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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**

### **Annual Work Plan 2008-2009**

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## **WORK PLAN 2008-2009**

### **Introduction**

This 2008-2009 Work Plan consists of several parts:

- This Work Plan that (i) reviews the work of 2007-2008, discussing the changes that took place in the overall political environment that impacted REAP's work, and (ii) reviews the work planned for 2008-2009;
- Attachment A, which compares the pertinent activities of the Work Plan with the activities included in the Internal Action Plan;
- Attachment B, the REAP Revised Activity Plan; and
- Attachment C, the Public Outreach Revised Strategy, Work Plan, and Activity Plan.

### **The First Contract Year 2007-2008.**

As the political landscape of Bosnia and Herzegovina continued to develop during the first contract year, USAID/REAP found itself unexpectedly (i) engaged in a number of triage activities in response to activities in the Federation; and (ii) taking the initiative to transform the Energy Community Secretariat's Enhanced Road Map into a substantive Internal Action Plan for the country, that sets forth in detail what exactly the country/sector needs to do to comply with the Treaty.

- (i) Over the first contract year, unexpected triage activities consisted of:
  - Response to RS Ministry with comments to the RS Gas Law.
  - Response to Federation Ministry with comments to the Federation Decree.
  - Response to the attempts of the Federation Ministry of Energy, Mining and Industry to amend the Federation Electricity Law to reduce the regulator's role.
  - Assistance to Brcko District with regard to the process to obtain agreement by the Entities on supply. Comments submitted on a draft MOU.
  - Response to the RS Shareholders Assembly Member proposal for reorganization of the Transmission Company, with a technical analysis.
  
- (ii) Another unscheduled activity and opportunity presented itself to USAID/REAP in the development of the Internal Action Plan in response to the Energy Community Secretariat's development of its Enhanced Road Map, which listed activities only on a summary basis. Due to the refusal of the European Commission Mission to allow USAID/REAP to assist MOFTER, the state Ministry, (even though the EC declined to assist MOFTER in the activity due to the lack of qualified, available consultants), USAID/REAP devised a way to help with the process via the Entity Ministries. The REAP Internal Action Plan elaborated each of the items on the Secretariat's Road Map, listing the numerous steps required to accomplish each one and including a realistic estimate of the time required for each step. However, while the RS Ministry says it has numerous comments, because of ongoing political events, we have not had the opportunity to receive them.

The EC project ENREG has been in the process of getting off the ground and preparing an Inception Report since close to the inception of USAID/REAP. ENREG ostensibly will work to unify the work of the regulators, if not the regulators themselves, in the sense of coordinating their cooperation, along with taking responsibility for all of the secondary gas legislation and the day-to-day assistance in tariff and licensing proceedings. Thus, in the areas of the Annual Plan that touch on ENREG's activities, the note "ENREG dependent" is inserted.

Accomplishments within the original context of the task order, however, were substantial during the first contract year:

### **BiH Energy Sector Fully Integrated Into the Regional Market and the EU**

#### *Creation of Legal and Regulatory Framework for Gas*

- Statement of three Ministers, which was the result of many REAP-submitted talking points and matrices.
- Draft State and Entity Laws
- Comments on RS Gas Law
- Comments on Federation Gas Decree
- USAID/REAP inclusion in the Expert Gas Group

#### *Transformation of ISO into a full Market Operator after the Transition Phases of the Internal BiH Market*

- Drafting and initiation of the Internal Action Plan, based on the Enhanced Secretariat Road Map, working through the Entity Ministries.
- Initiation of the market design process by requesting task forces (response as yet only from Federation Ministry). The market design effort will include the definition and plan for bilateral contracts and the balancing market.
- Drafted recommended regulatory filings to untangle the SERC/ISO log jam.
- Discovered and acted to block Transco's tender for automatic metering.

#### *Unification of the Regulators*

- ENREG dependent

### **Restructured and Commercialized Energy Companies**

- The above accomplishments, particularly the work on the market design, the Internal Action Plan and gas are intertwined with the restructuring and commercialization of the energy companies.

### **Broaden Public Understanding of BiH Energy Sector Issues and Challenges**

- Neum conference on Fundamentals of the Market.
- Media training for 5 out of 7 organizations (FERC, RSERC, MOFTER, RS Ministry and ISO completed; SERC and Federation Ministry to go.)
- Ongoing consulting for FERC PR employee.

- Commencement of journalist roundtables information/training, with two meetings held, one on electricity and one on gas, resulting in more accurate articles.
- Commencement of Parliamentary meetings.
- Commencement of meetings on NGOs.
- Survey on citizens' knowledge in energy field.

