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Regulatory and Energy Assistance

Regulatory and Energy Assistance Project in Bosnia and Herzegovina (BiH) – REAP BiH

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Quarterly Progress Report

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I. EXECUTIVE SUMMARY

The first quarter of the REAP Project ended with all activities on or ahead of schedule. It focused on supporting and advancing towards a fully integrated energy sector in the regional and EU markets. REAP initiated its dialogue with the stakeholders to harmonize the regulatory institutions, drafting and/or editing of legislation consistent with regional standards, and helping to implement the Action Plan. In assisting to create a legal and regulatory framework, REAP commented on the draft RS Gas Law to make it compliant with EU requirements. It began its support of the Independent System Operator in formulating the market rules for the energy sector. REAP helped to develop an interim plan for the harmonization of the regulators' work that enhanced cooperation through monthly meetings, participation in each others proceedings and working together to monitor the market, since the three ministries announced there are no plans to unify the regulators. Restructuring and commercialization of the energy companies was complicated by policy differences between ministries and the electricity utilities. There were also differences in approach to privatization that is currently under review and options are being examined. The REAP team is now engaged with all of the stakeholders in understanding the nature of their concerns and suggesting options that will bring about resolution. The dialogue with these stakeholders is described in this report. There is wide spread support and interest in REAP's public education program to broaden an understanding of the energy sector, its needs, its challenges, and the major issues. One commission is adding a public relations staff to help facilitate dialogue with its stakeholders. Start up activities were completed quickly with the leasing of office space, hiring of staff, acquiring equipment, and preparing the 2007-8 Work Plan for implementing and monitoring the progress of the REAP project.

II. SUMMARY OF TECHNICAL ACTIVITIES AND OUTCOMES

A. Fully Integrated Energy Sector into the Regional Market and the EU

1. Creation of Legal and Regulatory Framework for Gas

This activity involved the working with relevant energy officials throughout the BiH government. The early initiative focused on the drafting a state level gas laws that was compatible with the SEEC treaty. It also provided technical assistance to the MOFTER to draft and enact the Gas Law. The REAP initiated a series of meetings with senior BiH officials to address this objective.

These activities built upon activities related to the previous USAID reform project. Just prior to the conclusion of the previous USAID reform project, the RS Ministry of Industry, Energy and Development committed that the RS Ministry would participate in a "Road Map Task Force" of all three Ministries to address all requirements in the Energy Community Treaty road map outlined by the Energy Community Secretariat and in particular to jointly address a harmonized gas law. Immediately after the previous USAID energy reform project closed, a Republika Srpska gas law was introduced to the Republika Srpska National Assembly (RSNA) and moved through its first reading in the RSNA, with three public hearings being held. In discussions with the U.S. Embassy DCM and the USAID Mission Director, the RS Prime Minister indicated that he would not agree to remove the RS Gas Law from the National Assembly's procedure, but he would accept technical assistance from REAP. REAP produced detailed comments with a cover memorandum identifying where the Gas Law was non-compliant with the EU Gas Directive and gave constructive suggestions as to what changes could be made to render it compliant.

The RS Ministry assured REAP that 95-97% of the issues raised by REAP would be adopted, but the RS Gas Law provides that the TSO (gas transmission pipeline) will be regulated by RSERC. In another discussion with the Ministry, REAP reviewed the BiH Constitutional provisions that provide for foreign trade and inter-entity transmission to be in the State's jurisdiction, but more importantly, there are safety issues with regard to having the transmission pipeline regulated by more

than one regulator (i.e., both Entity regulators regulating their proportional pieces of the pipeline), specifically, conflicting operational and investment rules could endanger operations and safety.

The RS Assistant Ministry informed REAP of the Republika Srpska's intention to draft and submit a law on refined oil products as well as a law on district heating, explaining that the RS Draft Gas Law would create a regulator that would be able to oversee these areas. REAP observed that according to BiH and Entity practice, the way to create a multi-functional regulator was to go back to the RS Law on Electricity, amend the name of RSERC to the Republika Srpska *Energy* Regulatory Commission and include provisions so that the jurisdiction could be expanded in future laws. REAP drafted an amendment to the RS Electricity Law to ensure that the change was made to RSERC's name.

In a subsequent meeting with RS Ministry, REAP reviewed all of the issues relating to the formation of the TSO. This was followed by REAP's preparing talking points that were given to all of the Ministries so that all parties could be equally informed about the issues at stake.

There were other issues that emerged such as the BiH Gas Debt to Russia. BH GAS explained that BiH owes Russia of \$104 MM for gas, while Russia owes BiH \$124 MM as BiH's piece of allocated debt from former Yugoslavia. The RS asserts that the RS portion of the debt is only 4 million USD, while the Federation insists that the RS incurred at least 60% of the debt before and after the war. Russia pressures BiH on this issue. MOFTER asserts that the Council of Ministers has established a Committee on how to allocate the payment of the debt. The RS maintains that allocation should be based on consumption, while the Federation's position is that the debt should be equally allocated because the debt belongs to the State.

The recent spate of activity in project development within BiH, unencumbered by either a strategy or transparency, affects much of REAP's work, including tariffs and planning in accord with the Energy Community's least cost regional planning. Privatization is in several instances indirectly occurring in BiH, with the recapitalization and investment to develop and expand existing plants, e.g., CEZ owning 51% of Gacko. REAP drafted an explanatory Memorandum about project development activity in the sector, determining that a sufficient legal framework already exists in BiH, although not complied with, and attaching a list of projects that are currently being discussed.

The International Community sent a letter expressing concern about the lack of transparency, of project development activities. For example, at the instigation of the Chairman of the Energy Committee of the Federation Parliament an open debate on electricity was scheduled for the FBiH Parliament; and the FBiH Minister, the two EPs, mining officials and the regulators will be invited. In this hearing, the Parliament will, among other things, ask where the implementation of the Action Plan and the strategy for project development are. Additionally, the current advisor to the Federation Prime Minister is also concerned about the lack of an energy strategy, the current lack of transparency in development activities, and the lack of implementation of the Action Plans. It was stated that topics of concern would be generally raised in Monday's Council of Ministers' meeting to gauge the degree of interest.

The REAP team had discussions with other donors such as the EBRD. The regional bank indicated its concerns about (i) the large number of non-transparent concessions for mini-hydropower granted by municipalities and cantons in the Federation which were not considered acceptable; the need for the mini-hydro process to be centralized; and (ii) KfW's approach to developing a wind farm in partnership with EP HZHB without taking the project to a public tender. These result in inferior turbines and, in EBRD's opinion, includes a requirement of a sovereign guarantee for 1/3 of the 150 MM €project. EBRD felt that the State has begun to take on too much debt and the country has other priorities on which it must focus the guarantees.

