

ELECTRICITY ACTION PLAN

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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1 ROADMAP STRUCTURE

The proposed structure, as described below is also presented for easier reference in the diagram (see page 3).

Chapter 1 - Acquis communautaire

This chapter aims to ensure that the provisions of the Directive 2003/54EC are transposed. The information required in this chapter is a reference to the national legislation indicating both the legal disposition and the relevant articles, in case that the Directive's provisions were adopted accordingly.

The overall deadline for the transposition of the electricity acquis is the 1st July 2007, except for the eligibility calendar which is January 2008 for non-household consumers and January 2015 for household consumers

Chapter 2 – Market Structure

The chapter addresses market concentration and to propose, if deemed necessary, measures.

It also pursues effective unbundling of system operators.

Chapter 3 – Wholesale market

This chapter addresses the wholesale market design and rules, in order to achieve competitive market. Competition in the wholesale market shall be ensured by transparency provisions and the regarding market monitoring. The necessary balancing regime is being covered as well, under the market rules subchapter, as the required licensing and authorization process.

Chapter 4 – Retail market

This chapter aims to ensure that the retail market opening measures in terms of eligibility thresholds and time schedules are being implemented.

The customer switching process and the payment reform is being addressed, as well as customer protection.

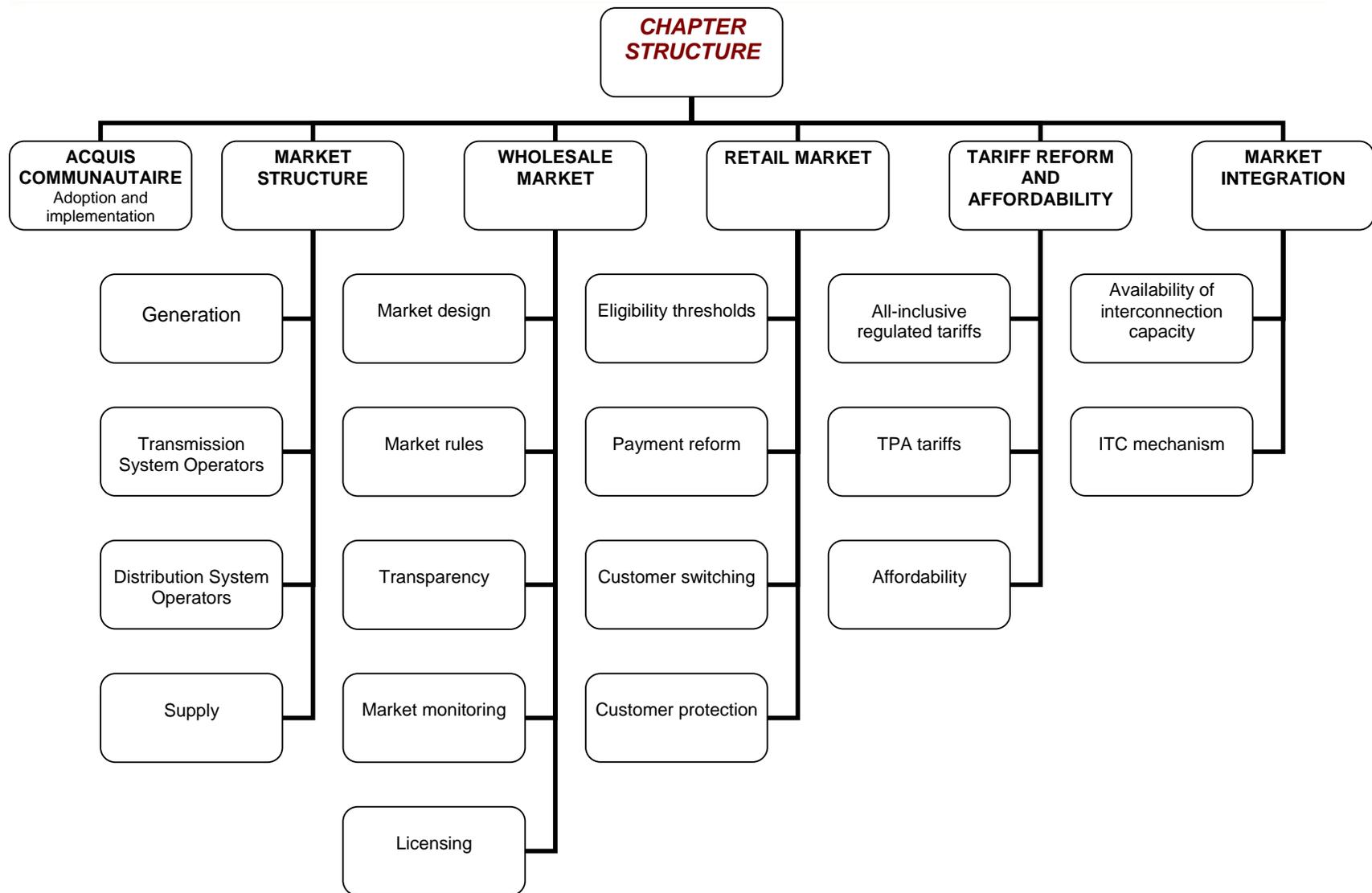
Chapter 5 – Tariff reform and Affordability

The chapter covers the issue of cost reflectiveness in all inclusive tariffs and network usage tariffs (transmission and distribution networks). Affordability issues are also being covered.

Chapter 6 – Market integration

This chapter includes a description of issues related in particular to cross border trade and cross border transport. The key issues to be solved at regional level include the methodology for capacity allocation and congestion management, the Inter TSO Compensation mechanism, and the licensing provisions that are mutually recognised.

This chapter's actions should be regarded as of regional level and should be agreed upon by regional bodies.



2 ACTION PLAN

Chapter 1 - Adoption of the acquis communautaire - ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
1.1 to 1.5	General rules 1.1 Imposition on undertakings 1.2 Customer protection 1.3 Public Service Obligations 1.4 Security of Supply 1.5 Technical Rules	Develop and implement General Rules for the impositions on undertakings, customer protection, public service obligations, security of supply and technical rules	July 2007	<p>1.1 Imposition on undertakings and 1.3 Public Service Obligations</p> <p>The entities performing the following activities have public service obligations imposed by Energy Law (Official Gazette of RM, no.63/06) and their respective licenses;</p> <p>1.2 Customer protection:</p> <p>Paragraph 3, Article 6 of the Energy Law. See also box 4.4</p> <p>1.4 Security of Supply</p> <p>Covered under the Energy Law (Official Gazette of RM, no.63/06), Licenses for performing electricity activities, Transmission Grid Code (Official Gazette of RM, no.95/06), General conditions for supply of electricity (Official Gazette, no.06/01), Distribution Grid Code (to be prepared-2007).</p> <p>1.5. Technical Rules</p> <p>The Transmission Grid Code was prepared by AD MEPSO, the Electric Power System Operator, and approved by the Energy Regulatory Commission on 25th of August 2006. The Transmission Grid Code was published at the Official Gazette of the RM, no.95/06, on 6th of September 2006 and enter into force on the eighth day from the date of its publication in the Official Gazette of the RM. Detailed technical procedures are to be developed</p> <p>The Distribution Grid Code is under preparation by the distribution system operator (AD ESM) and it will be approved by</p>	Regarding public service obligation – done. The Energy Regulatory Commission monitors the fulfillment of obligations	Energy Regulatory Commission

