

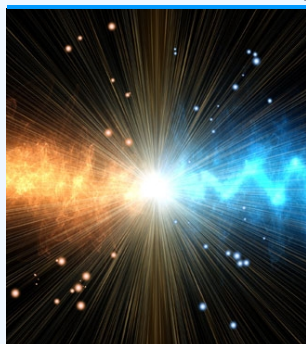
Monthly energy law news from the EU and the SEE countries of the Rokas network

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# ENERGY MARKETS

## EnC: ECRB Publishes First Comprehensive Gas and Electricity Market Monitoring Report

by Lazaros Sidiropoulos (Athens)

On 22 April 2016, the Energy Community Regulatory Board (ECRB) published its Market Monitoring Report covering the gas and electricity wholesale and retail markets of the Energy Community (EnC) Contracting Parties (CPs) and the observer country Georgia for the year 2014. The report describes the status quo of electricity and gas markets both on retail and wholesale level with the aim to identify potential barriers and discuss recommendations on potential improvements.

With regard to the electricity wholesale markets, the report analyses the evolution of wholesale electricity prices and balancing energy prices of the CPs over the last year. Electricity markets in Montenegro, Kosovo\*, Moldova and FYR Macedonia are dominated by one large generating company. As regards balancing energy and reserve capacity for all types of reserve, mostly only one provider in the market was reported by parties. A constant increase of market participants is observed in all markets. In 2014, a rapid increase of eligible consumers was caused by partial market opening in FYR of Macedonia and increase of eligible market participants in Ukraine. Volumes traded through bilateral contracts increased over the period.

In the electricity retail sector, with the exception of Ukraine, where a large number of both local and nationwide suppliers are active in the retail market, supply to electricity end-users was offered by one or several suppliers in 2014, which are at the same time in majority of cases also nationwide suppliers. All new suppliers active in the market indeed operate as nationwide suppliers; this proves that both transmission and distribution networks were effectively opened for suppliers other than incumbent and the first steps towards creating level playing field in the retail markets have proven success. End-user electricity prices for household customers were regulated in all CPs and Georgia in 2014. Also the great majority of non-household customers were still supplied at regulated prices in 2014. In some countries, namely FYR of Macedonia, Montenegro and Serbia, final customers connected to the transmission network were forced to leave the regulated market and choose a new supplier and all non-household customers were allowed to choose their suppliers.

The gas wholesale markets are highly concentrated. Natural gas is mainly imported. Wholesale price regulation is abandoned in all analysed markets with the exception of Ukraine where prices for gas produced in state owned production companies are regulated by the national regulator, NEURC. Gas exchanges do not exist. Traders and suppliers active on those markets also do not buy gas on any other gas exchanges but all gas is provided via long-term and short-term bilateral supply contracts. In all countries except Moldova tariff methodologies are fixed by the regulatory authorities, tariffs are calculated by the TSOs and finally approved by the regulators. In 2014 transmission capacity was still allocated bundled with gas quantities transported. Rules for congestion management were not in place in 2014 and also no market based balancing rules were implemented.

As regards the gas retail sector (Albania, Kosovo\* and Montenegro do not have gas markets), end-users of gas were supplied mainly by regional retail suppliers, i.e. suppliers offering gas only to a restricted area defined by their license and usually performing also a DSO function. The number of active suppliers ranged from 4 in Bosnia and Herzegovina and FYR of Macedonia to 36 in Serbia and 37 in Georgia. The number of suppliers in Ukraine (350) refers to the licensed suppliers but there is no information on number of retail suppliers practically active in the market. The number of nationwide active suppliers was very low. In only two countries, Ukraine and Serbia, transmission and distribution networks were used by more than one supplier. In FYR of Macedonia only the transmission network is used by more than one supplier. Although most of the analysed markets have a substantial number of retailers, only a very limited number of them have a market share higher than 5%. There is mostly no alternative to the incumbent gas suppliers. Low supplier switching rates are observed. End-user gas prices for household customers were regulated in all CPs in 2014, with the exception of FYR of Macedonia, where only a limited number of households was supplied at non-regulated prices. Also the great majority of non-household customers were still supplied at regulated prices in all investigated markets, except Serbia, in 2014.

Finally, the last chapter of the report refers to issues of consumer protection and customer empowerment. In this regard, the report examines how the provisions of the Electricity and Gas Directives, which are relevant for household consumer protection, have been transposed into national legislation. The topics covered in this context are the following: supplier of last resort and disconnections; vulnerable customers; consumer information; complaint handling and dispute resolution.

more news on Energy Markets:

## EU: CEER Publishes Statement of EU and US Energy Regulators

by Paraskevi Charalampidi (Athens)

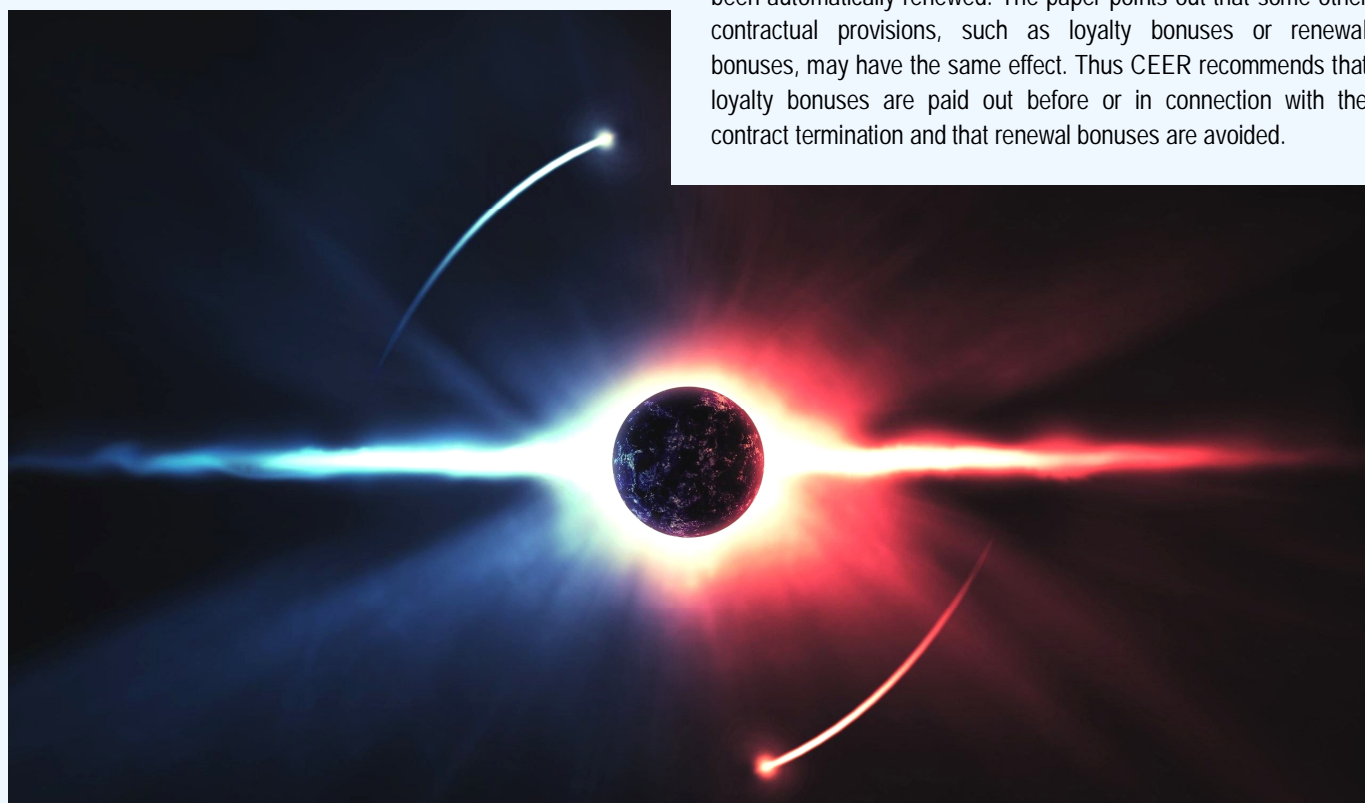
On 25-26 April 2016, the 12th EU-US Energy Regulators Roundtable was held in Madrid to discuss common challenges faced by energy regulators around the world and a respective closing statement of the regulators was published on the website of the Council of European Energy Regulators (CEER). The theme of the meeting was "the new energy system". United States and European energy regulators pointed out that the power system of today is more dynamic and more interactive than in the past thanks to technological developments and public policies (e.g climate change and energy). Furthermore, United States and European energy regulators shared in common that there is a need to give consumers a role in electricity markets. The energy regulators pointed out that the emerging de-centralised model of energy system demands a consumer-centric regulatory model for energy-related products and services. In addition, similarities and differences of the U.S. and European models for wholesale market monitoring were discussed. Among the issues raised in this regard was the eventual need to establish minimum standards for penalties systems across EU Member States in order to ensure proportionate, effective and dissuasive penalties for breaches of REMIT across the EU. Another point of discussion referred to the main cyber security challenges and the need to ensure that cyber threats do not challenge the reliability of the electricity grid and to ensure security along the entire value chain.