The REAP team also had discussions with the senior officials on gas issues. BH Gas explained to the RS Ministry that the planned pipeline across the RS has diameter of 16 inches and is

450 km long and will run from east to west from the border with Serbia to Novi Grad via Brcko and Banja Luka. The project is based on a demand assumption that very much overestimates demand: 1.1 billion cubic meters of gas – 700 for residential and 400 for industrial buyers – especially given the fact that the current total gas demand in the country is 300-400 MM. When BH Gas brought up these issues, the RS Ministry raised the issue of the Serb national interest. The owners expect 1.5 billion cubic meters of gas and also points out that there is insufficient pressure in the Srbija to Zvornik portion of the line.

During this quarter, there were successful negotiations between the Federation and Republika Srpska Ministries on construction of a transmission line from Doboje to Brod (passing over Federation and Republika Srpska territory). The Entities agreed that each Entity will build that portion of the pipeline that lies on its territory.

2. Transformation of the ISO into a full Market Operator

RSERC and REAP discussed a possible scenario for real opening of the BiH market (as opposed to merely stating the percentage of customers that can choose their supplier, whether there was any exercise of choice or competition in the market). Both agreed that the only way the two Entity markets can become integrated into one market (three markets, actually, since the two EPs in the Federation actually create their own two markets) is if generation prices deregulate over time and reach market price. Other issues regarding integrating an actual market are: 1) who enters into bilateral contracts; 2) who should be in charge of the balancing market (although the ISO Law specifically states that the ISO is in charge of the Balancing Market); 3) the phase-in of the bilateral contract market and the milestones thereof; 4) an identification of the obstacles; 5) agreement on contracts; and 6) the identity of the participants in various markets.

In this context, REAP had discussions with senior BiH officials on a wide range of issues. On market monitoring, one of the SERC Commissioners suggested that SERC and no other commission should monitor the market as a regulator, stating that nothing would be taken away from the entity commissions if SERC monitors the market. [Note: since all three commissions have explicit jurisdiction over the market according to their respective electricity laws, the entity commissions may not agree with this position.] On ISO and Transco Governance, SERC expressed concern to REAP with regard to ISO funding through the tariff for direct investment, since the ISO is a non-profit organization. In fact, REAP confirmed later that there is no legal bar to the ISO funding future investments through the tariff. This attitude is indicative of the regulatory problems that the ISO has experienced since formation.

The Transco has executed a transportation (third party access) contract with Aluminij in which it has committed to balancing the contract. This is a clear duty of the ISO, not Transco. REAP noted that a pro forma TPA contract is required, and REAP will collect some examples.

According to the ISO General Manager, SCADA is 70-80% complete, although the project is late. The SCADA will enable full dispatching of transmission by the ISO, which will begin point-to-point testing when the SCADA is installed in more than 50% of the sub-stations and will be commissioned when the system is 70-80% completed. Currently, the ISO controls 100% of the 220 and 400 kV lines, and by the Fall, 30-40% of the 110 lines will be controlled by the ISO. The EP centers now control the 110 lines. In the future, those that are not important to transmission power flows will be delegated by the ISO to the EPs to control, in accordance with the ISO Law.

Related to these issues, EBRD explained that the bank is currently working on a novation by the end of the year of the SCADA loan matched to the assets transferred. In a first stage, the State would remain ultimately responsible through its sovereign guarantee; however, the goal is to make the SERC ultimately accountable for repayment of the loan through the tariffs. Next year, EBRD will try to commercialize the loan, extend the due date, and remove the sovereign guarantee, relying solely on

the regulatory framework instituted by USAID in the last four years. EBRD will increase the loan amount for future equipment and software that will be needed by the ISO.

EBRD expressed concern over Transco's mid-term investment plan in that Transco is gold plating the transmission lines. It is important that SERC hold that Transco may do as it wishes, but the cost of the excessive investments will not be passed through the tariff.

With an interest for a Balancing Market, there were questions about the necessary prerequisites. REAP spoke with technical assistance, with regard to planning for the balancing market. He stated that there are a minimum of two things that are pre-requisites to having a balancing market: (i) proper EP measuring systems that no longer require pro forma estimates of the distribution customers' loads (done because of lack of specific measuring information and which result in no one will being out of balance); and (ii) the effectiveness of the EPs' accounting systems. The EPs currently fulfill neither of these requirements.

3. Unification of the Regulators

An important objective of REAP was originally to help create a single energy market regulated by an integrated regulator. However, as the project began, the three Ministers responsible for Energy agreed that the regulators will not be unified, at least for the time being. As a result, the REAP team helped to develop an interim plan which turned into talking points and was distributed to the three Ministries that provided for further cooperation. The three regulators will meet on a monthly basis; participate in each others proceedings, and work together to monitor the market.

B. Restructuring and Commercialization of Energy Companies

There are some political difficulties between the Federation Minister responsible for energy and the two EP Management Boards (EP HZHB and EP BiH) and EPBiH. It is the Minister's desire to replace both Boards. This matter is getting considerable press coverage in the local media. EPBiH has refused to put the issue and the actions required on its Management Board Agenda. Lawsuits and a restraining order has ensued. The EP HZHB Supervisory Board, however, has no problem with the Minister's suggestions. They are willing to open their positions to replacement and have reduced the number of Supervisory Board members from 7 to 5 as the Minister requested.

The Minister wants no privatization as part of the process; rather, he wants strategic partners, who are interested in investing in order to receive electricity, not ownership of the facility. This is based on the principle of a joint venture with 50/50 ownership, with the facility only serving the strategic partner as security for its investment. Those potential strategic partners who wanted ownership were eliminated. No feasibility studies have been done for any of the projects. The Minister wants a strategic partner because he does not want companies to bring their workers and equipment. He wants these companies to use workers and equipment that are already here.

The RS Government has met regarding a social program (Vulnerable Customer Plan), discussing sourcing from the budget. The recipients of assistance would need to be identified, the government will prescribe the criteria for eligible citizens, and the local level would identify the citizens. FERC also has informed REAP that there is a BiH state-level initiative on developing a state-wide social policy. The Commissioners attended a meeting two weeks ago and witnessed the interest of the Speaker of the State House of Representatives in implementing this initiative.

REAP officials also held a discussion with SERC and the Chief of Staff with regard to the context of SERC's decision on Market Opening. SERC commented that the requirement for DSOs was not contained in the Action Plan as the current Directives were not then in place.