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				the Energy Regulatory Commission in 2007.		
1.6 to 1.7	Generation: 1.6. Authorization 1.7. Tendering rules	Develop and implement the provisions regarding Generation: authorization criteria and tendering rules	July 2007	<p>1.6. Authorization</p> <p>The Energy Law states that the construction of new facilities for electricity generation, combined electricity and thermal energy generation and thermal energy generation with exceeding capacity of 1 MW may be performed by domestic and foreign persons on the basis of an authorization.</p> <p>On proposal of the responsible Minister for the energy issues, the Government of the Republic of Macedonia delivers decision for authorization of construction of new objects for production of electricity and combined production of electricity and heating energy.</p> <p>Authorization is published in the Official Gazette of the Republic of Macedonia. The authorization must include the key data of the project.</p> <p>1.7 Tendering rules</p> <p>The Energy Law in its article 57 states that exceptionally, if based on issued authorizations and the Strategy for energy development in the Republic of Macedonia, the prognosis for the demand of electricity and the possibilities for satisfying those needs, it is estimated that the long - term security of supply has been disturbed, the Ministry may launch a public announcement concerning the construction of new electricity generation facilities.</p> <p>The public announcement procedure, the requirements for participation and the criteria for selection shall be realized in accordance with the Law on public procurement.</p>		Government of Republic of Macedonia (Ministry of economy)

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1.8 to 1.13	Transmission and Distribution System Operators: 1.8. Designation 1.9. Tasks 1.10. Unbundling 1.11. Dispatching and balancing 1.12. Confidentiality 1.13. Combined Operator	Develop and implement the provisions regarding Transmission and Distribution System Operators: designation, tasks, unbundling, dispatching, confidentiality, combined operator	July 2007	<p>1.8. Designation and Unbundling</p> <p>AD MEPSO - January 2005 (The Operator of the electric power system of Macedonia is joint stock, state-owned company for transmission of electricity and operation of the power system. AD MEPSO has ownership unbundling and has separate accounting for each performing activity.</p> <p>TSO ownership unbundling. More details given in box 2.1 Article 73 of the Energy Law states that persons responsible for day-to-day management in the business of the electricity transmission system operator cannot participate in adopting decisions that regard electricity generation, electricity distribution and electricity trade.</p> <p>AD "Elektrostopanstvo na Makedonija" (AD ESM) – September 2005 (AD ESM is joint stock company for distribution and supply of electricity. In March 2006 it was privatized, 90% of the shares brought by Austrian Company EVN AG, 10 % of shares state-owned. AD ESM is legally unbundled and has separate accounting for each performing activity.</p> <p>Additionally Article 81 of the Energy Law states that persons responsible for day-to-day management in the business of the electricity distribution system operator can not participate in adopting decisions that regard electricity generation, electricity distribution and electricity trade</p> <p>1.9. Tasks and 1.11. Dispatching and balancing</p> <p>Article 71, of the Energy Law (Official Gazette of the RM, no.63/06) defines the tasks of the electricity transmission system operator</p>	Done although no short term plans for legal unbundling between network and supply activities of DSOs	

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				<p>including dispatching.</p> <p>Article 79, of the Energy Law (Official Gazette of the RM, no.63/06) defines the tasks of the electricity distribution system operator</p> <p>1.12. Confidentiality</p> <p>The Article 120 of the Energy Law gives the provision on the confidentiality of the business data and information.</p>		
1.14 to 1.15	Unbundling/transparency of accounts 1.14 Rights of access to accounts 1.15 Unbundling of accounts	Develop and implement the provisions regarding Unbundling/transparency of accounts: rights of access to accounts and unbundling of accounts	July 2007	Article 6 of the Energy Law, Additional obligations are given by the licenses.	Done	License holders, Energy Regulatory Commission
1.16 to 1.19	Organisation of access to the system 1.16 Third Party Access 1.17 Market opening and reciprocity 1.18 Direct Lines 1.19 Regulatory Authorities	Develop and implement the provisions regarding Organisation of access to the system of accounts: Third Party Access, market opening and reciprocity, direct lines and Regulatory Authorities	July 2007	<p>1.16 Third Party Access</p> <p>TPA is defined in the Energy Law (art. 114 to 116):</p> <p>1.17 Market opening</p> <p>According to art. 84 of the Energy Law, consumers that consume or plan to consume at least 20 GWh of electricity during each calendar year, can be considered as Eligible customers.</p> <p>As an exception, the Government of the Republic of Macedonia can extend the consumer category that can be considered as Eligible customers with a decree based on criteria that include consumption, voltage level, consumer groups, or type of grid (transmission or distribution).</p> <p>The eligible customers can enter into agreements with electricity generators, except with the Regulated Generators, and Electricity traders and shall notify each such agreement for electricity purchase at the</p>	Done (TPA)	TSO, ERC ERC

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				<p>Electricity Market Operator.</p> <p>The Rulebook on conditions, method and procedure for acquiring and terminating the status of the eligible customer of electricity was issued by the Energy Regulatory Commission in June 2006 and published at the "Official Gazette of the RM", no. 69/06. At this moment there are not any announced eligible customers of electricity.</p> <p>1.19: Energy Regulatory Commission The practical operation of the Regulatory Commission started on the 1st of January, 2004. The scope of powers is defined in Article 19 of the Energy Law.</p>		
1.20 to 1.22	Final Provisions: 1.20. Safeguard measures 1.21. Monitoring imports 1.22. Derogations	Develop and implement the Final Provisions: safeguard measures, monitoring imports, derogations (if applicable)	July 2007	<p>1.20. Safeguard measures Art. 17 of the Energy Law and the Transmission Grid Code</p> <p>1.21. Monitoring imports MEPSO, based on the En Law (e.g. art. 16) and Licenses, reports monthly on cross border physical flows.</p>	Done	Government of the Republic of Macedonia, ERC, MO, TSO
1.24 to 1.29	Regulation 1228/2003: 1.24 Inter TSO Compensation mechanism 1.25 Charges for access to the networks 1.26 Transparency 1.27 Congestion Management 1.28 New Interconnectors 1.29 Penalties	Implement provisions regarding cross border trade: Inter Transmission System Operators Compensation mechanism, charges for access to the network, transparency, congestion management, new interconnectors and penalties	July 2007	<p>1.24 Inter TSO Compensation mechanism MEPSO (TSMO) participates in the SETSO ITC mechanism based on multilateral Agreement, signed year by year.</p> <p>1.25-1.27 Calculation of cross-border capacities MEPSO participates in the flow based capacity allocation dry run. Additionally, a number of reinforcements are being built to reduce/ eliminate congestions in the tie lines.</p>	Temporarily, MEPSO-Whole sale Supplier priority for capacity allocation Market based mechanism	MEPSO/Regulator

