ANNUAL PROGRAM PERFORMANCE REPORT

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Program:	Energy Regulatory & Security Program in Europe & Eurasia (http://www.erranet.org or www.naruc.org)
Countries:	Central/Eastern Europe & Eurasia (regional)
Time Period:	**FY12 (October 2011 – September 2012)**
Implementer:	National Association of Regulatory Utility Commissioners (NARUC)
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I. PROGRAM DESCRIPTION

Develop the Central/Eastern European and Eurasian regions' energy regulatory authorities and their networking opportunities; strengthen the regulators and their efforts to establish a stable, efficient, and competitive energy industry.

II. MONITORING AND EVALUATION (M&E)

At the request of USAID under a separate cooperative agreement, NARUC's International Programs Department undertook a review of its approaches to overall program management, and, more narrowly, to the monitoring of, and reporting on, the performance of all the international programs and projects it carries out. Based on this review, NARUC's International Programs Department decided to shift, at a measured pace, towards a more comprehensive, results-focused performance management system for capturing time-bound information about its programs overseas.

NARUC began to prospectively identify the intended results of the projects it administers as well as performance indicators that can be used to assess progress towards these results. NARUC examined the types of results on which its current programs implicitly focused and used those results to develop a logic model, called a Results Framework. This Results Framework shows, on a program-wide basis, the cause-and-effect hierarchy of results through which NARUC's activities are expected to foster important changes in the regulatory commissions and regional energy regulatory associations with which it works. In its Results Framework, levels of results are linked through a series of "if-then" hypotheses. The achievement of these results depends not only on the inputs provided, i.e., activities and other resources described in project work plans, but also on assumptions about factors that lie beyond the control of program managers, which can be incorporated into a Results Framework diagram.

NARUC also developed appropriate indicators for measuring progress towards results for its international programs. NARUC uses two types of indicators for assessing performance in relation to the results concept "enhanced operations," which includes both technical and managerial approaches and procedures in energy regulatory commissions overseas. These indicators are complimentary, as described below.

- Scales rating a set of organizational commission operations developed by NARUC in-house
- Reported improvements in commission operations (narratives supporting scales ratings)

These scales can be systematically utilized to document changes on distinct aspects of the operations of energy regulatory commissions. NARUC will begin pilot testing of its new M&E Plan, including incorporation of the Regulatory Scaling Instrument into its activities in 2013.

III. SUMMARY OF ACTIVITIES AND MAJOR ACCOMPLISHMENTS

Task 1. Regulatory Capacity & Association Institutional Development

NARUC worked collaboratively with members of the Energy Regulators Regional Association (ERRA) to share U.S. experiences and examine lessons learned and "next" practices. NARUC member commissioners and staff voluntarily participated in ERRA technical training courses and professional development activities (committee meetings, conferences, etc). The NARUC member observational trip reports are available by request from NARUC staff.

1.A. Training/Capacity Development

Commissioner Rick Campbell (PSC of Utah) served as an instructor at the **ERRA Renewable Energy Regulation Training** that took place during November 7-11, 2011, in Budapest, Hungary. Commissioner Campbell discussed the impact of renewable energy generation on the grid.
http://www.erranet.org/Training/Intermediate_Advanced_Training/Renewables_2011

Nicholas Bowden (Illinois Commerce Commission) taught rate setting process at the **ERRA Training Course on Price Regulation and Tariffs**, February 27-March 1, 2012, in Budapest, Hungary. He discussed basic principles and methods of tariff design, focusing on his rate design experience at the Illinois Commission. One of the issues he encountered while interacting with the ERRA member countries was that regulatory utility analysts are spending more time analyzing and accurately designing rates based on the costs to serve each type of customer class (e.g. – residential, small commercial, large commercial, irrigation). The participants reported that identifying the costs the utility incurs to serve each type of customer class has become more challenging with incentive regulation and unbundling of utility services.
http://www.erranet.org/Training/Intermediate_Advanced_Training/Price_Regulation_and_Tariffs_2012

1.B. Association Development

ERRA Committee Meetings, Working Group Meetings, Conferences, Workshops

NARUC sent Commissioner Brad Molnar (Montana PSC) and Ann Goodge (PUC of Ohio) to the **ERRA Licensing Committee** meeting on Oct. 13-14, 2011 in Chisinau, Moldova. Com. Molnar delivered a presentation on U.S. Practices in Energy Efficiency and the Role of the Regulator. Ms. Goodge discussed Renewables: Support Schemes – the U.S. Practice.
http://www.erranet.org/Events/ERRA/2011/Licensing_Chisinau_October

Robert G. Ozar (Michigan PSC) attended the **ERRA Legal Regulation Working Group** meeting on Oct. 24-25, 2011, in Kiev, Ukraine. He prepared a presentation on Natural Gas Transit issues in the U.S.
http://www.erranet.org/Events/ERRA/2011/Legal_WG_Kiev_October

Denise Parrish (Wyoming) and Aspassia Staevska (Pennsylvania) attended the **ERRA Tariff Committee Meeting**, January 30-31, 2012, Sofia, Bulgaria, and discussed issues related to tariff differentiation for electricity among the consumer groups and cost of service issues in rate setting.
http://www.erranet.org/Events/ERRA/2012/Tariff_Sofia_January

Matthew Elam (Idaho) and Scott Gebhardt (Pennsylvania) attended the **ERRA Licensing Committee Meeting**, February 16-17, 2012, in Gdansk, Poland, and discussed U.S. experiences in net metering and distributed generation, as well as third party access for competitive suppliers.
http://www.erranet.org/Events/ERRA/2012/Licensing_Gdansk_February

Sarah Thomas (California) attended the **ERRA Legal Working Group**, March 19-20, 2012, Budapest, Hungary, with presentations on the Kyoto Protocol and EU's 2020 Climate Change Policy, and the Industrial Distribution Networks.
http://www.erranet.org/Events/ERRA/2012/Legal_WG_mtg_March_Budapest

