

PN-ACG-122

REPUBLIC OF MOLDOVA

**ANRE ORGANIZATION AND
RESPONSIBILITIES**

**NIS INSTITUTIONAL BASED SERVICES ENERGY
EFFICIENCY AND MARKET REFORM PROJECT
CONTRACT NO CCN-Q-00-93-00152-00**

**MOLDOVA ENERGY SECTOR REFORM
DELIVERY ORDER NO 19**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy, and Urban Development
Energy and Infrastructure Division

Prepared by

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September 1998

Republic of Moldova
ANRE ORGANIZATION
AND
FUNCTIONAL RESPONSIBILITIES

Contents

ANRE Organization Chart

Description Of Functional Duties And Responsibilities

Annex

GoM 767, Annex 2, August 11, 1997

This Governmental Resolution established ANRE and also specifically determined the number of staff personnel and their organization

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REPUBLIC OF MOLDOVA

Agentia Nationala pentru Reglementare in Energetica

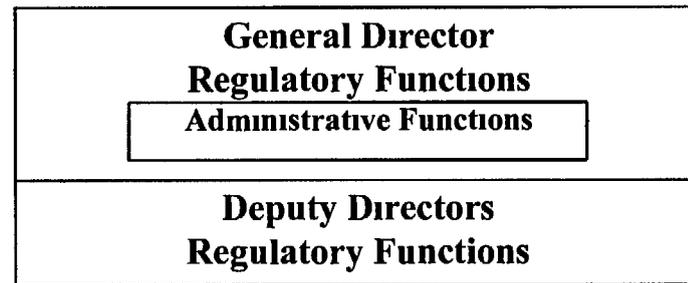
**NATIONAL ENERGY REGULATORY AGENCY
(ANRE)**

**Organization
and
Description of Functional
Duties and Responsibilities**

December 1997

Republic of Moldova
Agentia Nationala pentru Reglementare in Energetica
NATIONAL ENERGY REGULATORY AGENCY

ORGANIZATION AND FUNCTIONS



Licensing Division	Economic Analysis and Tariffs Regulation Division	Legal Section	Consumer Protection Public Relations Section	Secretariat
Evaluate license applications, recommend approval, rejection or modification Monitor license compliance, recommend corrective measures including fines and penalties	Evaluate competitiveness, financial status, technical and economic efficiency, energy utilization efficiency, capacity, reliability and safety of plants and facilities for industries, licenses and consumers Develop, implement and monitor methodologies for tariffs, cost recovery eligibility, cost subsidy avoidance and performance agreements Develop, implement and monitor accounting standards for licensee revenues, expenses, plant and facilities, inventory and energy purchases, sales and losses	Provide legal services relative to laws, government regulations, licenses, tariffs and Agency rules and regulations Provide legal services to staff relative to regulatory hearings and proceedings Represent Agency in appeals to courts and governmental bodies Develop and implement policies and practices for adjudicatory proceedings insuring fairness and due process Provide legal services relative to proposed legislation	Develop, implement and monitor customer service quality standards and recording and reporting compliance therewith Develop and implement non-compliance corrective process and consumer complaint process including investigation and resolution Provide to the public information concerning the Agency's responsibilities and duties consumer protection services decisions and orders, and information concerning the regulated industries and individual licensees, and their services and service quality responsibilities	Develop and implement an identification, filing and retrieval system for documents submitted in proceedings pending before the Agency, the Case Docket System, and separately for other documents obtained or received by the Agency, and a recording system for adjudicatory proceedings and Directors meetings Develop and manage communications data processing, fiscal control personnel and office services systems

4

NATIONAL ENERGY REGULATORY AGENCY

DESCRIPTION OF FUNCTIONAL DUTIES AND RESPONSIBILITIES**General Provisions**

All divisions and sections of the Agency shall fully cooperate with each other for the purpose of sharing information and providing advice, technical support and other assistance when requested in order to achieve the most efficient discharge of assigned tasks and responsibilities. The divisions and sections shall perform such other tasks as may be assigned by the General Director. All reports and recommendations prepared by the divisions and sections shall be provided to the Directors who will authorize public dissemination.

