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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 Extension March 2011 – September 30, 2013

Submitted by: Ognjen Marković, Chief of Party

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Implemented by:
Advanced Engineering Associates International, Inc. (AEAI)
Gajev Trg 2/II, Sarajevo, 71 000
Phone/Fax: +387 33 442 313

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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

Extension March 2011 – September 30, 2013

Ognjen Markovic
Chief of Party

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

USAID REGULATORY ENERGY ASSISTANCE PROJECT (REAP)

The USAID Regulatory and Energy Assistance Project extension will work to enable BiH to actively continue its integration into the regional and EU electricity market. This is in harmony with EU directives on electricity, requirements for European accession and the requirements of the Energy Community Treaty. The two main objectives of the extension are to (i) achieve a fully integrated energy sector into the regional market and the EU; and (ii) restructuring and commercialization of energy companies. Both objectives are a continuation of the present work of REAP.

Beginning on p. 5 of this document, a table illustrates how the three task objectives (TOs) identified by the USAID contribute to achieving the project extension's objectives. Under each TO, the key result areas (KRAs) that will guide REAP's activities are set forth. The task objectives and the main KRA categories are illustrated in Figure 1 below.

Attachment 1 is the Activity Timetable that indicates the timeframe for the various activities that comprise the Work Plan for Year One, as well as for the remaining period. Attachment 2 is the Performance-Based Monitoring/Management Plan (PBMP), which describes the seven indicators for which REAP will collect data during the extension period.

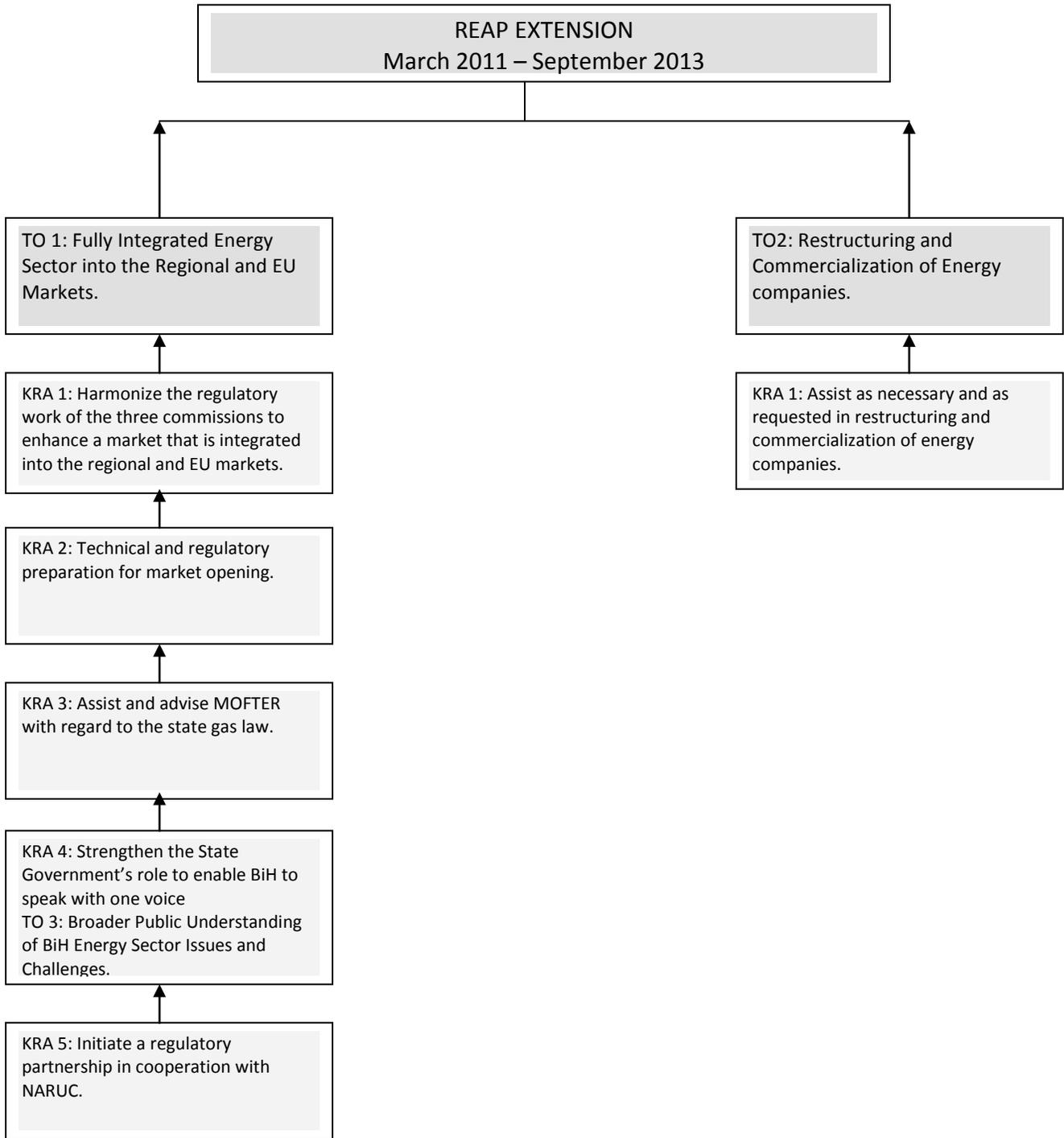
The achievement of these objectives requires cooperation among all political levels of government – the Entities of the Federation of BiH and Republika Srpska (RS), and the State of Bosnia and Herzegovina. In addition, all energy sector institutions must cooperate, including the regulators, the EPs, the ISO and the Transco.