Denise Parrish (Wyoming) and Kim Wissman (Ohio) attended the **ERRA Tariff and Licensing Committee Meetings**, respectively, April 24, 2012, Bratislava, Slovakia, and discussed issues related to U.S. experiences in incentive regulation of the energy distribution companies, and major obstacles to the opening and development of competition in the U.S. electric retail markets. Ms. Wissman also presented on the role of U.S. regulators in the creation of regional markets and market integration, at the **ERRA Chairmen's Meeting**, April 24.
http://www.erranet.org/Events/ERRA/2012/Tariff_Bratislava_April
http://www.erranet.org/Events/ERRA/2012/Chairmen_Bratislava
http://www.erranet.org/Events/ERRA/2012/Licensing_Bratislava_April

NARUC collaborated with ERRA on the **Tariff/Pricing Committee Issue Paper** on Support Schemes for Renewable Electricity with Select Case Studies by the Regional Centre for Energy Policy Research (REKK) in Budapest. The Issue paper is based on the ERRA Member countries' questionnaires to elaborate on the task of regulators in the sphere of RES promotion, and focused heavily on the following aspects: licensing and certification issues, grid interconnections, and RES-E support schemes. There are case studies on Sweden (green certification system) and the Czech Republic (solar capacity oversupply and the hybrid support scheme of feed-in-tariffs and green premium system).
http://www.erranet.org/Library/ERRA_Issue_Papers

Task 2. Regulatory Reporting, Monitoring & Transparency

Select issues related to regulatory reporting, monitoring and transparency were addressed through bilateral partnerships (Task 4).

Task 3. Regional Regulatory Cooperation

3.A. Black Sea Regulatory Initiative (BSRI)

http://www.naruc.org/International/program.cfm?page=27

Major Accomplishments

Total Black Sea participants trained - 76 (male – 68, female – 8)

USAID, NARUC, and USEA led high-level policy formative discussions on the benefits of regional markets, status of and barriers to renewable energy investments and related cross-border trade in the Black Sea region. The **Black Sea** regulatory group consisting of Armenia, Azerbaijan, Georgia, Moldova, Turkey, and Ukraine officially introduced their working document entitled the *"Principles of Regulation to promote the development of renewable energy sources in the Black Sea region"* (RES Principles), (http://www.naruc.org/International/Documents/Principles_Kiev.pdf) to a broader audience of energy regulators, national government officials, transmission system operators, electricity traders, and business leaders, promoting a broader integration of RES, as well as identifying the process of preparing a common framework of cross-border trading in electricity, including renewables, for the Black Sea region. The principles represent an inventory of best practices and national experiences in the field of renewable energy development. As an everyday practical guide to an energy regulator's work, it offers an instructive review of interrelations between regulatory policy and technical issues with an opportunity to establish more coordinated approaches and stronger regulatory cooperation in the sphere of renewable energy. As such, the Principles are intended to support the work of system operators, national governments, state agencies and other institutions with significant authorities over the renewable energy sector to provide a baseline approach to key emerging issues in the RES sector. The RES Principles provide a baseline for regulatory harmonization among the regulators.

The following achievements represent the Black Sea regulatory project's outputs in October 2011-September 2012 timeframe:

1. Strengthened regional cooperation among national regulators from Armenia, Azerbaijan, Georgia, Moldova, Ukraine, and Turkey
2. Promoted and implemented specific measures and regulations in renewable energy development and integration through statutory or rulemaking process at national commissions, namely
    - The PSRC/Armenia issued new rulings on the grid interconnection process, including renewables.
    - The GNERC/Georgia implemented increased monitoring of utility investment plans, including renewable generators.
    - The ANRE/Moldova issued preliminary congestion management guidelines affecting queue process for all generators, including renewable sources of electricity.
    - The ANRE/Moldova proposed the feed-in-tariff support scheme with a "single buyer" market model for renewable electricity, which will be integrated in a revised renewable energy law. Additional incentives will also be provided for the production of biogas.
    - The NERC/Ukraine proposed amendments to the Law on Electricity with respect to renewable generation sources, including incentive tariff design for solar energy, net metering provisions and registrations, and integrating sales of electricity generated from renewable sources into a competitive market environment.
3. Advanced significantly the understanding of required regulations and to promote more efficient regional resource optimization
4. Through the RES Principles document, the regulators continue encouraging more harmonized approaches to regulation of cross-border trade and RES development

Summary of Activities

In October and December 2011, NARUC organized the last two working sessions in a series of three regionally-held workshops on drafting the RES Principles. The Organization of MISO States (OMS), a U.S. regional partner, was represented by Commissioner David Boyd (Minnesota) and William Smith (Executive Director, OMS), who shared detailed case studies on U.S. experiences in measurement and verification of RES, integration of RES generators, and market monitoring of the same. Each Black Sea country briefly introduced their own RES profiles and received feedback, comments, and questions from other participants. The Black Sea regulators explored issues related to RES queue management and dispatch, generator-network operator interconnection costs, RES project approval process, RES impact on retail rates, RES capacity allocation protocols, and system absorption/reliability. The meeting also included preliminary discussions of the U.S. experiences in promoting energy efficiency.

In April 2012, NARUC co-organized jointly with USEA the "Investment and Trade in Renewable Energy in the Black Sea: A Regional Roundtable on Regulatory and Transmission Issues" under their respective regulatory (Black Sea Regulatory Initiative) and transmission system planning (Black Sea Transmission Planning Initiative) project frameworks. The primary purpose was to share a working draft of the *RES Principles* developed by the Black Sea regulatory working group, and discuss its implications in the work of energy regulators, government officials and network system planners. The contents of the Principles were addressed by three distinct regulatory panels, the stakeholder commentaries, and subsequent discussions. A separate panel

discussed views from the private sector, regional market perspectives and a case study of regional coordination among the U.S. Midwest system planners and regulators.

The Principles concluded that an electricity market geographically extended beyond national borders could significantly enhance the opportunities for renewable resource utilization in the Black Sea Region. A pooled market environment that provides RES-E producers the freedom to sell electricity and/or green certificates not only on the national but also on across-the-borders markets could increase the attractiveness of the sector for investors and will assure RES-E at a reduced cost for local customers.

The nine core Sections of the Principles are:

Spotlight!