The recent events involving Kosovo's declaration of independence and the United States' recognition of Kosovo, along with the termination of USAID assistance to SNSD, have impacted USAID/REAP's ability to move the project forward. How extensive the impact will be is unknown, so this annual work plan has been designed assuming that relations with Republika Srpska continue as in the first year. USAID and REAP should remain flexible in our approach, so that if our excellent Ministry relations are inhibited by the current political climate, we can change gears to facilitate change through other actors or via alternate means.

### **Work Plan for REAP's Second Contract Year 2008-2009.**

All of the above issues, and the ongoing development of the BiH political environment, create the backdrop for the Project's Second Annual Plan for 2008-2009.

The following discussion is also reflected in the Activity Timetable (Attachment B):

1. **Internal Action Plan.** USAID/REAP developed a draft Internal Action Plan and will facilitate input into the plan from sector stakeholders, coordinate revisions, and encourage final decisions and encourage implementation by the Ministries, together and separately. In addition, REAP will pay particular attention to those areas highlighted in its task order to encourage advancement. [See Attachment A or a comparison of various USAID/Plan Work Plan Items and the Internal Action Plan.]
  - a. USAID/REAP will work to obtain comments from the RS Ministry, which Deputy Minister Glamocic has been anxious to share, although hampered by current events.
  - b. The Internal Action Plan will then be circulated widely to all stakeholders for comments. Through this process, USAID/REAP will meet with Stakeholders to hear comments and work to facilitate the process.
  - c. Assuming the above process moves smoothly, USAID/REAP will attempt to harmonize the input so that, if possible, one Internal Action Plan is agreed.
  - d. While the above activities will probably consume more than one year, if the activities are completed early, then USAID/REAP will work to encourage implementation of what has been agreed.
  - e. Briefings/trainings/presentations for journalists, NGOs and Parliamentarians will be organized to provide information on BiH Internal Action Plan, to be followed up with status of agreement to implement and its actual implementation. The project will serve as a regular source of technical information on the BiH Internal Action Plan.
  - f. *Quarter One (3-12-08 to 6-12-08).* Receive RS Ministry comments and circulate Internal Action Plan to all Stakeholders. Meet as many stakeholders

as possible. Advise and assist ISO to hold a press conference and/or roundtable with regard to its ongoing international and regional activities as a kick-off to the Internal Action Plan activities.

- g. *Quarter Two (6-13-08 to 9-12-08)*. Consolidate and process comments from stakeholders.  
Create presentation on Internal Action Plan and brief journalists and NGOs on it.
  - h. *Quarter Three (9-13-08 to 12-12-08)*. If necessary because of conflicting interests, continue to work to obtain consensus on responsible parties and order of implementation. Adjust presentations and talking points for parliamentarians and committees and assist Ministries regarding presentation of same [or REAP will make the presentations itself.]
  - i. *Quarter Four (12-13-08 to 3-11-09)*. Complete work on agreement and brief journalists and Parliamentarians on final BiH Internal Action Plan.
2. Gas Law. USAID/REAP has completed its drafting of various versions of the gas laws. Year Two will consist of assisting with the work of the Expert Working Group assembled by MOFTER. Two of the three members of the Federation representatives of the three-member group are from the incumbent BH-Gas; thus, compromise may be difficult to find.
- a. REAP will participate in the Expert Gas Group to assist in designing the role of the State in the gas sector.
  - b. REAP will assist in drafting the State Electricity Law (or two versions for the Council of Ministers, depending on whether the Expert Gas Group can agree).
  - c. In cooperation with Ministries, develop an information and lobby plan on the Gas Law introduced into the Parliamentary procedure for individual Parliamentarians, Parties and Committees. Assistance to the appropriate Ministry(ies) PR will be provided to promote gas sector reform, as needed. Journalists will be briefed on the gas law provisions, and NGOs will be informed and prepared to regarding transparency of gas pricing for consumers.
  - d. *Quarter One (3-12-08 to 6-12-08)*. USAID/REAP will participate in the Expert Gas Group, assuming it is invited to do so. In addition, it will continue to encourage the Federation to draft and issue a Federation Gas Law. Journalists will be briefed as to the process and progress regarding the creation of a gas law.
  - e. *Quarter Two (6-13-08 to 9-12-08)*. Even though the Expert Gas Group has announced it will issue its agreed law by, depending on the source, either May 1 or May 31 (in the first Quarter), based on previous experience, it is unlikely that there will be agreement within that time frame. Thus, in Quarter Two, it is expected that the REAP assistance to the Expert Group will continue. NGOs will be informed and prepared to regarding the status of the Gas Law Expert Group and transparency of gas pricing for consumers.
  - f. *Quarter Three (9-13-08 to 12-12-08)*. Assuming there is agreement among the Expert Gas Group, it is anticipated that it will take all of Quarter Three, if not into Quarter Four, to agree on the wording of a law. REAP will assist the

process.