## EU: CEER's Position Paper on Early Termination Fees

by Mira Todorovic Symeonides (Athens)

On 17 May 2016, the Council of European Energy Regulators (CEER) issued a position paper regarding the fees imposed to consumers by energy suppliers in case of early termination of energy supply agreements (exit fees, cancellation fees or early termination fees). In this paper CEER considers whether the early termination fees are in compliance with the 3rd Energy Package Directives which require that switching of suppliers should be free of charge for the consumers. The early termination fees should be distinguished from the costs charged at the end of the contract, which are clearly not in compliance the Energy Directives.

The Paper argues that even if the elimination of the early termination fees may positively affect competition between suppliers, in some cases, such as fixed term / fixed price contracts, these fees may be justified to enable the supplier to recoup its hedging costs, provided that: a) the customer is fully and clearly informed in advance; b) the rest of the contract terms are balanced and c) the contract does not lock-in the customer, locking the market for new supplies. In practice these fees often exceed any potential costs incurred by suppliers due to contract early termination. Early termination fees would not be appropriate for contracts with variable pricing in which the customer carries the full risk of the price variation. Automatic renewal of fixed term contracts, particularly in case of complex contract termination procedures, can lead to customer lock-in. Thus CEER recommends that early termination fees are not charged once a fixed term contract has been automatically renewed. The paper points out that some other contractual provisions, such as loyalty bonuses or renewal bonuses, may have the same effect. Thus CEER recommends that loyalty bonuses are paid out before or in connection with the contract termination and that renewal bonuses are avoided.



## EnC: Secretariat Submits 2016 Infringement Package to the Ministerial Council

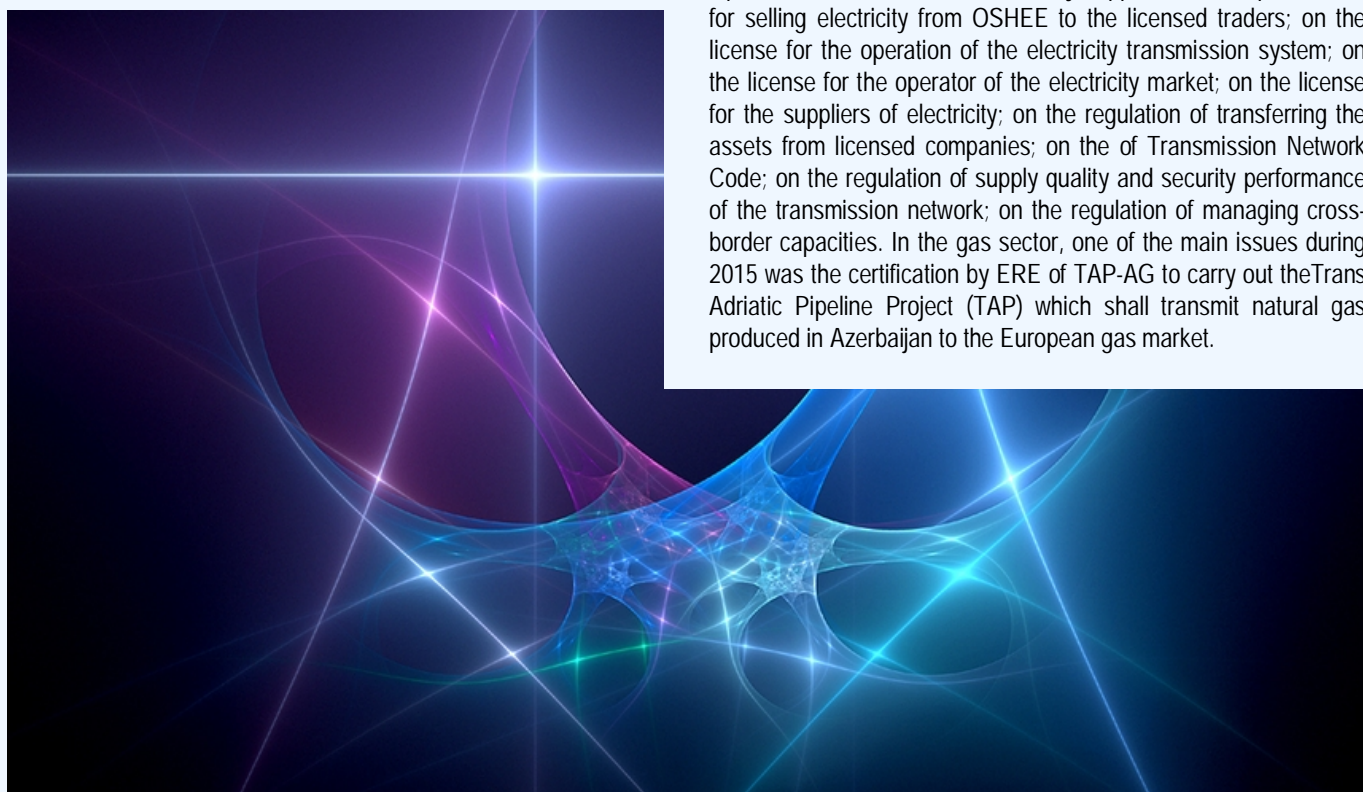
by Stefan Pavlovic (Belgrade)

On 13 May 2016, the Energy Community (EnC) Secretariat submitted a package of 11 dispute settlement cases to the Ministerial Council (MC). The MC will take a decision on the alleged breaches of the Energy Community acquis at its meeting on 14 October 2016 in Sarajevo. Six of the cases – including four on failure to transpose the Third Energy Package – follow a new expedited procedure for non-transposition of the acquis. It is important to note that under article 11 of the Dispute Settlement Rules amended in October 2015 by Procedural Act No 2015/04/MC-EnC, the Secretariat was obliged to submit a Reasoned Request to the MC directly, i.e. without performing a preliminary procedure in following cases: (1) cases against Bosnia and Herzegovina, Kosovo\*, Moldova and FYR of Macedonia which failed to transpose the Third Energy Package by 1 January 2015 (ECS 6-9/16); (2) cases against Albania and Kosovo\* for failing to transpose Directive 2010/31/EU on the energy performance of buildings (ECS 10-11/16). Following cases are submitted pursuant to the 2008 Dispute Settlement rules after carrying out a preliminary procedure: (1) case on Serbia's failure to comply with Articles 3 and 6 of Regulation (EC) 1228/2003 of the Second Energy Package (ECS 3/08); (2) case on FYR of Macedonia's failure to comply with the Energy Community's rules on eligibility by postponing full opening of the electricity market (ECS 2/15); (3) cases on the failure of Bosnia and Herzegovina, Serbia and Ukraine respectively to timely and correctly transpose Directive 1999/32/EC on sulphur content of liquid fuels (ECS 2/13, ECS 4/13 and ECS 5/13).

## Albania: ERE Issues Annual Report on the Energy Sector for 2015

by Odisea Xhelita (Tirana)

On 31 March 2016, the Albanian Energy Regulator Entity (ERE) approved Decision No.37/2016, promulgating the Annual Report on the Situation of the Energy Sector and ERE's activity during 2015 (the "Report"). Among others, the Report describes the market situation in the electricity and gas sector. The production of electricity is licensed by ERE. The Albanian Power Corporation (APC), which is state-owned, is the largest producer in Albania. The net electricity produced in 2015 by private producers has reached to 24.1 % of the domestic product. The transmission of electricity is carried out by a TSO which is a state-owned company. During 2015 the interest for licensing in the energy sector has been increased; in 2014, 64 applications were submitted, while during 2015 such applications were increased to 73 referring to the activities of production, trading and supply with electricity and natural gas. In accordance with the applicable law on power sector, ERE has undertaken during 2015 important regulatory initiatives, some of which are still in process. Some of the regulatory initiatives already drafted during 2015 and waiting for the feedback from the interested parties and from the Energy Community Secretariat Vienna are the following: On the regulation of the procedures of licensing on the energy sector and the modification, the partial/entire transfer, the renewal/removal of licenses; on the regulation of the organization and functioning of ERE and the applicable procedures; on the license for electricity production; on the license for trading with electricity; on the service agreement for the distribution of electricity between Electricity Power Distribution Operator (OSHEE) and the electricity suppliers; on the procedures for selling electricity from OSHEE to the licensed traders; on the license for the operation of the electricity transmission system; on the license for the operator of the electricity market; on the license for the suppliers of electricity; on the regulation of transferring the assets from licensed companies; on the of Transmission Network Code; on the regulation of supply quality and security performance of the transmission network; on the regulation of managing cross-border capacities. In the gas sector, one of the main issues during 2015 was the certification by ERE of TAP-AG to carry out the Trans Adriatic Pipeline Project (TAP) which shall transmit natural gas produced in Azerbaijan to the European gas market.