Section 1 – Context of the Principles
Section 2 – Definition of RES
Section 3 – General Principles to guide regulatory action in promoting RES penetration
Section 4 – Relationship between policy making and regulation in the sphere of RES-E Promotion
Section 5 – RES-E Support Schemes
Section 6 – Grid Access and Integration
Section 7 – Licensing and Monitoring of the RES-E Market
Section 8 – Certifying Renewable Electricity
Section 9 – Cross-Border Cooperation in RES-E Utilization

Photo by NARUC staff Martina Schwartz

Deputy Minister of Energy and Natural Resources of Georgia, Giorgi Kavelashvili, discusses his country's national energy strategy including the development of hydrological resources

During the Kiev workshop, NARUC also held separate planning meetings with its Black Sea regulatory working group to discuss highlights of individual bilateral partnerships and future plans for the Black Sea Regulatory Initiative, including in-country and U.S. activities to advance the work on the RES Principles.

In mid-2012, NARUC prepared and started implementing a more integrated approach to its Black Sea regional and four bilateral partnerships, aiming to increase the coordination among the individual program elements, as well as interaction among participating regulators and other relevant stakeholders. Following the Kiev regional workshop, the attendees started engaging in more coordinated and systematic consultative processes to advance the national progress on renewable energy development, supporting NARUC's goal to promote an integrated dialogue of emerging issues in the sphere of renewable energy.

In September 2012, 13 Black Sea regulators from six member countries visited the Minnesota PUC and the Midwest ISO (MISO). The study tour focused on examining several key issues within renewable energy development and energy efficiency – the two key regional focus areas. Public utility Commissioners from Iowa, Wisconsin, Minnesota, as well as select distribution utilities operating in Minnesota and Wisconsin discussed their energy efficiency programs and regulatory-utility coordination for the implementation of select initiatives aimed at delivering Commission-mandated energy savings to final consumers. The Black Sea regulators learned about the utility-regulatory nexus, broad institutional arrangements, legislative framework, implementation and delivery mechanisms, tracking of achieved efficiency savings, and select case studies of commissions' consumer-targeted information disseminating strategies.

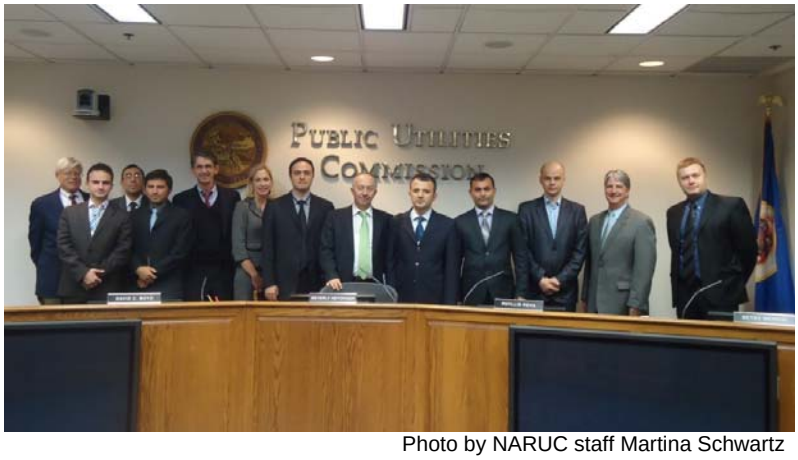

Photo by NARUC staff Martina Schwartz

Representatives from the Organization of MISO States, USAID, and Black Sea regulators from Armenia, Azerbaijan, Georgia, Moldova, Turkey, and Ukraine at the Minnesota PUC

"I value the stronger relationship and personal contacts with the OMS partners. In particular, I look for the opportunities to study examples and practices to reduce the energy demand in Armenia in order to address serious challenges of energy security we face as a nation."

Garegin Baghramyan, PSRC/Armenia, participant in the US Black Sea Study Tour to OMS/MISO, September 2012.

The participants also toured several distribution utilities and retail companies, directly observing their energy efficiency programs in practice. At MISO, the Black Sea group focused on further examination of select technical issues and related regulatory considerations for RES sector development and integration needed to increase cross-border harmonization and optimized power flow arrangements, including grid access and connection protocols, RES curtailment and reliability operations, market rules, and queue management processes. In particular, the Black Sea partners identified key regulatory issues related to the overall transmission system planning, synchronization and cost allocation for new RES system capacities. MISO aptly demonstrated the operational aspects of managing the 98,000+MW peak load system and planning with critical policy input and direction provided by the OMS regulators.

Overall, NARUC continued to increase closer coordination among the individual Black Sea regional and bilateral program elements, as well as interaction among participating regulators to discuss broader regional implications and exchange lessons learned.

Constraints Encountered
None.

Task 4. Promotion of Energy Security

4.A. Regulatory Partnerships

i. Armenia-Iowa
http://www.naruc.org/International/program.cfm?page=29

Major Accomplishments

Total Armenia participants trained - 29 (male – 21, female – 8)

The **Armenia** and Iowa partners adopted a new partnership format by utilizing topical factsheets to reach core issues more readily and determine more accurately which Iowa approaches and practices can be utilized in considering changes to the PSRC regulations. The new information exchange approach was tested on several new core issues that the PSRC is currently implementing, including new consumer connections, rate setting and service quality regulations.

The following practices have been or are in the process of being implemented at PSRC:

1. **Update to Network Connections for New Consumers (electricity and natural gas)**
   In regard to new connections, the PSRC has already improved its procedures significantly. For example, the steps for signing up for new electric connection used to involve eight steps and multiple visits. Since receiving guidelines from the IUB, the PSRC has brought that down to only two steps in a single visit, bringing total duration down from 90 days to 30 days. Connection fees have also been cut substantially, by about 3/4 for residential customers. The PSRC is also beginning to use more multi-tariff electronic meters with time-of-day rates.

2. **Progress achieved towards reduction in service interruptions, disconnections and improved system performance. New standards for power interruptions have been issued**
   Overall disconnections, or service interruptions in the system have gone down and the PSRC is aiming to reduce them further. In addition, power interruption standards have

tightened up and will become fully effective October 1, 2012. These standards include such stipulations as: interruptions cannot exceed 4 hours in urban areas (formerly 8) per non planned disconnection, a maximum of 6 hours per planned disconnection and a maximum of 24 hours per year for planned and non planned disconnections; interruptions cannot exceed 8 hours in rural areas (formerly 16), a maximum of 8 hours per planned disconnection and a maximum of 72 hours per year for planned and non planned disconnections; and interruptions cannot exceed annual limits of 24 hours per urban areas and 48 hours for rural areas. Moreover, new rules for complaints regarding malfunctioning meters were discussed. The PSRC has updated their rules so that the customer cannot be disconnected during a dispute, and has improved consumer relations by updating procedures to include clear rules for recalculating for meter errors.