FERC informed REAP that in the most recent, ongoing tariff proceedings, FERC noticed some accounting unbundling in EP HZHB, which has implemented accounting unbundling of distribution and supply. In addition, in the ongoing tariff proceedings, FERC will request that the EPs unbundle DSOs and supply for commercial customers.

RSERC stated that RSERC has demanded functional unbundling of distribution and supply for commercial customers by the end of this year, when the temporary licenses for distribution expires. RSERC is preparing even further amendments to the electricity law, which will address unbundling of distribution and supply, although not to the extent envisioned by the EU Directive on Electricity. RSERC will continue to push for further legal changes until a complete/full unbundling is achieved.

With regard to updating the Action Plan to change the dates (many of which have already passed) and to insert the requirement to form DSOs, MOFTER pointed out to REAP that in the decision of the Federation Government in 2005 regarding the Action Plan, there is no need to move any amendments to the Action Plan through the Parliament.

REAP was informed by EBRD of their intention to fund a study on the principles of reorganization of the distribution system in accordance with the Action Plan. The study will track the differences between the three EPs and suggest ways to remove the differences. The State, Entities and EPs have signed an agreement in connection with an EBRD loan for reinforcement and building the distribution network in BiH with a condition that having signed the agreements, the EPs agreed to implement the recommendations from the study.

It was found that the Federation Law on Public Enterprises required being amended prior to the unbundling process because the current law does not allow holding companies. The Ministry is working on this, and a format that does not amend the law too much has been found.

The FBiH Ministry of Energy, Mining and Industry intends to start restructuring the coal sector, but funding is needed. As the merger of two mines into the EPBiH is being discussed, the Minister stated that EP BiH maintains that the mines and plants cannot be merged because the heavy debts of the mines will force the EP into Bankruptcy. It was noted that the mines have been giving misinformation regarding their reserves. [Note: in a meeting with a member of the Energy Committee in the FBiH Parliament, it was confirmed that there is no plan and no feasibility study with regard to merger of the coal mines into EPBiH.]

During a recent SDP (Opposition) Preparatory Meeting for FBiH Energy Committee Hearing on Energy the privatization issue was discussed. The Conclusions from the meeting are: SDP is opposed to privatization of the energy sector through partnerships with strategic partners; the Action Plan adopted by the FBiH Government on May 19, 2005, must be implemented; the Action Plan for coal mines must be harmonized and implemented, particularly focusing on the Kreka coal mine; BiH must comply with the Energy Community Treaty; a written energy strategy that is accessible to the citizens, Parliament and Government and that specifically includes the development of new generation capacity is needed. This strategy must be based on a macroeconomic and regional approach; and the energy strategy must consider environmental issues as crucial for the future of BiH.

In every meeting with regard to the Action Plan, REAP illustrated the wisdom of utilizing transparent procedures and a transaction advisor by explaining the different results obtained by Kosovo pre- and post-transparent tender procedures and the retention of a proper Transaction Advisor. Early on Kosovo approached the process as is currently happening in BiH with disappointing results; after the institution of proper procedures, excellent companies expressed interest in investing.

C. Broader Public Understanding of Specific Energy Sector Issues and Challenges

An important element of the REAP program is developing and implementing a comprehensive public outreach program to broaden an understanding of the energy sector, its needs, its challenges and the major issues to be discussed. REAP provides leadership in this area. Many of the government bodies involved with the energy sector have welcomed this initiative and have even agreed to increase their staff to provide this service. FERC has asked REAP to prepare a job description and position requirements for a Public Relations Position in FERC.

An important element of the energy sector is the Foundation of an Energy Market. A Conference is being planned by REAP for early September. It will support the integration of BiH into the regional market and the EU, support of the Transformation of the ISO, and develop a Market Opening Plan. The ISO stated that there was a great misunderstanding about the definition and functioning of a market. To assist in remedying that problem, the ISO stated that a conference that imparted clear and simple information about an electricity market, with attendees from the governments, regulators, and parliaments, along with others, would be of great help. To that end, the agenda was collectively set, with speakers from the region. The question as to why a market is being developed in BiH will be addressed, a member of the Energy Community Secretariat will address the status of BiH, another speaker from Hungary will then speak on the pre-conditions to establish a market, while one of two speakers from ELES (the TSO) in Slovenia will present the difference between a balancing market and a pool/spot market/exchange. The second day, the Slovenian and Hungarian markets will be presented, and a panel of the critical electricity companies will present the next steps for BiH. The three Ministries have agreed to host the conference, with REAP as the organizer. The facilities and translators have been reserved, and invitations are in process. This will be an invaluable opportunity for media coverage to help educate the public on important energy issues.

The REAP team worked on the development of messages for the media. A core set of 10 topics were chosen and a basic set of messages developed with regard to those topics. Then, together in a brainstorming session with USAID, all of the messages were distilled down to:

- The Energy Community Treaty requires reform
- Reform attracts investors
- Investors assure security of supply



REAP decided that the July 1 deadline for the Energy Community Treaty (to be called the “Athens Treaty” because it is easier to remember), using the deadline as a “hook” to attract the media’s attention to the energy sector. REAP worked one-on-one with two so they better understand the energy sector in general and the Treaty obligations. The written media result of those meetings is an article published in Nezavisne Novine, related to missing the deadline and what steps BiH must take to fulfill the Treaty obligations.

The radio media result of the meetings was the broadcasting of a story on the Energy Treaty deadline on the AlterMedia radio network, which combines over 20 radio stations over all of the BiH territory. REAP and the AlterMedia agreed that the network will produce three long radio shows,

lasting up to 20 minutes each, related to the energy sector. All three shows will be broadcast on all 20 radio station-members, which will ensure a significant audience. The network's journalist who will put the story together sent the scenario of the first show. REAP checked the accuracy of the information, as well as the story structure, improved it and worked again with the journalist on the edited version.

REAP developed the first REAP message for the public and wrote a press release that contains the message. Since the Project will keep a low profile, REAP made an agreement with ONASA news agency that they would distribute the news that the REAP projects wants published in multiple media outlets.

III. PROBLEM AREAS

The major problems encountered thus far are the following:

BiH energy sector fully integrated into the regional market and the EU

- The three Ministers have agreed to *not* unify the three regulators, at least not at this time.
- The political environment of the Republika Srpska is unreceptive to ideas or actions that build capacity or give authority to the State. Thus, any activities that would involve the SERC or other State institutions may not be supported.
- The ISO has not been supported by the stakeholders in the sector and has not been able to implement its competencies as prescribed in the ISO Law.

