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Regulatory and Energy Assistance

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

IQC Contract # EPP-I-00-03-00004-00

Task Order # 05

Project Work Plan March 2007 – March 2011

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REAP

*Regulatory and Energy
Assistance Project*

Project funded by USAID

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
REGULATORY AND ENERGY ASSISTANCE PROJECT REAP
BOSNIA & HERCEGOVINA**

PROJECT WORK PLAN

March 2007 – March 2011

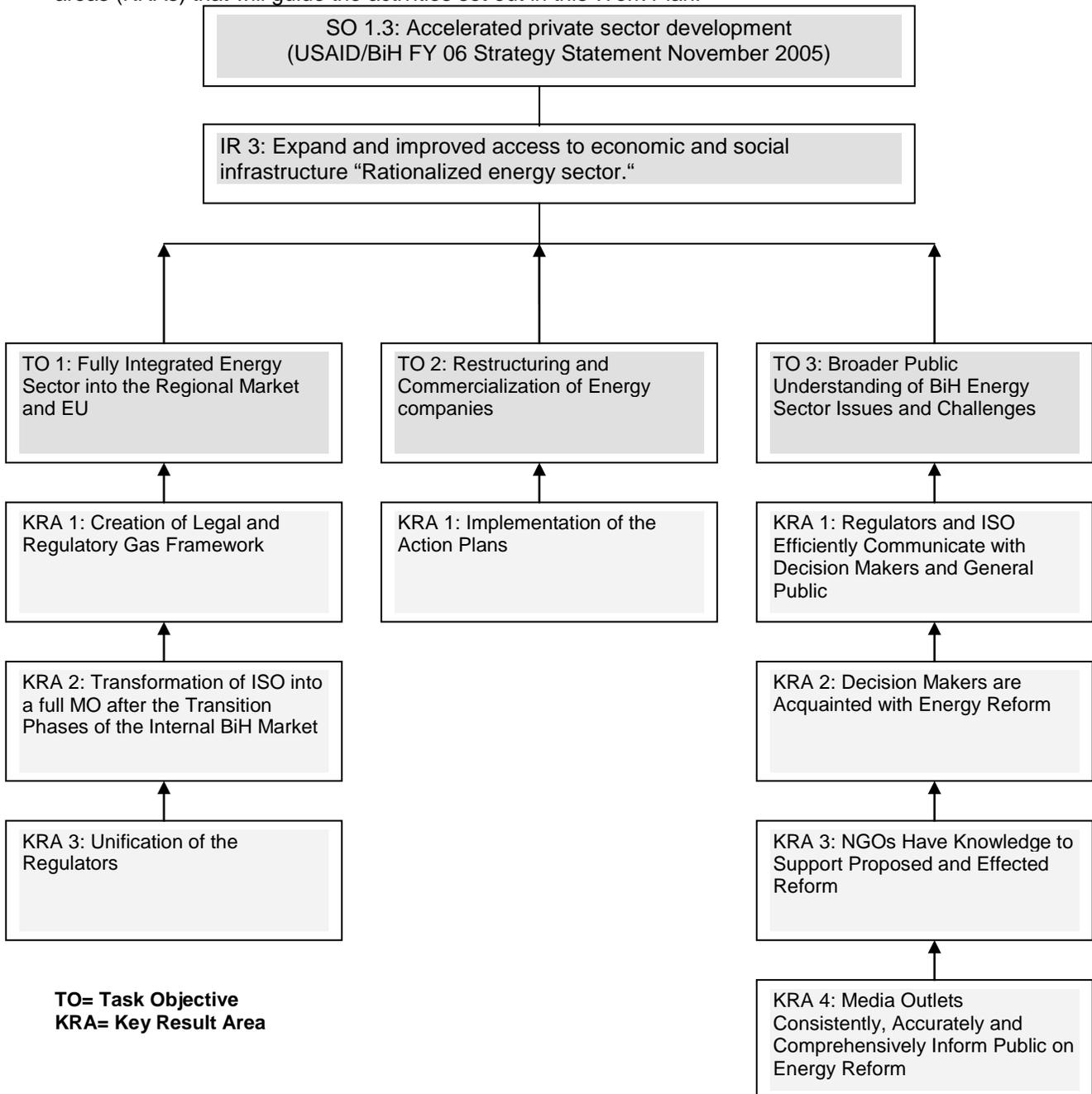
Jane Wilson
Chief of Party

Contract Number
EPP-II-00-03-00004-05

USAID REGULATORY ENERGY ASSISTANCE PROJECT (REAP)

The USAID Regulatory and Energy Assistance Project will work to create a BiH energy sector that is fully integrated into the regional and EU markets and assist in the implementation of the Action Plans toward the eventual privatization of the energy companies. It contributes directly to SO 1.3 “Accelerated Private Sector Development” and specifically to IR 3 a “Rationalized Energy Sector.” The REAP is designed to assist in reforms to bring about a rationalization of the sector. Specifically, REAP will focus on achieving results in two areas: (1) a fully integrated energy sector into the regional market and the EU; and (2) restructured and commercialized energy companies.

Exhibit 1 shows how the three task objectives (TOs) identified by the USAID contribute to achieving the strategic objective and intermediate result listed above. Under each TO we have identified key result areas (KRAs) that will guide the activities set out in this Work Plan.



Achievement of these objectives will require unprecedented cooperation among all political levels of government – the Entities of the Federation of BiH and Republika Srpska (RS), and the state of Bosnia and Herzegovina – and all energy sector institutions.

REAP project activities are designed to achieve specific objectives and expected results. This document consists of the detailed General Work Plan and a Performance-Based Monitoring/Management Plan (PBMP).

Exhibit I outlines the General Work Plan that includes extensively developed details regarding Year One as well as details for the remaining years. Activities are organized by key result areas or KRAs, each including a description of the timing and resources necessary to carry it out.

Assumptions and Conditions

The Project Work Plan is based on a number of basic assumptions and conditions that are necessary for the REAP team to be able to fully achieve its objectives. Those assumptions and conditions are:

The political environment in both Entities is such that integrated country-wide activities and reform can be achieved;

The REAP activities can be harmonized in both Entities; and

All Ministries are willing to participate in REAP activities and have employees that are capable of participating in REAP activities.