Additional achievements include:

- Amendments to Commission rulings on the grid connection process.
- Updates to penalties for service interruptions.
- Increased oversight of utilities' financial and technical conditions and investments.
- Updated methods of rates calculations.
- Increased considerations for the role of energy security and energy efficiency.

PSRC's emphasis continues to be on small hydro since wind and solar appear to be relatively expensive. This is because the renewable tariff rate provides sufficient incentives for SHPPs, but not enough for most other renewables. By 2016, the PSRC expects to see 17 percent of power produced by SHPPs, delivered from a $160 million investment. Although there is potential for the development of an 80 MW wind farm, the system operator is already concerned about the possible effect on grid.

Summary of Activities

In October 2011, the partners met in Des Moines, Iowa, to discuss updates to PSRC's rules on new grid connections, technical and financial reporting and compliance, and natural gas safety issues. The new activity working approach helped the PSRC to determine more accurately shortcomings to their existing regulations and gave them specific action points to consider for implementation. The Armenian delegation also toured a utility, and the University of Iowa's Energy Control Center.

Photo by NARUC staff Barbara Kosny

The Armenian regulators tour a methane facility and discuss service safety protocols, Des Moines, Iowa, October 2011.

In June 2012, in Yerevan, the partners met for follow-up sessions on renewable energy concepts. The U.S. delegation included experts from Iowa's Utility Board and the California PUC. This expansion was received positively and will be considered for future partnership activities to augment the transfer of regulatory knowledge and comparative experience. The discussion issues included investments in clean energy, development of the enabling environment (policies, laws, regulations and institutions) that directly supports sustainable clean energy programs, and strengthening of the energy sector through utility regulatory and planning capacity as an essential precondition to sustainable clean energy development. A separate forum featuring Armenian stakeholders discussed various tools to promote renewable energy. This activity sought to emphasize the fundamentals of renewable energy regulation in accordance with the newly released USAID's Climate Chance and Development Strategy. The majority of discussions centered on those principles defined within The 'Principles of Regulation to Promote the Development of Renewable Energy Sources in the Black Sea Region'.

Photo by NARUC Staff Barbara Doggett

The U.S. delegation from Iowa and California visited several hydropower Installations in Armenia.

Photo by NARUC Staff Barbara Doggett

PSRC staff engages in break-out sessions on economic incentives to renewables

On the training front, NARUC funded several PSRC participants to increase their technical capacities in several regulatory spheres:

- ERRA Renewables training in Budapest, Hungary, November 2011 http://www.erranet.org/Training/Intermediate_Advanced_Training/Renewables_2011
- ERRA Licensing meeting in Gdansk, Poland, February 2012 http://www.erranet.org/Events/ERRA/2012/Licensing_Gdansk_February
- ERRA Tariff Training in Budapest, Hungary, February-March 2012. http://www.erranet.org/Training/Intermediate_Advanced_Training/Price_Regulation_and_Tariffs_2012
- NARUC Utility Rate School in San Diego, California, May 2012. http://www.ipu.msu.edu/urs/index.php

For future activities, the Armenians are interested in shifting the emphasis toward the following issues emerging on their regulatory agenda:

- updating connection fees and administrative processes related to new connections
- implementation of new connection principles
- tariff development
- monitoring quality of service
- consumer affairs, engagement, transparency and advocacy on utility issues
- utility reporting, and
- natural gas safety and storage
- treatment and development of renewable energy sources treatment

Constraints Encountered

The PSRC of Armenia continues to augment its information linkages with its U.S. partner, but unclear or delayed communication exchanges and difficulties in articulating its regulatory objectives and areas in need of further growth continue to hinder some of the anticipated progress.

ii. Georgia-Kentucky

http://www.naruc.org/International/program.cfm?page=28

Major Accomplishments

Total Georgian participants trained - 47 (male – 33, female – 14)

During October 2011-September 2012, cooperation between GNERC/Georgia and Kentucky PSC yielded several efforts that allowed Georgia to adapt or introduce a number of innovative regulatory approaches. The following practices represent the partners' recent interactions:

1. **Changes in methodologies and rules**
    a. Rules for connection of new consumers to the distribution network were adopted in November 2011 in order to simplify the process and improve the service quality.
2. **Improvement in addressing consumer complaints**
    a. The practice of on-site settlements of disputes between distribution companies and consumers is now broadly introduced.
    b. More than 95% of disputes are settled through informal procedures.
    c. The GNERC staff conduct on-site informal meetings with consumers twice a month.

3. **Increased monitoring**
    a. GNERC initiated verification of the licensees' annual and quarterly reports in order to increase its oversight of utilities' financial and technical conditions and investment plans. New financial statements were introduced. The Commission had no standard reporting forms before.
4. **Quality of service**
    a. GNERC has increased its oversight of service quality issues, expanding its Methodology Department to include a new division of Service Control. The main task will be to provide systematic monitoring of utility service quality.
    b. A new Regulation of Commercial Quality of Service was adopted in July 2012 and an audit management program was launched, modeled after the Kentucky practice.

5. **On-line public hearings**
    a. In an effort to continue promoting transparency of its regulatory activities and better public and information outreach, GNERC installed new equipment for recording public hearings and streaming on GNERC's website, allowing broader public participation in its hearings.

Summary of Activities

NARUC supported one GNERC staff to ERRA Renewables Training Course, November 7-11, 2011 in Budapest in order to strengthen the Georgia Commission's regulatory capacity and technical understanding of the RES issues.
http://www.erranet.org/Training/Intermediate_Advanced_Training/Renewables_2011

In March 2012, three experts from GNERC participated in a customized internship at the Kentucky Public Service Commission, focused on analyzing service quality regulations, conducting financial analyses of utility reports and observing the Commission evidentiary hearings. The interns had an opportunity to participate in Kentucky's ratemaking issues and discuss utility components directly with the major gas and electric companies.