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				<p>Temporarily, MEPSO-WS has priority for capacity allocation to ensure security of supply. In case of congestion, pro rata is applied. On yearly level, all qualified traders in MEPSO yearly tendering procedure for electricity supply automatically gain access to the network and necessary cross-border capacity, with no additional charge. Rules for capacity allocation are defined in tendering documentation. MEPSO, as a whole sale supplier, uses this approach in order to safe security of supply of the customers. MEPSO confirms cross-border transmission capacities on monthly level using NTC based mechanism. If congestions occur, transactions are curtailed using simple pro-rata principle and no additional charges are imposed.</p> <p>By July 2007, MEPSO intends to propose a market based capacity allocation mechanism. In parallel, MEPSO is part of the dry-run flow based capacity allocation mechanism.</p> <p>Public information Monthly NTC values and agreements for usage of the cross-border capacities between neighbouring TSOs are published on MEPSO web site: www.mepso.com.mk.</p>	expected by July 2007	

Chapter 2 – Market Structure – ACTIONS

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
2.1	Generation/ Supply	Assess market concentration in each Party's electricity industry through the commonly used indicators	Not applicable (except for unbundling)	<p>AD "Elektrani na Makedonija" (AD ELEM) is joint stock, state-owned company for production of electricity. The biggest production capacity is the mining power complex TPP "Bitola" that has three thermal units with an installed 675 MW power. This production of electricity produced by coal, together with the other mining power complex TPP "Oslomej", supplies about 80% of the electricity consumption in Macedonia, and the rest is from the bigger hydro power plants – "Vrutok", "Raven" and "Vrben" of the Mavrovo power system, HPP's "Shpilje", "Globochica", "Tikvesh" and "Kozjak". According to the Energy Law (Official Gazette of the RM, no.63/06), AD ELEM as a Regulated Electricity Generator is liable to provide public service and, upon previous consent from the Regulatory Commission, signs a contract with the Wholesale Electricity Supplier for Tariff Customers, for selling the total available power, energy and ancillary services intended for tariff customer, under regulated prices and tariffs approved and published by the Energy Regulatory Commission. www.elem.com.mk</p> <p>AD "TPP Negotino" is joint stock, state-owned company for production of electricity (crude fuel oil thermal power plant with installed capacity of 210 MW). It is a Regulated Electricity Generator and has contract with Wholesale Electricity Supplier for Tariff Customers, for selling the total available power, energy and ancillary services intended for tariff customer, under regulated prices and tariffs approved and published by the Energy Regulatory Commission. AD "TPP Negotino" is under</p>	N/A as structure is well known (see status of the action)	

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				<p>process of privatisation. www.tecnegotino.com.mk</p> <p>AD “Elektrostopanstvo na Makedonija” (AD ESM) is joint stock company for distribution and supply of electricity. In March 2006 it was privatized, 90% of the shares brought by Austrian Company EVN AG, 10 % of shares state-owned. AD ESM is legally unbundled and has separate accounting for each performing activity. AD ESM is also a Distributed Electricity Generator and owns 11 small hydro power plants. Seven of the small HPP are operated by a private entity MAKHYDRO PROEKT AD, under a ROT concession agreement entered into on 7 November 2001. After the concession expires in 2012, AD ESM will resume operation of the seven leased small HPP. According to the Energy Law, the Distributed Electricity Generator can sell power and/or energy to the electricity traders and to the eligible customers, at free price and to the Retail Electricity Supplier for Tariff Customers, at regulated price. www.esmak.com.mk</p> <p>Public enterprise “ JP Strezevo” – Bitola, has license for generation of electricity and owns 4 small hydropower plants. As a Distributed Electricity Generator JP Strezevo sell power and/or energy to the Retail Electricity Supplier for Tariff Customers, at regulated price approved by the Energy Regulatory Commission.</p> <p>Electricity generation from all TPP in 2005: 4.992.892.421 kWh</p> <p>Electricity generation from all HPP in 2005: 1.481.337.322 kWh</p> <p>Total electricity generation in 2005:</p>		

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				6.474.229.743 kWh Import of electricity in 2005: 1.652.704.628 kWh		
2.2	Generation/ Supply	Adopt measures, if deemed necessary, based on the results.	Not applicable	No plans	N/A	
2.3	Transmission System Operators	Ensure unbundling and implementation of technical rules	Dec. 2007	See also Box 1.10 MEPSO (TSMO) officially published the Grid Code, after approval by the Regulator 6 September 2006. It describes minimum technical requirements for connection and access to the transmission network and basic technical and organizational instructions for operation and planning of transmission network. General structure and contents: <ul style="list-style-type: none"> - Explicit definition of technical rules with transparency in operation of transmission network and unification of regulations for the system, and - Regulation of the relationship between users of transmission network. Grid Code consists of: <ol style="list-style-type: none"> 1. General Introduction 2. Planning Code 3. Connection Condition 4. Operation Code <i>System Performance Analyses</i> [Introduction; Periodical reports; Major incident analysis].	Adopted in September 2006. When will it be implemented?	MEPSO
2.4	Distribution System Operators	Ensure effective unbundling, adoption of technical rules and consolidation of distribution companies	Dec. 2007	See also Box. 1.10 Distribution System Operator privatized. Distribution Grid Code under preparation. No short term plans for unbundling network from supply activities	Done except for unbundling network from supply	Ministry/ Regulator

Chapter 3 – Wholesale market – ACTIONS

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No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
3.1	Market design	Adoption of market design and accompanying measures to ensure liquid competitive wholesale market	Dec. 2007	<p>According to the Article 77 of the Energy Law the Wholesale Electricity Supplier for Tariff Customers (within the company AD MEPSO) purchases the entire quantity of power and electricity produced by the Regulated Electricity Generator, and the necessary quantities of power and electricity from other electricity generators and/or electricity traders, as well as the necessary transmission capacity and regulated services for the requirements of the Retail Electricity Supplier for Tariff Customers and the tariff customers directly connected to the transmission network.</p> <p>The Wholesale Electricity Supplier for Tariff Customers enters into regulated agreements, approved by the Energy Regulatory Commission, with the Regulated Electricity Generator for purchasing the entire power, electricity and ancillary services of the Regulated Electricity Generator.</p> <p>The Wholesale Electricity Supplier for Tariff Customers enters into regulated sales agreements with the Retail Electricity Supplier for Tariff Customers and the tariff customers directly connected to the transmission network.</p> <p>The Wholesale Electricity Supplier for Tariff Customers invoices tariff customers directly connected to the transmission network and the Retail Electricity Supplier for Tariff Customers pursuant to the regulated agreements, approved by the Energy Regulatory Commission.</p> <p>The Wholesale Electricity Supplier for Tariff Customers can sign sales agreements, or can</p>	<p>Transitional arrangements soon to be adopted.</p> <p>No deadline for final arrangements</p>	Government of the Republic of Macedonia