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;
- 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.

FIGURE 1



TO= Task Objective
KRA= Key Result Area

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

Objectives	Timeframe	Activities	Deliverables
KRA 1. Harmonize regulatory work of the three commissions to enhance performance of the market.			
KRA 1.1. Assist regulators to further harmonize rules that strengthen market regulation.	Mar 2011 to July 2012	Conduct a legal analysis to assess which laws and rules should be written and amended to accommodate an open market. [See KRA 2.2.6.] Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, assisting with a legal analysis on the status of the legal framework for market opening.	Written assessment of legislation, regulations and rules should be written or amended.
KRA 1.2. Assist regulators to refine the model and revise the rules on tariff methodology to be more cost-based.	Apr 2011 to July 2013	Assist FERC to revise its tariff model for the two Federation EPs. Assist three regulatory commissions to revise their Rules on Tariff Methodology, as requested. Navigant Consulting 37 days for training and hands-on assistance.	Revised model with bubble diagram that can be used in the future for an EPHZHB tariff proceeding. Revised model with bubble diagram that can be used in the future for an EPBiH tariff proceeding. Revised Rules on tariff methodology, along with any advisory emails and memos on the same.
KRA 1.3. Assist regulators to issue or amend regulations to meet EC Treaty requirements.	Mar 2011 to July 2013	Monitor Energy Community Treaty developments and assess necessity to transpose the same into local laws and regulations. Advise and assist as needed to actually implement the required action. [See KRAs 4.3 and 4.4, where the same assistance is provided to MOFTER.]	Memoranda and advisory emails with regard to the Energy Community activities and necessary changes. Road maps and suggestions on same. Advisory memoranda with regard to necessary legislative transpositions.
KRA 1.4. Assist regulators as necessary to adapt to changing demands.	Apr 2011 to July 2013	Advise and assist regulators as their roles change in an open market. [See KRA 2.3 for specific activities related to this activity.]	Any written communication with the regulators on changes and adaptations needed.
KRA 1.5. Provide assistance in drafting commercialized contracts for an open market.	Apr 2011 to July 2013	Advise and assist drafting commercial contracts needed for an open market. [See KRA 2.1.4.] Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, training on drafting commercialized contracts for an open market.	Input documentation and comments on commercial contracts for connection, supply, third party access, ancillary services and balancing.

