

Balkan Regional Electricity Market Project
CONTRACT NO. EEU-I-00-99-00029-00
Task Order No. 01

FIRST SEMI-ANNUAL PERFORMANCE & FINANCIAL REPORT
FOR PERIOD SEPTEMBER 6 – MARCH 6, 2001

Prepared for:

U.S AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C.
Robert Ichord, Chief, Energy and Infrastructure
E&E/EEEST/EI

by:

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Pursuant to AIDAR 752.7026 and Section D.2 (a) (1) (2) of Contract EEU-I-00-99-0029-00, the following is Pierce Atwood's Semi-Annual Performance and Financial Report for September 6, 2000 - March 6, 2001. This is Pierce Atwood's First Semi-Annual Report.

1. GENERAL OVERVIEW.

The Task Order to provide Regulatory Assistance for Southeast European Regional Electricity Market Development (Task Order No. 01) was executed on September 6, 2000.

Pierce Atwood is currently prime contractor under a USAID contract to furnish services to support legal and regulatory reform in the CEE/NIS Region. Under this contract, we are executing an 18-month energy sector reform project in Moldova, and a 12-month project to assist in the creation of a Balkan Regional Energy Market.

Pierce Atwood/USAID team:

John Gulliver, Project Manager;

Catherine Connors, Deputy Project Manager and full time Energy Attorney;

James Douglass, Energy Attorney;

Gerald Amero, Energy Attorney;

Deborah Shaw, Energy Attorney;

Christopher Roach, Energy Attorney;

TCN/CCN Local consultants:

Tin Matic, Senior Regional Legal Consultant, Croatia

Zija Kamberi, Local Energy Advisor, Albania

Biljana Kamceva, Regional Legal Consultant, Macedonia

As discussed in more detail below, the goal of the Task Order is to provide legal, regulatory, and technical assistance to various Balkan countries to help them prepare the foundation for participating in a Regional Energy Market ("REM"), consistent with commitments made under the Stability Pact for Southeast Europe. The Task Order focuses on institutional and regulatory reform designed to help create a regional electric power pool and power trading operation. The main focus of this Task Order is on addressing the legal, regulatory, commercial and institutional infrastructure required to make a regional power pool successful. It follows on the commitment to create a regional power pool executed by regional countries under the so-called Thesaloniki Agreement, whereby the signatory parties pledged to have a regional competitive electric power market by 2006, compatible with UCTE integration standards.

The overall scope of the project involves market and tariff issues, creation of a regional trading exchange market, access issues, network service tariffs, model contracts, commercial agreements, cash settlement mechanisms, standards for a regional grid code, wheeling concerns, and related issues.

In our proposal for the Task Order, Pierce Atwood stated that the emphasis on the regional aspects of power trading could potentially spur institutional and regulatory reform in the energy sector within individual countries as well. While some countries in the region, such as Romania and Bulgaria, have made substantial progress in adopting modern energy laws designed to promote competition and private investment and to support independent and competent regulators, other countries are farther behind. Tellingly, however, the first six-months of this Task Order has shown significant progress in other countries in the region (notably Albania, Croatia, and Macedonia) in attempting to create or refine a modern, workable domestic legal framework, including a competent and autonomous regulatory body.

To date, power transactions in the region have been carried out on an ad hoc basis, resulting in higher costs, lower capital savings and lower quality standards. The national power systems in the regions differ significantly in terms of size, composition and load profiles. Furthermore, different economic conditions impose additional difficulties on the development of the power systems in each country. Power sector reform is a major priority for most governments, and USAID has supported restructuring including development of the legal framework and regulatory organizations, system restructuring, development of new electricity markets, and privatization.

The ultimate objective of USAID's participation in the Southeast Europe Stability Pact effort to develop the Balkan Regional Electricity Market in 2006 is to promote electricity sector reforms essential to market development and future sustainability. USAID's efforts are centered on four major areas:

1. Institutional and regulatory reform;
2. Creation of tele-information system among national dispatch centers;
3. Increased economic and commercial development; and
4. Rehabilitation, upgrading and expansion of the regional power transmission system.

The five tasks assigned to Pierce Atwood, pursuant to the Task Order, are designed to accomplish the first objective: building the necessary institutional and regulatory structures to allow open cross-border markets in the Balkan region to emerge.