Assistance to Government PR will be provided to promote gas sector reform, as needed. Presentation to NGOs on gas will be conducted. A briefing for selected journalists to provide the latest information on gas sector reform will be organized, depending on activities in gas sector.

- g. *Quarter Four (12-13-08 to 3-11-09)*. Introduce the State Gas Law into the BiH Parliamentary procedure. One-on-one meetings and group presentations/roundtables for parliamentarians and committees related to the draft gas law will be organized. Assistance to Government PR will be provided to promote gas sector reform and explain the draft gas law will be provided, as needed.
3. Market Design. A specific market design effort will be undertaken and will take up much of USAID/REAP's efforts during the year. The Federation Ministry has named its task force group, but neither the RS nor State has named theirs.
- a. USAID/REAP has received the nomination by the Federation Ministry of a market design task force. It remains to get a State and RS task force named by the Ministries. Prior to commencement of the market design task force meetings, the project must be informed as to the ISO regional and European activities as input into the market design process.
  - b. The schedule of activities for the task forces will be developed.
  - c. Mr. Schmidt will be utilized with regard to the most difficult topics (definition of bilateral contract process and balancing market), making one or two presentations to the groups as a whole to facilitate understanding and consensus.
  - d. To enhance the market design efforts, activities of the ISO in the region should be made known to REAP and the market design task forces.
  - e. Ancillary services will be inserted into the market design process in order to remove the disconnect between the ISO law (regarding procurement of supply for ancillary services) and the SERC Rule on Tariff Methodology (administer ancillary services).
  - f. Public Outreach will work with Ministries, the ISO and regulators to solicit input for a general paper on market design and the open market. The process on determining BiH market design, its meaning, importance and relationship to the BiH Internal Action Plan will be explained to Parliamentarians, journalists and NGOs. A presentation on market design basics will be prepared.
  - g. *Quarter One (3-12-08 to 6-12-08)*. Prepare internally on market design issues, develop the program and extract the names of the Market Design Task Force Groups from MOFTER and the RS Ministry. Prepare presentation on market design basics, to be updated as progress is made on the task forces. Organize a briefing for selected journalists providing basic information on market design, its meaning, importance and relationship to the BiH Internal Action Plan.
  - h. *Quarter Two (6-13-08 to 9-12-08)*. Assemble the three task forces individually, acquaint them with the plan for addressing the market design

issues and obtain consensus in each Task Force on the issues that need to be addressed. Jim Schmidt to have the first meeting with individual or, if possible, the combined Task Forces.

Work with Ministries, ISO and regulators to solicit input for general paper on market design and the open market. Write general white paper on market design.

- i. *Quarter Three (9-13-08 to 12-12-08)*. Work through ½ of the issues in the three Task Forces. Conduct briefing/presentation for journalists and NGOs on Market Design, its meaning, importance and relationship to the BiH Internal Action Plan.
  - j. *Quarter Four (12-13-08 to 3-11-09)*. Work through the remainder of the issues in the three Task Forces. Jim Schmidt to have the second meeting with the individual or, if possible, the combined Task Force. Organize presentation/round table for Parliamentarians to explain procedure and results of the BiH market design process. Once market design is agreed, organize a second, update briefing for journalists. Prepare paper on the BiH market design for promotion to be given to all stakeholders.
4. Other. This category is comprised of unexpected and ongoing urgent sector issues that were discussed in the triage category above. Examples of this category are given in paragraphs a-c below.
- a. The BiH Parliamentary Committee that is concerned with energy has already thrown down the gauntlet with regard to the impending introduction of amendments of the three State Laws regarding electricity, with a clear intent to form a TSO, merging the Transco and ISO.
  - b. Work on the Federation Amendments to the Electricity Law will be ongoing. USAID/REAP will work within the Parliament to share information, trying to help ensure that the amendments are acceptable.
  - c. Ongoing advice to Brcko District with regard to obtaining universal service from the Entities with a surplus.
  - d. Insofar as public outreach is concerned, this “Other” category includes:
    - i. general ongoing activities (such as performing ongoing consulting on general issues, public communications, organizing public events and promotion of success stories, as needed, for regulators, the ISO, Parliamentarians, journalists and NGOs)
    - ii. advising and assisting the ISO to promote the BiH reform effort in the context of its role;
    - iii. preparation of a short presentation on REAP and its energy reform activities;
    - iv. completion of media trainings for SERC and the Federation Ministry of Energy, Mining and Industry; and
    - v. support as needed for other, unexpected issues in the energy sector, such as those enumerated above in paragraphs a-c.
  - e. *Quarter One (3-12-08 to 6-12-08)*. In addition to any unexpected issues that are raised, continue participation in the Federation Electricity Law Working Group until introduction of the amendments into Parliament. Continue assistance to Brcko District on getting an agreement from the Entities with

surplus for universal service. In addition to the general public outreach support, complete PR and Media trainings for SERC and Federation Ministry; prepare presentation for general use on REAP and ongoing reform activities; and develop strategy to assist ISO to become a mouthpiece for reform effort and assist with the commencement of its implementation..