Objectives	Timeframe	Activities	Deliverables
KRA 2. Technical and regulatory preparation for market opening.			
KRA 2.1. Advise and assist regulators' implementation of recommendations in the market opening policy paper to eliminate impediments.	Mar 2011 to July 2013	This component is comprised of 11 discrete activities as listed below in KRA 2.1.1 to 2.1.7.	[See KRA 2.1.1 to 2.1.7.]
KRA 2.1.1. Advise regulators on further development of policy paper. As requested, consult with Ministries on same.	Mar 2011 to Apr 2012	Advise and assist the regulators to revise the Policy Paper to include broader issues. If requested, REAP will assist to communicate issues to the Ministries.	Comments and drafts of final policy paper as revised to include additional issues.
KRA 2.1.2. Advise and assist regulators to revise licensing rules to accommodate market opening.	Oct 2011 to Jan 2012	Advise and assist in revision of licensing rules to accommodate market opening.	Revised rules on licensing and any related pertinent memoranda or advisory email.
KRA 2.1.3. Assist regulators to require and EPs to implement load research.	July 2011 to July 2013	Advise and assist institution of BiH load research programs, monitor load research implementation and inclusion of results in tariff methodology. Subcontractor INESPORTO is expected to provide approximately 34 days of technical assistance in training and hands-on assistance on load research. In addition, STTA Tatanja Konjic will provide 70 days assistance to the load research effort, also providing training and hands-on assistance.	REAP comments on draft and final regulatory documentation requiring load research. Load research program proposals from EPs. Documentation on regulatory review of proposed program. Documentation and memoranda on inclusion of load research results into tariff methodology.
KRA 2.1.4. Lead Case Study effort, consisting of open market base case and scenarios.	Mar 2011 to July 2013	Lead Case Study on preconditions to market opening, consisting of formulation of base case and scenarios. The process will consist of defining commercial processes, developing commercial contracts and preparation of a gap analysis. [See TO2, KRA 1.3] Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, training and hands-on assistance to the Market Working Group sub-group and sector market participants on a market opening case study, involving development of commercial processes and contracts, and a gap	Base case, scenarios, commercial processes and contracts, gap analysis, memoranda and advisory emails.

Objectives	Timeframe	Activities	Deliverables
		analysis.	
KRA 2.1.5. Assist/lead Market Working Group.	Mar 2011 to July 2013	REAP will continue to lead, advise and assist the Market Working Group and current and future sub-groups. Activities will consist of the below-listed sub-KRAs.	
KRA 2.1.5.1. Lead and assist sub-group on assessment of World Bank Wholesale Market Study and its implementation in BiH.	Mar 2011 to July 2013	Monitor Energy Community and ERGEG activities on the Study and regional and national implementation plans. Assist sub-group to develop and present documents when and if needed. If BiH accepts the Study, develop road map for moving to local day ahead market and joining the regional market. [Also see KRA 2.2.2.]	Paper on the World Bank Wholesale Market Study and its implementation in BiH for decision makers, Road Map for local day ahead market, memoranda and advisory emails.
KRA 2.1.5.2. Lead and assist sub-group on extension of transition period.	Mar 2011 to Jan 2012	Lead and assist sub-group to develop a document on the extension of the transition period. Develop action plan to implement the document. [See KRA 2.1.5.4.]	Paper on options for extending the duration of the transition period.
KRA 2.1.5.3. Lead/assist sub-group on Supplier of Last Resort (SOLR).	Jan 2012 to Oct 2012	Research, analyze and propose structure of BiH SOLR Program. Lead and assist the sub-group to develop a proposal for SOLR program and recommendation for applicable regulatory rules. Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, assistance on Supplier of Last Resort service processes and rules.	Paper and recommendations on instituting Supplier of Last Resort Program. Recommendations for rules on SOLR and programs. Memoranda and pertinent advisory emails on implementation of recommended actions.
KRA 2.1.5.4. Lead /assist sub-group on Default Supplier (DS).	Jan 2012 to Oct 2012	Research, analyze and propose structure of BiH DS Program. Lead and assist sub-group to develop a proposal for the DS program and recommendation for applicable regulatory rules. [See KRA 2.1.5.2.] Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, assistance on Default Supplier service processes and the rules.	Paper and recommendations on instituting DS. Recommendations for rules on DS and programs. Memoranda and pertinent advisory emails on implementation of recommended actions.
KRA 2.1.6. Advise regulators to create policy and requirements on new metering system to meet market opening requirements.	July 2011 to July 2013	Advise and assist regulators to supervise regulated companies' efforts to install adequate meters.	Memoranda, advisory emails and other documentation.