Task 1: Advising regulators and Ministry officials in the region, through issue briefs and meetings, on tariff, licensing and market methodologies and rules, consistent with EU Directive 96/92.

Task 2: Identification and analysis of key institutional and regulatory issues in the development of a regional trading and market system.

including existing national legislation and necessary changes to facilitate trade; pricing and tariff issues; open access to transmission systems; and market protection and export promotion.

Task 3: Development of model electricity purchase/exchange contracts providing a common, more transparent and commercially acceptable basis for regional transactions.

Task 4: Three or more workshops and two study-visits to focus on international and regional electricity regulation issues.

Task 5: Determination of status of national grid code development; identification and analysis of issues facing progress toward regional harmonization of power market operations, rules and grid code development among the countries in the region.

The ultimate goal of the Task Order is to build a solid foundation for creating a Regional Electricity Market in the Balkans. With this task in mind, Pierce Atwood was charged with addressing both regional and national issues on the development of regulatory standards and institutions. Soon after commencing its work, Pierce Atwood observed significant differences in regulatory capacity and authority across countries. The firm's efforts to date have been directed at reducing these differences in individual countries. Consequently, by the end of the first six months, the primary focus of Pierce Atwood's efforts was to provide assistance to Albania, Croatia and Macedonia in creating the domestic predicate needed to participate in the REM. In addition, Pierce Atwood concentrated on carrying out already scheduled programs and coordinated efforts among industry, governments, and actions of other donors, such as the European Union's Quick Start Program and the World Bank.

1.1 WORK PLAN

The first draft work plan was submitted on October 6, 2000, as required under the Task Order. Since that date, the needs of the countries participating in the project have been largely legal-intensive, requiring more time and effort than originally projected from Pierce Atwood attorneys and staff, and less effort from our experts on tariffs, economy and regulation. On December 20, 2000 Pierce Atwood submitted a budget relocation request to amend Task Order Article VII to allow for the necessary level of effort from senior level attorneys. As mentioned in our first Quarterly Report, Pierce Atwood believes that there was a clear need for amending the work plan and budget to continue concentration on individual countries while gradually introducing regional initiatives. The request was designed to reflect concentration on laying the predicate within each country for regional coordination. Furthermore, it emphasizes legal-related focus of the project to date. This request was approved orally via telephone on February 8, 2001, and a formal Task Order amendment remains pending.

As noted above, The Task Order requires 10 issue briefs, an initial transmission pricing study and regulatory analysis of cross-border and use-of-network tariffs; model Purchase and Exchange contracts; three workshops and two study visits; a regional grid code development report; and a final report. Within the covered period, Pierce Atwood had submitted 8 issue briefs and completed two workshops (in Croatia and Albania). For the remainder of the project, Pierce Atwood foresees a regional study-conference visit on May 7-10 on transmission issues, with a focus on pricing. A logical follow up to that study visit-conference would be the requested transmission study. The second study tour or workshop could be held later in the year on the issue of Grid Codes and flow into Task 5. We also anticipate the need for ongoing work in Macedonia, Croatia, Albania and Bulgaria.

2. PROGRESS

2.1 PIERCE ATWOOD ACTIVITIES - GENERAL OVERVIEW

In the first quarter, Pierce Atwood's efforts were geared towards identifying country-specific and regional issues and prerequisites needed for the establishment of the regional energy network. Several trips to Washington D.C. and Balkan countries aimed at establishing contacts and building the framework for specific projects. As a result, in the second quarter, Pierce Atwood was involved in intensive institution-building activities in Croatia, Albania, Macedonia and Bulgaria. Our newly established office in Tirana supports the Albanian Task Force on Energy Sector Reform in preparing and implementing a comprehensive Strategic Action Plan to carry out reforms. Pierce Atwood significantly contributed to drafting new Croatian energy laws, preparing a list of necessary secondary legislation and coordinating with ongoing privatization efforts. We submitted to the Government of Macedonia agreed-upon Action Plan discussing pivotal issues for the reform, providing background information from other countries and a schedule for the drafting of a law that would create a regulatory agency. Additionally, Pierce Atwood worked with the World Bank to advise the government of Bulgaria through the Council of Ministers, the SAEER, the SERC, and Deputy Prime Minister Jotev on amendments required for the existing Energy and Energy Efficiency Act.