Photo by NARUC staff Jargalan Jambaldorj

The GNERC/Georgia interns Nato Japaridze, Givi Sanikidze and Alexandr Chokhonelidze with the Kentucky Commission Chairman David Armstrong.

In February-March 2012, NARUC supported one GNERC staff to the ERRA Tariff Training Course, held in Budapest. As Georgia considers various types of incentive regulation, the challenge its tariff analysts face is to learn to accurately design rates based on the costs to serve each type of customer class.
http://www.erranet.org/Training/Intermediate_Advanced_Training/Price_Regulation_and_Tariffs_2012

In September 2012, NARUC implemented the sixth partnership activity between the Georgian National Electricity and Water Regulatory Commission (GNERC) and the Kentucky Public Service Commission (KPSC), in Kutaisi. The U.S. delegates included three representatives from Kentucky, a Commissioner from Missouri, and a staffer from Vermont. The three U.S. State perspectives augmented GNERC's exposure to U.S. regulatory issues. The weeklong activity featured a one-day forum on renewables involving stakeholders from the Ministry of Energy and Natural Resources, and Georgia's major generation and transmission companies, as well as two parallel working groups discussing tariffs and service quality issues. The USAID-funded Hydropower Investment Promotion Project (HIPP) representatives also attended the forum.

The Georgian participants were particularly interested in exploring issues related to strategic investments in the hydropower sector and related regulations to allow for more effective arrangements in cross-border electricity flows, as the new transmission connections are considered for exporting its resources via Turkey and other countries.
Discussion of these topics is particularly germane for Georgia as the construction and commissioning of the high voltage 500/400 kV transmission line is expected to be completed by 2012-2013, and includes consideration of priority access for the renewable sources. GNERC and the Ministry of Energy and Natural Resources are in the process of elaborating transmission access rules and tariffs, monitoring of the cross-border trade, and creating an overall transparent competitive market environment.

Photo by NARUC staff Jargalan Jambaldorj

Front row from left: GNERC/Georgia Commissioners Sergo Meskhi, Gocha Shonia, and Zurab Gabelaia during the partnership meetings in Kutaisi, September 2012

NARUC sponsored a GNERC tariff specialist for participation in ERRA's training on Electricity Markets, September 10-14, 2012
http://www.erranet.org/Training/Intermediate_Advanced_Training/Electricity_Markets_2012

Constraints Encountered
None.

iii. Kosovo Energy Regulatory Partnership Program
http://www.naruc.org/International/program.cfm?page=19

Major Accomplishments

Total Kosovo participants trained - 21 (male – 17, female – 4)
The Energy Regulatory Office of **Kosovo** (ERO) continued its pursuit of information gathering related to formal procedures and informal mediation to resolve consumer disputes and routine consumer inquiries. Additionally, ERO has also started revising their rules and procedures for treatment of vulnerable consumers. In the sphere of price regulations, the ERO has moved to the multi-year tariff review process, employing tariff fundamentals learned from several U.S. experts.

Summary of Activities
In October-November 2011, NARUC organized a regulatory study tour for the ERO to the New York and Pennsylvania Commissions to continue exploring issues related to rates/tariffs and consumer protections. As the Kosovo Electricity Distribution System (KEDS) is preparing for privatization, the ERO team was eager to learn about U.S. experiences relevant to the issue of electricity market liberalization. In this context, the PA PUC shared experience and information on energy supply and market structure in private energy sector, capacity markets, consumer-utility dispute resolution process, and service quality standards. In NY, the delegation was exposed to regulatory audits and monitoring, NY PUC's internal and external relations, and tariff designing issues. The delegation also visited the New York ISO to learn about the transmission planning process.

Photo by NARUC staff Umida Hashimova

ERO/Kosovo participants at the New York ISO, November 2012

Mr. Petrit Haziri from ERO's Consumer Protections Unit completed his customized internship at the Pennsylvania PUC in November 2012. This was a second in a series of training opportunities for the ERO staff from the Consumer Protections Department (CPD), which is currently working on a consumer bill of rights and streamlining the process for formal and informal complaints. The information gathered from both internships has been used to prepare relevant document drafts for Commission's review. ERO continues improving its consumer regulations, including formal procedures, informal mediation and routine billing inquiries. Additionally, ERO is also working on revising its rules and procedures for treatment of vulnerable consumers.

Select excerpts from the NARUC-ERO Email Communication regarding ERO's implementation of the best U.S. practices for institutionalizing formal and informal consumer complaint reviews:

ERO has started modifying the secondary legislation as follows: Rule on Connection and Disconnection of Customers, and Rule on the Resolution of Complaints and Disputes in Energy Sector with the direct impact in the relations between Customers and Regulated Companies.

There were no major legal changes regarding the protection of customers except that new Law on Energy gives right to ERO, that in cooperation with other agencies compile Rule on Vulnerable Consumers.

Customer Protection Department (CPD) worked very closely with customers explaining to them new Rules and Procedures that are in force and their rights to complain on the terms offered by the supplier and urged them to try and solve the problems that they may have within Electricity Company. Also below you will find a paragraph where we have pointed out in our rule that CPD has right to send it back to utility the complaints (cases) for a review if CPD deems that the energy enterprise did not comply with applicable laws, rules and procedures. According to the procedure of complaint, customers first has to fill up complain within their company and after the response from the company than they are eligible to fill an official complain in CPD/ERO.

Except the formal complaints, CPD started to use also the resolution of complaints/disputes in informal way as a result of the consumer capacities assessments conducted by NARUC volunteer Ms. Denise Parrish of the Wyoming Commission in Prishtina, in May 2011. The processes of resolving informal complains is that we register complaints in our daily log and afterwards we return the customer complain for one more review to the utility. The utility after the reviewing the case has to inform the customer and the CPD for the decision taken.

At the suggestion of NARUC volunteer Mr. Thomas Dvorsky of the New York Commission, ERO's Tariff Department and Customer Protection Department started cooperating more closely with respect to consumer issues and formation of consumer rates, specifically in rates reviews. Also during the rates review if there is a concern from the customers or the other organization we discuss with Tariff Department and try to find the best solution for customers so that they can get the better services.