Implementation of the Action Plans

- The future of the Federation EP Management Boards and Management Teams is uncertain because of disagreements between the FBiH Minister responsible for energy and the EP General Managers, and the members of the EP Supervisory Board. Thus, no meaningful discussions with the Federation EPs can take place at this time.
- It is uncertain whether the FBiH Parliament and its proactive Chairman of the Energy Committee can have any impact on the implementation of the Action Plan, or whether the Government's failure to implement it will be maintained to the benefit of Federation political parties.

Broader Public understanding of BiH energy sector issues and challenges

- REAP has no source through which it can pass press releases to the public.

IV. FIRST QUARTER DELIVERABLES

- AEAI comments on the Republika Srpska draft Gas Law, dated 4-6-07; refined translation 4-23-07, in English and local language.
- Memorandum from Ms Wilson to USAID regarding Major Concerns with the RS Draft Gas Law dated 4-6-07; refined translation 4-23-07, in English and local language.
- Draft Letter of authorization from MOFTER to the ISO Management Board draft, dated 4-17-07, in English and local language.
- Summary of Gas Sector Structure Reform, Restructuring and the Gas Law, written to provide background information regarding Gas Sector Reform in BiH and the proposed restructuring of the gas sector, as requested by MOFTER, dated 5-4-07.
- Talking Points on Formation of Gas Transport Company, in both English and local language, dated 5-14-07.
- Regulator Interface talking points, in English only, dated 5-24-07
- SOW FERC PR1, in English only, dated 5-25-07.

- PR-Position Announcement FERC, in English only, dated 5-25-07.
- Review of the proposed amendments to the RS Electricity Law.
- Memoranda suggesting amendments to Articles 14 and 29 of the RS Electricity Law, dated 5-24-07.
- RS Electricity Law amendments redlined into the existing RS Electricity Law 5-29-07.
- REAP Work Plan and Activity Timetable, dated 6-1-07
- Branding and Marking Strategy
- Restructuring and Commercialization of Energy Companies Short Term Action Plan, dated 6-8-07, English only.
- Regulator Cooperation, translated into local language, 5-24-07.
- Draft agenda of the Conference on the Foundation of the BiH Electricity Market, dated 6-11-07, in English only.
- Draft REAP Core Messages, dated 6-24-07, English only
- Memorandum to Mirza Kusljagic, dated June 29, 2007, in English only.
- Answers to EU Questions for USAID Referring to USAID REAP Summary, dated June 28, 2007, in English only.
- Memorandum on Authorization and Tendering Procedures in Bosnia and Herzegovina, dated June 29, 2007, in English only.
- Draft Two Messages spin-off [background material], dated June 28, 2007, in local language and English.
- First article resulting from REAP's influence, dated 6-28-07, in local language and English.
- Draft II Energy Sector Facts and Messages, dated 6-28-07, in local language and English.
- Press release 1, dated 6-29-07, in local language and English.

V. ANTICIPATED ACTIVITIES FOR THE FOLLOWING QUARTER

REAP's technical team will continue to meet and work with our counterparts to advance reform in the electricity and gas sectors;

BiH energy sector fully integrated into the regional market and the EU

- Meet with the Working Groups on the natural gas laws set up by the Ministers' Statement and assist with the formulation of additional requests for guidance from the three Ministers.
- Work with USAID REAP Consultant to formulate a plan for opening the market.
- Work with the ISO with regard to its regulatory filings so that it can avail itself of all regulatory procedural process prescribed by it.

Implement the Action Plan

- Meet the Manager and the Board Chairman of EP BiH to initiate a restructuring process to commence in EP BiH
- Meet the Manager and the Board Chairman of EP HZHB to initiate a restructuring process to commence in EP HZHB
- Meet the F BiH Minister to discuss further plans with regard to the implementation the Action Plans trying to initiate and develop further activities with regard to the implementation of the Action Plan.
- Cooperate with three regulators to follow up a tariff procedures and restructuring.
- Meet the Chairman of the F BiH Energy Committee to discuss further actions on the Action plan implementation issues.

Broaden public understanding of the BiH energy sector issues and challenges.

- Arrange the Conference on the Foundation of the BiH Electricity market in Neum on September 13-14.
- Arrange short radio shows to be aired throughout BiH on energy issues throughout the year.
- Meet with key NGOs.
- Create a database on sector stakeholders.
- Arrange for a media news summary service to free up REAP personnel to work on more substantive issues.
- Prepare scope of work for new employee and introduce the new employee to the work

VI. SUMMARY OF START-UP ACTIVITIES

A. Administrative Start-Up Activities

- All staff positions were filled and people were at work by June 1st (most by beginning of April).
- Office facilities were leased and occupied by March 19, 2007.
- The project was registered in BiH on March 29, 2007.
- Furniture and equipment sufficient to function in the REAP offices was in place by April 9, 2007.
- All furniture, equipment, and other assets were inventoried and tagged.
- All office and computer equipment purchases were completed and installed. Telephone and Internet services were installed.

B. Work Plan and PMP

- The Project Work Plan and Performance Monitoring/Management Plan (PMP) were submitted on May 14, 2007, and a shortened version of it was submitted on June 1, 2007. Additional work is being done at this time to integrate the Task Objective on Broader Public Understanding of BiH

Energy Sector Issues and Challenges into the shortened version of the Work Plan, which will be completed in the near future.

- During this reporting period, the REAP team designed and finalized the REAP Employee Office Procedure, the REAP TDY Office Procedures and the Shared Folder Usage Policy and Organization.

VI. ADDITIONAL INFORMATION

A. Progress during the quarter v. scheduled

All scheduled activities during the quarter were completed.

B. Supporting Materials

Annex A includes (i) a task list from the Project Contract shows accomplishments grouped under the appropriate task, and (ii) a task progress chart show activities completed, in process, or deferred during the quarter is included in Annex A. This is followed by a level of effort summary in Annex B and a financial summary in Annex C.

C. Staffing Status

The only long-term U.S. expatriate staffer, COP Jane Wilson, arrived on March 14, 2007, and commenced working on March 15, 2007. Local long-term staff was hired and on the job between March 14 and June 1, 2007, with the project being staffed by June 1. A staff list is included in Annex D of this report.