2.2 PIERCE ATWOOD ACTIVITIES FOR EACH TASK

The following summary of tasks and accomplishments highlights the progress Pierce Atwood has made toward the goals reflected in the existing Task Order, the draft work plan, and USAID requests for action.

Task 1: Advising regulators and Ministry officials in the region, through issue briefs and meetings, on tariff, licensing and market methodologies and rules, consistent with EU Directive 96/92

- The first step toward advising the participating countries on energy sector

reform was to identify the issues specific to each participant, as well as to the region as a whole. To that end, Pierce Atwood has met with government representatives, ministry officials and regulators in Croatia, Macedonia and Albania in the first quarter of the project to develop a more detailed understanding of the legal and regulatory framework already in place and to identify the issues specific to each of these countries.

- Pierce Atwood has briefed regulators and ministry officials in Croatia, Macedonia and Albania on strategies for energy sector reform, including discussions regarding unbundling activities, independent regulation and privatization.
- These bilateral efforts have included presentations to government officials on tariff, licensing and market methodologies and rules. Discussions of each legislative and regulatory reform effort have been within the framework of consistency with EU Directive 96/92/EC.
- In the second quarter, Pierce Atwood attorneys worked closely with the Albanian Task Force through strategy sessions during which tariff and licensing issues and market methodologies were discussed. In its advisory role, Pierce Atwood coordinated the work of various focus groups assigning them with issues for analysis and establishing timetables for progress. As a result of these efforts, Pierce Atwood and the Task Force submitted a list of action items and a Strategic Action Plan to the U.S. Ambassador and to the Minister of Public Economy and Privatization.
- Somewhat similar intensive efforts have taken place in Croatia and Macedonia to work with the Ministry of Economy to develop legal environments that meet EU objectives and encourage competition and development.
- In Romania, Pierce Atwood made two presentations on the harmonization of national energy legislation to meet European Union requirements; regulatory issues stemming from efforts on privatization were also addressed.

Task 2: Identification and analysis of key institutional and regulatory issues in the development of a regional trading and market system, including existing national legislation and necessary changes to facilitate trade; pricing and tariff issues; open access to transmission systems; and market protection and export promotion.

- In the first quarter, Pierce Atwood reviewed and prepared a paper commenting on the USAID-NARUC Export Import Working Group paper on electricity trade and the role of the regulator.
- Pierce Atwood provided advice and supporting materials to the governments of Macedonia, Albania and Croatia on establishing or strengthening an

independent regulatory agency.

- Pierce Atwood completed a thorough review of draft energy sector reform legislation for Croatia and provided detailed notes outlining proposed revisions, accepted by the drafters, and now has moved onto working with the Government on the supporting regulatory framework.
- In the second quarter, in Albania, Pierce Atwood met with several individual working groups, which represent various aspects of the energy sector. They collected information about key issues and areas of concern directly from the sector participants. Pierce Atwood's consequent recommendations were based on the analysis of issues identified during these meetings.
- In Macedonia, the firm focused on working with Ministry representatives, local mission personnel and key figures in several utility companies in order to isolate and define the country's energy sector issues, address those issues within legal framework, and optimize the environment for privatization.
- In Croatia, Pierce Atwood revised draft energy legislation in an effort to promote the energy sector reform.

Task 3: Development of model electricity purchase/exchange contracts providing a common, more transparent and commercially acceptable basis for regional transactions.

- In the first quarter, Pierce Atwood concentrated on developing and furnishing the background predicates within each country in order to efficiently and effectively provide regional coordination on these issues.
- For this task Pierce Atwood produced a presentation for Romania on "Harmonization of National Energy Legislation to Meet European Union Requirements" in December 2000.
- At the proposed workshop in Croatia in May, Pierce Atwood anticipates to initiate the first steps toward developing a regional transmission pricing study.

Task 4: Three or more workshops and two study visits to focus on international and regional electricity regulation issues.

- To date Pierce Atwood conducted two workshops.
- The first workshop took place in Croatia in October 2000. The primary focus of this workshop was to determine the current status of electric and energy sectors restructuring and reform efforts. The audience included Croatian

governmental, utility and institutional representatives. The set of goals was:

- a) to meet with officials from the Ministry of Economy, the state utility (HEP), and the Energy Institute in Zagreb, Croatia, as well as USAID and World Bank participants;
- b) to determine the current status of electric sector restructuring and reform in Croatia;
- c) to assist with critiquing initial draft restructuring legislation;
- d) to identify hallmarks of an independent regulator; and
- e) to offer suggestions on initial unbundling activities, culminating in a formal presentation and workshops on unbundling strategies and independent regulation to the Ministry, HEP, the Energy Institute, and other government officials, World Bank and AID participants.