Economic Analysis and Tariffs Regulation Division

Monitor and evaluate the structural and competitive status of the electric, natural gas and heating industries. Report findings and conclusions. Determine and recommend measures to introduce, enhance and expand competition within the sectors consistent with the effectiveness of market forces to protect the interests of all consumers and other participants in the sectors. Prepare annually, or at such other time as may be ordered by the General Director, a comprehensive report relative to such matters.

Monitor and evaluate the financial status of the electric, natural gas and heating industries and the licenses providing tariff services. Report findings and conclusion. Determine and recommend specific actions that are appropriate to avoid or resolve financial impairment of licensees providing tariff services.

Monitor and evaluate technical and economic efficiency of the electric, natural gas and heating industries and the licenses providing tariff services. Report findings and conclusions. Determine and recommend specific actions that will enhance technical and economic efficiency.

Monitor and evaluate the efficiency of consumer utilization of electricity, natural gas and heat. Report findings and conclusions. Determine and recommend specific actions that will enhance energy efficiency by consumers.

Monitor and evaluate the capacity, reliability and safety of generation, production, supply, transmission, transportation, storage and distribution of electricity, natural gas and heat plants and facilities. Report findings and conclusions. Determine and recommend specific actions that are appropriate to assure adequate, reliable and safe capacity and supply for current and future consumers.

Determine and recommend methodologies for calculating tariffs and contract charges that accurately track cost incurrence and avoid cross subsidies for each tariffed and contacted service with due regard for time of use, voltage or pressure, load factor and other consumption and facility utilization requirements of consumers and sector participants

Determine and recommend methodologies that impose financial consequences on tariffed licensees and contractors relative to their measurable cost efficiency and quality service

Determine accuracy and reasonableness of costs recovered in tariffs and contracts

Review and evaluate tariff and contract applications, determine and recommend approval, with or without additions or modifications, or rejection based on compliance with license conditions, pricing methodologies, avoidance of cross subsidies, accuracy and reasonableness of costs and reasonableness of other terms and conditions

Determine and recommend accounting standards and procedures applicable to licensees revenues, expenses, plant and facilities, inventory and energy purchases, sales and losses
Monitor licensee compliance with accounting standards and procedures

Licensing Division

Determine and recommend license conditions that are required by applicable laws or government regulations, effectuate in an appropriate manner the intent and purpose of the licensed activity and reasonably balance the interests of consumers, industry participants and licensees

Review and evaluate license applications, determine and recommend approval or rejection of applications with or without modified or additional license conditions, monitor licensee compliance with license conditions, determine and recommend actions necessary to correct violations of license conditions, including enhanced reporting requirements for licensee, additional compliance monitoring measures and imposition of fines and penalties if warranted by the circumstances

Determine and recommend reports, data, statistics and other information to be filed by licensee as necessary to demonstrate compliance with license conditions, including periodic evaluation of information filing requirements for the purpose of avoiding duplicative and unnecessary filing burdens on licensees

Legal Section

Provide legal advice and assistance to other divisions and sections with respect to requirements of laws and government regulations, drafting of licensees, tariffs and rules and regulations of the Agency for the purpose of insuring proper legal form and substance and clarity and conciseness
Provide legal interpretation of regulated contracts

Provide legal counsel and representation of Agency staff in hearings and other regulatory proceedings

Provide legal counsel and representation of the Agency in legal proceedings before courts and other governmental bodies that exercise appellate jurisdiction over decisions and other actions of the Agency

Determine and recommend policies and practices applicable to hearings and other adjudicatory proceedings before the Agency that insure for all participants and interested parties an open and fair process, including adequate advance notice and the opportunity to submit relevant evidence and testimony, to examine and question the evidence and testimony of other participants and to submit oral or written argument in support of their position

Provide legal advice and counsel to the Directors relative to effective or proposed legislation concerning the electric, natural gas and heating industries and the legal obligations and rights of the Agency