# E L E C T R I C I T Y

## Greece: Law Introduces Reform of the Electricity Market

by Mira Todorovic Symeonides (Athens)

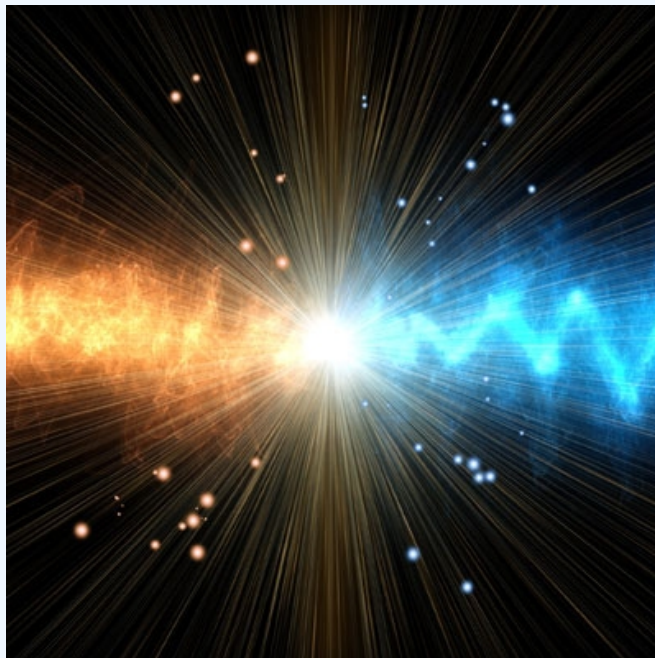
On 22 May 2016, the Greek Parliament voted the Law "Urgent regulations for the implementation of the agreements on fiscal targets, structural reforms and other provisions", which, among other regulates three important issues of the Greek electricity market which have been subject of discussions for several years.

In regard to the retail market, it introduces the sale by the Power Public Corporation (PPC) of electricity term products with physical delivery, on auctions to eligible electricity suppliers (so-called NOME auctions). The purpose is to reduce by the end of 2019 the retail market share of the PPC to less than 50%. The annual quantities of electricity to be sold on the auctions should gradually increase compared to the quantities sold by PPC in August 2015, from 8% in 2016 to 13% in 2019. Only duly registered suppliers will have the right to purchase electricity on these auctions, while the PPC and energy-intensive consumers, even if they are holders of a supply license, will not be eligible, with the exception of the energy-intensive consumers which perform electricity supply on the retail market as a separate activity. The Regulatory Energy Agency (RAE) will further regulate the annual quantities of electricity to be sold as well as other details regarding the implementation of the auctions. The first auction is planned for the beginning of September 2016. The Ministry of Finance and the Ministry of Environment and Energy, will, at the proposal of RAE, regulate the initial electricity price for the auctions, based on the variable costs of electricity production from lignite and hydroelectric power plants. The auctions will be organised by the Market Operator (LAGIE) who will until the end of June 2016 issue the respective rulebook which will regulate the auctions in more details.

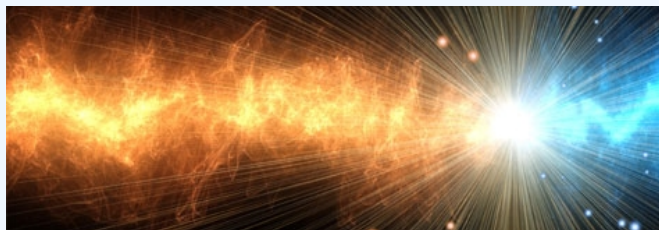
The law also regulates the separation of the Greek TSO (ADMIE), currently 100% subsidiary of the PPC, and its partial privatisation. At the end of the transaction, according to the law, 51% of ADMIE will be held by a Holding company which will have the same shareholders structure as the PPC (51% Greek State and 49% private shareholders), at least 25% of ADMIE's shares will be held by the Greek State and minimum 20% will be sold to a strategic partner. The strategic partner should either be a) an electricity TSO which is a member of ENTSO-E or a TSO which participates in another TSO which is a member of ENTSO-E or b) a consortium in which one member will be a TSO as described under a). The procedure should be initiated in July 2016 and finalised approximately in February 2017. At the end of the procedure ADMIE should pass a TSO certification procedure.

Moreover, the law introduces a Transitional Mechanism of Flexibility Compensation which will come into force on 1 May 2016 and shall last for one year, unless the permanent mechanism is introduced before. The meaning of this mechanism is to compensate certain production units for the flexibility service i.e. availability to quick increase or reduction of dispatched electricity in order to cover the respective demand after receiving dispatch orders from the system operator. The production units which are eligible for participation in this mechanism should have certain technical characteristics; more precisely they should be able, within 3 hours from receiving the respective order of the operator, to increase the production so that the output is increased for at least 8 MW/min for minimum response duration of 3 hours. The amount of compensation of the eligible producers is regulated to be 45 €/kW of the available capacity with a cap of €15 million per production unit. The maximum total compensation on the basis of this mechanism will be €225 million. The eligible producers are open-cycle and combined-cycle gas turbines, hydro power plants and CHP units for the part they do not receive RES support. The interested producers will submit applications to RAE within the given time limit and RAE will organize a register of eligible producers for this mechanism.

The law repeals the provisions of the present law on energy regarding the privatization of 66% of ADMIE and on creation of small PPC, which were part of the previous plans for reorganization of the electricity market.



more news on Electricity:



### EU: Member States Approve Draft System Operation Guideline

by Lazaros Sidiropoulos (Athens)

On 4 May 2016, the Member States gave a favourable opinion on the draft Regulation establishing a guideline on electricity transmission system operation. The draft had been published on 1 December 2015 by the European Commission and was then sent by the European Commission to the Electricity Cross-Border Committee made up of specialists from national energy ministries for an opinion. Following a respective agreement between the European Commission, ACER and ENTSO-E, this draft Regulation merges into a single system operation guideline three former draft operational network codes, i.e. the network codes on Operational Security (NC OS), Operational Planning and Scheduling (NC OPS) and Load Frequency Control and Reserve (NC LFCR). It aims to establish a harmonised institutional framework for enhanced coordination between TSOs for the purpose of safeguarding a good level of operational security, frequency, quality and efficient use of the interconnected system and resources. It also formalises Regional Service Coordinators, RSCs, which will cover the whole of Europe by end 2017.

### EU: Network Code on Requirements for Grid Connection of Generators is Published

by Stefania Chatzichristofi (Athens)

On 27 April 2016, the Regulation EU 2016/631 of 14 April 2016 establishing a network code on requirements for grid connection of Generators (NC RfG), which is the second of eight Network Codes issued by ENTSO-E, was published in the Official Journal of the European Union (L112). This comes after the adoption of the draft NC RfG by the Member States (MS) in Comitology on 26 June 2015. The NC RfG shall become binding in all MS on 17 May 2016. This new Network Code regulates the requirements for grid connection of power generating facilities including synchronous power generating modules, power park modules and offshore power park modules to the interconnection system. It defines the obligations of the system operators to make appropriate use of the power generating facilities' capabilities in a transparent and non-discriminatory manner. The NC RfG is expected to encourage development of market of generating technologies across Europe, allow for increase in RES integration into the grid, harmonise rules for grid connection for power generating modules within the EU, facilitate the EU wide trade in electricity, ensure system security, increase competition and allow more efficient use of the network and resources.