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				<p>in another manner sell the excess power, energy and ancillary services, under terms and conditions approved by the Energy Regulatory Commission.</p> <p>The Wholesale Electricity Supplier for Tariff Customers keeps the entire tender documentation and record of the power, electricity and ancillary service purchasing, and provides access to the above upon request from the Energy Regulatory Commission. The Wholesale Electricity Supplier for Tariff Customers submits to the Energy Regulatory Commission, monthly detailed reports for the purchased power, electricity and ancillary services.</p> <p>According to the Article 82, paragraph 1 of the Energy Law The Retail Electricity Supplier for Tariff Customers (within the company AD ESM) purchases electricity from the Wholesale Electricity Supplier for Tariff Customers and from Distributed Electricity Generators, as well as the necessary transmission and distribution capacity and regulated services for the requirements of the tariff electricity customers connected to the distribution system, at prices approved and published by the Energy Regulatory Commission.</p> <ul style="list-style-type: none"> ➤ The Macedonian electricity market (Energy Law) is based on regulated Third Party Access model, with provision for bilateral contracts and simple balancing mechanism. ➤ Transitionally establishment of a wholesale supplier and retail public supplier. ELEM (state owned generation company) must sell all its production at regulated prices to the wholesale supplier. The WS will also tender publicly import needs (for the time being energy+capacity at interconnectors). The 		

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				<p>retail public supplier (DisCos) must buy from WS at regulated prices.</p> <ul style="list-style-type: none"> ➤ Considering the Macedonian electricity market size and characteristics, the Government has approved a general framework to allow a phased introduction of bilateral contracts with a transitory regulated balancing mechanism, which will allow for competitive bids and offers by Market Participants, if any, to be included in the Overall Merit Order. ➤ Further, having regard to the considerations of efficiency and economic allocation of resources, the provisions of the Commercial Market Code shall allow the Macedonian electricity market to evolve from a centralized and fully regulated market to an open market, in line with the Government policy in respect of the electricity market opening. 		
3.2	Market rules	Elaborate/ implement market rules compatible with a competitive approach	Dec. 2007	<p>The Commercial Market Code (prepared by MEPSO, was sent to Regulator for approval), on one hand, provides the rules that govern the effective functioning of the Macedonian electricity market as carried out by the Parties, and on the other hand, stipulates the rights and obligations of the Market Participants who are carrying out the Transactions in the electricity market.</p> <p>The Commercial Market Code shall:</p> <ul style="list-style-type: none"> (i) Provide the rules under which Market Participants are allowed to freely enter into bilateral contracts, in the open electricity market. These contracts will be self-scheduled and self-dispatched by the Market Participants as per the underlying contracts. (ii) Provide the rules under which the Transactions associated with the regulated electricity market are carried out. 	<p>Transitional arrangements by the end of 2006</p> <p>No deadline for final arrangements</p>	Market Operator, Energy Regulatory Commission

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				(iii) Provide the rules for the Physical Schedule Nominations and Contract Notification by the Market Participants. (iv) Provide the rules for the centralized balancing regulation mechanism. (v) Provide the rules for the procurement of the Ancillary Services in accordance with the operating standards and Ancillary Service standards defined in the Grid Code. (vi) Provide the rules for the calculation of imbalances and the settlement of imbalances. (vii) Provide the rules for interconnection capacity allocation. (viii) Provide the rules for the registration, invoicing and payment, metering, guarantees, data and information exchange, market information, dispute resolution, and procedure for Commercial Market Code amendment. <i>The Parties to the electricity market are:</i> (i) <i>The System Operator shall be responsible for the operation planning, secure and reliable real time operation of the power system including the dispatch and balancing regulation according to the technical rules and economic principles embodied in the Commercial Market Code, the Grid Code and the other relevant laws. The System Operator (or the Grid Owner, as may be the case) shall develop and maintain, in part or in all, the transmission network, subject to his licence. He shall provide access to the Market Participants to the transmission network in accordance with the law or regulatory requirements.</i> (ii) <i>The Market Operator shall be responsible for registration of the Market Participants, organizing, validating and accepting the Physical Schedule Nominations and Contract Notifications of the Market</i>		

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				<p><i>Participants, the calculation of imbalances and administration of the imbalance settlement in accordance to the Commercial Market Code and other relevant laws. The Market Operator shall be responsible for the merit order for the balancing market. The Market Operator shall also have the responsibility to organize the procurement of the Ancillary Services as per the requirements of the System Operator, which are subject to the Grid Code.</i></p> <p><i>(iii) The Distribution System Operator is responsible for the secure and reliable operation of the distribution network, in accordance with the relevant laws. The Distribution System Operator operates and may own, develop and maintain, in part or in all, the distribution network, subject to his licence. The Distribution System Operator shall provide access to the Eligible Customers and the Tariff Customers connected at the medium and low voltage distribution network, in accordance with the law and regulatory requirements.</i></p> <p>MARKET PARTICIPANT IN THE ELECTRICITY MARKET</p> <p><i>A Market Participant is a legal entity or a person who has, in accordance to the law, a license or the right to generate, supply, sell and/or buy electricity in compliance with the rules of the Commercial Market Code. The Market Participants are:</i></p> <ul style="list-style-type: none"> <i>(i) the Generators, including independent power producers, Regulated Power Producers and Distributed Generators;</i> <i>(ii) the Wholesale Public Supplier;</i> <i>(iii) the Retail Public Supplier,</i> <i>(iv) Traders; and</i> <i>(v) the Eligible Customers.</i> <p><i>➤ The Wholesale Public Supplier shall enter into regulated "full requirement" contracts</i></p>		

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				<p>with the Retail Public Supplier, contracts the whole output of the Regulated Power Producers, and regulated contracts with the System Operator for the balancing regulation and/or Ancillary Service requirements. The Wholesale Public Supplier shall, under procedures or conditions set by the Regulatory Commission, buy electricity from or sell only surplus of energy, in the open market. Any excess recovery above the costs plus a reasonable return allowed for the activities of the Wholesale Public Supplier shall be reallocated to the Tariff Customers.</p> <ul style="list-style-type: none"> ➤ The Wholesale Public Supplier shall maintain at all time separate accounts for his activities, with clear separation from the accounts of its parent company, as the case may be. The Wholesale Public Supplier will also maintain separate accounts for the Transactions carried out either in the regulated market or the open market. ➤ The Retail Public Supplier shall enter into regulated contracts with the Wholesale Public Supplier, Distributed Generators and, subject to the approval of the Regulatory Commission, Traders and others Market Participants. ➤ A Trader may enter at his own costs and risks into contracts with any Market Participant, except the Wholesale Public Supplier and Retail Public Supplier, to sell or buy electricity, at prices freely negotiated. A Trader has the right to enter into contracts for the import/export of the electric energy. In such case, the Trader shall demonstrate to the System Operator that he has the approval of the third part system operator(s) or the interconnection capacity allocation rights as per the Title XIII. 		