Consumer Protection and Public Relations Section

1 Consumer Protection

Determine and recommend rules and regulations that establish customer service standards with which licensees must comply when undertaking their licensed activity Determine and recommend practices, procedures, recording and reporting requirements that licensees must adopt and implement in order to appropriately monitor, record and report compliance with the customer service standards Monitor and evaluate compliance of licensees with customer service standards and with implementation of the practices, procedures, recording and reporting requirements Determine and recommend policies and practices for correcting violations of service quality complaints by consumers, for staff investigation of the facts and circumstances relative to complaints, for staff resolution of complaints through consultation with the complainant and the licensee, and for referral of unresolved complaints for adjudication by the Agency

2 Public Relations

Determine and recommend policies and practices that provide for maximum public dissemination of the Agency's mission, legal obligations and responsibilities, process and procedures utilized to implement obligations and responsibilities, and the rights and duties of consumers relative to tariffs and service quality Determine and recommend policies and practices that provide for maximum public dissemination of general information relative to the electric, natural gas and heating industries and specific information of public interest relative to events, circumstances and trends, affecting the capacity, reliability, safety, costs and tariffs of the industries and individual licensees

Secretariat

Develop and implement an identification, filing and retrieval system for documents submitted in proceedings pending before the Agency, the Case Docket System, and separately for other documents obtained or received by the Agency and a recording and transcription system for Agency adjudicatory proceedings and Directors meetings

Develop and manage communications, data processing, fiscal control, personnel services and office services systems

Annex n 2
to the
Resolution of Government of the Republic of Moldova
GoM 767
of August 11, 1997

**Structure and executive staff number
of the National Energy Regulatory Agency**

	No of Staff
Director General (President of the Council)	1
Deputy Directors (members of the Council)	2
Licensing Division	5
Economic Analysis and Tariffs Regulation Division	4
Legal Section	2
Consumers' Protection and Public Relations Section	3
Secretariate	3
Total	20

REPUBLICA MOLDOVA

**RESPONSABILITATILE DE FUNCTIE
SI STRUCTURA ANRE**

**NIS Institutional Based Services
Proiect eficienta energie si reformarea pietei
Contract nr CCN-Q-00-93-00152-00**

**Sarcina nr 19
privind reformarea sectorului energetic al Republicii
Moldova**

Raport final

Elaborat pentru

**Agencia SUA pentru Dezvoltare Internationala
Departamentul pentru Europa si CSI
Biroul Mediu Ambient, Energetica si Dezvoltare Urbana
Sectia Energetica si Infrastructura**

Elaborat de către

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(703) 351-0300**

Septembrie 1998

Republica Moldova

**STRUCTURA ORGANIZATIONALA
SI
RESPONSABILITATILE DE FUNCTIE
ALE ANRE**

Continutul

Organigrama ANRE

Descrierea Responsabilităților și Sarcinilor de Funcție

Anexa

GoM 767, Anexa 2, 11 august 1997

Aceasta Hotărârea Guvernamentală stabilește ANRE, determină numărul de personal și structura lor organizatională

REPUBLICA MOLDOVA

Agentia Nationala pentru Reglementare in Energetica

**NATIONAL ENERGY REGULATORY AGENCY
(ANRE)**

**Organizarea
Si
Descrierea Responsabilităților
Si Sarcinilor de Funcție**

Decembrie 1997

Republica Moldova
 Agentia Nationala pentru Reglementare in Energetica
NATIONAL ENERGY REGULATORY AGENCY

ORGANIZAREA SI FUNCTIILE

Director General Funcții de Reglementare Funcții Administrative
Vice Director Funcții de Reglementare