### EU: CEER Publishes Discussion Paper on Scoping of Flexible Response

by Lazaros Sidiropoulos (Athens)

On 3 May 2016, the Council of European Regulators (CEER) published a discussion paper on scoping of flexible response. Flexibility is the ability of the power system to adapt to the growing fluctuations of supply and demand while, at the same time, maintaining system reliability. There are a wide set of tools available to meet power system flexibility needs: system operation procedures, market design arrangements, generation performances, demand elasticity, system planning, and storage. In this paper CEER reviews different regulatory arrangements for flexibility and the valuation of flexibility in electricity markets across Member States, defining the concept of flexible response, exploring the ways in which flexibility is valued on the market and investigating the necessary arrangements to facilitate Demand Side Flexibility (DSF). DSF can be defined as the capacity to change electricity usage by end-use customers (including residential) from their normal or current consumption patterns in response to market signals, such as time-variable electricity prices or incentive payments, or in response to acceptance of the consumer's bid, alone or through aggregation, to sell demand reduction/increase at a price in electricity markets or for internal portfolio optimisation.

Currently, system flexibility needs are generally met through generation flexibility; cross-border exchange and conventional gas-fired generation are the most commonly widespread flexibility resources at national level. Several MSs can also count on hydro, including pumped-storage, even if this is location-dependent. Some contribution to flexibility is also expected by distributed generation (DG). In terms of DSF, the majority of the provision was reported to be from industrial consumers. CEER notes that electricity markets function more properly if consumers are not entirely disjoined from wholesale market prices. Improving opportunities to value DSF helps to overcome that (e.g. explicitly through the market or implicitly through retail prices). To this end, CEER explores in this paper current DSF valuation arrangements, not only in the day-ahead and intra-day market, but also in balancing markets, capacity remuneration mechanisms and in relation to different services procured by TSOs and DSOs. The ambition has been to identify possibilities and challenges in relation to the further integration of flexibility options in general and DSF in particular into the EU electricity market.



## EU/EnC: MoU on Day-Ahead Market Integration and Cross-Border Balancing Targets in Western Balkans

by Evridiki Evangelopoulou (Thessaloniki)

On 27 April 2016, the representatives of transmission system operators, national regulatory authorities and ministries of energy and power exchanges of the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, FYR of Macedonia, Montenegro and Serbia) committed to implementing a memorandum of understanding (MoU) defining general principles of cooperation as well as concrete actions to develop the regional electricity market. The MoU's signatory countries agreed to implement day-ahead market integration in their region with the aim of achieving market coupling of national organised day-ahead markets with at least one neighbouring WB6 or EU country by July 2018 and cross-border balancing cooperation between them by December 2018. The MoU's signatory countries are also bound to come to legally binding agreements in order to facilitate the implementation of the regional electricity market objectives agreed by the Energy Ministers on August 2015 and to boost coordination between Western Balkans countries. It is noteworthy that the MoU is still open for signature by additional WB6 and EU neighbouring stakeholders, which are willing and expected to assume a role in the market integration projects.

## EU: ENTSO-E Publishes its 2015 Annual Report

by Mira Todorovic Symeonides (Athens)

In May 2016, ENTSO-E published its 2015 Annual Report which highlights the work of ENTSO-E and its members, 41 electricity TSOs from 34 European countries, in 2015. The accomplishments include: the adoption of the first five network codes and guidelines; the successful stress test of the 20 March solar eclipse by the European grid; the ENTSO-E's Transparency Platform which became operational in 2015 providing the principle data of the European power market to all interested parties; finalisation of the e-Highway 2050 project which presents the evolution of the grid to reach close to zero emissions by 2050; and speeding of regional cooperation by the TSOs. After several years of cooperation between the European Commission, ACER, ENTSO-E, TSOs, market participants and experts, one network code (the Guideline on Capacity Allocation and Congestion Management) entered into force in August 2015 while the four other network codes were voted by the Member States in comitology in 2015 and will enter into force in 2016. ENTSO-E was particularly active in the consultation regarding market design and the grid planning for the next Ten-Year Network Development Plan, the TYNDP 2016.

## Albania: ERE Issues Decision Affecting Priority Producers of Electricity

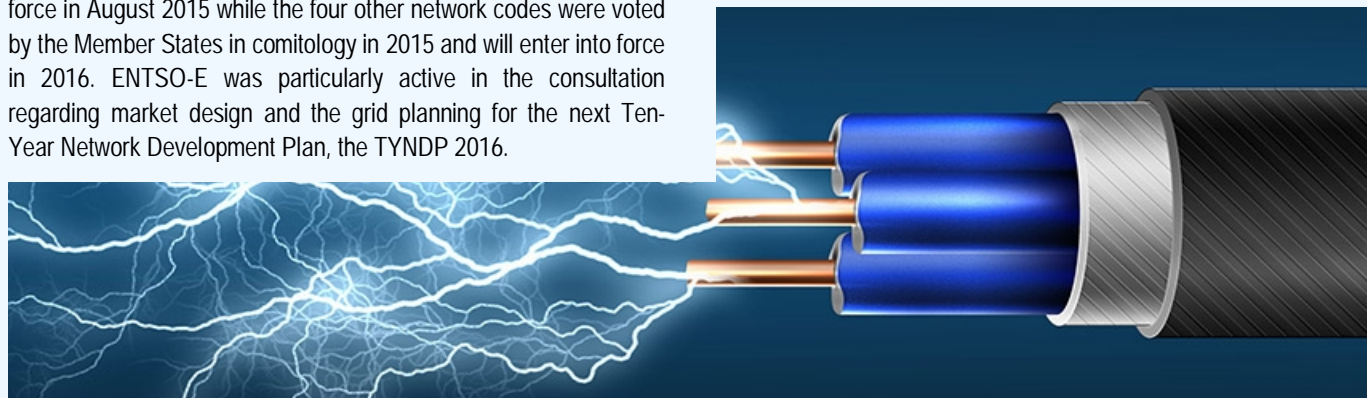
by Odisea Xhelita (Tirana)

On 15 May 2016, the Albanian Energy Regulator ERE issued Decision No.62/2016, announcing the commencement of procedures for approving some amendments to the template contract for the trading with electricity between the Albanian Power Corporation (APC) and small producers, as it has been previously approved by the decision No.80/2009, as amended. By virtue of decision No.62/2016 ERE has initiated the amendment of the decision No.80/2009, among others, providing that the Electricity Distribution Network Operator (OSHEE) must sign an agreement for the purchase of electricity with the Priority Producers of Electricity, having regard to the Decision of the Council of Ministers (DCM) No.244/2016. The latter DCM stipulates the terms of imposing the obligation of public service, which applies on licensed energy operators active in production, transmission, distribution and supply of electricity. According to such decision ERE is entitled to determine the selling price of electricity to the Priority Producers of Electricity. Pursuant to the last paragraph, decision No.62/2016 came into force on 13 May 2016, it has been published on ERE's website and shall be published on the Official Gazette.

## Croatia: Public Consultation Draft Transmission System Code launched

by Sanja Tolj Par (Zagreb)

On 11 May 2016, the Croatian electricity Transmission System Operator (HOPS) launched a public consultation on the Draft Transmission System Code which the TSO is obliged to adopt in accordance with the provisions of Article 35, Paragraph 3 of the Electricity Market Act (Official Journal, 22/2013 and 102/2015) and the Article 53, Paragraph 4 of the Renewable Energy Sources and High Efficiency Cogeneration Act (Official Journal, 100/2015). The Transmission System Code regulates the planning of development of the electricity network and operation and manner of managing the transmission network and electric power system. It also determines the measurement rules for points of connection of users to the transmission network. Energy operators and interested public are invited to submit their comments, opinions and statements until 30 May 2016.



## O I L &amp; G A S

## Ukraine: Natural Gas Market Update

*by Tetyana Vyshnevskaya (Kiev)*

In May 2016, Verkhovna Rada of Ukraine (the Parliament), the Cabinet of Ministers of Ukraine (CMU) and the National Energy and Utilities Regulatory Commission (NEURC) introduced a number of changes affecting participants of the natural gas market, including the following:

On 21 April 2016, the draft law no. 3617 of 10 December 2015 Amending the Law of Ukraine on Natural Gas Market (concerning the reserve stocks of natural gas) (the Draft) passed the first reading in the Parliament. The Draft provides for a significant reduction of the required volume of reserve stocks of natural gas (from 50% to 10% of the expected monthly supply) to be formed by natural gas supplying companies in order to operate at the market. As of now, the Draft is being prepared for the second reading by the Parliament.