All of these goals have been achieved.

- The second workshop was conducted in Albania in November 2000. The workshop was intended as an opportunity for USAID and local counterparts in Albania to discuss the severe crisis affecting the Albanian electricity industry and to determine what type of technical assistance USAID could provide to the Government of Albania to help in addressing the problems in the energy sector. During the technical meeting and workshop, Pierce Atwood identified a number of areas of common agreement to provide the basis for a memorandum of understanding identifying specific forms of technical assistance that USAID could provide in support of an energy sector reform effort undertaken by the Government of Albania. The formal workshop was held and attended by all of the high-level Albanian counterparts, as well as representatives from ENEL and the World Bank. Minister Mustafa Muci of MEPP and U.S. Ambassador Joseph Limprecht delivered the workshop keynote addresses. As with the technical meeting, there appeared to be general agreement on the need to undertake long-term reforms. During this time, however, the existing emergency situation distracted the Albanian counterparts from focusing on long-term actions.
- The third study visit will occur on March 21 to Albania. The principal purpose of the trip will be to assist in the presentation of the Strategic Action Plan prepared by the Albania Power Sector Reform Task Force to key officials in the Government of Albania, the energy sector in Albania, and international donors. The particular emphasis will be on expectations of the international investment community, the concrete steps that will need to be taken, in terms of legal and regulatory reform, and the need to finish the reform effort with privatization to complete transformation of the sector. We anticipate that the presentation will be attended by U.S. Ambassador Limprecht, Minister of State Mustafa Muci, members of the Task Force and other members of the energy and donor community.

- In May, Pierce Atwood in conjunction with the Croatian Energy Institute plans to conduct a regional study visit on transmission issues in Zagreb.
- The second regional study visit is anticipated for September in Romania, to concentrate on Grid Code issues. As Romania appears far ahead of the other countries in the region on technical and commercial transmission and market issues, the visit will explore the possibility of using the Romanian Grid Code as a Springboard for creation of a regional Grid Code, keeping in mind the necessity of coordinating all technical regional rules and principles with EU regulations and developments.

Task 5: Determination of status of national grid code development; identification and analysis of issues facing progress toward regional harmonization of power market operations, rules and grid code development among the countries in the region.

- In the first quarter, Pierce Atwood discussed possibilities for developing regional power market harmonization with bilateral working groups in Macedonia, Croatia and Albania. As noted above, preliminary exploration has been made of the potential role of Romania as a leader in the regional energy market, as well as the acquisition of the Romanian Grid Code as a potential template for regional needs.
- On December 10th, 2000, Pierce Atwood presented a program on harmonization of energy legislation to meet EU requirements before participants in the Balkan regulatory meeting in Romania.
- The power sector reform Task Force in Albania considered regional market development issues as part of the process of developing its Strategic Action Plan. The Task Force recommended that the electricity regulator conduct a collaborative proceeding to develop recommendations for a market model that encourages regional trade and is consistent with European Union principles.

3. SUMMARY OF ACTIVITIES AND OUTCOMES FROM SEPTEMBER 6, 2000 – MARCH 6, 2001

Project implementation began with meetings in Washington, D.C. on September 6 and 18 among contractors and various USAID personnel, to coordinate efforts and obtain background information. Pertinent background documents were disseminated and reviewed.

3.1 CROATIA & MACEDONIA

A trip to Croatia and Macedonia from October 3 through October 18 marked the commencement of the overseas portion of the Balkan Regional Task Order. In Croatia, John Gulliver and Catherine Connors held many productive meetings with officials from the Ministry of Economy, the state utility (HEP), and Energy Institute officials in Zagreb, Croatia, as well as local USAID personnel and World Bank participants. They assisted with critiquing the initial drafts of restructuring legislation, identifying hallmarks of independent regulation, and offered suggestions on initial unbundling activities. The trip culminated in a Croatian workshop on unbundling strategies and independent regulation to the Ministry, HEP, the Energy Institute, and other government officials, World Bank and USAID participants.

