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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 (amended)

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

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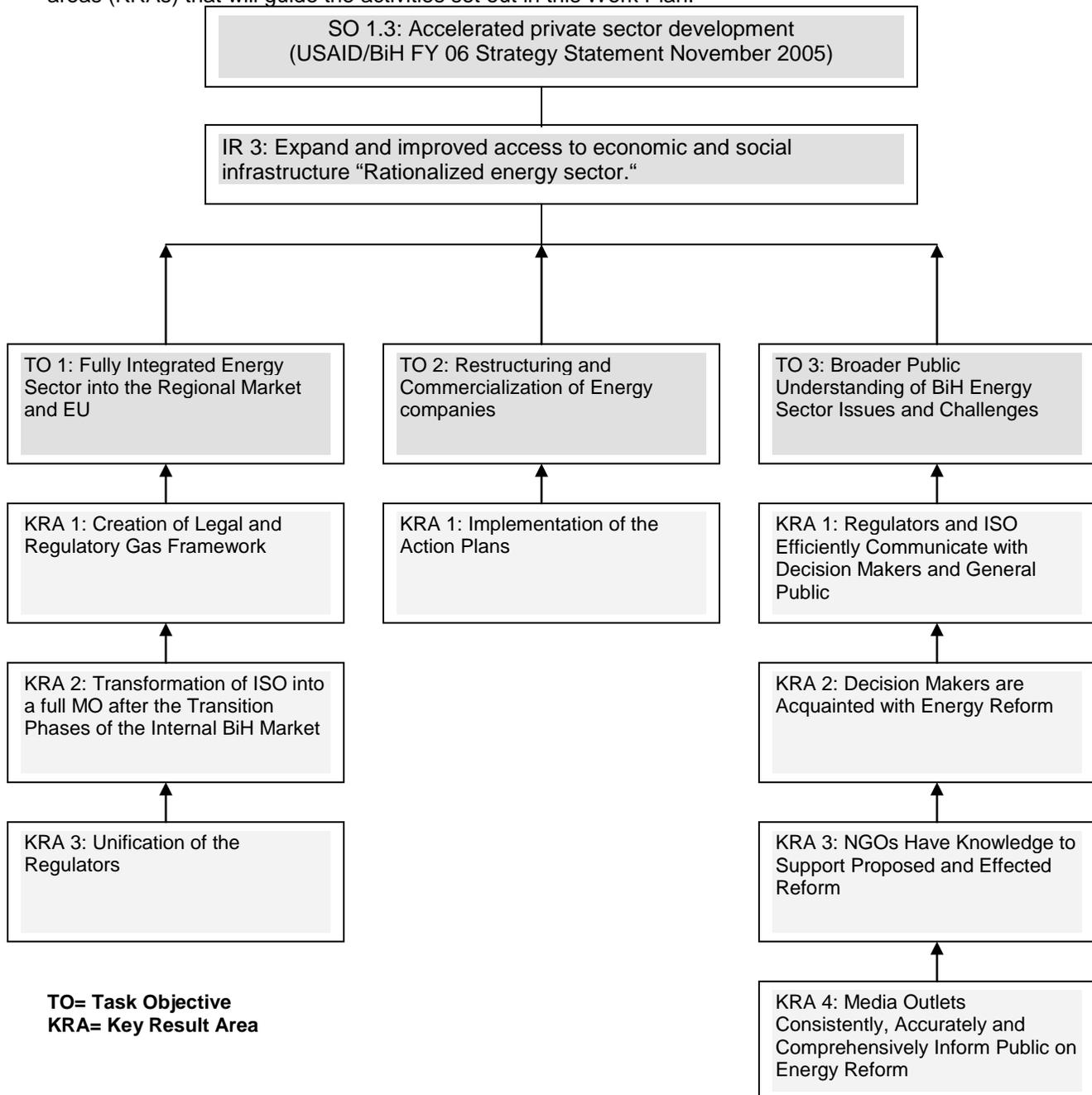
Jane Wilson
Chief of Party