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				<ul style="list-style-type: none"> ➤ An Eligible Customer shall enter, at his own costs and risks, into contracts with any Market Participant, except where stated otherwise, for the purchase of electric energy at prices freely negotiated. An Eligible Customer who elects to import electricity shall demonstrate to the System Operator that he has the approval of the third part system operator or the interconnection capacity allocation rights as per the Title XIII. An Eligible Customer is free to submit bids and/or offers for the balancing market. ➤ A Generator shall enter, at his own costs and risks, into contracts to sell electric energy with any Market Participant including export at prices freely negotiated, except with the Wholesale Public Supplier and Retail Public Supplier. 		
3.3	Market transparency	Provide/ publish data, including services offered to market participants	Dec. 2007	<p>Still discussing at the Athens Forum Guidelines on Transparency. When agreement is reached, it can be decided how to implement it nationally.</p> <p>In the meantime, the market operator and system operator will be required under the market rules and grid code to publish certain information.</p>	Waiting for regional input (certain data requested through commercial code in preparation)	
3.4	Market monitoring	Implement a market monitoring system to obtain reliable data for further development of the market:	Dec. 2007	The Energy Regulatory Commission monitors the fulfillment of the obligations deriving from the license by means of reports on the operation on regular and extraordinary bases that the license holder is liable to submit, reviews and controls through direct inspection of operation to the license holder under official duties or on the basis of a request and/or information from other government bodies, organizations, institutions, legal and natural entities and news media, as well. The license	Ongoing	Energy Regulatory Commission, Market Operator, Commission for protection of the competition.

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				<p>holder is liable to allow upon the request made by the Regulatory Commission free access to do its job necessary to monitor the execution of obligations deriving from the license and upon its request to submit the entire documentation to it in manner, scope and form as defined by the Energy Regulatory Commission. The license holder is liable to submit to the Energy Regulatory Commission an annual report for the operation in the previous year by 31 March at the latest in the current year and other interim reports and in manner, scope and form as defined in the license.</p> <p>The Market Operator receives market related data in accordance with the Market Code. The Market Operator prepares and submits to the Ministry responsible for the matter related to energy and to the Regulatory Commission, no later than October 30 each year annual, five year and ten year electricity demand forecasts for the Republic of Macedonia.</p> <p>The Market Operator performs forecast and planning analysis of the supply and demand based upon concluded sale and purchase agreements in order to provide day-to-day security.</p> <p>The Market Operator prepares and provides the electric power System Operator with day-to-day dispatching schedules to content the load, and performs continuous updating of the of the schedule within regular periods of time, as prescribed within the Market Code.</p> <p>The Market Operator shall maintain a website which will contain all the requisite information, which are in the interest of the public in general and not classified as confidential.</p> <p>According to the Law on protection of the competition ("Official Gazette of the Republic</p>		

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				of Macedonia" no. 04/2005), on the basis of a request from the Assembly, the Government of the Republic of Macedonia, other government bodies, companies or under official duties, the Commission for protection of the competition may give expert opinion on issues regarding the competition policy and protection of the market competition. The Commission for protection of the competition collaborates with other government bodies on issues regarding protection of the competition. The Commission for protection of the competition and the regulatory bodies are obligated to exchange the necessary data and information in accordance with their authorizations. There are also penalties given at the Law on protection of the competition in case of abuse of market power.		
3.5	Licensing and Authorization	Elaborate/implement a license/ authorization system, compatible on a regional level	Dec. 2007	<p>In June 2005, the Energy Regulatory Commission has issued the "Rulebook on conditions, method and procedures for granting, modification and revocation of licenses for performing energy activities" ("Official Gazette of the Republic of Macedonia", no. 47/05).</p> <p>- During the preparation of the "Rulebook on conditions, method and procedures for granting, modification and revocation of licenses for performing energy activities", the Energy Regulatory Commission followed the experiences from the other countries of the South East Europe and made few benchmarking reports.</p> <p>In accordance with the provisions given by this Rulebook, the licenses are issued, extended, amended, suspended and revoked for the performing the following energy activities:</p> <ol style="list-style-type: none"> 1. generation of electricity; 2. transmission of electricity; 3. distribution of electricity; 	Licensing - Done	For licensing – Energy Regulatory Commission. For authorization - Government of the Republic of Macedonia, Ministry of economy.

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				<ul style="list-style-type: none"> 4. operation of the electricity distribution system; 5. operation of the electric power system; 6. organization and operation of the electricity market; 7. wholesale electricity supply for tariff customers; 8. retail electricity supply for tariff customers; 9. transportation of natural gas; 10. operation of the natural gas transportation system; 11. distribution of natural gas; 12. operation of the natural gas distribution system; 13. natural gas supply for tariff customers; 14. production and processing of coal; 15. transportation of oil and oil derivatives through oil pipelines or product pipelines; 16. processing of oil and production of oil derivatives; 17. trade with oil and oil derivatives; 18. storage of oil and oil derivatives; 19. production of thermal or geothermal energy; 20. distribution of thermal or geothermal energy; 21. supply of thermal and geothermal energy; 22. production of other types of energy; 23. transit of energy and energy substances; 24. trade with energy and energy substances. <p>Regarding the electricity sector, the Energy Regulatory Commission issued the following 14 licenses for performing energy activities:</p> <ul style="list-style-type: none"> - 5 licenses for Generation of electricity 		

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
				(AD ELEM, AD ESM, AD TEC NEGOTINO, AD MAKHIDRO and JP Strezevo) <ul style="list-style-type: none"> - 1 license for Operation of the electric power system; - 1 license for Organization and operation of the electricity market; - 1 license for Transmission of electricity; - 1 license for Wholesale electricity supply of tariff customers; - 1 license for Distribution of electricity; - 1 license for Operation of the electricity distribution system; - 1 license for Retail electricity supply of tariff customers; - 2 licenses for Trade with electricity ("EFT – Makedonija" DOOEL, "ATEL – Skopje" DOOEL). 		

