



MEMORANDUM

TO: MOFTER
Mrs. Mubera Bičakčić
Mr. Reuf Hadzibegic

FROM: REAP

DATE: August 24, 2010

RE: ECRB Electricity Working Group proposals given at the ECRB & PHLG meeting held on June 29, 2010

On the basis of the USAID and the MOFTER agreement where REAP was supposed to assist MOFTER following up Bosnia and Herzegovina's implementation of the Energy Community Treaty, REAP analyzed the proposals that ECRB Working Group Task Forces presented at the last PHLG&ECRB meeting.. ECRB has established Working Group Task Forces and CAO Project Team to deal with the issues that could improve circumstances for the regional wholesale trading. REAP analyzed the reports, presented at the recent ECRB meeting held in June 2010, which dealt with the following topics:

- (i) Wholesale licenses in the 8th region;
- (ii) Regional Balancing;
- (iii) Establishment of Coordinated Auction Office (CAO);

REAP reviewed these documents in order to follow up on the developments regarding these issues and provide advice to MOFTER and other stakeholders if needed, on prospective BiH obligations and actions that should be undertaken. The most important conclusions regarding these three topics are the following:

- i. Wholesale licenses in the 8th Region: Previously the ECRB document proposed fading out licenses for regional wholesale trading. Since ERGEG commissioned the study which would provide advice to the European Commission on this issue, the EWG put the further activities of the Licensing Task Force on hold until the final deliverables are presented on ERGEG/EU levels;
- ii. Regional Balancing: Having in mind the very limited development of the national balancing markets so far, the regulators concluded that it is too early for the discussion on a regional balancing model. Before going into details of the regional balancing model, the national balancing model should be assessed first. Therefore, the Task Force for Regional Balancing requested of the ECRB to make a new deliverable - the status review on national balancing models;
- iii. CAO: Five TSOs (Albania; Greece, Montenegro, Romania and Kosovo) have signed the Declaration on the Establishment of the CAO and two (Slovenia and Hungary) stated that they are ready to participate in financing if Croatia joins the CAO Project Team as well. Two TSOs (BiH and FYR Macedonia)



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still have to finalize their internal decision making process, HEP (Croatia) has not decided yet whether to join the Project or not, EPS (Serbia) insists on the internationally recognized borders (Kosovo problem) and one (Bulgaria) TSO has not responded, so there is still no clear picture on how to proceed with the establishment of the CAO. The CAO Project Team thinks that HEP's decision is crucial for final assessment of whether the CAO project is to be realized or not. The Energy Community Secretariat insists on the final positions from HEP, ISO BiH and MEPSO (FYR Macedonia). The SERC is supposed to urge the signature of ISO BiH.

REAP will follow up further activities on these issues and advise MOFTER and assist SERC to monitor processes and undertake measures if needed.

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