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> <p>-Assist with revisions to each law when the individual Ministries put it into final format;</p> <p>-Interact as requested with the legislative committees responsible for an energy bill, individual parliamentarians or party heads that desire information on the draft laws;</p> <p>-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</p> <p>-Assist media outlets to develop a series of investigative human interest stories in media (e.g., a real life story with focus on the effects of the gas laws)</p> <p>-Create Public Service Announcement (PSA) about the effects of the gas laws</p> <p>-Place paid advertisement (article) in daily papers about the effects of the gas laws</p>	<p>Jane Wilson</p> <p>Ognjen Markovic</p> <p>Dejan Bosnjak</p> <p>Drazena Peranic</p> <p>Nermin Nisic</p> <p>Legal Consultant 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, media outlets</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 - Develop Regulators' public outreach capacities through training public outreach and communication personnel (to develop communication strategy, skills and techniques of public advocacy; how to involve public in public hearings; to understand the Freedom of Information Act and respond to requests for information) - Organize a training for Regulators' staff for developing communication skills and how to deal with media - Assist regulators to produce a pamphlet on public participation in rulemaking proceedings - Assist partner NGOs to produce and publish a print advertisement (article) in newspapers to invite citizens to attend rulemaking proceedings 	Jane Wilson Dejan Bosnjak Drazena Peranic Nermin Nisic Regulatory Gas Consultant TBD	State energy regulatory commission SERC, Federation energy regulatory commission FERC and Republika Srpska energy regulatory commission RSERC, partner NGOs	<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	
		<ul style="list-style-type: none"> - Training for all three Regulators regarding secondary gas legislation by gas expert Bob Borgstrom 			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. 	Jane Wilson Dejan Bosnjak Drazena Peranic Nermin Nisic 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 Ognjen Markovic Dejan Bosnjak	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"> - Organize the Foundation of BiH Electricity Market Conference (Neum, Sep 13-14, 2007) - 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; - Build upon the electricity market opening plan and create one for natural gas with detailed regulations for suppliers of last resort and customer switching. - Hire a public research company to conduct a survey at the start and the end of the project on general knowledge of the public with regard to the energy sector, to be able to identify goals and provide measurable results of the REAP public outreach activities. - Assist Regulators to plan and undertake public survey on topics of their interest, if desired. - Suggest that regulators develop materials for their websites that are simplified and tailored for the general public to understand, if desired. Assist PR employees or regulators to accomplish this. - Support entire Market Design process by organizing round tables, discussions, articles, two conferences (one at the start, the other at the end of the project), public communications trainings for technical personnel (Technical Media Design process begins in 1st quarter, 2008) - Provide pre- and post-conference training on the electricity sector reform for journalists and NGOs invited to attend the Foundation of BiH Electricity Market 	<p>Drazena Peranic Nermin Nisic Market Design & Implementation Expert TBD 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), the International Community, journalists, NGO partners</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> <p>-Conclusions from each of the two workshops on development of the market, with the final conclusions decided by the decision-maker workshop;</p> <p>-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;</p> <p>-Advising memoranda and materials delivered to the Entity Regulators by the consultant on customer switching rules and the Supplier of Last Resort;</p> <p>-Any materials used in the effort to create a proposal for a vulnerable customer program;</p> <p>-Materials created for use in the lobby and communication effort for the vulnerable customer plan, and/or the lack thereof; and</p>
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		<p>Conference</p> <ul style="list-style-type: none"> - Organize a training for ISO staff for developing communication skills and how to deal with media - Organize a training for MOFTER, FBiH and RS Ministries' staff for developing communication skills and how to deal with media - Develop vulnerable customer plan campaign in media: Assist technical REAP staff in organizing materials on vulnerable customer programs for the governments and regulators. <ul style="list-style-type: none"> - Produce feature stories in media outlets - Print articles in media - Vulnerable customer plan campaign with NGOs: organize four round tables with NGOs (Sarajevo, Trebinje, Mostar, Banja Luka) - Identify and assist NGOs interested in carrying out their own vulnerable customer plan campaign 			<p>-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.</p>
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 - Assist print media outlets to create an article on "What is Market Monitoring" - Assist ISO and Regulators in PR activities to cover the topic 	<p>Jane Wilson Ognjen Markovic Dejan Bosnjak Drazena Peranic Nermin Nisic Market Monitoring Design Consultant TBD Market Monitoring Implementation/ Analysis Consultant TBD</p>	ISO, EPs and the three Electricity Regulatory Commissions, media outlets	<p>-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</p>

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.

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 Commission; - 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. 	Jane Wilson Ognjen Markovic Dejan Bosnjak Market Monitoring Design Consultant TBD	The ISO, its Technical Committee that developed the first Grid Code and Market Rules, and the SERC	<ul style="list-style-type: none"> -Any documents containing an expert assessment and general recommendation regarding revision of the 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 	Jane Wilson Ognjen Markovic Dejan Bosnjak Drazena Peranic Nermin Nisic 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.	<ul style="list-style-type: none"> -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

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.

		<p>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;</p> <ul style="list-style-type: none"> - 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; - 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. 			<p>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 requirements of the ISO Law;</p> <p>-The legally supported application for approval of tariffs including the above set of requirements;</p> <p>-Materials from the workshop on the regulatory practice and procedure rules necessary for proper functioning as a regulated company in SERC, RSERC and FERC; and</p> <p>-All public relations materials utilized in the program to communicate information about and promote the ISO.</p>
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 Ognjen Markovic Dejan Bosnjak In-house expert TBD.	Entity regulators FERC and RSERC, the three EPs.	<p>-Summary of best practices within the region and European Union on labeling the source of supply; and</p> <p>-Any written document that memorializes advice or suggestions on drafting rules that require such labeling on customer bills.</p>