Chapter 4 – Retail market – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
4.1	Eligibility thresholds	Elaborate and implement market opening measures in terms of eligibility thresholds	Dec. 2007	See box 1.17		Government of the Republic of Macedonia, Energy Regulatory Commission
4.2	Payment reform	Adopt measures towards payment reform	Dec. 2007			
4.3	Customer switching	Elaborate/implement a non-discriminatory transparent customer switching process minimizing transaction cost and disputes	Dec.2007	The Energy Law provides the general framework for customer switching. However, there is no short term need for complex procedures given the reduced number of eligible customers and little incentives for switching	General framework done. No short term plans for detailed procedures	
4.4	Customer protection	Elaborate/implement non-discriminatory transparent measures for protection of the customers	Dec.2007	<p>Regarding the issue on connection to the grid the following provisions are given by the Energy Law (Official Gazette of the Republic of Macedonia, no.63/06) from art. 114-116</p> <p>Cost of connection given by the Rulebook for method and conditions for regulating electricity prices ("Official Gazette of the Republic of Macedonia", no.95/04):</p> <p>Also provisions for connection to the network are given at the Transmission Grid Code, Distribution Grid Code (to be prepared) and the General conditions for supply of electricity (Official Gazette, no.06/01).</p> <p>Energy Regulatory Commission will prepare a Rulebook regarding indicators for quality and continuity of supply in 2007.</p>	Ongoing	

Chapter 5 – Tariff reform and Affordability – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				FIELDS TO BE FILLED IN BY THE CONTRACTING PARTIES		
No	Subchapter	Action	Not later than	Status of the action and references (laws, national plans)	Deadline	Responsible Institution
5.1	All-inclusive regulated retail tariffs	Development of retail cost reflective (all-inclusive) tariffs	Dec. 2007	<p>The “Rulebook on the method and conditions for regulating electricity prices”, issued by the Energy Regulatory Commission on 30.12.2004, has been published at the “Official Gazette of the Republic of Macedonia”, no. 95/04, and came into force from January 2005.</p> <p>The Rulebook determines the method for establishment, approval and control of the regulated prices for generation, transmission and distribution of electricity.</p> <p>- .</p> <p>In regulating prices, the methodology based on incentive price regulation is applied by the:</p> <ul style="list-style-type: none"> - revenue cap method; - price cap method; - hybrid method (revenue cap method and price cap method). <p>The revenue cap method means defining the revenue that the company will be allowed to earn annually through collection of charges for the regulated activities carried out.</p> <p>The price cap method means establishing a price adjusted to cost fluctuations, ensuring sufficient revenue to cover justified expenses.</p> <p>The hybrid method means the simultaneous application of the revenue cap method and the price cap method in a ratio determined by the Energy Regulatory Commission of the Republic of Macedonia.</p> <p>The Rulebook has also provisions on the method and procedure for applying for approval and control of the electricity price.</p> <p>On 31st of January 2006, the Energy Regulatory Commission brought decisions for determining the following prices of electricity:</p> <ul style="list-style-type: none"> - price for generation of electricity: 1.3000 	Done	Energy Regulatory Commission

			<p>denars/kWh; (2,12 Euro cents/kWh)</p> <ul style="list-style-type: none"> - price for transmission service of electricity: 0.1039 denars/kWh; (0,16949 Euro cents/kWh) - average price for wholesale supply of tariff customers: 1.6063 denars/kWh (this price includes: the price for generation of electricity, the price for import of electricity and the price for the transmission service); 1.6063 denars/kWh; (2,62 Euro cents/kWh) - price for distribution service of electricity: .9052 denars/kWh; (1,476 Euro cents/kWh), and - average price for retail supply of tariff customers: 2.7101 denars/kWh (this price includes: the price for wholesale supply of tariff customers, the price of electricity generated by the distributed producers and the price for the distribution service) 2,7101 denars/kWh; (4,421 Euro cents/kWh). <p>On 18th of August 2006, the Energy Regulatory Commission brought decisions for increasing the following prices of electricity, applicable from 1st of September 2006:</p> <ul style="list-style-type: none"> - average price for wholesale supply of tariff customers: 1.8180 denars/kWh (this price includes: the price for generation of electricity, the price for import of electricity and the price for the transmission service; 1,8180 denars/kWh (2,96 Euro cents/kWh)) and in accordance with the average price for wholesale supply of tariff customer AD MEPSO to increase the tariff rate for sell of electricity for customers connected on 110kV for 10.53%. - average price for retail supply of tariff customers: 2.9577 denars/kWh (this price includes: the price for wholesale supply of tariff customers, the price of electricity generated by the distributed producers and the price for the 		
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				<p>distribution service). 2,9577 denars/kWh; (4,823 Euro cents/kWh) and in accordance with the average price for retail supply of tariff customer AD ESM to increase the tariff rates for sell of electricity for customers connected on 35 kV, 10 kV and 0.4 kV for 9.14%.</p> <p>All decisions brought by the Energy Regulatory Commission are published at the Official Gazette of the RM, and available on the website: www.erc.org.mk</p>		
5.2	TPA tariffs (transmission, distribution, ancillary services)	Development of cost reflective TPA tariffs	Dec. 2007	<p>According to the Tariff system for sell of electricity (Official Gazette of RM, no. 47/89 and 24/99) the customers are divided:</p> <ul style="list-style-type: none"> - customers on 110kV, - customers directly connected on 35 kV voltage level, - customers connected on 35 kV voltage level, - customers connected on 10 kV voltage level, and - customers on 0.4 kV voltage level: <ul style="list-style-type: none"> o households: one tariff metering and two tariff metering; and o rest of consumption: I tariff degree, second tariff degree and public lightening. <p>The Energy Regulatory Commission will issue new Tariff systems in 2007:</p> <ul style="list-style-type: none"> - Tariff system for sell of electricity to tariff customers connected on the transmission network, and - Tariff system for sell of electricity to tariff customers connected to the distribution level. 	Done	Energy Regulatory Commission
5.3	Other regulated tariffs	Please include any existing actions describing how the Party will make compatible other existing regulated tariffs (e.g. regulated wholesale tariffs) with the opening to competition	Dec.2007	Not applicable		

5.4	Affordability	Development and adoption of support schemes for the protection of vulnerable customers	Dec. 2007	At present there are not regulations for vulnerable customers, no state-aid. A detail answer should be given by Ministry of economy.		Government of the Republic of Macedonia
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Chapter 6 – Market Integration – ACTIONS

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES				
No	Subchapter	Action	Deadline	Responsible party
6.1	Interconnection capacity	Develop and adopt coordinated market based mechanisms at each border	Dec 2007	Relevant regulators and TSOs
6.2	Interconnection capacity	Development of a regional coordinated market based mechanism	Not decided	Fora
6.3	Inter TSO Compensation	Agree on merger of the EU and SEE funds. Otherwise, transitionally, increase injection fee	December 2006	EC/ ETSO
6.4	Inter TSO Compensation	Development of a methodology to invoice or credit market participants in relation with the ITC	As soon as possible	CONTRACTING PARTIES
6.5	Market design/ Market rules	The European Commission shall state a preference on wholesale market opening	October 2006	European Commission
6.6	Market design/ Market rules	Guidelines for market opening indicating measures to start up competition	March 2007	European Commission/ ECRB
6.7	Market design/ Market rules	Guidelines for market rules development	March 2007	European Commission/ ECRB
6.8	Licensing	Analyze the compatibility and harmonization of licensing for trading energy across the region including the harmonization of the concepts of trade and supply	January 2008	ECRB