TO 1: Fully Integrated Energy Sector into the Regional and EU Markets

Objectives	Timeframe	Activities	Responsibilities		Deliverables
			Team Members	Counterparts	
<p>KRA 1 Creation of Legal and Regulatory Framework for Gas</p> <p><i>KRA 1.1: Legal gas framework created.</i></p> <p><i>TO 1 KRA 1.1.1: Draft three gas laws.</i></p> <p><i>TO 1 KRA 1.1.2: Introduce draft gas laws into three legislative bodies and work to assist their passage.</i></p>	<p>March 2007-December 2010</p> <p>March 2007-December 2008</p> <p>March 2007-December 2007</p> <p>January 2008-December 2008</p>	<p><u>Drafting</u></p> <p>-Advise Republika Srpska Ministry of Economy, Energy and Development to bring RS Draft Gas Law into compliance with EU Gas Directive</p> <p>-Separate Pierce Atwood State Gas Law into Entity and State laws for use by the Federation and the State, based on the electricity sector structure</p> <p><u>Introduction into legislative bodies and passage</u></p> <ul style="list-style-type: none"> - Assist with revisions to each law when the individual Ministries put it into final format; - Interact as requested with the legislative committees responsible for an energy bill, individual parliamentarians or party heads that desire information on the draft laws; - Review of requested amendments from the committees and the plenary sessions from each House of the RS National Assembly and the Federation and State Parliaments; and - Mobilize REAP public outreach and communication for lobby materials for all counterparts and media, including presentation materials to the legislators, media and public to make the laws understandable for parliamentarians, the media, and the Ministries involved. 	<p>Jane Wilson</p> <p>Dejan Bosnjak</p> <p>Drazena Peranic</p> <p>Legal Consultant</p> <p>TBD</p>	<p>Republika Srpska Ministry of Economy, Energy and Development and Federation Ministry of Energy, Mining and Industry, State Ministry of Foreign Trade and Economic Resources, Members of the International Community</p>	<p>-Thorough and complete comments on the RS Draft Gas Law and a high level Memorandum with regard to the most serious problems encountered in the law;</p> <p>-Comments on subsequent drafts of the RS Draft Gas Law that incorporate REAP comments;</p> <p>-A Federation draft gas law that addresses distribution and supply;</p> <p>-A State draft gas law that provides for transport and international trade.</p> <p>-Gas laws as introduced into the legislative authorities, noting any changes made between the time that REAP last reviewed the laws to the time of introduction;</p> <p>-Any talking materials used in meetings with legislative committees, party heads or other parliamentarians and other materials used in the public outreach and communication efforts to ensure that the gas laws are understandable and understood;</p> <p>-The amendments, if any, that the legislative</p>

Objectives	Timeframe	Activities	Responsibilities		Deliverables
			Team Members	Counterparts	
					committees or the plenary sessions of the houses of the National Assembly and Federation and State Parliaments propose to make to the laws; -REAP commentary on proposed amendments, if requested; and -Final versions of the gas laws.
KRA 1.2: Secondary gas legislation created	October 2007- June 2009	<ul style="list-style-type: none"> - Advise regarding the amendment of existing regulator formation documents to include jurisdiction over the gas sector; - Advise and assist 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; - Advise on design of coordinated format for drafting of the system operational rules and submission to commissions for approval; - Advise the commissions with regard to the organizational changes needed to accommodate the regulation of gas; - Assist the commissions with regard to additional budgetary means needed to regulate this additional sector; and - Mobilize REAP public outreach and communication to explain to the media and public what the secondary legislation effort means, the benefits to the public, and how the public can participate. 	Jane Wilson Dejan Bosnjak Drazena Peranic Regulatory Gas Consultant TBD	State energy regulatory commission SERC, Federation energy regulatory commission FERC and Republika Srpska energy regulatory commission RSERC.	<ul style="list-style-type: none"> -Suggested amendments for the three sets of formation documents; -Outlines of regulations on practice and procedure, tariff methodology, licensing, system operational rules, conditions of supply, third party access and uniform system of accounts; -Suggestions with regard to the harmonized drafting of the system operational rules, which may or may not include the conditions of supply; -Training presentations and hand-outs for operation of the natural gas systems, including LNG and storage; -Training presentations and hand-outs on gas tariff methodology and its differences from electricity tariff methodology; -All materials used in public outreach and communication efforts

Objectives	Timeframe	Activities	Responsibilities		Deliverables
			Team Members	Counterparts	
					with regard to the development of secondary legislation; and -Talking points and memoranda prepared to assist the commissions on organizational and budget changes needed to accommodate the regulation of gas.
TO 1 KRA 1.3: Gas License and Tariff Proceedings commenced and completed.	April 2008- December 2009	<ul style="list-style-type: none"> - Advise as regulators order commencement of interim licensing proceedings; - Advise as regulated companies file applications for interim licenses; - Advise as interim licenses issued to natural gas undertakings; - Advise as regulators order commencement of initial tariff proceedings utilizing the uniform system of accounts; - Advise as regulated companies file applications for tariffs as ordered; - Review and advise as decisions on tariffs are issued in all proceedings; and - Mobilize REAP public outreach and communication for all counterparts, the press and the public, including presentation materials to explain the impact of regulated cost-based tariffs, which will be instituted in the gas sector for the first time. 	Jane Wilson Dejan Bosnjak Drazena Peranic Regulatory Gas Consultant TBD	SERC, FERC, RSERC	<ul style="list-style-type: none"> -Advisory emails and memoranda generated by the regulators, their staff, the natural gas consultant, and the REAP Chief of Party with regard to specific problems encountered in the regulatory proceedings; -Orders from the regulators requiring license and tariff applications; -Applications for licenses and tariffs from regulated companies; -Orders on license and tariff applications; and -Materials utilized for public outreach and communication with regard to the institution of cost-based tariffs for gas.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 2 Transformation of ISO into a full MO After the Transition Phases of the Internal BiH	July 2007- March 2011		Jane Wilson Dejan Bosnjak Drazena Peranic	RS Energy Ministry of Economy, Energy and Development, Federation	<ul style="list-style-type: none"> -Presentations and hand-out materials from the large conference on fundamental market concepts; -A developed list of