On 27 April 2016, the CMU issued Resolution no. 315 Amending the Resolution of the CMU dated 1 October 2015 no. 758 (which approved the procedure for imposition of public service obligations on certain natural gas market participants) and thus levelled the natural gas price for the population and the industry. According to the Resolution 315, as of 1 May 2016 and until 31 March 2017 the retail price of natural gas for household consumers shall amount to UAH 6879 per 1000 m<sup>3</sup> (including VAT and transmission fees) and may be revised on a quarterly basis in case of changes significantly affecting the regulated retail prices (RRP) of natural gas. Noteworthy, the formula for calculation of the RRP has been modified as well and now one of its variables (the regulated wholesale price for gas suppliers) includes the price of the imported gas at the NetConnect Germany (NCG) gas hub. The Resolution 315 became effective on 30 April 2016.

On 10 March 2016, the NEURC issued Resolution no. 304 on Approval of Amendments to the Gas Transmission System (GTS) Code and Amending the Resolution of the NEURC dated 30 September 2015 no. 2494. The main purpose of the Resolution 304 is to bring existing regulations in line with the Natural Gas Market Law and ensure transparent conditions for natural gas transmission at interstate connection points. For this purpose the NEURC supplemented the GTS Code with necessary definitions and a new chapter on the procedure for conducting auctions for capacity allocation at interstate connections, and updated the procedure for making re-nominations. The Resolution 304 came into force on 6 May 2016.

On 17 March 2016, the NEURC issued Resolution no. 334 on Approval of Amendments to the Resolution of the National Energy Regulatory Commission dated 4 October 2012 no. 1258. Thereby the NEURC approved a set of templates for the quarterly reporting by licensees performing natural gas transmission, distribution and storage, as well as relevant instructions for filling in the templates. The Resolution 334 came into force on 17 May 2016.

Moreover, on 29 April 2016, the NEURC launched public consultations on a draft NEURC Resolution amending: the Gas Distribution System Code, the Rules for Natural Gas Supply, the standard contracts on natural gas distribution and supply to household consumers, and the Methodology for establishing the transmission and distribution network connection fees. The consultations ran until 31 May 2016. In addition, on 16 May 2016, a public consultation on draft amendments to the GTS Code was launched. The amendments were prepared by the current gas transmission system operator (TSO) (PJSC Ukrtransgaz) with the view to eliminate existing obstacles in regard to: the financial security (bank guarantee, advance payments) provided to the TSO by companies making use of natural gas transmission services; the differentiation between natural gas used for heat production for consumers and for own consumption/electricity production; the allocation of volumes of natural gas consumed above the confirmed/monthly nomination. The stakeholders are welcomed to provide their comments and propositions by 1 July 2016.

more news on Oil & Gas:

## EU: CEER's Response to the European Commission's Strategy for LNG and Gas Storage

by Dimitris Nisanakis (Athens)

On 13 May 2016, the Council of European Regulators (CEER) published a response to the European Commission's strategy for LNG and gas storage published on 16 February 2016. The Commission's strategy aims to exploit the potential of LNG and storage to make the EU gas system more diverse and flexible, thus contributing to the key Energy Union objective of a secure, resilient and competitive gas supply. CEER's opinion regarding the ways to make the use of storage across Europe more efficient by encouraging SSOs (Storage System Operators) to develop and provide new services is in agreement with Commission as it is with the Commission's strategy that the question of transmission tariffs for storage is best dealt with in work to develop the EU-wide network code on gas transmission (TAR NC). CEER also agrees with the need for greater interconnectivity and regional cooperation combined with adequate physical access to storage which will result in its more efficient use. However, regarding the construction of priority infrastructure projects to give all Member States access to LNG, either directly via terminals or indirectly via interconnectors or access to liquid hubs CEER asks for clarifications as to whether new infrastructure is needed under normal circumstances to supply European gas demand, or only in case of supply disruptions, so for Security of Supply purposes.

## EnC: Secretariat Proposes "Switch on Clause" for Interconnections between EnC and EU Countries

by Mira Todorovic Symeonides (Athens)

On 2 May 2016, the Secretariat of the Energy Community (EnC) sent a letter to the European Commission proposing that the Third Energy Package Network Codes (particularly the switch on clause in the Gas Network Codes on Harmonised Transmission Tariff Structures and on Capacity Allocation Mechanisms) are applied both by the EU Member States (MSs) and the EnC Contracting Parties (CPs) at the interconnection points between anyone from the above two groups. Currently the MSs are obliged to apply the network codes (some of which are still in preparation) at the interconnection points only with other MSs while the CPs intend also to adopt and apply the same network codes at interconnection points within the Energy Community region. Thus the Secretariat proposes that the application of the codes is compulsory for all parties also at the interconnection points between a MS and a CP.



## EnC: Secretariat Publishes Third CESEC Report on Gas Market integration

by Stefan Pavlovic (Belgrade)

On 2 May 2016, the Energy Community (EnC) Secretariat published its monitoring report on the implementation of the Action Plan under the Central and South-Eastern European Gas Connectivity (CESEC) Memorandum of Understanding. The present monitoring report is the third in a series of bimonthly reports on the progress made by the Energy Community Contracting Parties participating in CESEC, i.e. Albania, Serbia, FYRoM, Moldova and Ukraine. Monitoring focuses on the implementation of following action points: ensuring transparent and non-discriminatory third party access; ensuring free flow of gas and provision of competitive framework; infrastructure related measures; measures required for market integration; TSO unbundling; and NRA independence. Excluding certain issues like absence of Third Energy Package adoption in Moldova and FYRoM, functional unbundling of Serbia's transmission system operator and regulators' independence, the report shows that the implementation of the majority of the action points remains on track. However, it is important to point out that this is largely due to the majority of the implementation deadlines not having expired rather than concrete progress during this reporting period. Regarding infrastructure projects, the report focuses on the Gas Interconnection Bulgaria-Serbia (IBS), as one of only two CESEC priority projects where a Contracting Party is involved. This pipeline shall improve diversification of routes and sources and interconnectivity of natural gas markets in South East Europe.

## EnC/Ukraine: Secretariat Issues Conditional Approval of Naftogaz Unbundling Plan

by Tetyana Vyshnevskya (Kiev)

On 6 May 2016, the Energy Community Secretariat issued a Conditional Approval of the Unbundling Model for the Transmission System Operator of Natural Gas in Ukraine. It includes a detailed analysis of the draft plan for unbundling of the NJSC Naftogaz of Ukraine (hereafter: the Plan), resubmitted by the Ministry of Energy and Coal Industry of Ukraine (hereafter: the Ministry) on 23 April 2016 after the public discussion with relevant stakeholders held on 14 March 2016, with the purpose to provide Ukrainian authorities with the Secretariat's comments on the compliance of the proposed Plan with the requirements for unbundling and independence of TSOs stipulated in the Directive 2009/73/EC concerning common rules for the internal market in natural gas (hereafter: the Directive). According to the Conditional Approval, the Secretariat expresses concern as regards certain parts of the Plan: on the formation and designation of the TSO; ownership or concession of the gas transmission system; independence of public entities exercising control over energy undertakings and certain competences of the Ministry. The latter is required to amend the Plan in accordance with the Secretariat's suggestions and the action plan for unbundling of the gas TSO, with rigid timeframes (attached to the analysis), prioritise the unbundling of the TSO and immediately commence elaboration of necessary amendments to the existing legislation of Ukraine in order to carry out the unbundling process in line with the Directive and the case law of the European Commission. The amended Plan should be adopted by the Ukrainian Government by 1 June 2016.

## Montenegro: Draft Report on Strategic Environmental Assessment of Master Plan of Gasification

by *Stefan Pavlovic (Belgrade)*

On 21 April 2016, the Ministry of Economy of Montenegro invited all interested parties to submit comments to a Draft report on the procedure for determining the scope and content of the Report of Strategic Environmental Assessment (SEA) for the Master Plan of gasification of Montenegro. Opinions, remarks, comments and suggestions should be submitted before Tuesday 24 May 2016. The Ministry of Economy is in the process of drafting the Master Plan of gasification of Montenegro, a project which is funded by grants received from the Western Balkans Investment Framework (WBIF). As a part of the project and in accordance with the laws of Montenegro and the terms of reference for this project, drafting of a SEA is planned.