ANNEX A

TASKS, ACHIEVEMENTS AND PLANS

- Task 1: A fully integrated energy sector into the regional market and the EU.**
- Task 1.A. **Unification of the Regulators.** The contractor shall help create a single energy market throughout BiH regulated by a single integrated regulation.
- Talking points on Regulator Cooperation was developed, turned into talking points and distributed to the three Ministries, given that the three Ministers agreed *not* to unify the regulators at this time.
- Task 1.A.(i) Provide assistance to the existing regulators to further strengthen their principal functions of issuing licenses and tariffs;
- Task 1.A.(ii) Draft amendments to the electricity law that are consistent with the unbundling of the existing company structure.
- Task 1.A.(iii) Draft necessary by-laws; and assist in their implementation to assist with the passage of the amendments to the electricity laws to enable unification of regulators; and
- Task 1.A.(iv) Once in place, assist the unified regulator to reconfigure itself – which would include organizational issues and the revision of all internal documents (Statute, Rules of Work, organization charts, internal financial procedures, and the like) as well as the Rules of Practice and Procedure, and assist the State Regulatory Commission (SERC) in its interactions with the Energy Regulators Regional Association (ERRA) in moving towards the single regulator.
- Task 1.B **Creation of the Legal and Regulatory Framework for Gas.** The contractor shall assist the state regulator to consolidate and incorporate the regulation of gas into its regime and to assemble a capable staff to support the gas sector.
- Task 1.B.(i) Draft a state level gas law working with a Gas Working Group.
- Given that the RS had given the National Assembly a draft RS Gas Law prior to the commencement of the project, detailed comments were given to the RS Ministry to help make the law EU-Directive compliant.
 - Provided all three Ministries with talking points on TSO formation issues.
- Task 1.B.(ii) Provide technical assistance to MOFTER to complete the enactment of the Gas Law;
- Task 1.B.(iii) Draft foundation gas regulation documents and plan training on gas specific regulatory issues.
- Task 1.B.(iv) Assist the state regulator to hold public hearings and issue rules for gas regulation, including such matters as the practice and procedure for establishing tariffs and the conditions for licenses, third party access, and market opening.
- Task 1.B.(v) Assist the state regulator to consolidate and incorporate the regulation of gas into its regime and to assemble a staff to support the gas sector; and

- Task 1.B.(vi) Assist the regulators in planning activities to require the appropriate and timely filings from all gas companies and ensure that concomitant changes called for in the law are made for the gas sector, as required.
- Task 1.C. **Transformation of the Independent System Operation (ISO) into a Full Market Operator for all of BiH.**
- Task 1.C.(i) Assist the state regulator (SERC) in its approval of ISO activities to create the Market Operator function for balancing the market.
- Discussed with RSERC the items that must be accomplished to genuinely open the electricity market, given the prescription of bilateral contracts and a balancing market, the latter prescribed in the ISO Law.
 - The prerequisites for a balancing market were discussed with REAP technical assistance, who stated that a minimum of two things are required: measuring systems that require no estimates on a pro forma basis and a proper accounting system. BiH has neither of these things.
 - Determined that the refusal by SERC to allow costs for future direct investment because the ISO is a non-profit company is without basis in BiH law.
- Task 1.C.(ii) Assist MOFTER in the ongoing efforts to formulate the Market Rules for the energy market (electricity and gas) and to help delineate the rules for a financial settlement system;
- Task 1.C.(iii) Help revise the Grid Code; and
- Task 1.C.(iv) Ensure that the appropriate market monitoring mechanisms are in place and being utilized to ensure that ISO governance is proper.
- Task 1.D. **Broader Public Understanding of Specific Energy Sector Issues and Challenges.** The contractor shall develop and implement a program of public outreach and education efforts to develop broader understanding of the energy sector, its needs, the challenges it faces, the major issues of the reform of this sector and what are the means needed to achieve them. Through a variety of efforts, e.g., short-term trainings, the project should strive to educate cabinet members and parliamentarians, both at the entity and state level, the media and the broader public. While serving as an educational effort, the aim is to help develop advocates for energy sector reform in these areas. This will require consultation and working closely with USAID Economic Reform Office CTOs, with parliaments, and the media. This may include, but not be limited to:
- Developed job description and position requirements for a Public Relations position in FERC.
 - Organized a Conference on the Foundation of the BiH Market, to be held in Neum on September 13-14. The three Ministries will host the conference, and speakers from the region have been arranged.
 - A core set of 10 topics were chosen and a basic set of messages developed. A distilled message was developed that states: The Energy Community Treaty requires reform; reform attracts investors; investors assure security of supply.
 - To conform to the July 1, 2007, deadline for implementing the Energy Community Treaty, two journalists (one newspaper and one radio) were helped to understand the sector, its reform and the deadline of the treaty. The effort results in one newspaper article and a radio show that was broadcast on 20 radio station-members of AlterMedia.

- An agreement was made with the ONASA news agency for distribution of articles; however, because the first article was not sourced, none of the newspapers would pick it up.

Task 1.D.(i) Support reform efforts surrounding the drafting and adoption of legislation and regulation for the unification of regulators.

Task 1.D.(ii) Support the drafting of legislation and regulation supporting the state level gas law, and

Task 1.D.(iii) Assist the state energy regulator to hold hearings and issue rules for gas regulation on topics such as tariff setting, conditions for licenses, and helping the regulators in developing and implementing requirements that the gas sector meetings the new requirements under the law on the gas sector.

Task 2. Restructuring and commercialization of energy companies.

Task 2.A. **Implementation of the Action Plans.** The contractor shall assist with a number of actions to help facilitate action plan implementation. These shall include:

- Through a number of meetings with counterparts, including the three regulators, the State Ministry of Foreign Trade and Economic Resources and the Federation Ministry of Energy, Mining and Industry, the Chairman of the Energy Committee of the Federation Parliament and the advisor to the Federation Prime Minister, it is clear that all counterparts are aware the implementation of the Action Plan is needed
- However, there is no clear plan how to approach to the implementation issue.

Task 2.A.(i) The formation of Headquarters functions in the EP companies.

- The Federation's Public Enterprise Law does not provide for holding companies. The Federation Ministry is drafting an amendment to the law to enable the formation of a holding company (parent) in preparation for unbundling.

Task 2.A.(ii) Integration and coordination of the Federation coal Mine Action Plan with the Electricity Action Plans in preparation for the privatization of the thermal power plants along with the coal mines that support them.

- The Federation Ministry responsible for energy explained that the intention is to start restructuring the coal sector but funds are needed.

Task 2.A.(iii) Separation of the accounting of all of the daughter business units of the EPs.

- FERC informed REAP that EP HZHB implemented accounting unbundling of distribution and supply as filed in the recent tariff proceeding.

Task 2.A.(iv) Combination of certain of the generating companies and distribution companies into more efficient operating units as identified in the action plans.

Task 2.A.(v) Incorporation of Holding Companies and the separate daughter companies as joint stock companies from the reconfigured EPs.

Task 2.A.(vi) Transition to full cost-based tariffs for all of the new Joint Stock Companies; and

Task 2.A. (vii) Preparation of the generation and distribution companies in BiH for privatization plus agreement with the Governments on social programs for redundant workers.