3 CHECKLIST/ GUIDELINES FOR EACH ACTION

CHECKLIST/GUIDELINES to Chapter 1 – Acquis communautaire

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
Directive 2003/54/EC		
1.1	General rules/ Imposition on undertakings	<ul style="list-style-type: none"> ▪ If applicable, description of the possible impositions on electricity undertakings of Public Service Obligations: Description of the provision and reference to national legislation
1.2	General rules/ Customer protection	<ul style="list-style-type: none"> ▪ Include provisions on universal service for households and if deemed appropriate small enterprises: - Obligation on distribution companies to connect customers to the grid - If necessary provisions on the Supplier of Last Resort - Final customer protection including Transparency in contractual terms and conditions, general information and dispute settlement, etc (see Annex A Directive) ▪ Protection of vulnerable customers ▪ Protection customers in remote areas ▪ Minimum information in the bills
1.3	General rules/ Public Service Obligations	<ul style="list-style-type: none"> ▪ Report immediately after the implementation of the Public Service Obligations provisions ▪ Reporting every two years on any changes regarding the Public Service Obligations
1.4	General rules/ Security of Supply	<ul style="list-style-type: none"> ▪ Provisions monitoring of Security of Supply: supply/demand balance; expected future demand, planned new infrastructure, level of maintenance of the existing infrastructure, etc ▪ Identification responsible Institution for the monitoring ▪ Report each two years
1.5	General rules/ Technical rules	<ul style="list-style-type: none"> ▪ Technical rules regarding connection to the system of power plants, distribution systems, consumer facilities, interconnectors, direct lines, etc. ▪ Publication and reporting of the technical rules
1.6	Generation/ authorisation	<ul style="list-style-type: none"> ▪ Authorisation criteria for the construction of new capacity in accordance to the requirements under article 6 of the 2003/54 Directive ▪ Publication of the criteria ▪ Motivation of refusals to applicants and appeal procedures
1.7	Generation/ Tendering rules	<ul style="list-style-type: none"> ▪ Tendering procedure provisions for new capacity (or demand side management measures). To be applied only when Security of Supply is not guaranteed and optionally otherwise ▪ Publication of the details for the tendering procedure and the tender specifications ▪ Appointment of an Institution to oversee the tendering procedure
1.8	TSO & DSO/ Designation	<ul style="list-style-type: none"> ▪ Designation of one/ more Transmission System Operator and Distribution System Operator
1.9	TSO & DSO / Tasks	<ul style="list-style-type: none"> ▪ Define the tasks of the TSO(s) and DSO(s) in accordance with art. 9 and 14 respectively
1.10	TSO & DSO / Unbundling	<ul style="list-style-type: none"> ▪ Legal, organisational and decision-making unbundling of the TSO/ DSO from other activities not related to transmission ▪ Implementation of minimum independent criteria in accordance with art. 10.2 and 15.2 respectively
1.11	TSO/ Dispatching and balancing	<ul style="list-style-type: none"> ▪ TSO: Responsibility for dispatching generation and use of interconnectors. Criteria to be published including rational for possible priority given to certain energy sources (renewables or indigenous) ▪ TSO: Responsibility to balance the system. Rules to be published.
1.12	TSO & DSO / Confidentiality	<ul style="list-style-type: none"> ▪ Provisions regarding confidentiality of commercially sensitive information

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
Directive 2003/54/EC		
1.13	TSO & DSO/ Combined Operator	<ul style="list-style-type: none"> ▪ Possibility to have a combined transmission and distribution system operator according to the requirements given in art. 17
1.14	Unbundling accounts/ access	<ul style="list-style-type: none"> ▪ Designate competent authorities, including regulatory authorities, to have right of access to the accounts of electricity undertakings
1.15	Unbundling accounts/ unbundling	<ul style="list-style-type: none"> ▪ Electricity undertakings to draw up, submit to audit and publish their annual accounts according to rules defined in accounting acquis ▪ Internal accounting: Separate accounts for each of their transmission and distribution activities; separate accounts for supply activities for eligible and non-eligible customers
1.16	Organisation access system/ TPA	<ul style="list-style-type: none"> ▪ Adopt Third Party Access System based on published tariffs ▪ TPA refusal must be substantially reasoned by the transmission or distribution system operator
1.17	Organisation access system/ Market opening and reciprocity	<ul style="list-style-type: none"> ▪ Provisions to include the eligibility calendar (non households from January 2008 and households from January 2015) ▪ Provisions on reciprocity between Contracting Parties
1.18	Organisation access system/ Direct lines	<ul style="list-style-type: none"> ▪ Provisions to enable premises of the electricity undertakings and eligible consumers through direct lines ▪ Lay down the criteria of authorisations for the construction of direct lines
1.19	Organisation access system/ Regulatory authorities	<ul style="list-style-type: none"> ▪ Designation of one or more competent bodies as regulatory authority with the functions set in art. 23
1.20	Final provisions/ Safeguard measures	<ul style="list-style-type: none"> ▪ If applicable, to communicate any safeguard measures provisions in place in the Contracting Parties' legislation
1.21	Final provisions/ Monitoring imports	<ul style="list-style-type: none"> ▪ Report every three months on the imports of electricity as regards physical flows
1.22	Final provisions/ Derogations	<ul style="list-style-type: none"> ▪ If applicable apply for derogations according to art. 26
Regulation 1228/2003		
1.28	Inter TSO Compensation mechanism	<ul style="list-style-type: none"> ▪ Contracting Parties legislation in line art. 3 of the Regulation 1228/2003 ▪ Once the EC Guidelines become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.29	Charges for access to networks	<ul style="list-style-type: none"> ▪ Contracting Parties legislation in line with art. 4 of the Regulation 1228/2003 ▪ Once the EC Guidelines on ITC become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.30	Transparency	<ul style="list-style-type: none"> ▪ Publication of the parameters and standards provided in art. 5 of the Regulation 1228/2003
1.31	Congestion Management	<ul style="list-style-type: none"> ▪ Contracting Parties legislation in line with art. 6 of the Regulation 1228/2003 ▪ Once the EC Guidelines become part of the acquis, transposition of the Guidelines to each Contracting Parties legislation
1.32	New interconnectors	<ul style="list-style-type: none"> ▪ Transpose the conditions subjected to which new interconnectors might be eligible to be exempted from art. 6(6) of the Regulation 1228/2003 and art. 20, 23(2) and 4 of Directive 2003/54/EC
1.33	Penalties	<ul style="list-style-type: none"> ▪ Lay down the rules on penalties applicable to infringements of the provisions of the Regulation and adopt measures to ensure that they are implemented

CHECKLIST/GUIDELINES to Chapter 2 – Market Structure

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
2.1	Generation/ Supply	<ul style="list-style-type: none"> ▪ Relevant authorities shall define the relevant market, measure market concentration and apply analytical techniques consistent with international best practice. Commonly used indicators are: <ul style="list-style-type: none"> - No of companies - Installed capacity - Electricity produced - Market share - Herfindahl-Hirschman index –HHI- (by capacity and volume) - Etc.
2.2	Generation/ Supply	<ul style="list-style-type: none"> ▪ Adopt measures, if deemed necessary, based on the results ▪ Virtual capacity auctions ▪ Restructuring of the industry ▪ Security of supply provisions ▪ Planning new capacities ▪ Etc.
2.3	Transmission System Operator	<ul style="list-style-type: none"> ▪ Effective unbundling ▪ TPA conditions ▪ Effective operational implementation of the grid code and business processes (scheduling, planning, settlement of disputes, etc)
2.4	Distribution System Operator	<ul style="list-style-type: none"> ▪ Effective unbundling ▪ Technical rules for the operation of the distribution networks ▪ TPA access conditions ▪ Consolidation of the distribution companies