In October-November 2011, NARUC sponsored an ERO utility analyst for participation in a rigorous technical training at the NARUC Rate School in Clearwater, FL. Mr. Gashi expanded his knowledge about rate base components, utility adjustments and costs, cost of capital, debt valuation, and various techniques to calculate return on equity, which are some of the problematic issues ERO periodically encounters in rate adjustment reviews.

In mid-2012, NARUC prepared a draft action plan with illustrative activities to respond to the regulatory changes and new ERO Board appointments. NARUC staff Erin Hammel and Martina Schwartz also met with Roxanne Suratgar, USAID Mission in Kosovo's Senior Energy Advisor, to discuss NARUC's ongoing regulatory assistance to ERO, in support of the Mission's energy sector program. Following the ERO Board confirmations, NARUC plans to organized a customized New Regulator training in Prishtina to offer a menu of topics focused on operational and decision-making issues specific to ERO, including political and legislative environment, public relations and communication, working relationships with utilities (KEK, KOSTT), conducting open commission hearings, and other pertinent issues facing new commissions. NARUC's delegation will consist of experienced ex- and current commissioners drawn from within its membership and ERRA.

Photo by NARUC staff Martina Schwartz

Missouri PSC General Counsel Steve Reed leads a discussion on commission management and ethics, New Commissioner Training for ERO, Prishtina, June 2012

In June 2012, NARUC organized a customized new regulator training for ERO in Prishtina, covering effective commission management, procedural and decision-making governance, communication process, and day-to-day operations. Technical issues related to licensee monitoring/compliance, market opening and competition, PPAs, and others were also discussed in detail given their timing for the ongoing distribution privatization and sector reform. NARUC engaged two former regulators - Peter Kaderjak, former Chairman of the Hungarian Energy Office and Vidmantas Jankauskas, former Chairman of the National Control Commission on Prices of Lithuania – as well as an experienced U.S. Commission staffer Steven Reed, General Counsel from the Missouri PSC who provided additional U.S. perspectives on issues related to open and closed hearings, maintaining Commission records, appeal of decisions, and ethics. The instructors also actively sought ERO's input on each discussed topic, analyzing real challenges, and recommending corrective approaches from their own experience.

"One of the most intriguing training sessions dealt with the tariff design and politics of price formation. This was a very useful discussion for me as we continue facing this issue in Kosovo today."

Ymer Fejzullahu, Tariff Analyst at ERO, participant in the PURC Advanced energy pricing course, Gainesville, FL, July/August 2012

The most relevant issues were: transparency rules and process of open communication with external parties, regulatory compliance and monitoring, financial autonomy, regulator's role in the KEK/KEDS privatization, long term PPAs v. regional market competition, RES development, and district heating initiatives.

Two tariff experts from the ERO applied for NARUC's financial support to attend the Public Utilities Research Center (PURC)'s Energy Pricing course in July-August 2012. As part of the application process, the statement of need was provided highlighting several ongoing issues related to ERO's rate setting process.

In mid-2012, NARUC prepared a draft work plan and budget for FY 13 to continue its regulatory assistance program with the ERO. NARUC is strategically focused on the issues that emerged from the June training, including systematic monitoring and compliance for regulated utilities, price measures for vulnerable consumers and overall improvement to price regulations, and managing more systematically and proactively stakeholder relations with new investors buying the distribution system. NARUC's work plan recommends a longer-term formal regulatory partnership engaging ERO and a lead U.S. State to provide comparative knowledge, and develop strong information linkages and the missing technical capacities.

Constraints Encountered

Longer periods of program inactivity due to institutional transition of ERO and on-going restructuring of energy sector with the pending distribution privatization transaction.

"I heard many new ideas that I will consider in our preparations for the multi-year tariff review process, which is a daunting task for us. Most importantly, we need to proactively open all communication channels with the existing utilities and the new investors to establish a culture of transparent relations. This training was well-timed as so much is expected from us in the coming months."

Ardian Berisha, Head of Tariff Department at ERO, participant in the New Regulator Training for ERO, Prishtina, June 2012

iv. Moldova-Missouri
http://www.naruc.org/International/program.cfm?page=24

Major Accomplishments

Total Moldovan participants trained - 44 (male – 29, female – 15)

The National Energy Regulatory Agency (ANRE) of **Moldova** launched one module of an innovative data management system by adopting Missouri's electronic filing system (EFIS) which is aimed at improving the internal information flow and the case management at the Moldova Commission.

The other noted improvements to ANRE's regulatory functions include:

1. **More efficient organizational structure**
ANRE has restructured several key departments and created new administrative and technical positions, including the Department of Energy Policy and Strategy, merging of the Audit Department with the Tariff Department to ensure a more transparent rate-making process and a deeper analysis of financial information provided by utilities. ANRE also created a new position of the Secretary of Administrative Council, modeled after the Missouri practice. Overall, ANRE strengthened its public relations function and correspondingly expanded the staff capacities in this area.

2. **Greater transparency and increased public participation**
ANRE is also visibly more open in its interactions with civil society and the media. New Regulation on Transparency was adopted and new Ethics Code is waiting for approval. ANRE has instituted a public hearing process that ensures that all decisions made by ANRE's Administrative Council are subject to public scrutiny and review. In addition, public consultations are required prior to approving new rates, new regulations, methodologies and procedures. Public hearings are streamed on-line ensuring public access to the Commission decisional meetings.

3. **Changes in electricity tariff structure and methodology**
In 2011-12, ANRE redesigned its tariff structure, taking into account Missouri's process for differentiating various elements. For the first time, Moldova now applies tariffs based on voltage level. New methodology for calculation and application of tariffs for heating was approved in September 2012. Several pricing principles were adopted from Missouri's practice, including in the sphere of natural gas transmission pricing: non-discriminatory access to the gas network; treatment of unused network capacity; and congestion management.

4. **Innovative data management system**
In 2011, ANRE started implementing a new Electronic Filing and Information System (EFIS), based on a Missouri model, which will result in changes to work flows/processes, improvements to work efficiencies, modernization of workplace tools, ability to provide timely response and resolution to consumer petitions, and better tracking of pending cases. The Missouri PSC provided ANRE with access and rights to EFIS, as $ 2.4 million in-kind contribution. In 2012, the consumer complaint module was fully implemented and is undergoing a trial run, with other modules being currently discussed.