- Met with the advisor to the Federation Prime Minister and Chairman of the Energy Committee in the Federation Parliament. Both agreed that the Action Plan should be implemented, the Chairman of the Energy Committee planning for a hearing in the Federation Parliament on energy and the advisor agreeing to raise the need to implement the Action Plan in the Council of Ministers meeting.
- In every meeting on the subject of implementation of the Action Plan, encouraged the hiring of a Transaction Advisor for any investment searches, giving the example of Kosovo and the different results pre- and post-transparent tender procedures with the advice of a Transaction Advisor.

Task 2.B. **Broader Public Understanding of Specific Energy Sector Issues and Challenges**

The contractor shall develop and implement a program of public outreach and education efforts to develop broader understanding of the energy sector, its needs, the challenges it faces, educate entity and state level cabinet members and parliamentarians, the media and the broader public. This program will support the efforts to transform the ISO into a full market operator. It will also educate stakeholders and the public on the need for the privatization of the EPs, including the preparatory steps required to do so, i.e., the reorganization of EPs, the hiving off of EPs' daughter business units, the incorporate of Holding Companies, etc. While serving as a broad educational effort, the chief aim of this program will be to help develop advocates for energy sector reform in these specified areas. This will need to consult and work closely with USAID's Economic reform Office CTOs, with parliaments and the media.

- See entry under Task regarding the development of messages and the radio show on AlterMedia network.

ANNEX B

Task Progress Chart

ACTIVITIES & DELIVERABLES Scheduled For This Period	PROGRESS TO DATE		
	Completed	In Progress	Deferred
Contract signature and authorization to start work	•		
Inception meetings with USAID CTO, March; project briefing with USAID Mission BiH	•		
Install REAP systems and equipment in local office	•		
Introduce project to the stakeholders	•		
Review and finalize Annual Work Plan and PBMS with USAID; performance indicators with CTO		•	
PBMS and R-4 reporting to USAID	•		
Annual and Completion Reports	•		
Demobilization Plan			•
TO 1: BIH ENERGY SECTOR FULLY INTEGRATED INTO THE REGIONAL MARKET AND THE EU			
KRA 1 Creation of Legal and Regulatory Framework for Gas			
KRA 1.1 Legal gas framework creation			
KRA 1.1.1 Draft three gas laws		•	
RS Draft Gas Law brought into substantial compliance with the EU Gas Directive.		•	
State Gas Law draft from previous project separated into draft Federation and State laws based on the electricity sector structure and to the extent possible, harmonized with the RS draft or passed gas law.		•	
KRA 1.1.2 Introduce draft gas laws into three legislative bodies and work to assist their passage			
Assisted with revisions to the law when the individual Ministries put it into final format.		•	
Interacted as requested with the legislative committees responsible for an energy law, individual parliamentarians or party heads that desired information on the law.		•	
Reviewed as requested amendments from the committees and the plenary sessions from each House of the RS National Assembly and Federation and State Governments.		•	
Talking points, presentations and other lobby materials were prepared in conjunction with the REAP Public Outreach program to make the laws understandable for parliamentarians and the media, as well as the Ministries involved.			
KRA 1.2 Secondary gas legislation			
Advised regarding the amendment of the existing regulator formation documents to include jurisdiction over the gas sector.			•
Advised and assisted with regard to appropriate regulations to be drafted by each regulator covering practice and procedural rules,			•

tariff methodology, licensing rules, system operational rules, conditions of supply, third party access rules and uniform system of accounts;			
Advised on design of coordinated format for drafting of the system operational rules, conditions of supply, and submission to commissions for approval.			•
KRA 1.3 Gas license and tariff proceedings commenced and completed			
According to REAP advice, regulators ordered commencement of interim licensing proceedings.			•
Regulated companies filed applications for interim licenses.			•
Interim licenses issued to natural gas undertakings.			•
Regulators ordered the commencement of initial tariff proceedings utilizing the uniform system of accounts.			•
Regulated undertakings filed applications for tariffs as ordered.			•
Decisions on tariffs were issued in all proceedings.			•
KRA 2 Transformation of ISO into a full MO after the Transition Phases of the internal BiH Market KRA 2.1 Market Opening Plan			
Held a large conference with presenters from the region that addresses fundamental market concepts.		•	
Developed a market design to move from the current closed market to bilateral contracts and the balancing market, with gradual deregulation of generation, addressing the issue of export in a hydro-thermal generation market.		•	
The market design clarified the party responsible for each step of market evolution and for market operation.		•	
The market opening plan for both electricity and gas included a vulnerable customer plan.		•	
A concerted lobby and communication effort for a vulnerable customer plan, directed to the RS Ministry of Economy, Energy and Development, Federation Ministry of Energy, Mining and Industry, MOFTER, the Entity Prime Ministers and Presidency, the legislative bodies, and the public as appropriate and necessary was effected.		•	
The electricity market opening plan was built upon, and one was created for natural gas with detailed regulations for suppliers of last resort and customer switching.			•
A new Grid Code was developed by the ISO and approved by the State Electricity Regulatory Commission.			•
New Market Rules were developed by the ISO and approved by the State Electricity Regulatory Commission.			•
A tactical decision was made with the ISO, Technical Committee, regulator(s), and other stakeholders whether to develop new			•

Market Rules for the balancing market as provided in KRA 3.8, or whether to evolve the Market Rules in two steps.			
Support was given to the ISO in working with the Technical Committee on any revisions needed to the Grid Code and Market Rules.			•
KRA 2.2 Market Monitoring			
Developed practices and procedures for the ISO and the Regulatory Commission(s) to employ market monitoring for anticompetitive conduct/market power.			•
KRA 2.3 Grid Code and Market Rules			
A new Grid Code was developed by the ISO and approved by the State Electricity Regulatory Commission.			•
New Market Rules were developed by the ISO and approved by the State Electricity Regulatory Commission.			•
A tactical decision was made with the ISO, Technical Committee, regulator(s), and other stakeholders whether to develop new Market Rules for the balancing market as provided in KRA 3.8, or whether to evolve the Market Rules in two steps.			•
Support was given to the ISO in working with the Technical Committee on any revisions needed to the Grid Code and Market Rules.			•
KRA 2.4 ISO and Transco governance for smooth operations			
Reported with regard to the EU's new energy directives' direction to maximize the leverage of the ISO as the organization of the future, the alternative being the requirement to unbundled ownership of a TSO. This premise underlay and supported all activities of this KRA. ¹			•
Areas where the Transmission Company, Elektroprivrede regulator(s), governments and other stakeholders do not accept the mandates of the Transco and ISO Laws were identified and those areas were included for consideration in the workshops identified in KRA 2.1.		•	
The status and operability of the EBRD's SCADA system installation and operation and the EBRD's assessment of ISO operation were determined, along with the ISO's and European Investment Bank (EIB) plan for funding of the ISO balancing market software and other software necessary for market monitoring, dispatch and other functions.		•	
The regulatory filings of the ISO were reviewed, including the tariff filings, to determine if appropriate financial and legal support for tariff and any other requests had been included to enable SERC to afford nondiscriminatory support and all due consideration to the ISO to enable it to develop into a robust and functioning ISO that phases into the role of balancing market operator according to the ISO Law.			•

¹ A "Working Document on Prospects for the Internal Gas and Electricity Market" by the Committee on Industry, Research and Energy of the European Parliament was issued on 13-4-2007, DT/662567EN.doc, PE 388.364v01-00.

