



MEMORANDUM

TO: Reuf Hadzibegic
Mubera Bicakcic
Admir Softić
MOFTER

FROM: Ognjen Markovic

CC: Ankica Gavrilovic
Jane Wilson

DATE: November 4, 2011

RE: Obligations of Bosnia and Herzegovina regarding the Implementation of the Acquis under the Treaty establishing the Energy Community Treaty as reported in the Energy Community Secretariat Annual Report

The Energy Community Secretariat issued an Annual Report on the Implementation of the Acquis under the Treaty Establishing the Energy Community Treaty (Report), dated September 1, 2011.

Paragraph 5.2.c. of the Report addresses the state of compliance of Bosnia and Herzegovina (BiH) with the electricity acquis. Besides the general statement that BiH compliance is unsatisfactory, the Report addresses specific areas of BiH noncompliance with the acquis and its implementation. REAP thinks that the areas addressed in the report could be assigned to bodies and institutions that are, by law, supposed to undertake action to remedy the areas of noncompliance.

The table below addresses the areas of noncompliance, those responsible to undertake action, and what action is required to be taken:

Table on Electricity:

No.	Areas of Noncompliance	Party Responsible	What to do
1	Universal service not adequately defined and applied	Entity Governments	Include provisions in the Energy / Electricity Law
2	Customer rights and transparency of bills-fuel mix and environmental impact	Entity Regulators and EPs	Regulators to regulate customer rights and transparent billing for implementation by the EPs

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3	Procedure and conditions for tendering	Entity Governments	Governments to develop and implement public procedures and conditions
4	Procedure for exemption of new interconnectors from third party access	BiH Ministerial Council	Change the State Law
5	Responsibility related to ensuring security of electricity supply	State and Entity Governments	Include provision on Security of Supply in the entity laws and assign a state body to report on it internationally
6	Balancing system to be revised from a market perspective	SERC, ISO and Transco	Balancing model to be developed, implemented and technical preconditions to be met.
7	Existing wholesale market model needs to be reformed comprehensively	State and Entity Governments	Take a national position on the Regional and BiH Action Plans to establish the wholesale electricity markets and implement agreed model.
8	Transmission company is not functional	State and Entity Governments	Continue discussion on Transco company, perhaps initially based on the initiative to return 110 kV lines and substations that have distribution character to the EPs.
9	Functional unbundling of EPs in Federation BiH	FBiH Government	EPs execute restructuring.
10	OHR decision on supply of Brcko District	State Government and OHR	State Government to request OHR to solve this issue.
11	Market is formally open but not in practice	Entity governments, regulators	Eliminate regulated tariffs for all customers but households and small enterprises

Paragraph 5.2.1.c. of the Report addresses the state of compliance of Bosnia and Herzegovina (BiH) with the electricity acquis. The table below addresses areas of noncompliance, those responsible to undertake action, and what action is required to be taken:

Gas

No.	Areas of Noncompliance	Party Responsible	What to do
1	No gas legislative framework on the state level and lack of a State-level regulatory authority	State and Entity Governments	Agree on organization of the gas sector
2	Gas market governed differently in the entities	Entity Governments	After agreement on the organization of the sector governments amend/develop gas laws.
3	Unbundling gas companies	Entity Governments	Laws should prescribe unbundling and regulators for gas should require companies to execute it
4	Security of supply	State and Entity Governments	Include provision on Security of Supply in the entity and the state laws and assign a state body to report on it internationally

We think a letter that describes the findings in the Report should be sent to BiH Ministerial Council and all energy sector stakeholders to remind them all the obligations of BiH and the Entities to comply with the provisions from the Energy Community Treaty. The letter should be treated as the initiative to encourage all stakeholders to undertake concrete action to remedy the negative findings.

Best regards,