<p>Market</p> <p>KRA 2.1 Market Opening Plan.</p>	<p>July 2007-December 2008</p>	<ul style="list-style-type: none"> - Hold a large conference with presenters from the region that addresses fundamental market concepts; - Develop 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 will clarify the party responsible for each step of market evolution and for market operation; - The market opening plan for both electricity and gas must include 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 is effected; and - Build upon the electricity market opening plan and create one for natural gas with detailed regulations for suppliers of last resort and customer switching. 	<p>Market Design & Implementation Expert TBD</p> <p>Regulatory Consultant- Market Implementation Regulation TBD</p>	<p>Ministry of Energy, Mining and Industry, the three regulators, the three EPs, the Independent System Operator (ISO) and the International Community.</p>	<p>market issues, presentations, hand-outs, and collective worksheets, developed by the Market Design Expert for two workshops to be led by such expert for the two workshops;</p> <ul style="list-style-type: none"> -Conclusions from each of the two workshops on development of the market, with the final conclusions decided by the decision-maker workshop; -A summary of the market design plan by the consultant, summarizing in an easy-to-understand fashion, what the market design is and how it should be implemented, i.e., how the country can and should move from the current situation to a market with bilateral contracts and a balancing market; -Advising memoranda and materials delivered to the Entity Regulators by the consultant on customer switching rules and the Supplier of Last Resort; -Any materials used in the effort to create a proposal for a vulnerable customer program; -Materials created for use in the lobby and communication effort for the vulnerable customer plan, and/or the lack thereof; and
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					-The materials utilized for the public information campaign with regard to the market design, the supplier of last resort and the customer switching regulations and which customers would use them.
KRA 2.2 Market Monitoring	April 2008- December 2009	<ul style="list-style-type: none"> - Develop practices and procedures for the ISO and the Regulatory Commission(s) to employ market monitoring for anti-competitive conduct/market power;¹ and - Mobilize REAP public outreach and communication to explain to the government, legislators, media and the public what market monitoring is and what the benefits are. 	Jane Wilson Dejan Bosnjak Drazena Peranic Market Monitoring Design Consultant TBD Market Monitoring Implementation/ Analysis Consultant TBD	ISO, EPs and the three Electricity Regulatory Commissions	-Training materials and hand-outs used to train the appropriate stakeholders with regard to market monitoring; -Memoranda or documents submitted by the consultants to recommend market monitoring practices and procedure to the key market monitoring stakeholders; -Presentations, hand-outs and any results of market monitoring exercises conducted during workshop or hands-on, ongoing training; and -All materials used in the public outreach and communication effort to explain market monitoring.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 2.3 Grid Code and Market Rules	October 2007- December 2009	<ul style="list-style-type: none"> - A new Grid Code is to be developed by the ISO and approved by the State Electricity Regulatory Commission; - New Market Rules are to be developed by the ISO and approved by the State Electricity Regulatory 	Jane Wilson Dejan Bosnjak Market Monitoring	The ISO, its Technical Committee that developed the	-Any documents containing an expert assessment and general recommendation regarding revision of the

¹ USAID and NARUC are sponsoring a market monitoring program in the region, and it would make sense to leverage off of the work done within the regional market monitoring to apply to in-country market monitoring. In the 10th Athens Forum in April 2007, a Draft Report was issued on the South East Europe Market Monitoring for the Period December 2006 to February 2007.

		<p>Commission;</p> <ul style="list-style-type: none"> - A tactical decision will be 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; and - Support will be given to the ISO in working with the Technical Committee on any revisions needed to the Grid Code and Market Rules. 	Design Consultant TBD	first Grid Code and Market Rules, and the SERC	Grid Code and/or redrafting of the Market Rules; and -Drafts and the final versions of the revised Grid Code and Market Rules
KRA 2.4 ISO and Transco Governance for Smooth Market Operations	July 2007- March 2011	<ul style="list-style-type: none"> - Report 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 will underlie and support all activities of this KRA;² - Identify areas where the Transmission Company, Elektroprivredas, regulator(s), governments and other stakeholders do not accept the mandates of the Transco and ISO Laws and include these areas for consideration in the workshops identified in KRA 2.1 with the assistance of market experts; - Determine the status and operability of the EBRD's SCADA system installation and operation and the EBRD's assessment of ISO operation, 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; - Review the regulatory filings of the ISO, including the tariff filings to determine if appropriate financial and legal support for tariff and any other requests has 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; - Develop a financial plan for the next tariff proceeding to finance requirements for the future software and the ongoing training necessary for a robust ISO and balancing market operator; 	Jane Wilson Dejan Bosnjak Drazena Peranic Rajesh Mookerjee, Finance Expert Market Monitoring Design Consultant TBD Tariff Expert TBD	ISO, Transmission Company, EPs, SERC, FERC, RSERC, International Community, in particular EBRD and EIB, Entity Energy Ministries and MOFTER.	-Report on the potential new EU Directive's direction with regard to unbundling the TSO structures to further the goals of a competitive government; -A summary of the areas where Transco, the EPs, SERC and other stakeholders do not fully support the ISO according to the law in an explicit or implicit fashion, all of which render the functions of the ISO not viable; -Filings, talking points, presentations and hand-outs, if any, used by the ISO and SERC in a hearing on ISO issues to be requested by the ISO; -A list of the requirements needed by the ISO for its ongoing development of systems, upgrades and training to enable the ISO to fulfill all of the requirements of a fully functioning balancing market operator and ISO in accord with the

² 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.