In Macedonia, Catherine Connors participated in a USEA seminar for the state utility (NEC), Ministry and other relevant academic and government personnel on restructuring and privatization issues. The goal of the seminar was to evaluate the climate for reforms in Macedonia at the time in order to determine the best strategies for unbundling of Macedonia's energy and electric sectors. Catherine Connors, other contractor representatives and Ira Birnbaum met with relevant government and utility officials to discuss what assistance was needed to advance reform.

As a result of these initial trips, both Croatia and Macedonia have articulated a commitment toward liberalization, independent regulation and eventual privatization, and concrete positive steps have been taken in that direction. In Croatia, this is evident in the draft MOU entered into between the Government of Croatia and USAID to assist in reform efforts. Additionally, draft Croatian energy restructuring legislation creation of an independent regulator with decision-making authority and incorporates almost all of Pierce Atwood's recommendations. Finally, the Government of Croatia hired consultants to advance HEP restructuring and privatization. Pierce Atwood has worked to coordinate its efforts with other consultants, as well as World Bank projects. Strong coordination efforts among the Local Mission, World Bank and Pierce Atwood have contributed to efficient and unified work.

In early December, Catherine Connors traveled to Zagreb to provide an intense session of assistance to the Government of Croatia in drafting energy laws for submission to the Croatian Parliament in early 2001. Ms. Connors and Mr. Douglass reviewed and analyzed the draft laws. In late December, their efforts culminated in the preparation and submission of comprehensive comments and revisions for consideration by the Government of Croatia.

In mid-December, Catherine Connors and James Douglass traveled to Croatia and delivered comments on draft energy laws, with proposed changes to the Ministry of Economy, HEP, and the Energy Institute. The vast majority of Pierce Atwood's proposed changes were accepted, and the Ministry anticipated submitting the laws to Parliament late March or April. Pierce Atwood made another trip to Croatia in late February, where Ms. Connors conducted follow-up work and laid the foundation for a

regional seminar in May 2001. The seminar, to be co-hosted by the Croatian Energy Institute, will bring representatives from utilities, ministries and regulators in Croatia, Albania, Bosnia, Bulgaria and Macedonia together to discuss transmission issues, particularly pricing. Additionally, Ms. Connors met with the U.S. Ambassador to Croatia, Dr. Granic, as well as the Local Mission Director, Pamela Baldwin. During these meetings, the discussion focused on the progress of Pierce Atwood's work in Croatia and the development of energy sector reforms. A general conclusion was reached that the reforms are progressing successfully.

In sum, by the end of the second quarter, Pierce Atwood has established a positive and effective working relationship with both the Ministry and the Energy Institute in Croatia. The Ministry has proposed an ambitious follow-up program requesting Pierce Atwood's assistance in drafting the agency's charter and secondary legislation, as well as providing other information necessary to establish a competent and respected regulator.

In Macedonia, desire to advance reforms has been reflected in the Ministry's request for a follow-up plan of action, and Macedonia leadership in SECI efforts. Pierce Atwood submitted a draft Action Plan to USAID, which was presented and accepted by the Ministry. The aggressive schedule of actions incorporated in that Plan has remained on track. The government of Macedonia created an eleven-person Task Force with which Pierce Atwood is collaborating in drafting amendments to the existing Macedonian Energy Law. The Task Force consists of: (1) Radomir Cvetkovic, (2) Violeta Keckarovska, (3) Simon Vzunov and (4) Milica Georgieva (all with the Ministry of Economy); (5) Tahir Sharkiri of the Ministry of Finance; (6) Zlatko Cerepnolkovski and (7) Biljana Stojkovska (both of ESM); (8) Radoslav Ginovski of GA-MA; (9) Miroslav Chadikovski of Makpetrol; (10) Julija Ristic of OKTA Refinery; (11) Dmtar Hadzimishev of DA-Toplifikacija; and (12) Jordan Arnavdov of Vodovod Kocani.

3.2 ALBANIA

In mid-November, John Gulliver and James Douglass traveled to Albania to help organize and participate in a Workshop on Energy Sector Strategic Development. The workshop, held on November 16, was attended by all of the high-level Albanian counterparts. Although the workshop participants appeared to agree upon the need to undertake long-term reforms, the existing emergency situation distracted many Albanian officials from focusing on long-term goals. Additionally, in discussing the relationships between various agencies within the Albanian Government having jurisdiction over energy matters, Pierce Atwood learned that high officials within the MEPP frequently fail to consult with the NEA during consideration of important energy matters. Thus, in the first quarter, the Government of Albania was not making full use of the resources available to it in evaluating and implementing options within the energy sector.

