816; F (+30) 210 3615425
106 71 Athens, Greece, E athens@rokas.com

Tetyana Vyshnevska
Associate
Rokas (Kiev)

IKRP Rokas & Partners Ukraine
15, Panasa Lyubchenko Str.,office 320
Kiev 03680, Ukraine, E kiev@rokas.com

Authors

Rokas (Athens)

Viktoria Chatzara, LL.M.
Associate

Rokas Law Firm
25 & 25A, Boukourestiou Str.
106 71 Athens, Greece, E athens@rokas.com

Kostis Krimizis, LL.M.
Associate

Rokas Law Firm
25 & 25A, Boukourestiou Str.
106 71 Athens, Greece, E athens@rokas.com

Andriani Kantilieraki
Associate

Rokas Law Firm
25 & 25A, Boukourestiou Str.
106 71 Athens, Greece, E athens@rokas.com

Theodoros Theodorou
Associate

Rokas Law Firm
25 & 25A, Boukourestiou Str.
106 71 Athens, Greece, E athens@rokas.com

Maria Cheimona
Associate

Rokas Law Firm
25 & 25A, Boukourestiou Str.
106 71 Athens, Greece, E athens@rokas.com

Authors *(cont.)*

Rokas (Banja Luka)

Nebojsa Milanovic

Associate

Rokas Law Firm
- ADVOCAT Nebojša Milanović
1 Dositeja Obradovića, 78 000 Banja Luka
Bosnia & Herzegovina, E banjaluka@rokas.com

Rokas (Belgrade)

Vuk Stankovic, LL.M.

Associate

IKRP & Partners Belgrade
30, Tadeusa Koscuskog Str., 11000 Belgrade
Serbia, E belgrade@rokas.com

Mirjana Mladenovic, LL.M.

Associate

IKRP & Partners Belgrade
30, Tadeusa Koscuskog Str., 11000 Belgrade
Serbia, E belgrade@rokas.com

Rokas (Sofia)

Dr. Daniela Dzabarova Anagnostopoulou

Legal Consultant

Rokas Law Firm Branch Bulgaria, I. Rokas
12-16 Dragan Tzankov Blvd.
Lozenetz Sq., 1164 Sofia, Bulgaria
E sofia@rokas.com

Gergana Hadjipanteleeva

Senior Associate

Rokas Law Firm Branch Bulgaria, I. Rokas
12-16 Dragan Tzankov Blvd.
Lozenetz Sq., 1164 Sofia, Bulgaria
E sofia@rokas.com

Veronika Yordanova

Associate

Rokas Law Firm Branch Bulgaria, I. Rokas
12-16 Dragan Tzankov Blvd.
Lozenetz Sq., 1164 Sofia, Bulgaria
E sofia@rokas.com

Rokas (Thessaloniki)

Evridiki Evangelopoulou

Associate

Rokas Law Firm
Tsimiski & 3 G.Theotoka Str.
546 21 Thessaloniki
Greece, E thessaloniki@rokas.com

Authors *(cont.)*

Rokas (Tirana)

Odisea Xhelita

Associate

IKRP Rokas & Partners Albania sh.p.k.
Andon Zako Çajupi Str.
Building No. 3, 4th Floor, Apt. 11
Tirana, Albania, E tirana@rokas.com

Rokas (Zagreb)

Sanja Tolj Par, LL.M.

Associate

Rokas Law Firm – Par & Gradac Law Firm
Kralja Držislava 2, Zagreb
Croatia, E zagreb@rokas.com

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