## Poland: Amendment to Energy Act Eliminating Regulation of Gas Tariffs

by *Piotr Kloc (Warsaw)*

On 25 April 2016, the Polish Energy Ministry launched a public consultation on draft amendments to the Energy Law aiming at gradual abolishment of regulation of gas prices as a result of a respective decision which was issued by the European Court of Justice (ECJ) on 10 September 2015 (case C-36/14). The ECJ found that the Polish Energy Law, which imposes a duty on companies trading with gas to submit their tariffs for approval to the Energy Regulatory Office, is not in compliance with European Law, especially for violating the freedom of market principle. Poland was obliged to eliminate this duty in order to avoid imposition of a fine. The Polish Energy Law shall be adjusted to the Directive 2009/73/EC concerning common rules for the internal market in natural gas. The Ministry of Energy is going to eliminate regulated natural gas tariffs gradually commencing from the groups which supply the largest volumes of natural gas. From the beginning released will be entrepreneurs who trade with: big consumers (consuming at least 25 million m<sup>3</sup> of gas annually per one receiving point); Gas Transmission Operators; the wholesale markets, CNG and LNG gas or within public procurement. From 1 April 2017 released will be other suppliers who supply less than 25 million m<sup>3</sup> of gas annually per one receiving point, not including the suppliers of households – those will be released on 1 January 2024. The release from tariffs is planned gradually in order to avoid quick increase of gas prices, within household consumers, who will be guaranteed regulated natural gas tariffs until 2024. Poland is the last country among EU members which regulates the natural gas tariffs by a public authority. It is also said that natural gas is the most expensive for the average individual consumer, while taking into consideration the purchasing power of currency among EU countries. The draft amendment is supposed to be compliant with European law and shall pave the way for the entry of new suppliers into the Polish energy market.

## Romania: European Commission Requests Romania to Transpose the Offshore Safety Directive

by *Corina Bădiceanu (Bucharest)*

At the end of April 2016, the European Commission formally requested Romania to take proper actions in order to ensure the transposition of the Offshore Safety Directive (Directive 2013/30/EU) into national law. The Offshore Safety Directive, which should have been transposed into national law by 19 July 2015, provides a set of rules to help prevent accidents, as well as to respond promptly and efficiently should one occur, such as the preparation by the companies of a Major Hazard Report for their offshore installation prior to the beginning of the exploitation or production, or the verification by the national authorities of the safety provisions, environmental protection measures and emergency preparedness of rigs and platforms. The European Commission's request comes after the launch in 2015 of an infringement procedure against 15 Member States: Bulgaria, Cyprus, Estonia, France, Germany, Greece, Ireland, Latvia, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain and the United Kingdom. Should Romania fail to comply with the transposition obligation within two months, the European Commission may decide to refer the country to the Court of Justice of the European Union.

## Serbia: AERS Adopts Methodology for Setting Costs for Connection to the Gas Network

by *Vuk Stankovic (Belgrade)*

On 19 April 2016, the Council of the Agency for Energy of Republic of Serbia (AERS) adopted the Methodology on setting costs of connection to natural gas transmission and distribution systems (OG RS 42/2016) ("Methodology"). The Methodology defines the method and detailed criteria for calculating the costs for connecting facilities of final customers and producers of natural gas or biogas to systems that are used for transmission and distribution of natural gas. The costs differ depending on criteria such as the location of the connection, the approved capacity, the need for construction works, the need for installation of the necessary equipment, devices and materials. The Methodology also defines the manner, procedure and deadlines for the submission of data and documentation to the AERS. The Methodology entered into force on 1 May 2016.



# RENEWABLES

## Greece: Regulations for Guarantees of Origin and Sustainability Criteria for Biofuels

by Lazaros Sidiropoulos (Athens)

On 27 April 2016, the Greek energy regulator RAE launched a public consultation on two draft amendments to the electricity market code and to its rulebook, which were proposed by the Greek electricity market operator LAGIE, aiming to regulate the operation of the system of Guarantees of Origin (GoO) in the Greek electricity market. GoO are regulated in article 15 of the RES Directive 2009/28/EC and serve as a means to prove to final customers the share or quantity of energy from renewable sources in an energy supplier's energy mix. Each GoO is electronically issued and has the standard size of 1 MWh; no more than one GoO may be issued in respect of each unit of energy produced.

Pursuant to the drafts put forward for consultation by RAE, there shall be three bodies competent for the issuance of GoO, i.e. LAGIE for the interconnected system (mainland grid); DEDDIE (Greece's DSO) for the non-interconnected islands; and The Centre for Renewable Energy Sources and Saving (CRES) for autonomous systems. LAGIE shall be in charge of calculating yearly the country's energy mix as well as the energy mix allocated to each electricity supplier based on the data provided by the above three GoO issuing bodies and the production and consumption data provided to it by the TSO and DSO. The exact methodology for such calculations is extensively regulated in a draft annex to the electricity market code rulebook. Where an electricity supplier wishes to alter its energy mix by raising the share or quantity of energy from renewable sources in its energy mix it may do so by using GoO. Thus, GoO serve, on the one hand, as an additional means of compensation of RES producers and on the other hand, as a means for electricity suppliers to attract environmentally-conscious customers, who request such GoO from their suppliers with the intention to contribute to the promotion of the use of RES for electricity production.



On 26 April 2016, Joint Ministerial Decision no. 175700/2016 was published in the Official Journal (B 1212) introducing a system of sustainability criteria for biofuels and bioliquids. The Decision regulates in detail the procedure to be followed for the verification of fulfilment of the sustainability criteria for biofuels and bioliquids, which are provided in Law 4062/2012 in line with Articles 17 to 21 of the RES Directive.

The competent authority for monitoring and verification of fulfilment of the sustainability criteria for biofuels and bioliquids shall be the Direction for Hydrocarbons within the Ministry of Environment and Energy. The Decision defines which economic operators are obliged to prove fulfilment of the sustainability criteria, including all operators involved in the several stages of the production and supply of biofuels and bioliquids and the operators which receive financial support for consumption of such. It also specifies the methods to prove fulfilment of the sustainability criteria. Economic operators are obliged to be in possession of a certificate of fulfilment of sustainability criteria, the necessary content of which is regulated in the Decision. Some particular categories

of economic operators may, instead of such certificate, hold a mass balance certificate which proves the use of a mass balance system as defined in Law 4062/2012 and the RES Directive. The Decision regulates extensively the operators, which may receive such a certificate, its necessary content and the general obligations to be met by such operators in this regard.

Other obligations, which need to be met by all economic operators, which are obliged to prove fulfilment of the sustainability criteria, include the obligation to issue a declaration of fulfilment of the sustainability criteria and hand it over to their counterparties each time they perform a transaction in the process of delivering raw materials or products in connection with biofuels and bioliquids. A sample declaration is annexed to the Decision. Another declaration to be submitted by the economic operators is one providing information about the sustainability characteristics of the biofuels and bioliquids used, which has to be submitted annually to the competent authority as per a respective annex to the Decision. The Decision came into force on the date of its publication, while some specific provisions regarding some of the obligations laid down to economic operators shall come into force after six months.

more news on Renewables:

## EU: ENTSO-E and Renewables Grid Sign MoU for Cooperation

by *Stefania Chatzichristofi (Athens)*

On 4 May 2016, ENTSO-E initiated a long term cooperation with the Renewables Grid Initiative (RGI) by signing a MoU that enables both parties to participate in each other's activities in order to ensure increase of RES and environmentally responsible expansions in the grid as well as a transparent grid development. From its side, ENTSO-E shall benefit from RGI's position as an independent meeting point between TSO's and NGO's, while RGI shall benefit from ENTSO-E's expertise and communication with the TSO's. Through this MoU, the two organisations shall develop joint activities (via conferences, development of joint communication material as well as joint actions of targeted communication to specific people) that refer to electricity infrastructure development and more precisely activities related to best practices, regulatory and political issues of grid infrastructure as well as actions concerning the selection of Projects of Common Interest (PCI's) and comments on the Ten Year Network Development Plan (TYNPD) that is expected on June 2016. In the first quarter of each year an assessment of the cooperation of the two organisations shall take place.



## Montenegro: Draft Decree on Incentive Fees for Production of Electricity from RES and Cogeneration

by *Stefan Pavlovic (Belgrade)*

On 16 May 2016, the Ministry of Economy of Montenegro published a draft decree on incentive fees to encourage production of electricity from renewable energy sources and cogeneration. The draft decree regulates the method of determining the amount of compensation to encourage the production of electricity from renewable resources and co-generation and the allocation of funds collected from fees; the method of more precise calculation of the proportionate/balanced share between electricity suppliers and the eligible buyer – self-supplier; and the dealing with the surplus or shortage of raised funds in purchase and selling of electricity from privileged producers. One of the novelties introduced, in contrast to the currently valid version of the decree ("Official Gazette of Montenegro", Number 8/14), is the calculation of incentives for end-consumers with consuming power of more than 50 MW, according to which these consumers are divided in 3 categories depending on their consuming power: (1) 50-100 MW, (2) 100-120 MW; (3) more than 120 MW. Also, a provision regulating imposition of penalties is introduced. The complete text of the draft decree can be downloaded from the website of the Ministry of Economy (in Montenegrin language).