		<ul style="list-style-type: none"> - Assist with the compilation of the next ISO tariff filing with SERC 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 are agreed and approved; and - The REAP public outreach and communication expert will develop public relations support and information materials to communicate the function and critical role played by the ISO in BiH's integration into the Energy Community to the media, governments, legislators and public, emphasizing that the establishment and operation of the ISO is an accomplishment BiH can be proud of and that all governments and citizens can claim. Tours, explanation and demonstrations of the ISO functions will be arranged for stakeholders, Ministry and legislative decision-makers. 			<p>requirements of the ISO Law;</p> <ul style="list-style-type: none"> -The legally supported application for approval of tariffs including the above set of requirements; -Materials from the workshop on the regulatory practice and procedure rules necessary for proper functioning as a regulated company in SERC, RSERC and FEREC; and -All public relations materials utilized in the program to communicate information about and promote the ISO.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
<i>KRA 2.5 Labeling Sources of Electricity</i>	July 2008-December 2008	<ul style="list-style-type: none"> - A suppliers' labeling program developed and provided that enables customers to identify the characteristics of the electricity generated; and - REAP team will gather EU nuts and bolts practice, enlisting in-house experts for research. This information can be passed to the regulators and other stakeholders for addressing in the technical or regulatory rules, and/or conditions of supply. The REAP team will advise the regulators with regard to implementing this practice in its rules. 	Jane Wilson Dejan Bosnjak In-house expert TBD.	Entity regulators FERC and RSERC, the three EPs.	<ul style="list-style-type: none"> -Summary of best practices within the region and European Union on labeling the source of supply; and -Any written document that memorializes advice or suggestions on drafting rules that require such labeling on customer bills.
<i>KRA 2.6 Balancing Market Price Methodology</i>	April 2008-June 2009	<ul style="list-style-type: none"> - Development of methodology for setting balancing prices, which will govern the supply and purchase of electricity in the current non-liquid situation, drafted by the ISO and accepted by the State Regulator; - Support given to the ISO in working with the Technical Committee, if any, with regard to the balancing market tariff methodology; - Detailed workshops arranged for the SERC and ISO with regard to implementation of the balancing market pricing methodology; and 	Jane Wilson Dejan Bosnjak Drazena Peranic Balancing Market Tariff Methodology Consultant TBD	ISO, EPs, SERC, FERC and RSERC, the two Entity energy Ministries and MOFTER.	<ul style="list-style-type: none"> -General information on pricing methodologies distributed to the ISO and regulator as provided by the pricing methodology expert; -Drafts of a balancing market price methodology developed by an expert in this area in coordination

		<ul style="list-style-type: none"> - A workshop arranged for the sector as a whole to explain the pricing methodology. 			<p>with the primary counterparts in this activity;</p> <ul style="list-style-type: none"> -All materials from two training workshops: one to inform the sector as a whole and another to train in detail the ISO and regulator regarding the modeling and implementation of the pricing methodology; -The application to the appropriate regulator requesting approval of the balancing market price methodology; and -The regulatory order approving the balancing market price methodology.
KRA 2.7 State Regulatory Commission Market Operator Approval	October 2008- December 2009	<ul style="list-style-type: none"> - Development of guidelines and draft procedures for the ISO to become a Market Operator in a procedure in accordance to the ISO Law, in conjunction with the ISO or the regulator as appropriate; - Provision of the guidelines and draft procedures to the state regulator for approval; - REAP Team advice and assistance on recommended guidelines and procedures for the ISO to apply for the status of a balancing Market Operator, given the type of balancing market that has been designed and the timing of its implementation; and - Hands-on working meetings with the ISO and regulator(s) with regard to development of such guidelines and procedures. 	Jane Wilson Dejan Bosnjak	SERC, RSERC, FERC and the ISO	<ul style="list-style-type: none"> -Documentary advice and assistance recommending the guidelines and procedures for the ISO application to be a Balancing Market Operator; -Any materials, talking points, hand-outs utilized in the hands-on assistance provided to the ISO, regulator(s) or regulatory staff; and -Final guidelines and procedures for the ISO application to be a Balancing Market Operator.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 2.8 Procedures for Market Balancing.	January 2008- June 2010	<ul style="list-style-type: none"> - Develop transparent, non-discriminatory and cost reflective mechanisms for balancing the market approved by the appropriate regulator(s); - The work in this set of activities will be determined by the decision made under KRA 2.3 as to whether and 	Jane Wilson Dejan Bosnjak Balancing Market	ISO, any Technical Committee assembled by	<ul style="list-style-type: none"> -Drafts of the expert's prescription for the balancing market mechanisms to be included in the procedures

		<p>interim or a final set of Market Rules are developed, the final set of Market Rules to include the procedures and the operation of the mechanisms for the Balancing Market;</p> <ul style="list-style-type: none"> - Support will be given to the ISO in working with the Technical Committee on any drafting or revising of Market Rules; - Support to the ISO in creating a filing for approval of the Market Rules incorporating the procedures for market balancing, ensuring that the procedures are explained to the regulators (and public, since the filings are public) in an understandable way; and - Mobilization of REAP public outreach and communication program to explain to the government, legislators, media and public the functions of the Balancing Market and what its benefits are. 	<p>Design Consultant TBD</p> <p>Regulatory and Legal Consultant(s) TBD</p>	<p>the ISO to assist in developing the rules, staff from SERC, RSERC and FERC</p>	<p>for market balancing; Drafts of the Market Rules that include the processes for implementation of the mechanisms for balancing the market;</p> <ul style="list-style-type: none"> -Minutes or conclusions from meetings of the Technical Committee on the subject, if any. -Presentations and hand-outs from all workshops presented on the balancing market mechanisms; -Filing of the balancing market rules submitted to the regulator(s) for approval. -Interim and final regulatory orders or materials that pertain to the approval of the balancing market rules; and -All materials used in the public outreach program to explain the balancing market to counterparts and the public.
<p>KRA 3 Unification of the Regulators</p> <p>KRA 3.1. MOU for Unification of Regulators</p>	<p>January 2008- March 2011</p> <p>January 2008- September 2008</p>	<ul style="list-style-type: none"> - Develop a framework for an interim step to full unification that provides for more extensive interaction and cooperation between the three regulators; - Draft 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 	<p>Jane Wilson</p> <p>Dejan Bosnjak</p> <p>Drazena Peranic</p> <p>In-House Legal Expert</p>	<p>RS Ministry of Economy, Energy and Development, the Federation Ministry of Energy, Mining and Industry, and MOFTER, Members of the International Community, SERC, FERC, and RSERC</p>	<ul style="list-style-type: none"> -Bullet point outline for USAID of vision of closer cooperation in regulator planning and execution of their work; -Discussion paper regarding the contents of the Memorandum of understanding and other lobbying materials to use in explaining the goal and concept of the MOU to gain buy-in from the three Ministries and the