Messrs. Gulliver and Douglass also met individually with numerous Albanian counterparts to discuss the severe crisis affecting the Albanian electricity industry and to determine what type of technical assistance USAID could provide to the Government of

Albania. These efforts led to the signing of an MOU between the Government of Albania and USAID that establishes a Task Force charged with the preparation of a Strategic Action Plan for energy sector reform.

The Albanian Task Force is comprised of (1) Petrit Ahmeti (Chairman) of MEPP; (2) Ilir Ciko of MEPP; (3) Fation Tugu of MEPP, later replaced by Besim Islami of the NEA; (4) Gjergji Simaku of the NEA; (5) Engjell Cuci of the Electricity Regulatory Agency; (6) Gazmend Daci of KESH; and (7) Edmund Hido of the Albanian Energy Efficiency Center.

Pursuant to USAID's request, Pierce Atwood thereafter arranged for the establishment of the Task Force resources in Albania and committed to providing a continual presence in country at least through the issuance of the Strategic Action Plan.

On February 28, 2001, the Task Force successfully completed work on the Strategic Action Plan, which was submitted to U.S. Ambassador Joseph Limprecht and to Minister of Public Economy and Privatization Mustafa Muci. The content of the Strategic Action Plan derived from intensive collaboration with five individual Albanian Task Force working groups. During a series of meetings of the individual groups and with the entire Task Force, the issues were isolated, evaluated and debated. The Strategic Action Plan incorporates 51 unanimously agreed-upon action items, addressing such issues as liberalization of electricity prices, improving the local electric utility's performance and strengthening the electricity regulator. Despite the disagreements on several issues, after intense debates, Pierce Atwood believes that the firm has succeeded at adequately informing the Albanian counterparts about issues related to energy sector reform. Ultimately, the efforts resulted in an Action Plan that is acceptable to the primary participants in the energy sector. Hence, Pierce Atwood believes that the current prospects for change and development in the Albanian energy sector are promising.

3.3 ROMANIA & BULGARIA

In Romania, Ms. Connors delivered presentations on harmonization of national energy legislation to meet European Union requirements at the Balkan Regulatory Forum and on regulatory issues stemming from privatization experiences at the Southeast Europe Regulatory Forum in mid-December. Coordination with Romanian regulators (ANRE) and transmission and market operators (OPCOM) is anticipated if plans to use Romanian commercial and technical grid rules as a template for regional coordination bears fruit.

In Bulgaria, Pierce Atwood's efforts focused on a newly evolved aspect of the Balkan Regional Task Order. Mr. Gulliver traveled to Bulgaria in late February, where he worked in close coordination with the World Bank and IMF as well as Bulgarian Council of Ministers, the SAEER, the SERC, and Deputy Prime Minister Jotev on advising the government of Bulgaria on amendments required for the existing Energy and Energy Efficiency Act. Some of the key amendments pertain to export-import rights, market opening, separation of policy making from regulation, strengthening the regulator,

and encouraging private investment. In mid-March, the Government of Bulgaria agreed to introduce to the Parliament the key reforms that Pierce Atwood recommended.

3.4 USAID MEETINGS

In addition to the overseas portion of the project, Pierce Atwood made several trips to Washington D.C. with the aim of clarifying the USAID's objectives in the Balkan Region. In late January, John Gulliver participated in the annual USAID partners meeting and the Balkan Region project monthly coordination meeting. The annual partners meeting covered a broad range of regional European and Eurasian objectives, while the regional meeting served as a strategy session to formulate goals for the upcoming months and to share information about regional initiatives. These meetings focused on the engineering aspect of regional markets and efforts to progress under the Thessaloniki Agreement.