Objectives	Timeframe	Activities	Deliverables
KRA 2.1.7. Research regional and EU best practices on ancillary services and balancing.	Apr 2011 to July 2012	Lead effort to determine best practices on ancillary services and balancing and advise regulators on implementation. Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, assistance on ancillary services and balancing processes.	Memoranda and advisory emails on ancillary services and balancing.
KRA 2.2. Advise and assist ministries on tasks needed to remove impediments to market opening.	July 2011 to July 2013	This component is comprised of seven discrete activities, listed below as KRA 2.2.1 to 2.2.7.	
KRA 2.2.1. Assist MOFTER to communicate BiH position on wholesale market and market operator to ECRB and the Secretariat.	July 2011 to July 2012	Assist MOFTER with its responses to the requests for BiH's position on a regional wholesale market received from ECRB and the Energy Community Secretariat.	Advisory memoranda and advisory emails regarding BiH responses on regional wholesale market.
KRA 2.2.2. Develop road-map on regional and local day ahead market (DAM) if BiH accepts the concept. [See KRA 2.1.5.1.]	July 2012 to July 2013	Advise and assist MOFTER on the development of a road map for the wholesale and local DAM.	Road map for establishment of regional and local markets.
KRA 2.2.3. Advise and assist MOFTER and regulators on the establishment of the regional Coordinated Auction Office (CAO).	July 2011 to July 2013	Advise and assist MOFTER on Energy Community procedure on BiH non-compliance with its CAO commitments and establishment.	Memoranda and advisory emails regarding the BiH obligations to the CAO.
KRA 2.2.4. Advise and assist FMERI with regard to new Federation Electricity Law.	Apr 2011 to July 2012	Advise and assist FERC with its comments on the new Federation Electricity Law. Assist FMERI with a new Draft. Provide lobbying assistance in the Federation Parliament for law's passage. Upon passage, assist the FMERI to draft regulatory and energy policies. [See TO2, KRA 1.1.]	Memoranda, advisory emails on FERC's comments on the Law. Redrafts of new Federation Electricity Law. Lobby materials used in the Federation Parliament. Draft regulatory and energy policies.
KRA 2.2.5. If Federation drafts a Federation Gas Law, REAP will assist as requested.	Jan 2012 to July 2013	Review and comment on Draft Federation Gas Law, as requested.	REAP comments on Gas Law.
KRA 2.2.6. Advise and assist Ministries and regulators on needed legislation and amendments for market opening.	Apr 2011 to July 2013	Conduct an analysis to assess specifically what provisions will be incorporated into the new or amended laws and regulations and advise Ministries and regulators on	Analysis of needed provisions for incorporation into the new or amended laws and regulations. Memoranda and advisory emails to the Ministries and

Objectives	Timeframe	Activities	Deliverables
		results. [See KRA 1.1.]	regulators on needed amendments to laws and regulations.
KRA 2.2.7. Assist MOFTER and EPs in the revision of the Procurement Law to allow operational trading of electricity.	Apr 2011 to July 2012	Review the Procurement Law to identify needed amendments to allow the state-owned companies to operate in an open market. Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, reviewing the revised Procurement Law amendment for adequacy in an open market.	Proposed draft amendments, lobby materials for passage of the law in the State Parliament, memoranda and advisory emails.
KRA 2.3. Assist regulators to adapt to changing demands, when necessary.	Apr 2011 to July 2013	Advise and assist the regulators on their proactive role to open the market and on their new role in an open market. [See KRA 1.4.] Pierce Atwood will provide technical assistance for a total of 168 days, for, among other things, training for the regulators on their changing regulatory roles as the market opens.	Training materials, memoranda and advisory emails.
KRA 2.3.1. Assist FERC to implement regulatory policy.	July 2012 to July 2013	Advise and assist FERC to implement regulatory policy if and when the new Federation Electricity law is passed and Energy and Regulatory Policy developed. [See KRA 2.2.4.]	Proposed amendments to regulations, regulations to harmonize FERC with the new Federation Electricity Law, memoranda, and advisory emails.
KRA 2.4. Advise industrial and commercial customers on the status of market opening.	Jan 2012 to Apr 2013	Advise customers, as requested, on new requirements on market opening. REAP will include customers in trainings and other events that address market opening.	Communications and other documents on interaction with the customers.
KRA 2.5. Organize a closing conference on the status of the electricity market in BiH.	April 2013 to July 2013	Organize a sector-wide conference to review the status of the electricity market in BiH.	Conference materials
KRA 3. Assist and advise MOFTER with regard to the State Gas Law.			
KRA 3.1. Advise and assist if requested with further developments on drafting State Gas Law.	Apr 2011 to Apr 2013	Advise and assist on drafting State Gas Law. If the draft is completed, advise and assist MOFTER to lobby the passage of the law in the State Parliament.	Draft State Gas Law, lobby materials, final State Gas Law as passed by the State Parliament.