Direcția Eliberarea Licențelor	Direcția Analize Economice și Reglementarea Tarifelor	Direcția Juridică	Direcția Relații Publice și Protecția Consumatorilor	Secretariat
De a evalua cererile pentru eliberarea licențelor, de a recomanda aprobarea, anularea sau modificarea acestora De a monitoriza îndeplinirea condițiilor licenței, de a recomanda rectificări, inclusiv amenzi și penalități	De a evalua competitivitatea, statutul financiar, eficiența tehnică și economică, eficiența utilizării energiei electrice, puterea, siguranța și securitatea centralelor și echipamentului din sector, licențele, și consumatorii De a elabora, implementa și monitoriza metodologia tarifelor, eligibilitatea acoperirii costurilor, eliminarea subsidiilor și îndeplinirea contractelor De a elabora, implementa și monitoriza standardele de contabilitate vizând veniturile cheltuielile titularului licenței centralele și utilajele acestuia inventarierea și procurarea energiei electrice, vânzarea acestuia și pierderile	Prestarea serviciilor legale vizând legile, regulamentele guvernamentale, licențele, tarifele, precum și normele și regulamentele ANRE De a presta servicii în vederea organizării audierilor publice De a reprezenta Agenția la judecați și alte instituții guvernamentale De a elabora și implementa politici și practici pentru diferite proceduri juridice ce ar asigura dreptatea De a presta servicii legale pe marginea legislației propuse	De a elabora, implementa și monitoriza standardele calității serviciilor pentru consumatori înregistrarea și îndeplinirea acestora De a elabora și implementa procedurile de soluționare a plangerilor consumatorilor, inclusiv organizarea investigațiilor necesare și elaborarea deciziilor De a furniza publicului informația vizând responsabilitățile și sarcinile Agenției serviciile de protecție a consumatorilor hotărârile și ordinele, precum și informație privind sectorul reglementat și titularii de licențe independenți serviciile acestora și responsabilitățile pentru calitatea serviciilor	De a elabora și implementa un sistem de identificare și documentare a materialelor prezentate Agenției pentru audiere publică De a crea un borderou de înregistrare a tuturor licențelor și un altul vizând toate documentele recepționate sau emise de către Agenție, precum și un sistem de înregistrare a procedurilor de arbitraj și ședințele Directorilor De a elabora și administra sistemele de comunicare de examinare a informației de control fiscal serviciu cadre și de administrare

AGENTIA NATIONALA PENTRU REGLEMENTARE IN ENERGETICA

**DESCRIEREA RESPONSABILITATILOR SI
SARCINILOR DE FUNCTIE****Prevederi Generale**

Toate departamentele și directiile Agenției vor coopera între ele în scopul distribuiri informației și acordării serviciilor de consultanță, a suportului tehnic și alta asistență relevantă pentru a îndeplini cât mai eficient și rațional posibil sarcinile și funcțiile atribuite. Departamentele și directiile vor îndeplini sarcinile atribuite de către Directorul General. Toate rapoartele și recomandările elaborate de către departamente și directii vor fi livrate Directorilor pentru a fi autorizate de a fi difuzate publicului larg.

Direcția Analiza Economica și Reglementarea Tarifelor

Această direcție va monitoriza și evalua statutul competitiv și structural al sectoarelor energetic, gaze naturale și termoelectric. Va prezenta datele obținute și concluziile efectuate. Va elabora și recomandă măsuri ce ar promova și extinde competiția pe piața energetică, va proteja interesele tuturor consumatorilor și a altor participanți din sector. Va pregăti în fiecare an, sau de câte ori fa cerut de către Directorul General, un raport detaliat vizând aspectele problemelor sectorului energetic,

Va monitoriza sau evalua statutul financiar al sectoarelor energetic, de gaze naturale și termoelectric și cel al titularilor de licență ce prestează servicii tarifare. Va prezenta datele obținute și concluziile efectuate. Va elabora și recomandă măsuri ce ar contribui la evitarea sau soluționarea problemelor financiare ale titularilor de licență prestand servicii tarifare.

Va monitoriza și evalua eficiența tehnică și economică a sectoarelor energetic, de gaze naturale și termoelectric și cea a titularilor licențelor ce prestează servicii tarifare. Va prezenta datele obținute și concluziile obținute. Va determina și recomandă acțiuni specifice ce ar contribui la mărirea eficienței economice și tehnice.