4. DELIVERABLES

Aside from the Work Plan noted at the beginning, below is the list of all written documentation produced by Pierce Atwood:

- Comments on USAID-NARUC Import-Export Working Group paper on electricity trade and role of regulator, submitted September 15, 2000;
- "Preliminary Unbundling and Privatization Electric Sector Republic of Croatia," presented in the Croatian Workshop on October 17, 2000;
- "Lessons Learned for Macedonia from the Privatization Experience in Central and Eastern Europe and Eurasia to Date," presented in the NARUC-USEA workshop held in Skopje on October 12 – 13, 2000;
- Memorandum re Strategy for Albania, submitted to R. Rastogi on October 27, 2000;
- "Interface between the existing USAID Task Order and the EU Quickstart infrastructure studies until 2002," submitted to CTO on November 4, 2000;
- Agenda – Conference on Energy Sector Strategy for the Republic of Albania;
- Workshop on Energy Sector Strategic Development – An Outline of Strategic and Policy Options – Pierce Atwood for USAID, November 16, 2000;
- "Electric Sector Reform – Republic of Albania", presented to NEA, ENEL, the World Bank and other high-level counterparts on November 16, 2000;
- Memorandum – Illustrative Legislative and Regulatory Frameworks for Emerging Competitive Electric and Gas Markets, Pierce Atwood for Boris Maksijan, Government of Croatia, November 28, 2000;
- Matrix of Electricity Laws, sent to B. Maksijan, Nov. 28, 2000;
- Matrix of Gas Laws, sent to B. Maksijan, Nov. 28, 2000;
- Harmonization of National Energy Legislation to Meet European Union Requirements (presented for Romania on December 10, 2000);
- The Privatization Experience: Regulatory Issues (presented for Romania on December 11, 2000);

- Agenda and Working Group Assignments for the Task Force meeting on December 18, 2000 in Albania;
- Four sets of comments on the draft Energy Law, Regulatory Services Law, Gas Law and Electricity Market Law for Croatia;
- Draft Action Plan for Albania (February 2, 2001);
- Further comments on the World Bank Comments for Croatia;
- A trip report from Macedonia with a proposed Action Plan and list of information needed from the Government of Macedonia;
- Albania Power Sector Reform Task Force – Strategic Action Plan, February 28, 2001;
- USAID/Macedonia Revised Action Plan, January 30, 2001;
- Trip Report from Bulgaria, February 18-24, 2001;
- Trip Report from Croatia, February 24 – March 3.

5. TASKS AND PLANS FOR THE REMAINDER OF THE PROJECT

- In Albania, Pierce Atwood will assist with implementation of the Strategic Action Plan and continue coordination with local counterparts and the international donor community. If anticipated amendment to the Task Order occurs, the project will extend a year beyond the initial completing date (September 16), to install a long-term resident advisor and provide ongoing assistance focusing on legal, regulatory, and tariff issues.
- In Bulgaria, Pierce Atwood will assist in preparing for and implementing the legislative reform in conjunction with Task Order No. 1. The work, previously sponsored by the World Bank, will involve revising the Energy and Energy Efficiency Act.
- In Croatia, Pierce Atwood will be providing ongoing assistance in drafting legislation, regulations and institution building of the agency. Pierce Atwood is planning to conduct a workshop in May to address Tasks 2 and 4, covering topics of transmission pricing and other transmission-related issues on a region-wide basis. If the anticipated amendment to the Task Order occurs, the project will extend eleven months beyond the initial completing date to install a long-term resident advisor to assist the new regulatory body and Ministry on financing, tariffs, and other institution-building needs.
- In Macedonia, Pierce Atwood will continue providing assistance in drafting the regulating agency law and building that institution according to the schedule in the Action Plan. The government of Macedonia's scheduled privatization and the need for other amendments to the existing Energy Act could call for an expansion of efforts beyond the drafting of the provisions to create the regulatory body.

6. BUDGET

At the end of December 2000, Pierce Atwood requested an amendment to the Task Order to relocate certain labor expenses. CTO Robert Ichord agreed with Pierce Atwood's assessment and the contracting office approved.

This request was based on the scope of work that Pierce Atwood had to complete, which mostly had an attorney-focused intensity. The work has not yet required assistance from the Regulatory Specialist, the Regulatory Economist, Tariff Specialists or other specialists. To date, the project has focused on preparing the necessary legal and regulatory framework for effecting change in the region's energy sector. This work has been largely driven by the needs of Albania, Croatia and Macedonia. Pierce Atwood believes that the needs of additional participants will evolve as the project progresses. At the Croatian workshop, Pierce Atwood intends to utilize Regulatory and Tariff Specialists and Economists, while the demand of the region will continue to focus on legal reform. A growing need for regulatory and tariff assistance is seen to be provided by long-term resident advisors in Croatia and Albania. The Grid Code and transmission study will also require regulatory and tariff expertise.