A financial plan was developed for the ISO's next tariff proceeding to finance requirements for the future software and the ongoing training necessary for a robust ISO and balancing market operator.			•
Assisted with the compilation of the next ISO SERC tariff filing to assist with the inclusion of the appropriate legal and financial arguments to the regulatory commission to ensure legal and nondiscriminatory regulatory support to the ongoing development of this organization were agreed and approved.			•
KRA 2.5 Labeling sources of electricity			
A suppliers' labeling program developed and provided that enables customers to identify the characteristics of the electricity generated			•
REAP team gathered EU nuts and bolts practice and enlisted in-house experts for research. This information was passed to the regulators and other stakeholders for addressing in the technical or regulatory rules, and/or conditions of supply. The REAP team advised the regulators with regard to implementing this practice in its rules.			•
KRA 2.6 Balancing market price methodology			
An expert developed a price methodology for setting balancing market prices, which will govern the supply and purchase of electricity in the current non-liquid situation. The methodology was submitted by the ISO to the regulator and accepted thereafter.			•
Support was given to the ISO in working with the Technical Committee, if any, with regard to the balancing market price methodology.			•
Detailed workshops were arranged for the SERC and ISO with regard to implementation of the balancing market pricing methodology.			•
A workshop was arranged for the sector as a whole to explain the pricing methodology.			•
KRA 2.7 State Regulatory Commission MO Approval			
Guidelines and draft procedures developed for the ISO to become a Market Operator in a procedure that complied with the ISO Law and any rules of the regulator.			•
Guidelines and draft procedures were provided to the state regulator regarding the approval of the ISO as a market operator.			•
The REAP Team submitted advice and assistance on recommended guidelines and procedures for the ISO to apply for the status of a balancing Market Operator.			•
Hands-on working meetings were held by REAP with the ISO and regulator(s) with regard to development of such guidelines and procedures.			•
KRA 2.8 Procedures for balancing market			
Transparent, non-discriminatory and cost reflective mechanisms for balancing the market developed. Thereafter, they were approved by the regulator(s).			•

The decision regarding whether one or two sets of Market Rules would be developed determined whether both an interim and final set or only a final set of Market Rules were developed, the final set of Market Rules included the procedures for and operation of the mechanisms for the Balancing Market.			•
Support was given to the ISO in working with the Technical Committee and regulator on any drafting or revising of Market Rules.			•
Support was given to the ISO in creating a filing for approval of Market Rules that incorporated the procedures and mechanisms for market balancing, ensuring that the procedures were explained to the regulators (and public, since the filings are public) in an understandable way.			•
KRA 3 Unification of the Regulators			
KRA 3.1 MOU for unification of the regulators			
Developed a framework for an interim step to full unification that provides for more extensive interaction and cooperation between the three regulators.		•	
Drafted a Memorandum of Understanding (MOU) to be signed by the Republika Srpska Ministry of Economy, Energy and Development, the Federation Ministry of Energy, Mining and Industry, and the Ministry of Foreign Trade and Economic Resources that memorializes closer coordination of the three regulators in planning and execution of their work, working toward the eventual full unification of the regulators into one regulator.			•
Obtained execution of the MOU by the respective Ministries.			•
Mobilized the public outreach and communication program to explain to the legislators, media and public the benefits of the work toward unification.			•
KRA 3.2 Amendments to the three electricity laws			
KRA 3.2.1 Draft amendments to the three electricity laws for unification of the regulators			
Drafted amendments to the three electricity laws that would allow the full and legal unification of the regulators.			•
KRA 3.2.2 Introduce draft amendments into three legislative bodies and work to assist in their passage			
Assisted in getting the amendments to the three electricity laws passed through the legislative authorities, including:			•
Assisted with revisions to the amendments when the individual Ministries put them into final format;			•
Interact as requested with the legislative committees responsible for energy, individual parliamentarians or party heads that desire information on the draft laws.			•
Reviewed requested amendments from the committees and the plenary sessions from each House of the RS National Assembly and Federation and State Parliaments.			•
Mobilized of REAP public outreach and communication for lobby materials for all counterparts and press, including presentation			•

materials to explain to the legislators, media and public what the unification effort means and what the benefits are.			
KRA 3.3 Establish State Energy Regulatory Commission			
State Energy Regulatory Commission established.			•
Assisted with the amendment of statutes, rules of work, organization charts, and internal procedures.			•
TO 2 Restructuring and Privatization of the EPs			
KRA 1 Implementation of the Action Plans			
KRA 1.1 Unbundled EP Companies Corporatized			
Produced current status of the Action Plan and a base line of action plan implementation.		•	
Determined the legal framework for further implementation of the Action Plans.		•	
Determined the status of the Federation Government/EP intentions with regard to further implementation of the APs.		•	
REAP Participation ensured in any working groups with the three Ministries, WB, EC, EPs and other members of the IC on the energy study and/or strategy being funded by the WB and EC.			•
Identified RS Government plan with regard to further re-organization of EPRS.			•
Provided advice and encouraged the unbundling of the Federation EPs and lobbied the Federation Government therefor.		•	
Provided the benefits of unbundling and corporatization of the daughter companies.			•
Determined the three EPs' intentions with regard to recombining generation and distribution companies into more efficient units.			•
Provided assistance with regard to realization of the EPs' plans to rationalize unbundled companies.			•
KRA 1.2 Accounting Unbundling and Full Cost-Based Tariffs			
Reviews provided of the current accounting system at present time in all three EPs, shares of liabilities and commercial relations within each company, if any. Determined status of the Federation EPs' intentions with regard to unbundling and developing of their accounting systems.			•
Determined status of the WB Manitoba Hydro accounting system pilot projects that will enable accounting unbundling.			•
Determined plans and the timing of Entity Regulatory Commissions and EPs to develop DSOs.		•	