KRA 2.6 Balancing Market Price Methodology	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 - A workshop arranged for the sector as a whole to explain the pricing methodology. - Support ISO by organizing a workshop related to the balancing market 	Jane Wilson Ognjen Markovic Dejan Bosnjak Drazena Peranic Nermin Nisic 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 with the primary counterparts in this activity; -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 Ognjen Markovic 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 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; - 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 - Create materials on the balancing market for counterparts - Assist counterparts to publicize information through press conferences, press release, radio shows - Assist print media outlets in developing an article on the Balancing Market. 	<p>Jane Wilson Ognjen Markovic Dejan Bosnjak</p> <p>Balancing Market Design Consultant TBD</p> <p>Regulatory and Legal Consultant(s) TBD</p>	<p>ISO, any Technical Committee assembled by the ISO to assist in developing the rules, staff from SERC, RSERC and FERC; media outlets</p>	<ul style="list-style-type: none"> -Drafts of the expert's prescription for the balancing market mechanisms to be included in the procedures for market balancing; -Drafts of the Market Rules that include the processes for implementation of the mechanisms for balancing the market; -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 in planning and execution of their work, working toward the eventual full unification of the regulators into one regulator; - Obtain execution of the MOU by the respective Ministries; and - Develop a message and work with journalists to publish articles and have radio programs regarding the benefits of regulators cooperating through newspapers articles, etc. 	<p>Jane Wilson Ognjen Markovic Dejan Bosnjak Drazena Peranic Nermin Nisic 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; media outlets</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 regulators; -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</p>	<ul style="list-style-type: none"> -Draft proposed Amendments to the Electricity laws.

				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.	
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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 Ognjen Markovic Dejan Bosnjak Drazena Peranic Nermin Nisic	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	-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

				primary parties in the three legislatures.	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	<ul style="list-style-type: none"> - 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 Ognjen Markovic Dejan Bosnjak	SERC, RSERC and FERC, along with the three Ministries of Energy	<ul style="list-style-type: none"> -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.

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</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 	<p>Ognjen Markovic Jane Wilson Drazena Peranic Nermin Nisic</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; media</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

<p>corporations and operating under headquarters Holding Company.</p>		<p>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;</p> <ul style="list-style-type: none"> - 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 companies; and - Develop a message and work with journalists to publish articles and have radio programs on "Why Unbundling?" in FBiH <ul style="list-style-type: none"> - articles in print media - one-on-one training w/media outlets - Support REAP team in lobbying and explaining the topic 		<p>outlets</p>	<p>recombination of generation and distribution companies into more efficient units; -Guidance and draft procedures for the incorporation of separate EP daughter companies.</p>
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 Jane Wilson Drazena Peranic Nermin Nisic 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; media outlets, journalists, NGO partners</p>	<p>-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>

		<ul style="list-style-type: none"> - Work with radio producers to promote radio shows on the Radio Network on the sector, need for investments, with human interest stories - Publish advertisement (article) in print media in FBiH - Introduce prepared media and NGO representatives to attending public hearings organized by regulators 			
KRA 2.3: Integrate Coal Mine and Electricity Action Plans	July 2008- June 2009	<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; - 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. 	Ognjen Makrovic Jane Wilson Drazena Peranic Nermin Nisic Short term experts on energy institutions and strategy development TBD	Federation Ministry of Energy, Mining and Industry, Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, EPs, Coal Mines, SERC, RSERC, and FERC.	<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; -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; 	Ognjen Markovic Jane Wilson Drazena Peranic Nermin Nisic Social Policy Specialist TBD Energy sector Restructuring	Federation Ministry of Energy, Mining and Industry and Republika Srpska Ministry of Economy, Energy and Development, Members of the International Community, EPs,	<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

		<ul style="list-style-type: none"> – 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. 	Specialist TBD	and SERC, FERC and RSERC if not unified.	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
<p>KRA 2.5: Implementation of EU Environmental Directives Guidance and procedures for meeting the environmental concerns that will be faced by new companies related to EU Directives drafted and provided</p>	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; – 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 – Create an explanatory paper on the Treaty obligations re the environment – Support media outlets to produce stories on the environment and EU Directive – Provide training and organize a round table with environmental NGOs in the same session – Assist NGOs in their campaigns (web, providing materials, EU Directive, papers) – Public Outreach team to participate in environment-related events, forums, conferences 	<p>Ognjen Markovic Jane Wilson Drazena Peranic Nermin Nisic Environmental Specialist TBD</p>	<p>Federation Ministry of Energy, Mining and Industry and Republika Srpska Ministry of Economy, Energy and Development, , Members of the International Community, EPs, State Directorate for European Integration, Regulatory and Concessions commissions; media outlets, partner NGOs</p>	<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; -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</p>	July 2009- March 2011	<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 	<p>Ognjen Markovic Jane Wilson</p>	<p>Federation Ministry of Energy, Mining and Industry,</p>	<ul style="list-style-type: none"> -Report on other countries’ experience on commercialization/privatization;

<p>Generation and Distribution. Finalized plans for commercialization of BiH electricity generation and distribution.</p>		<p>plans are being framed and actualized;</p> <ul style="list-style-type: none"> - 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 - Training for journalists in business and economy reporting, particularly in covering the restructuring and commercialization in the energy sector (<i>3 day training to be organized in Media Center, Sarajevo; training to be provided by local experts on topics such as: writing accurate and attractive stories on energy sector, using research and statistical data in reporting, etc.</i>) 		<p>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 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.
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