Objectives	Timeframe	Activities	Deliverables
		Pierce Atwood will provide technical assistance on the final drafting of the State Gas Law.	
KRA 4. Strengthen the State Government's role in the energy sector to facilitate BiH speaking with one voice in the internal and international liberalization of the energy sector.			
KRA 4.1. Perform written analysis of Third Liberalisation Package.	Mar 2011 to Apr 2011	Prepare written analysis of Third Liberalisation Package.	Paper on Third Liberalisation Package.
KRA 4.1.1. If the Energy Community requires compliance with the Third Package, develop a road map to implement it.	Mar 2011 to Oct 2012	Prepare BiH road map on implementation of Third Liberalisation Package.	BiH Road Map for implementation of Third Liberalisation Package.
KRA 4.2. Follow all activities in BiH Electric Power Sector.	Mar 2011 to July 2013	Monitor activities of BiH governments, regulators and utilities regarding the Electric Power Sector.	Updated Internal Action Plan.
KRA 4.3. Monitor decisions made by Energy Community and update implementation.	Apr 2011 to July 2013	Monitor Energy Community Secretariat, Energy Community Regulatory Board (ECRB), Permanent High Level Group (PHLG) and the Ministerial Council activities and decisions. Update documentation that reflects required action by BiH. Encourage and assist MOFTER to be proactive on pending activities in the Secretariat, ECRB, PHLG and Ministerial Council.	Updated Internal Action Plan, memoranda, advisory emails.
KRA 4.4. Advise and assist MOFTER to undertake actions to implement new obligatory decisions made by the Energy Community Ministerial Council.	July 2011 to July 2013	Once the Ministerial Council has made a binding decision, advise MOFTER on its implementation.	Memoranda, advisory emails and draft road maps or papers on implementation of Ministerial Council decisions.
KRA 5. Initiate regulatory partnership in cooperation with NARUC that will pair the three BiH regulators with a U.S. regulatory commission.			

Objectives	Timeframe	Activities	Deliverables
KRA 5.1. Advise and assist NARUC, USAID and the regulators in the organization of the partnership.	Jan 2012 to Jan 2013	Cooperate with NARUC and USAID on choice of partner regulator. Work with BiH regulators, the U.S. regulatory commission, NARUC and USAID to develop a Work Plan.	Work Plan for the regulatory partnership, memoranda and advisory emails.
KRA 5.2. Coordinate the partnership.	Apr 2012 to July 2013	Arrange for exchanges and monitor training plans to ensure that the needs of BiH regulators are met.	Partnership Exchange schedule, agendas, memoranda and advisory emails.

TO 2: Restructured and Commercialized Energy Companies

Objectives	Timeframe	Activities	Deliverables
KRA 1. Assist as necessary and when requested in restructuring and commercialization of energy companies.			
KRA 1.1. Advise and assist FMERI to develop energy policy that prescribes unbundling deadline for the Federation EPs.	Oct 2011 to July 2012	Advise and assist FMERI to include Federation EPs' unbundling deadline in the new Energy and Regulatory Policy required by the Federation Electricity Law. [See TO1, KRA 2.2.4.]	Papers, memoranda, and drafts of Federation regulatory and energy policy.
KRA 1.2. Comment on the EPs' draft restructuring documents, as requested.	Apr 2011 to July 2012	Advise and assist if requested, on plans for unbundling.	Comments on EP unbundling plans.
KRA 1.3. Assist and advise EPs to develop and implement processes that ensure every unbundled company receives revenue that reflects its costs.	Oct 2012 to July 2013	Advise and assist EPs to ensure that the unbundled EP companies collect costs attributable to unbundled companies. [See TO1, KRA 2.1.4.]	Memoranda and advisory emails on cost recovery for unbundled companies.