The commencement of specific activities aimed at creating the DSOs in the near future encouraged.			•
The three regulatory commissions assisted and encouraged to establish their uniform system of account rules and enforce them.			•
The EPs capacity and capability to implement uniform and separate accounting system assessed.			•
Advice provided to EPs on capacity building with regard to separated accounting systems.			•
KRA 1.3 Integrate Coal Mine and Electricity Action Plans			
Reviewed the Coal Mine Action Plan.	•		
Determined the status of the Coal Mine AP and extent of harmonization with the electricity AP.			•
Analyzed the rationale and wisdom of the merger of coal mines into generation plans.			•
Analyzed a gap with regard to different commercial and legal status of coal mines in the Federation.			•
Assessed necessity of keeping or moving the regulation of coal prices into regulators.			•
Ensured that the International Community and ministries understand and assist with the plan to resolve potential problems with regard to different bodies in charge of regulation of coal and electricity prices.			•
KRA 1.4 Training Programs for Redundant Employees			
Policy options analyzed in the development of social programs for redundant employees made redundant because of efficiency streamlining measures as the unbundled EP companies are rationalized for current or future planned privatization,			•
Government's intentions regarding the policy options determined,			•
Other countries' experience with regard to redundancy programs communicated.			•
Appropriate training programs for redundant employees proposed.			•
Advice provided with regard to preparation of the EPs' social programs for current or future streamlining that may render employees redundant.			•
Effected mobilization of REAP public outreach program with regard to better understanding the social program for persons made redundant by streamlining the EP unbundled companies.			•
KRA 1.5 Implementation of EU Environmental Directives			
Status of environmental regulation in the Entities and the State level at present time determined.			•

Energy Community Treaty requirement assessed as well as the current legislation and rules applicable to new investments.			•
EC Directorate and SEE Energy Treaty Directorate consulted regarding plans to take appropriate steps to comply with the EnC Treaty.			•
Status of the EPs' rules, practices and intentions with regard to such, current or future, requirements determined.			•
Advice and procedure developed for compliance with the EU Treaty environmental requirements.			•
KRA 1.6 Commercialization/Privatization of Generation and Distribution			
The plans of the Entity Governments for commercialization of BiH generation and distribution determined.			•
Determined how the current privatization/commercialization investment plans are being framed and actualized.			•
Determined what plans of the Entity Governments are with regard to coal mines commercialization/ privatization if they have not been merged with EPs.			•
Other countries' experience (transition countries, new EU member countries) with regard to commercialization/privatization communicated.		•	
Plans for privatization co-created, whether immediate or future, with no definite implementation date but have a specific EU accepted structure that is transparent and organized.			•
TO 3 Cross Cutting Objective: Broaden public understanding of BiH energy sector issues and challenges			
KRA 1 Regulators and ISO efficiently communicate			
KRA 1.1 Regulators and ISO Promote Liberalization			
Ongoing, one-on-one assistance provided to the three regulators in developing communication strategy, skills and techniques of public advocacy;		•	
Defined the ongoing methodology for promoting liberalization in the electricity sector in general, the transparency of regulators' work;		•	
Identified in-house capacity for carrying out future PR activities and/or creating a new job position for an outside PR specialist		•	
KRA 1.2 ISO communicates and promotes its function as unique and new, fitting in with the rest of the region and the EU			
Ongoing assistance provided to the ISO in developing its communication strategy, skills and techniques for public advocacy;			•
Defined methodology for promoting the ISO as a unique body			•

which fits in with the rest of the region and the EU.			
The meaning of the Freedom to Access to Information law (FOA Law) explained and how to deal with FOA demands.			•
KRA 1.3 Regulators/ISO prepared to manage information			
Ongoing work conducted with each of the three regulators and the ISO in developing a better understanding of the way media functions and how to manage incorrect information and allegations reported in the press.			•
KRA 1.4 Regulators equipped to publicize information			
Ongoing assistance to the regulators provided on better communication with the public, governments, related committees and parliaments on the occurrence and content of public hearings and the ability of the public and other organizations, including ministries, the government and legislators, to file public comments.			•
KRA 2 Decision Makers acquainted with energy reform			
KRA 2.1 Well informed regarding energy reforms			
# of round tables organized, and discussions and informative meetings held for parliamentarians and governments' representatives			•
2.2 Promotion for Market Integration and liberalization			
# of meetings and discussions conducted with target groups within the decision makers responsible for bringing new laws into parliamentary procedures and their implementation			•
KRA 3 NGOs support energy reform			
KRA 3.1 NGOs influence decision makers and stimulate public			
Suitable ² NGOs identified for talking a significant role in influencing decision makers and stimulating general public;		•	
Training provided to selected NGOs on issues and challenges in energy reform sector which will use this knowledge to influence policy makers and encourage a more active citizen involvement in the decision making processes.			•
KRA 3.2 NGOs help advance energy sector			
One-on-one work and joint effort provided with the selected NGOs on their mutual cooperation and the exchange of information related to the energy sector reform.			•
Developed a system of mutual information from the citizens to the regulators, the ISO and the decision makers, and cooperation with the media.			•
KRA 4: media Reports on Energy Reform			
KRA 4.1 Journalists/Editors Understand Energy			

² Especially NGOs working on customers' protection, introducing the EU standards in BiH legislative and a more participatory democratic society through increasing citizen's participation in political and social decision making processes.

Reform			
# trainings conducted for journalist/editors regarding Legal and Regulatory steps that BiH should take to meet the Energy Community Treaty requirements, the function of the ISO, the function of the regulators and restructuring and preparation for the commercialization of energy companies		•	
KRA 4.2 Media employ high professional standards			
# of trainings conducted for journalist in business and economy reporting, particularly in covering the energy sector.		•	
KRA 4.3 Use research and expert sources			
Meetings guided/organized and a collaborative relationship established between media outlets and professional research agencies and experts in the energy sector			•

ANNEX D

REAP Staff

Name	Position	Start Date
Jane Wilson	<i>Chief of Party</i>	<i>March 14, 2007</i>
Alma Hadziosmanovic	<i>Office Manager/Translator</i>	<i>March 16, 2007</i>
Dejan Bosnjak	<i>Operations Manager and Legislative Assistant</i>	<i>March 27, 2007</i>
Drazena Peranic	<i>Public outreach and communication specialist</i>	<i>April 9, 2007</i>
Dzenita Becic	<i>Executive Assistant/Translator</i>	<i>April 9, 2007</i>
Ognjen Markovic	<i>Deputy Chief of Party</i>	<i>June 1, 2007</i>