CHECKLIST/GUIDELINES to Chapter 3 – Wholesale Market

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
3.1	Market design	<ul style="list-style-type: none"> ▪ Bilateral trading versus power exchanges ▪ If applicable ensure compatibility of Wholesale supplier/ single buyer with a competitive market ▪ Etc.
3.2	Market rules	<ul style="list-style-type: none"> ▪ Contents of the Market rules. In a bilateral contracts/ balancing market model the min. elements should be: registration procedures for participants; scheduling process for physical nomination/ contract notification for internal contracts; gate closure; bids and offers rules or rules for regulated imbalance prices; imbalance prices quantities or price calculation when existence of balancing market; commercial aspects of ancillary services; guarantees to cover imbalances, dispute settlement; data to be published for market participants; mechanism and rules for allocation of interconnection capacity) ▪ Avoid preferential treatments or discriminatory practices (e.g. all participants should be bound to imbalance settlement) ▪ Issues to ensure regional compatibility of the national market rules (e.g. gate closure afternoon ahead as a minimum) ▪ Minimal constraints to bilateral contracting ▪ Import/ export trade not to be limited
3.3	Market transparency	<ul style="list-style-type: none"> ▪ System load ▪ Transmission and access interconnections ▪ Generation ▪ Balancing ▪ Information from the wholesale markets
3.4	Market monitoring	<ul style="list-style-type: none"> ▪ Implement a market monitoring system to obtain reliable data for further development of the market: <ul style="list-style-type: none"> - Periodic assessment of market concentration and abuses of dominant position - Wholesale market monitoring - Retail market monitoring: Customer switching rates, eligible and regulated retail market prices
3.5	Licensing and Authorization	<ul style="list-style-type: none"> ▪ Elaborate/implement a license/authorization system, compatible regionally

CHECKLIST/GUIDELINES to Chapter 4 – Retail market

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
4.1	Eligibility thresholds	<ul style="list-style-type: none"> ▪ Elaborate and implement market opening measures in terms of eligibility thresholds
4.2	Payment reform	<ul style="list-style-type: none"> ▪ Adopt measures towards payment reform: <ul style="list-style-type: none"> - Improve collection rates (at least 90% level) - Lower transmission & distribution technical losses - Upgrade of metering and control systems <p><i>Ref. Electricity Transition Strategy and Electricity Market Options Paper</i></p>
4.3	Customer switching	<ul style="list-style-type: none"> ▪ Develop customer switching protocols and required infrastructure (between new and old supplier, distribution companies and customer). They should at least include: <ul style="list-style-type: none"> - Clear responsibilities between relevant players involved including timeframes for each task in the switching process - Development of parameters to identify points of supply - Metering and settlement arrangements including when switching in between a reading cycle - Load profiles for customers which are not hourly metered - Transfer of the network capacity from old to new supplier - Upgrade IT systems and electronic filing required for customer switching <p><i>Ref. ERGEG Guidelines</i></p>
4.4	Customer protection	<ul style="list-style-type: none"> ▪ Development of Customer Protection rules which shall at least include: <ul style="list-style-type: none"> - Guarantee of connection to the network in reasonable time and price - Distribution companies to provide terms and conditions to customer prior to connection - Disconnection only in severe breach of connection contract - Quality and continuity of supply standards, including its monitoring - Dispute settlement. Companies to develop if possible code of conduct - Transparency of retail prices (available of information to make the choice, price information in the bills and price update during the contracting period) <p><i>Ref. ERGEG Guidelines</i></p>

CHECKLIST/GUIDELINES to Chapter 5 – Tariff reform and affordability

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
5.1	All-inclusive regulated retail tariffs	<ul style="list-style-type: none"> ▪ Development of retail cost reflective (all-inclusive) tariffs: <ul style="list-style-type: none"> - Development of a cost-reflective retail tariff methodology - Calculation of the tariffs according to the proposed methodology. Cross subsidies among consumer groups shall be avoided <p><i>Ref. USAID tariff benchmarking study</i></p>
5.2	TPA tariffs (transmission, distribution, ancillary services)	<ul style="list-style-type: none"> ▪ Development of cost reflective TPA tariffs: <ul style="list-style-type: none"> - Development of a TPA tariff methodology/s which shall take into consideration an appropriate rate of return, an appropriate depreciation of the assets, incentives for future investment and the operating costs of the company and incentives for efficiency - Calculation of the tariffs according to the proposed methodology (this will require among others, the system cost determination) <p><i>Ref. USAID tariff benchmarking study</i></p>
5.3	Other regulated tariffs	<ul style="list-style-type: none"> ▪ Please include any existing actions describing how the Party will make compatible other existing regulated tariffs (e.g. regulated wholesale tariffs) with the opening to competition
5.4	Affordability	<ul style="list-style-type: none"> ▪ Development and adoption of support schemes for the protection of vulnerable customers <p><i>Ref. ERGEG Guidelines</i></p>

CHECKLIST/GUIDELINES to Chapter 6 – Market integration

FIELDS NOT TO BE AMENDED BY THE CONTRACTING PARTIES		
No	Subchapter	Checklist/ Guidelines
6.1	Interconnection capacity	<ul style="list-style-type: none"> ▪ Develop and adopt coordinated market based mechanisms at each border
6.2	Interconnection capacity	<ul style="list-style-type: none"> ▪ Development of a regional coordinated market based mechanism: <ul style="list-style-type: none"> - Further work and agreement on flow based capacity allocation mechanism including distribution of revenues - Establishment of an auction office, defining the financial framework, organizational structure and responsibilities
6.3	Inter TSO Compensation	<ul style="list-style-type: none"> ▪ Agree on merger of the EU and SEE funds. Otherwise, transitionally, increase injection fee
6.4	Inter TSO Compensation	<ul style="list-style-type: none"> ▪ Development of a methodology to invoice or credit market participants in relation with the ITC
6.5	Market design/ Market rules	<ul style="list-style-type: none"> ▪ The European Commission shall state a preference on wholesale market opening
6.6	Market design/ Market rules	<ul style="list-style-type: none"> ▪ Guidelines for market opening indicating measures to start up competition
6.7	Market design/ Market rules	<ul style="list-style-type: none"> ▪ Guidelines for market rules development
6.8	Licensing	<ul style="list-style-type: none"> ▪ Analyze the compatibility and harmonization of licensing for trading energy across the region including the harmonization of the concepts of trade and supply