- f. *Quarter Two (6-13-08 to 9-12-08)*. If introduced into the Parliamentary procedure, assist with regard to the amendments to the Federation Electricity Law. Amendments to the State Laws will probably be in play by the second (at the latest the third) quarter, so a review and analysis of the proposed amendments will be made. Continue with assistance to Brcko District. Encourage FERC to make a presentation in the Federation Parliament on its role and advise and assist them in the process; provide long-term assistance to ISO to become a mouthpiece for reform effort; and assist as necessary with any unexpected issues.
  - g. *Quarter Three (9-13-08 to 12-12-08)*. Ongoing work on the Federation and State Parliamentary procedures for the amendment of the Federation Electricity Law and in the State laws. Continue with assistance to Brcko District. Continue providing long-term assistance to ISO to become a mouthpiece for reform effort and assist as necessary with any unexpected issues.
  - h. *Quarter Four (12-13-08 to 3-11-09)*. Continue items not completed and deal with the inevitable unexpected issues that have arisen in the meantime. Continue providing long-term assistance to ISO to become a mouthpiece for reform effort and assist as necessary with any unexpected issues.
5. Public Outreach. As requested by USAID, the public outreach strategy was redesigned to more clearly reflect the public outreach objectives, along with activities and deliverables to reach the objectives. The 2008-2009 public outreach work plan is divided into four topics that reflect the technical team's upcoming activities: the Internal Action Plan, Gas, Market Design and Other. Those activities have generally been inserted into the technical work plan above, along with the overall project activity timeline.

However, because the strategy and work plan for public outreach has been amended, both the strategy and its detailed work plan activities for each of the topics is also set forth separately in Attachment C. Attachment C details the activities and deliverables expected in each area and also contains a separate activity time line.

Note, however, that in the public outreach Work Plan more is contained in the "Other" category than unexpected events. It is in that category that REAP's intention to work to develop the ISO into the mouthpiece of BiH's energy reform efforts appears. Due to the ISO's central role as the transmission operator, REAP will work to strengthen its capacity to communicate on all electricity reform issues, in particular those that fall within its purview, including market design and pertinent items on the Internal Action Plan. For example, it is suggested that REAP helps the ISO hold a press conference in the very near future in order to kick off the effort of the Internal

Action Plan by publicizing its international activities. REAP will work with USAID to implement this important part of its activity.

Also in the “Other” category are the remaining public outreach activities, which will be completed in the next 1 ½ years. These items include activities to:

- Complete the two remaining media trainings.
- Continue public relations consulting as needed by organizations trained.
- Continue information for journalists with regard to energy and current events in the electricity and gas sector, perhaps consolidated into roundtables.
- Assist the ISO with its grand opening of its new.
- Assist with Parliamentary meetings, imparting information, perhaps consolidated roundtables, and as consolidated lobbying as possible when amendments to existing laws are submitted to the Parliaments.
- Liaise with several important consumer and environmental NGOs to impart information necessary to participate effectively in the energy sector.
- Keep Chief of Party and USAID well informed on energy issues in the media.

Also to be noted in the areas of Gas and Other, where assistance is anticipated with regard to a State Gas Law or positions with regard to law amendments proposed by the Ministries, it is uncertain whether USAID/REAP would work to advise and assist the Ministries, with the Ministries driving the efforts in the Parliaments with USAID/REAP doing the more detailed lobbying work (such as would occur in with the State Gas Law) or whether the Ministries would actually be pursuing positions contrary to reform, with USAID/REAP lobbying on behalf of retaining a reform result or moving on to further reform. The footnotes on the specific work plans for the Gas indicate that uncertainty.

All of the public outreach activities are targeted to create a more knowledgeable BiH citizenry on energy with accomplishment of the following outcomes:

- Regulators, ministries and ISO regularly and effectively engage in public outreach efforts;
- Parliamentarians overseeing regulators and working with Ministries responsible for energy have a solid understanding of appropriate roles, activities and goals in energy reform;
- Journalists that have a broader foundation of knowledge and information to produce more well-informed and accurate stories for print and broadcast media; and
- Targeted NGOs have information that will assist them in influencing government bodies on energy reform topics.