		<p>in planning and execution of their work, working toward the eventual full unification of the regulators into one regulator;</p> <ul style="list-style-type: none"> - Obtain execution of the MOU by the respective Ministries; and - Mobilization of REAP public outreach and communication to explain to the legislators, media and public the benefits of the work toward unification of the regulators. 			<p>regulators;</p> <ul style="list-style-type: none"> -Draft Memorandum of Understanding, acknowledging the possibility of eventual actual unification; -Amendments to the MOU and the final, signed version; and Any materials used in the public outreach and communication effort in explaining the benefits of the work toward unification of the regulator.
<p>TO 1 KRA 3.2. Amendment of the three electricity laws. Timing: Years 2-3.</p> <p>TO 1 KRA 3.2.1 Drafting of amendments to the three electricity laws for unification of the regulators</p>	<p>January 2008-December 2009</p> <p>January 2008-September 2008</p>	<p>Draft amendments to the three electricity laws that would allow the full and legal unification of the regulators.</p>	<p>Jane Wilson Dejan Bosnjak Legal Consultant TBD</p>	<p>Two Entity Prime Ministers, Members of the Presidency, RS Ministry of Economy, Energy and Development and Federation Ministry of Energy, Mining and Industry, and MOFTER, Members of the International Community, SERC, FERC, and RSERC, the Economic Council, Members of the Energy Committees of all three legislatures, supportive leaders of primary parties in the three legislatures.</p>	<p>-Draft proposed Amendments to the Electricity laws.</p>

Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 3.2.2 Introduce draft amendments into three legislative bodies and work to assist in their passage	September 2008-December 2009	Assist in getting the amendments to the three electricity laws passed through the legislative authorities, including: <ul style="list-style-type: none"> – Assist 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 amendments; – Review requested changes to the amendments from the committees and the plenary sessions from each House of the RS National Assembly and Federation and State Parliaments; – Mobilization 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. 	Jane Wilson Dejan Bosnjak Drazena Peranic	Two Entity Prime Ministers, Members of the Presidency, RS Ministry of Economy, Energy and Development and Federation Ministry of Energy, Mining and Industry, and MOFTER, Members of the International Community, SERC, FERC and RSERC, the Economic Council, Members of the Energy Committees of all three legislatures, supportive leaders of primary parties in the three legislatures.	-Amendments to electricity laws as introduced into the legislative authorities, noting any changes made between the time that REAP last reviewed the laws to the time of introduction; -Talking materials used in meetings with legislative committees or appropriate party heads or other parliamentarians and other materials used in the public outreach and communication efforts to explain what the unification effort means and why it is beneficial; -Proposed amendments, if any, that the legislative committees, individual parliamentarians or the plenary sessions of the houses of the National Assembly and Federation and State Parliament propose to make to the laws; -REAP commentary on proposed amendments, if requested; and -Final versions of the electricity laws.
KRA 3.3 Establish State Energy Regulatory Commission	January 2010- March 2011	– Establish the State Energy Regulatory Commission through activities, including assisting with the amendment of: <ul style="list-style-type: none"> o statutes, o rules of work, o organization charts, and o internal procedures. 	Jane Wilson Dejan Bosnjak	SERC, RSERC and FERC, along with the three Ministries of Energy	-Initial proposal for organization and management of new State Energy Regulatory Commission; -Alternative proposals for organization and management offered

					during discussions of how the unified regulator will be organized; and -Copies of the amended statutes, rules of work, organization charts and internal procedures, including the withdrawal or cancellation of the old versions of such documents for the three current regulators.
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TO 2: Restructuring and Commercialization of Energy Companies

Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
<p>KRA 2 : Implementation of the Action Plan</p> <p>KRA 2.1: Unbundled EP Companies corporatized. All unbundled (daughter) companies of the three EP companies are established as legal corporations and operating under headquarters Holding Company.</p>	<p>June 2007- March 2011</p> <p>June 2007- June 2009</p>	<ul style="list-style-type: none"> - Review the current status of the Action Plan and establish a base line of action plan implementation and restructuring; - Review the legal framework for further implementation of the Action plan; - Determine the status of the Federation Government/EPs intentions with regard to further implementation of the Action Plan; - Participate in any working groups with the three energy ministries, the World Bank, European Commission (EC), EPs and other members of the International Community on the energy study and/or strategy being funded by the World Bank and EC; - Identify the RS Government plan with regard to further reorganization of EPRS, taking into account recent developments on investment in the power sector of RS; - Advise with regard to and encourage the unbundling of the Federation EPs and lobby the Federation Government therefor; - Determine the three EPs' intentions with regard to recombining generation and distribution companies into more efficient units and assist with regard to realization of the EPs' plans to rationalize the unbundled 	<p>Ognjen Markovic Drazena Peranic</p> <p>Short term experts in accounting, supply, energy institutions and strategy development TBD</p>	<p>The Federation Ministry of Energy, Mining and Industry, the Republika Srpska Ministry of Economy, Energy and Development, MOFTER, the EPs, and SERC, FERC, and RSERC</p>	<ul style="list-style-type: none"> -Action plan status report. that presents how much of the original Action Plans have been implemented up to the present time; -Drafted base line of Action Plan implementation and restructuring; -Materials for talking points, presentations and other lobby materials; -List of written suggestions on the recombination of generation and distribution companies into more efficient units; -Guidance and draft procedures for the incorporation of separate EP daughter companies.