# COMPETITION - STATE AID

EU: The General Court Finds the 2012 German Law on Renewable Energy as Involving State Aid

by Viktoria Chatzara (Athens)

On 10 May 2016, the General Court of the European Union issued its decision on an appeal submitted by Germany against a decision of the European Commission, according to which the German law on renewable energy of 2012 (the EEG 2012) involved State aid. Germany appealed the above mentioned decision of the European Commission, although the Commission had concluded that the aid involved in the EEG 2012 was mostly compatible with the single market. According to the specific provisions of the EEG 2012 in question, undertakings providing electricity from renewable energy sources and mine gas were guaranteed a price higher than the market price, which was financed by an "EEG surcharge" imposed on the suppliers, which, pursuant to the market price, further passed it on to the final customers. Moreover, the EEG 2012 provided that two specified categories of customers, electricity-intensive undertakings in the manufacturing sector and railways, were eligible for a cap on that passed on surcharge in order to continue being competitive on an international level. Pursuant to the Commission's decision, both the support for the undertakings producing electricity from renewable energy sources and the reduction in the surcharge for electricity-intensive undertakings, qualified as State Aid, in the sense of the applicable EU Law provisions. Nevertheless, the Commission concluded that the above mentioned State aid schemes were for the most part compatible with the EU Law, thus ordering only limited recovery of the relevant amounts.

Germany appealed before the General Court of the EU with three main arguments: that there were manifest errors of assessment in the evaluation of the facts, that there is no advantage linked to the special compensation scheme, and that there is no advantage financed through State resources. The General Court examined in substance all the arguments put forward by Germany and dismissed them all, upholding in this way the Commission's decision. More specifically, according to the General Court, the Commission correctly stated that the reduction in the EEG surcharge provided for electricity-intensive undertakings conferred to them an advantage, within the meaning attributed to this sense by the applicable EU provisions and case-law, since the relevant EEG 2012 provisions released these undertakings from a financial burden they would normally have to bear. Furthermore, taking into account that the schemes implemented for the support of renewable energy were created by means of legal provisions, the funds generated by the EEG surcharge were administered collectively by TSOs and remained under the dominant influence of the State authorities, that these amounts were funds involving a State resource and could be characterized as a levy, and that the TSOs could not act freely and on their own behalf, but on the contrary as administrators of aid granted through State funds, the General Court concluded that the Commission was correct in stating that the EEG 2012 involved the use of state resources. It remains to be seen whether Germany will decide to challenge the General Court's decision as well, before the Court of Justice of the European Union.



## more news on Competition - State Aid:

## EU: Commission Publishes Decision on German State Aid Scheme concerning Non-Ferrous Metal Producers

by *Viktoria Chatzara (Athens)*

On 5 May 2016, the European Commission's decision regarding the compatibility of a German state aid scheme concerning producers of non-ferrous metals was published in the Official Journal of the European Union. According to the contemplated scheme, Germany would relieve non-ferrous metal producers of indirect CO<sub>2</sub> costs included in the electricity price, following a relevant application of the eligible undertaking to the Federal Office for Economics and Export Control (BAFA). According to Germany, the scheme was designed due to the economic difficulties this particular sector was facing and it was necessary and proportional to the aim of preventing these specific undertakings from closing, whereas it was expected to have a total budget of € 40 million. The Commission, after receiving a relevant notification from Germany, opened on 17 November 2010 an in-depth investigation into the above described scheme, which resulted in the Commission's decision of 17 July 2013, which was published on 5 May 2016, and according to which this state aid scheme was found to be incompatible with the internal market and, thus, could not be implemented.

## EU: Commission Decides Not to Raise Objections to a RES State Aid Scheme of Italy

by *Stefania Chatzichristofi (Athens)*

On 29 April 2016, the European Commission's decision not to raise any objections against an Italian scheme supporting electricity generation from RES was announced by a press release. The State aid scheme at hand benefits all renewable energy technologies, apart from solar power which does not require any kind of support since it is already very competitive on the Italian market. The aid for RES projects, according to this scheme, is granted depending on the size of the projects and the scheme is intended to last until the end of the year 2016. The Commission assessed that the said scheme shall support Italy in achieving its EU energy targets by deploying approximately 1300 MW of extra RES capacity. According to the Commission's press release, the support scheme helps the integration of RES into the market. Additionally, it is noted that the measure shall also support the already existing generators of any size (ex. by maximizing their efficiency etc). Consequently, the Commission concludes that the scheme is in line with the EU energy targets and does not distort competition in the internal market.



# ENERGY INFRASTRUCTURE

## EnC: Public Consultation on the 2016 List of Proposed Priority Infrastructure Projects

by Tetyana Vyshnevskaya (Kiev)

On 2 May 2016, the Energy Community (EnC) Secretariat launched a public consultation on the selection of priority infrastructure projects in line with EU Regulation 347/2013 on guidelines for trans-European energy infrastructure (TEN-E Regulation), as adapted for the EnC by the Ministerial Council's Decision D/2015/05/MC-EnC of 16 October 2015. The purpose of the consultation is to gather stakeholders' views on the gas, electricity, smart grids and oil infrastructure projects proposed during the open call for the EnC priority projects in January-February 2016. The list of projects offered for discussion includes 32 projects for electricity, gas, oil network and smart-grid development, aimed to contribute to market integration, sustainability, interoperability, promote competition and ensure security of energy supply.

The 17 gas projects include the Ionian Adriatic pipeline (Albania, Montenegro and Croatia - an extension of TAP pipeline system, and potentially part of the Southern Gas Corridor), EAGLE LNG and pipeline (Albania, Italy - to increase the availability of LNG, become a new import route and bring gas to countries in South East Europe not yet gasified), TESLA pipeline (FYR of Macedonia, Greece - to transport natural gas from the planned Turkish Stream to Central and Eastern Europe via Greece, FYR of Macedonia, Serbia, Hungary and Austria) as well as 2 interconnectors (Serbia-Kosovo\* and Hungary-Ukraine) and 12 interconnection pipelines (between Albania, Bosnia & Herzegovina (BiH), Bulgaria, Croatia, Greece, Kosovo\*, FYR of Macedonia, Poland, Romania, Serbia and Ukraine). These projects are expected to enable development and integration of natural gas markets at the national and/or regional level; integrate gas storages in Serbia into the regional gas market; contribute to diversification of import routes and/or supply sources, enable/increase bi-directional capacities of gas flow; and lower the usage of firewood and/or coal resulting in significant protection of forestry and reduction of CO<sub>2</sub> emissions, while development of gas-fired power plants, due to the increased availability of natural gas, should support the integration of renewable energy sources (RES) into the electricity grid.

The 12 electricity projects provide for construction of 6 interconnections (between Albania, BiH, Croatia, Kosovo\*, FYR of Macedonia, Moldova, Poland, Romania and Ukraine), including the Asynchronous Interconnection of ENTSO-E system and the Ukrainian electricity network (Poland, Ukraine), and the Interconnection 400 kV OHL Bitola-Elbasan (Albania, FYR of Macedonia), as part of an initiative to establish a major East-West electricity transmission corridor between Bulgaria, FYR of Macedonia, Albania and potentially Italy; the 1st and 2nd phases of the Transbalkan corridor (BiH, Italia, Montenegro, Romania and Serbia); the Trans-Balkan Electricity Corridor (grid section in Montenegro); 2 projects for rehabilitation of existing interconnections (between Moldova, Romania, Slovakia, Ukraine) and the installation of the back-to-back station 400 kV OHL (Moldova, Romania) and new OHL in Moldova. The implementation of these projects shall increase the transmission capacity, resilience and flexibility of the transmission network, and thus facilitate the market integration, diversify the import/export directions, reduce infrastructure bottlenecks and allow for increased connection of generation capacities including RES.