5. **Progress in renewable energy regulation**
ANRE led the consultation process with the Ministry of Economy on draft amendments to the Renewable Energy Law, which will change the existing support mechanism for renewables in the form of a feed-in tariff scheme, with a "single buyer" market model for renewable electricity. Also, some incentives will be provided for production of biogas that will be injected into the natural gas network.

Summary of Activities
In June 2012, NARUC organized the fifth partnership activity in Chisinau. The partner discussions with the 5-member Missouri delegation focused on the RES grid connection, the impact of renewable energy generation on the system reliability, specific mechanisms supporting RES-E development (net-metering, rebates and incentive programs, green certificates, congestion management, capacity allocation, market monitoring), queue management, energy efficiency, and broader investment strategy.

In an expanded forum on "Technical and Regulatory Challenges in Integrating Renewables," several key stakeholders from the Ministry of Economy, Energy Efficiency Agency, TSO Moldelectrica, the Energy Institute), Technical University, DSOs Red North-West, and Fenosa, and others participate actively through roundtable discussions and stakeholder panels. The forum strengthened communication linkages between parties involved in the renewable energy development and provided a common platform for discussions.

Photo by NARUC staff Jargalan Jambaldorj

Moldova stakeholders discuss challenges in integrating renewable energy sources during the June 2012 meetings in Chisinau.

For ANRE's capacity development, NARUC supported two ANRE staff to ERRA training courses:

- Renewables (November 2011 in Budapest) http://www.erranet.org/Training/Intermediate_Advanced_Training/Renewables_2011
- Tariffs (February/March 2012 in Budapest) http://www.erranet.org/Training/Intermediate_Advanced_Training/Price_Regulation_and_Tariffs_2012

v. Ukraine-New York
http://www.naruc.org/International/program.cfm?page=25

Major Accomplishments

Total Ukrainian participants trained - 98 (male – 49, female – 49)

1. **Strengthened regulatory capacity**
    a. The most tangible result of NERC's participation in NARUC's regulatory activities is its strengthened regulatory capacity through robust staff participation in all completed activities.
    b. The Energy and Water/District Heating regulators from Ukraine enhanced their understanding of the U.S. federal and state regulations on approaches to energy efficiency, provisions for rate changes in tariff reviews, and security of natural gas supply given Ukraine's prominent regional transit position in the natural gas sphere.

2. **Progress in establishing renewable energy regulation framework**
    a. NERC used the shared practices on renewable energy regulation in its work on amendments to the Law on Electricity regarding the generation of electricity from alternative energy sources. In particular, introduction of incentive tariff design (green tariffs) for solar energy for individual households was considered. Additionally, certain provisions for net metering devices in the procedure of registering electricity generated by such households are also being considered.
    b. NERC is also analyzing certain aspects of the U.S. experience on promotion of electricity generated from RES in the competitive electricity market as it prepares its own model of electric generation sales within a competitive market environment.
    c. The U.S. experience on system certification will be used when implementing its own system of certification, taking into consideration requirements of EU Directive 2001/77/EC.

3. **Potential role in energy efficiency**
    a. NERC is awaiting adoption of the new Law on State Regulation in the Energy Sector of Ukraine which will include certain provisions for regulatory functions in the sphere of energy efficiency.

4. **New steps in legal and administrative proceedings**
    a. NERC moved toward less formal and more efficient interaction with the mass media and the general public. The regulator is also interested in converting its documents into an electronic format and ensuring greater public access to its processes and decisions. For the first time, there is a realization that a consumer advocate representative is a critical balancing function for the Commission public hearings. Additionally, NERC is considering a possibility of using the procedure of re-hearings, thus reducing the number of its decisions being appealed in courts.

5. **Introduction of the new innovative approaches in implementation of Partnership activities which allowed more detailed discussions**
    a. More broadly, NARUC has noted improved ways in which NERC participants relate to the partnership activities, including more engagement through the working group method, new efforts to involve proactively stakeholders, more substantive activity reports with clear description of goals, and others.

Summary of Activities

In November 2011, NARUC held partnership meetings between the National Electricity Regulatory Commission of Ukraine (NERC) and the New York State Public Service Commission (NYS PSC) in New York. The Ukrainian participants also included two Commissioners from the newly created National Communal Services Regulatory Commission (NCSRC) of Ukraine. The program elements included meetings in Washington, DC, with a gas utility, the DC Public Service Commission, FERC, and NARUC/USAID. The Ukrainian delegates were mostly interested in discussing issues related to the promotion of energy efficiency, utility performance, sanctions for service violations, implementation of tariff revisions, and the regulatory role in development of renewable energy. NARUC organized separate meetings for the NCSRC delegates on water and district heating issues with Virginia American Water Company.

Photo by NARUC Staff Jargalan Jambaldorj

The Ukrainian regulators visit the Washington Gas during their November 2011 partnership visit to the U.S.

In May 2012, NARUC and NERC held expanded discussions in Kiev where they employed a parallel working group style to address key issues in several areas. The U.S. experiences from Utah, Missouri, Vermont, Wisconsin, and Kentucky greatly enhanced the knowledge transfer through a broad range of regulatory approaches. Representatives from Ukraine's government agencies, regulatory commissions, wholesale market operator, and utility companies presented their viewpoints.

Working Group A focused on regulation of electricity generation from renewable energy sources, including tax credits, renewable portfolio standards, support mechanisms and prices for generated electricity, the siting and construction process, and system absorption.

Working Group B focused on public hearing process leading up to commission decisions, transparency in public information, and appeals of commission decisions. The NARUC presenters emphasized the importance of transparency in all aspects of the regulatory process. This was discussed in multiple contexts, including opportunities for public observation and input during regulatory proceedings, access to public records and building credibility and respect for regulatory decisions through clear and complete explanation of decisions.

NERC has created an innovative system of capturing the information learned and next steps by appointing a lead commissioner and rapporteur for each of the working groups. The working groups give verbal summary reports at the end of the week, followed by detailed written reports. The working group reports, drafted and approved by NERC, are available from NARUC staff.