		<p>companies; and</p> <ul style="list-style-type: none"> – Activate the REAP public outreach and communications program to explain the benefits of unbundling and corporatization of the daughter companies to the public, governments, parliamentarians and media, as well as the Ministries involved. 			
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
<p>KRA 2.2: Accounting Unbundling and Full Cost-Based Tariffs. All joint stock companies have separated accounting systems operating and full cost-based tariffs are developed</p>	<p>April 2008- March 2010</p>	<ul style="list-style-type: none"> – Review the current accounting system in EPs, shares of liabilities and commercial relations within each company, if any; – Determine the status of the Federation EPs' intentions with regard to accounting unbundling and developing their accounting systems; – Determine the status of the World Bank Manitoba Hydro's accounting system pilot projects that will enable accounting unbundling; – Activate the REAP public outreach and communication program to explain the cost-based tariff practice to the public, governments, parliamentarians and the media, as well as the Ministries involved; – Encourage and assist the three regulatory commissions to establish their uniform system of accounts rules and to enforce the same; – Assess EPs' capacity and capability to implement a uniform and unbundled accounting system; and – Advise EPs on capacity building with regard to separated accounting system 	<p>Ognjen Markovic Drazena Peranic Energy sector restructuring and accounting specialist TBD</p>	<p>The Federation Ministry of Energy, Mining and Industry, the Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, the EPs, and SERC, FERC, and RSERC if not yet unified.</p>	<ul style="list-style-type: none"> -Report on the status of accounting systems at present time in EPs, governments and EPs' intentions with regard to accounting unbundling; -Materials for talking points, presentations and other lobby materials; and -Memorialized guidance on the development of accounting systems of the separate unbundled daughter companies.
<p>KRA 2.3: Integrate Coal Mine and Electricity Action Plans</p>	<p>July 2008- June 2009</p>	<ul style="list-style-type: none"> – Review the Coal Mine Action Plan. Determine recent development in the Federation with regard to merging coal mines and EP B&H; – Determine the status of the Coal Mine Action Plan and extent of harmonization with electricity Action Plans and developments with regard to recent and prospective further mergers; – Analyze the rationale and wisdom of the merger of coal mines into generation plants; – Analyze a gap with regard to different commercial and legal status of coal mines in the Federation and assess the necessity of keeping or moving the regulation of all coal prices into regulators; 	<p>Ognjen Makrovic Drazena Peranic Short term experts on energy institutions and strategy development TBD</p>	<p>Federation Ministry of Energy, Mining and Industry, Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, EPs, Coal Mines,</p>	<ul style="list-style-type: none"> -Report on recent development in the Federation with regard to merging coal mines and EP BiH; -Materials for talking points, presentations and other lobby materials; and -Written list of advice given on the: <ul style="list-style-type: none"> - wisdom of merging the mines into the electricity companies;

		<ul style="list-style-type: none"> - Ensure that the International Community and ministries understand and assist with the plan to resolve potential problem with regard to different bodies in charge of regulation of coal and electricity prices. Policy and institutional specialist will deal with Integrated Coal Mine and electricity Action Plans; and - Activate the REAP public outreach and communication program to explain the issues inherent in the merger of coal mines into electricity generation plants and the necessity of harmonization of the electricity and coal mines Actions Plans to public, governments, parliamentarians, the media, as well as the Ministries involved. 		SERC, RSERC, and FERC.	<ul style="list-style-type: none"> -pricing of coal by the regulators; pricing of coal by multiple institutions; and -integration of the current Action Plans for coal and electricity.
KRA 2.4: Training Programs for Redundant Employees	July 2009-March 2011	<ul style="list-style-type: none"> - Analyze policy options in the development of Social Programs for persons made redundant by any of efficiency streamlining measures as the unbundled EP companies are rationalized or electricity sector current or future planned privatization; - Determine Governments' intentions regarding the same; - Communicate other countries' experiences with regard to redundancy programs. - Propose appropriate training programs for redundant employees; - Advise with regard to preparation of the EPs' Social Programs for current or future streamlining that may render employees redundant; and - Activate the REAP public outreach and communication program to explain social programs for persons made redundant to the public, governments, parliamentarians and the media, as well as the Ministries involved. 	Ognjen Markovic Drazena Peranic Social Policy Specialist TBD Energy sector Restructuring Specialist TBD	Federation Ministry of Energy, Mining and Industry and Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, EPs, and SERC, FERC and RSERC if not unified.	<ul style="list-style-type: none"> -Report on Governments' intentions regarding the Social Programs; Materials for talking points, presentations and other lobby materials; -Materials prepared with regard to other countries' experiences on redundancy programs. -Drafts on policy options in the development of Social Programs for persons made redundant by any current or future electricity sector privatization; and -Reports on advice rendered to EPs with regard to social programs for current or planned streamlining that may render employees redundant.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 2.5: Implementation of EU Environmental Directives Guidance and procedures for meeting the	July 2009-March 2011	<ul style="list-style-type: none"> - Determine the status of environmental regulation in the Entities and at the State level at the present time, as well as any future plans to develop this further; - Assess Energy Community Treaty requirements, current legislation and rules applicable to new investments projects; 	Ognjen Markovic Drazena Peranic Environmental Specialist TBD	Federation Ministry of Energy, Mining and Industry and Republika Srpska Ministry	<ul style="list-style-type: none"> -Report on the status of environmental regulation in the Entities and at the State level at the present time, as well as any future plans to develop this further;

<p>environmental concerns that will be faced by new companies related to EU Directives drafted and provided</p>		<ul style="list-style-type: none"> - Consult with the European Directorate and Energy Community Treaty Secretariat concerning plans to take appropriate steps to comply with the Treaty; - Determine the status of EPs' rules, practices and intentions with regard to such requirements currently or planned for the future; - Develop advice and procedures for compliance with the EU Treaty environmental requirements; and - Activate the REAP public outreach and communication program to explain the necessity of harmonization BiH environmental regulations with the Energy Community Treaty requirements to the public, governments, parliamentarians and the media, as well as the Ministries involved. 		<p>of Economy, Energy and Development, , Members of the International Community, EPs, State Directorate for European Integration, Regulatory and Concessions commissions</p>	<ul style="list-style-type: none"> -Report on the Energy Community Treaty requirements versus current legislation and rules applicable to new investments projects; -Report on the status of EPs' rules, practices and intentions with regard to Energy Community Treaty requirements currently or planned for the future; -Materials for talking points, presentations and other lobby materials; and -Written list of suggestions and draft procedures for meeting the environmental requirements of the Energy Community Treaty.
<p>KRA 2.6: Commercialization/Privatization of Generation and Distribution. Finalized plans for commercialization of BiH electricity generation and distribution.</p>	<p>July 2009- March 2011</p>	<ul style="list-style-type: none"> - Determine what the plans are of the Entity Governments for commercialization of BiH generation and distribution; - Determine how the current privatization/investment plans are being framed and actualized; - Determine what the plan of the Entity Governments are with regard to coal mines commercialization/privatization if they have not been merged into EPs; - Communicate other countries' experience with regard to commercialization/privatization, with particular attention paid to transition countries and new EU member countries; - Co-create plans for privatization, whether immediate or future, that have no definite implementation date but that have a specific EU-accepted structure that is transparent and organized; and - Activate the REAP public outreach and communication program to explain the privatization process and benefits to the public, governments, parliamentarians and the media, as well as the Ministries involved. 	<p>Ognjen Markovic</p>	<p>Federation Ministry of Energy, Mining and Industry, Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, EPs, and SERC, FERC and RSERC if not unified.</p>	<ul style="list-style-type: none"> -Report on other countries' experience on commercialization/privatization; -Report on governments' plans for commercialization/privatization; -Materials for talking points, presentations and other lobby materials; -Written advice on the whether privatization is an appropriate solution for BiH; and -Written procedures and advices for implementing privatization, whenever it may occur.

Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
TO 3: Broader Public Understanding of Specific Energy Sector Issues and Challenges					
KRA 1. Regulators and ISO efficiently communicate with decision makers and general public	May 2007- March 2011		Drazena Peranic, Jane Wilson, Dejan Bosnjak	SERC, FERC, RSERC	-Presentations and accompanying hand-outs; -Specially designed manuals regarding each one-on-one trainings based in a specific evaluation form which will serve as a basis to designing a plan of work with the regulators in the following year; -Written scope of work for public specialist position; and -Published advertisement for the position of a public specialist and documented specific assistance in finding such an employee.
KRA 1.1. Regulators promote liberalization, with regard to tariffs in particular	May 2007 – June 2009	Provide one-on-one ongoing assistance to each of the three regulators in developing communication strategy, skills and techniques of public advocacy through: <ul style="list-style-type: none"> – Define the ongoing methodology for promoting liberalization in the electricity sector in general, facilitate the transparency of regulators' work; – Organize workshops to promote understanding the Freedom to Access Information Law (FOA) and share tools on how to deal with FOA demands; and – Identify in-house human resources for carrying out future public relations activities or creating a new job position of an outside public relations 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	July 2007 – March 2011	<p>Ongoing assistance to ISO in developing communication strategy, skills and techniques of public advocacy, including:</p> <ul style="list-style-type: none"> – Define the methodology for promoting the ISO as a unique body which fits in with or is ahead of the rest of the region and the EU through workshops and seminars;³ – Organize workshops to promote understanding of the Freedom to Access to Information Law (FOA) and share tools on how to deal with FOA demands; and – Identify in-house human resources for carrying out future public relations activities or creating a new job position of an outside public relations specialist. 	Drazena Peranic, Jane Wilson, Dejan Bosnjak	ISO	<ul style="list-style-type: none"> -Individual reports regarding each one-on-one training with ISO based on a specific evaluation form on which the next year's work with the ISO will be designed; -REAP training on communication strategy, skills and techniques of public advocacy; -Presentations and accompanying hand-outs; and -Published articles and TV/radio shows which report on the activities and ISO work.
KRA 1.3. Regulators and ISO are prepared to manage incorrect information and allegation	July 2007 – June 2009	<ul style="list-style-type: none"> – Conduct ongoing meetings with each of the three regulators and ISO to develop better understanding of the way the media function and how to manage incorrect information and allegations reported in the press. – Share tips to prevent incorrect information in the media and how to deal with potential allegations through manual, trainings and other activities. Development of CRA (Communication Regulatory Agency) and Press council (Self-regulator for print media) rules for accurate public informing and how the process of complaining works. – On-site trainings for regulators and ISO, conducted in Mostar, Sarajevo, Tuzla, Trebinje, on developing skills and techniques for dealing with the media. 	Drazena Peranic, Jane Wilson, Dejan Bosnjak	SERC, FERC, RSERC, ISO	<ul style="list-style-type: none"> -Training presentations and hand-outs; -Written guidelines for dealing with the media: best practices in preventing inflammatory reporting and damage control strategies if negative article is published; -Reports from the training, including training evaluation forms from the attendees; -Published articles or TV/radio shows.

³ Note that the recent Working Document on Prospects for the internal gas and electricity market, of the Committee on Industry, Research and Energy of the European Parliament, issued 13-4-2007, DT/662567EN.doc, PE 388.364v01-00, acknowledges two main options proposed by the European Commission on unbundling: ownership unbundling and ISO.

<p>KRA 1.4. Regulators are equipped to publicize comprehensible information for a broader public understanding</p>	<p>May 2007 – September 2008</p>	<ul style="list-style-type: none"> – Provide training for regulators 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. This work will include better targeting of the notice process of public hearings to involve a larger segment of the population. – Provide training for regulators on improved methods of providing notice to the public, government and legislators of public hearings; and – Brainstorm with regulators on better ways to involve the government and legislators in the commissions' work. 	<p>Drazena Peranic, Jane Wilson, Dejan Bosnjak</p>	<p>SERC, FERC, RSERC</p>	<ul style="list-style-type: none"> -Notices of public hearings published and promoted by the three Commissions; -Minutes from conducted public hearings as a basis for further analysis and improvement of the process; -Reports/lists of attendees of the public hearings; and -Published articles and broadcasted pieces about public hearings.
<p>Objectives</p>	<p>Timeframe</p>	<p>Activities</p>	<p>Team Members</p>	<p>Counterparts</p>	<p>Deliverables</p>
<p>KRA 2 Decision makers are acquainted with energy reform</p> <p>KRA 2.1. Parliamentarians and governments are well-informed about energy reform</p>	<p>May 2007- June 2010</p> <p>May 2007 – June 2010</p>	<p>Organize round tables, discussions and informative meetings for parliamentarians and governments' representatives for further supplying the decision makers with actual and detailed information necessary for effecting the most efficient laws and decisions on the energy sector:</p> <ul style="list-style-type: none"> – Legal and regulatory steps that BiH must take to meet the Energy Community Treaty requirements; – Function of regulators; – Restructuring and preparation for the commercialization of energy companies; – Transformation of the ISO into a balancing market operator; – Creation of a legal gas framework and secondary legislation; – Implementation of Action Plans; and – Seminars to educate parliamentarians and governments' services staff (e.g. research departments and information/documentation center of BiH Parliament, Governmental bureau of information; Governmental bureau of legislation, etc.) 	<p>Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic</p>	<p>Members of the RS National Assembly and the State and Federation Parliaments, all Governments and related commissions; Employees in legislators/governments' services.</p>	<ul style="list-style-type: none"> -Presentations and hand-outs used in roundtables, discussions and informative meetings; and -Minutes from the meetings above, highlighting parliamentarians' and/or government officials' points of view related to the specified issue.