Two smart-grid projects in Kosovo\* and FYR of Macedonia shall contribute to the reduction of the electricity consumption and grid losses, increase the revenues and improve electricity supply of rural (long distance) consumers. Finally, the sole oil infrastructure project, PCI Adamowo-Brody pipeline (Ukraine-Poland) is expected to diversify oil supply routes to the EU and Poland, enabling the supply of about 10 million tons of oil annually from the Caspian Sea and Central Asia regions, with the possibility of the reverse mode. The consultation shall last until 2 June 2016. The preliminary list of projects shall be submitted for adoption by the Ministerial Council in the Q4 of 2016.



more news on Energy Infrastructure:

## EU: ENTSO-G and ENTSO-E Launch Joint Public Consultation on Europe's Future TYNDPs 2018 Scenarios

by Tetyana Vyshnevskya (Kiev)

On 12 May 2016, the European Network of Transmission System Operators for Electricity (ENTSO-E) and Gas (ENTSO-G) launched a joint public consultation to gather views of relevant electricity and gas stakeholders on future development scenarios, which is the first step in preparation of the Community wide ten-year network development plans (TYNDPs) for 2018, as stipulated by Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity and Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks. The scenarios cover, inter alia, the energy demand, economic growth, prices and technology developments, and shall identify investment needs and potential benefits of relevant gas and electricity infrastructure projects. The consultation will last until 12 June 2016. As part of the consultation, the ENTSOs shall hold a public workshop in Brussels, scheduled for 2 June 2016.

## EU: ENTSO-E Launches Public Consultation on New CBA Methodology

by Lazaros Sidiropoulos (Athens)

On 25 April 2016, the European Network of Transmission System Operators for Electricity (ENTSO-E) launched a public consultation on a draft Guideline for Cost Benefit Analysis (CBA) of Grid Development Projects (CBA methodology), which ran until 31 May 2016. The CBA methodology is developed to evaluate the benefits and costs of Ten-Year Network Development Plan (TYNDP) projects from a pan-European perspective, providing important input for the selection process of Projects of Common Interest (PCIs). The main objective of this methodology is to provide a common and uniform basis for the assessment of projects with regard to their value for European society. The draft document describes the common principles and procedures, including network and market modelling methodologies, to be used when performing combined multi-criteria and cost-benefit analysis in view of elaborating regional investment plans and the Union-wide TYNDP, as ratified by EU Regulation 714/2009 of the 3rd Legislative Package. Following the EU Regulation 347/2013 on guidelines for trans-European energy infrastructure (TEN-E Regulation), it will also serve as a basis for a harmonised assessment at Union level for PCIs; article 11 of the TEN-E Regulation (EU) requests ENTSO-E to establish a "methodology, including on network and market modelling, for a harmonised energy system-wide cost-benefit analysis at Union-wide level for projects of common interest". While ENTSO-E has already developed common Guidelines for Grid Development, which have been used within the framework of the pan-European TYNDP for 2014 and 2016, the current draft constitutes an update of the above Guidelines, aiming at compliance with the requirements of the TEN-E Regulation. A number of elements were improved compared to the existing CBA. The most relevant changes relate to: security of supply; cost; clustering; losses; and storage assessment.

## EU: Study on Permit Granting Process for PCIs in EU Member States

by Tetyana Vyshnevskya (Kiev)

In May 2016, the European Commission published an Analysis of the manuals of procedures for the permit granting process applicable to projects of common interest (PCIs) prepared under Article 9 of Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure (TEN-E Regulation). The main objective of the undertaken study, which covers all the EU Member States (MS) except Austria, is a comparative review of the permit granting procedures applicable to energy infrastructure PCIs in different MS and assessment of their compliance with the TEN-E Regulation, namely the requirements on the appointment of one-stop-shops, permit granting schemes, priority status for PCIs, the two stage work flow of the permit granting procedure, time limits, public consultation and publication of the manuals for the procedure. The analysis reveals existing issues, a differing level of compliance and various approaches taken by the MS to implement the TEN-E Regulation requirements, but also provides recommendations on good practices and is expected to support the implementation of the PCI permit granting process.



## Greece: Commencement of Construction of TAP

by Dimitris Nisanakis (Athens)

On 17 May 2016, the opening ceremony for the commencement of construction of the "Trans Adriatic Pipeline" (TAP), the pipeline that will bring Azeri gas to Italy, through Greece and Albania, took place, in the presence of the Prime Minister of Greece along with several ministers from other countries. This ceremony follows the decisions of the Italian energy regulator AEEGSI, the Albanian ERE and the Greek RAE which concluded the certification of TAP AG as an independent transmission operator for TAP. A respective press release regarding the conclusion of certification of TAP by the three regulators was published on RAE's website on 18 April 2016. The certification of TAP AG represents an additional step (following the approval of the Tariff Code and the Compliance Programme) towards the realisation of an infrastructure that will increase competition and diversification of gas sources as well as security of energy supply in the European natural gas market.



## Greece/Bulgaria: Nine Non-Binding Expressions of Interest Were Submitted for the IGB Pipeline

by Evridiki Evangelopoulou (Thessaloniki)

On 4 May 2016, the company ICGB AD, responsible for the implementation of the interconnector gas pipeline Greece – Bulgaria (IGB), announced the completion of the non- Binding Phase of the Market Test, which took place in order to book pipeline transportation capacity. In particular, during the event phase of expression of interest for booking capacity on the IGB pipeline, nine non - binding expressions of interest were submitted for the transmission of a total of 4.3 billion cubic meters of natural gas per year in normal flow from Greece to Bulgaria and about 1 billion cubic meters of gas per year on a constant reverse flow from Bulgaria to Greece. The deadline for submission of expressions of interest expired on 8 April 2016, following the relevant extensions approved by the energy regulatory authorities of Greece and Bulgaria, RAE and EWRC respectively. The expression of interest phase started on December 14, 2015 and was conducted under the Guidelines and the Call for Proposals issued jointly by the PAE and EWRC, in accordance with paragraph 6 of Article 36 of the European Directive 2009/73/EC. The second binding phase, concerning the confirmation of interest through the conclusion of transmission contracts, will begin upon receipt of the relevant guidelines and approvals by the energy regulatory authorities of Greece and Bulgaria.

## Greece: RAE Launches Consultation on Draft 10-Year Network Development Plan for 2017-2026

by Dimitris Nisanakis (Athens)

On 17 May 2016, RAE launched a public consultation for the draft ten-year network development plan for the period 2017-2026 as proposed by the Greek TSO ADMIE. The draft plan was first launched for public consultation by ADMIE on 9 February 2016. The plan refers to the facts regarding the existing electricity grid, such as the already existing power stations and the cross-border interconnections that have been accomplished so far and focuses on the targets and development projects, aiming to upgrade and extend the main grid. One of the most important projects included in the draft is the interconnection of the Cretan and Cycladic regional networks with the mainland grid which will result in a significant decrease in the power supply costs affecting all electricity consumers in Greece. The interconnection of the Cyclades with the mainland grid shall be implemented in three phases, the first one to be accomplished within 2016. The construction and operation of the 700 MWs interconnection with Crete is projected to be concluded in two phases. The first phase of the construction of the interconnection is planned to be concluded by the year 2022 while the second phase is planned to be concluded by the year 2024, after which the interconnection will be fully functional.



# ENERGY EFFICIENCY

## EU: Commission Publishes Study on Energy Efficiency in Enterprises

by Dafni Siopi (Thessaloniki)

On 13 May 2016 the European Commission announced the publication of a study called "Study on Energy Efficiency in Enterprises: Energy Audits and Energy Management Systems", which was carried out on behalf of the Commission with the aim to report on the fulfilment of obligations upon large enterprises, the encouragement of small- and medium-sized companies and on good-practice, as provided in Article 8 of the Energy Efficiency Directive (EED; Directive 2012/27/EU). This Study is one of the several documents prepared to support the Commission by providing an overview of current implementation practices, tools and instruments related to Article 8 of the EED in respect of both large enterprises and SMEs across Member States and beyond.



The analysis is carried out from a policy-making perspective and describes the situation both at a Member State and an aggregate level as of late summer 2015. For this purpose, the analysis answers a set of key questions by combining the results of an extensive literature review with findings from more than 30 interviews with national experts. With regard to large enterprises, the overall purpose of this report is to analyse how each Member State has interpreted and transposed the relevant obligations of Article 8. The study covers three areas of focus: energy audits, energy management (systems) and exchange mechanisms.

The Study has found that most EU countries have activated these rules for large enterprises. The exact definition of a 'large' enterprise differs from country to country. However, some countries are still in the process of transposing the EU rules into their national legislation. It also found that some EU countries provide financial incentives for some companies to carry out audits. In many Member States, national governments have set up information-providing events, helplines and online portals to exchange information and create tools to help companies implement the rules.

According to the study, some Member States will carry out mandatory audits on large enterprises to ensure the rules are being adhered to; others will check a random sample of companies. Penalties for non-compliance range from €10 000 in Austria to €200 000 in Romania. For smaller companies, the study found that financial support schemes are in place to help companies to carry out energy audits. In Germany, for example, the German SME Energy Consulting Programme provides up to 80% of the cost with a €8 000 ceiling.

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