On the regulatory training side, NARUC supported NERC participants in the following ERRA courses and meetings:

- ERRA's Licensing Committee Meeting in Chisinau, Moldova, October 2011 (1 NERC) http://www.erranet.org/Events/ERRA/2011/Licensing_Chisinau_October
- ERRA's Renewables Training Course, Budapest, Hungary, November 2011 (1 NERC) http://www.erranet.org/Training/Intermediate_Advanced_Training/Renewables_2011
- NARUC Utility Rate School, USA, October-November 2011 (1 NERC) http://www.ipu.msu.edu/urs/index.php
- ERRA Tariff Committee Meeting in Sofia, Bulgaria, January 2012 (2 NERC) http://www.erranet.org/Events/ERRA/2012/Tariff_Sofia_January
- ERRA Licensing Committee Meeting in Gdansk, Poland, February 2012 (1 NERC) http://www.erranet.org/Events/ERRA/2012/Licensing_Gdansk_February
- ERRA General Assembly in Bratislava, Slovakia, April 2012 (2 NCSRC) http://www.erranet.org/Events/ERRA/2012/Licensing_Gdansk_February

Constraints Encountered

Due to an on-going travel ban issued by the New York Governor in mid-2011, NARUC continues to select U.S. experts from other State Commissions.

IV. USAID PERFORMANCE INDICATORS

FY12 Indicators for EURASIA REGIONAL

	Armenia		Georgia		Moldova		Ukraine		Black Sea	
Number of people receiving USG supported training in energy related policy and regulatory practices	*men*	*21*	*men*	*30*	*men*	*29*	*men*	*48*	*men*	*68*
	women	*8*	*women*	*14*	*women*	*13*	*women*	*47*	*women*	*8*
	TOTAL	**29**	**TOTAL**	**44**	**TOTAL**	**42**	**TOTAL**	**95**	**TOTAL**	**76**
Number of people receiving USG supported training in technical energy fields	*men*	*3*	*men*	*3*	*men*		*men*	*1*	*men*	
	women		*women*		*women*	*2*	*women*	*2*	*women*	
	TOTAL	**3**	**TOTAL**	**3**	**TOTAL**	**2**	**TOTAL**	**3**	**TOTAL**	**0**
Person hours of training completed in technical energy fields supported by USG assistance	*men*	*120*	*men*	*120*	*men*		*men*	*40*	*men*	*0*
	women		*women*		*women*	*80*	*women*	*80*	*women*	*0*
	TOTAL	**120**	**TOTAL**	**120**	**TOTAL**	**80**	**TOTAL**	**120**	**TOTAL**	**0**
Number of people receiving USG supported training in climate change	*men*	*11*	*men*	*31*	*men*	*29*	*men*	*26*	*men*	*24*
	women	*4*	*women*	*14*	*women*	*14*	*women*	*18*	*women*	*0*
	TOTAL	**15**	**TOTAL**	**45**	**TOTAL**	**43**	**TOTAL**	**44**	**TOTAL**	**24**
Person hours of training completed in climate change supported by USG assistance	*men*	*220*	*men*	*912*	*men*	*928*	*men*	*840*	*men*	*2,590*
	women	*80*	*women*	*424*	*women*	*456*	*women*	*576*	*women*	*280*
	TOTAL	**300**	**TOTAL**	**1376**	**TOTAL**	**1384**	**TOTAL**	**1416**	**TOTAL**	**2,870**
Number of laws, policies, strategies, plans, agreements, or regulations addressing climate change (mitigation or adaptation) and. or biodiversity conservation officially proposed, adopted, or implemented as a result of USG assistance	**TOTAL 0**		**TOTAL 0**		**TOTAL 1**		**TOTAL 3**		**TOTAL 1**	

FY 12 Indicators for EUROPE REGIONAL

	Kosovo		Serbia	
Number of people receiving USG supported training in energy related policy and regulatory practices	*men*	*17*	*men*	*0*
	women	*4*	*women*	*0*
	TOTAL	**21**	**TOTAL**	**0**
Number of people receiving USG supported training in technical energy fields	*men*	*3*	*men*	
	women	*0*	*women*	
	TOTAL	**3**	**TOTAL**	**0**
Person hours of training completed in technical energy fields supported by USG assistance	**TOTAL**	**105**	**TOTAL**	**0**
Number of people receiving USG supported training in climate change	*men*	*5*	*men*	
	women	*0*	*women*	
	TOTAL	**5**	**TOTAL**	**0**
Person hours of training completed in climate change supported by USG assistance	*men*	*10*	*men*	*0*
	women	*0*	*women*	
	TOTAL	**10**	**TOTAL**	**0**
Number of laws, policies, strategies, plans, agreements, or regulations addressing climate change (mitigation or adaptation) and. or biodiversity conservation officially proposed, adopted, or implemented as a result of USG assistance	**TOTAL 0**		**TOTAL 0**	

V. GENDER BALANCING

In response to an inquiry about gender balance in its activities, NARUC conducted an informal survey of the four Black Sea bilateral partnership countries (Armenia, Georgia, Moldova and Ukraine). NARUC asked the regulatory agencies to indicate the gender breakdowns of professional-level staff in accordance with their organizational charts.

	Female Staff	Male Staff	Female %	Male %	
Armenia	42	42	50%	50%	
Georgia	14	31	31%	69%	1 female commissioner
Moldova	22	26	46%	54%	1 female commissioner
Ukraine	129	70	65%	35%	

GNERC of Georgia, ANRE of Moldova and PSRC of Armenia all reflect an existing gender diversity imbalance in high-ranking positions. At all three commissions, heads of departments and leadership roles are mostly accounted for by men. Because NARUC activities focus on mid-

to high-level staff, it is rare to find a female ranked staff to fill the necessary technical spots on partnership activities.

NERC of Ukraine however does have good gender balance; 25% off the commission's top jobs are filled by women. NARUC will work with NERC to increase their involvement in NARUC activities.

The Black Sea activities reflect an existing gender imbalance due to retention of the key commission staff who have supported the regional project since its inception in 2010. Due to highly evolved issues, NARUC has requested that the commissions continue nominating staff who have had considerable engagement within the project to allow for continuity of issues. In all the commissions there are only two or three staff who have significant involvement in clean energy functions. Unfortunately, NARUC has not been able to identify any women at the regulators who are involved in clean energy issues.

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