<p>KRA 2.2. Decision makers are prepared to promote energyreform for market integration and liberalization</p>	<p>May 2007 – June 2010</p>	<ul style="list-style-type: none"> - Meetings and discussions with decision makers responsible for bringing new laws into parliamentary procedures and their implementation (e.g. related committees, Social-Economic Councils, political leaders and/or their advisors for related issues, international representatives who work on similar issues or are involved in parliaments' and governments' work); and - Preparation of materials for International Community to gain mutual understanding of issues and to articulate consistent project recommendations. 	<p>Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic</p>	<p>Members of parliamentary and government committees, Social-Economic Councils, National Democratic Institute (NDI), International Republican Institute (IRI), representatives of European Commission (EC), Office of High Representative (OHR), other USAID and international projects on democratization of BiH and state institutions work.</p>	<ul style="list-style-type: none"> -Minutes from the meetings; and -Monitored progress charts on the success of lobbying for desired actions, including passage of draft laws.
<p>KRA 3 NGOs have knowledge to support proposed and effected projected energy reform</p> <p>TO 3 KRA 3.1. Well informed NGOs influence decision makers and stimulate the general public</p>	<p>July 2007– June 2009</p> <p>July 2007- June 2009</p>	<ul style="list-style-type: none"> - Identify NGOs suitable for taking a significant role in influencing decision makers and stimulating the general public, especially NGOs that work on customer protection, introduce EU standards in BiH legislation and a more participatory democratic society through increased citizen participation in political and social decision-making; and - Provide training for selected NGOs to gain knowledge on issues and challenges in energy reform that is required to obtain influence on policy makers and to encourage stronger involvement of citizens in the decision making process. 	<p>Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic</p>	<p>NGOs from all over BiH that demonstrate enough will to intervene in the decision making process before the general citizenry, especially in pressuring the governments to create a well-timed and effective plan of protection of the vulnerable</p>	<ul style="list-style-type: none"> -REAP training with regard to energy sector issues and challenges; -NGOs equipped with sufficient information to pressure the governments on various issues, for example, to create a vulnerable customers' plan; and -Selected NGOs/partners active in energy public awareness activities.

				citizens regarding energy and spread out comprehensive information regarding the energy reform.	
KRA 3.2. NGOs cooperate to advance the energy sector	July 2007 – June 2009	<ul style="list-style-type: none"> – One-on-one work and joint efforts with the selected NGOs on their mutual co-operation and the exchange of information related to the energy sector reform, as well as providing feedback information from the community in which the NGO operates; and – Develop a system of mutual information sharing, follow-up activities and feedback on information from the citizens to the regulators, the decision makers, and co-operation with the media. 	Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic	Selected NGO partners in energy public awareness activities, professional research agencies, media outlets.	<ul style="list-style-type: none"> -Survey/pooling data regarding certain energy issues submitted by NGOs or research agencies; -Documented system of mutual exchange of information and ensuring feedback from the field; and -Published articles and TV/radio shows which report on the activities of these NGOs.
Objectives	Timeframe	Activities	Team Members	Counterparts	Deliverables
KRA 4 Media outlets consistently, accurately and comprehensively inform the public of energy reform	May 2007- March 2011		Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic	Experienced journalists and editors specializing in business and economy issues in leading print and broadcast media outlets in BiH.	<ul style="list-style-type: none"> -Media kit for journalists that will include: relevant laws, Energy Community Treaty, EU directives, Action Plans and other related documents; -Presentation and accompanying hand-outs; and -Specific reports from the training, including evaluation forms from attendees.
KRA 4.1. Journalists/editors understand the energy reform process, its issues and challenges	May 2007 – March 2011	Trainings for editors/journalists on legal and regulatory reform to meet the Energy Community Treaty requirements, and on the function of Independent System Operator, the function of regulators, and restructuring and preparation for the commercialization of energy companies.			
KRA 4.2. Media outlets employ high editorial and production standards for	May 2007 – March 2011	<p>Training for journalists in business and economy reporting, particularly in covering the energy sector. The topics of the trainings could be:</p> <ul style="list-style-type: none"> – How to write interesting business stories; – How to report on statistics in a manner that the ordinary 	Drazena Peranic, Jane Wilson, Dejan Bosnjak,	The journalists covering economic issues, internal politics	<ul style="list-style-type: none"> -Guide for journalists on how to write a human interest story related to energy reform; -The list of professional

energy reform coverage		<p>readers/watchers/listeners fully understand;</p> <ul style="list-style-type: none"> - How to create human interest stories about energy reform; - How to write a story that would encourage vulnerable costumers to exercise their rights in demanding from the Government to make plans for their protection; and - How to apply ethical professional standards (accuracy, multiple sources, etc.) in an article about energy. 	Ognjen Markovic	and social topics in print and broadcast media outlets.	<p>rules that will help journalists write accurate and interesting business stories; and</p> <p>-Specific reports from the trainings, including evaluation forms from attendees.</p>
KRA 4.3. Research and expert sources are used in editorial process	July 2007 – December 2009	Organize/guide meetings and facilitate the establishment of ongoing relationships between media outlets and professional research agencies and experts in the energy sector.	Drazena Peranic, Jane Wilson, Dejan Bosnjak, Ognjen Markovic	Journalists/editors of print and broadcast media outlets, research agencies and energy sector experts.	<p>-Presentations and hand-outs used in any discussion meetings or trainings;</p> <p>-Specially created journalists' evaluations form for the trainings/discussion groups; and</p> <p>-Examples of articles or TV/radio pieces that show the use of experts and research data as illustrations of best practices.</p>