Va monitoriza și evalua eficiența consumului energiei, gazelor naturale și energiei termice de către consumatori. Va prezenta datele obținute și concluziile efectuate. Va determina și recomandă acțiuni specifice ce ar contribui la mărirea eficienței economice și tehnice.

Va monitoriza și evalua capacitatea, siguranța și securitatea stațiilor electrice și a utilajului existent de a genera, produce, furniza, transmite, transporta, stoca și distribui energia electrică, gazele naturale și energia termică. Va prezenta datele obținute și concluziile efectuate. Va determina și recomandă acțiuni specifice ce ar asigura o putere și o furnizare adecvată și sigură pentru actualii și viitorii consumatori.

Va determina și recomanda metodologii de calculare a tarifelor și a platilor pentru contracte și , care ar duce evidența tuturor cheltuielilor, va evita subsidiile încrucișate pentru orice serviciu tarifar sau contractual ținând cont de așa cerințe ale consumatorilor și altor participant pe piața energetică cum ar fi timpul de consum, tensiunea sau presiunea, curba sarcinii, etc

Va determina și recomanda metodologii ce au importanța financiară asupra titularilor de licență și contractorilor tarifarilor relevante eficienței costului și calității

Va determina exactitatea și raționalitatea costurilor reflectate în tarife și contracte

Va examina și evalua tarifele și cererile de contracte, va determina și recomanda de a le aproba cu sau fără rectificări ulterioare, sau de a le anula în conformitate cu condițiile licenței Totodată va determina și recomanda metodologiile de formare a preturilor, principiile de evitare a subsidiilor încrucișate, exactitatea și raționalitatea costurilor precum și raționalitatea altor termeni și condiții

Va determina și recomanda proceduri și standarde de contabilitate ce pot fi aplicate veniturilor, cheltuielilor, statului și echipamentului, procurării de energie și de utilaje, pierderilor și vânzărilor efectuate de către titularul licenței Va monitoriza îndeplinirea procedurilor și standardelor de contabilitate de către titularul licenței

Departamentul Eliberarea Licențelor

Va determina și recomanda condițiile licenței în conformitate cu regulamentele și legile guvernului, va realiza în modul convenit scopurile activității căreia i s-a eliberat licența și va regla în cel mai rațional mod interesele consumatorilor, a participanților din sector și a titularilor de licență

Va examina și evalua cererile de licență, va determina și recomanda aprobarea sau anularea cererii cu sau fără modificarea condițiilor licenței, va monitoriza îndeplinirea de către titularul licenței a condițiilor licenței, va determina și recomanda acțiuni necesare pentru a verifica cazurile de încălcare a condițiilor licenței, inclusiv cerințele către titularii de licență, măsuri suplimentare de efectuare a controlului precum și aplicarea amenzilor și penalităților, dacă este circumstanțele sunt justificate

Va determina și recomanda titularilor de licență modele de rapoarte, informație, date statistice ce trebuie îndeplinite pentru a demonstra îndeplinirea condițiilor licenței, inclusiv evaluarea periodică a cerințelor de înregistrare a informației în scopul evitării duplicării sau îndeplinirii inutile a continuului licenței

Direcția Juridică

Va asigura asistența altor departamente și directii în probleme legale vizând cerințele regulamentelor guvernului și legilor, elaborarea licențelor, tarifelor, normelor și regulamentelor

Agentiei in scopul asigurării formei juridice adecvate, a clarității și conciziei. De a asigura interpretarea legală a contractelor reglementate

Va reprezenta consiliul juridic și personalul Agentiei la audieri și alte proceduri de reglementare

Va reprezenta consiliul juridic și personalul Agentiei în proceduri legale în fața judecătorilor și altor instituții guvernamentale în probleme vizând hotărârile și alte acțiuni ale Agentiei

Va determina și recomanda politicile și practicile referitoare la audieri și alte proceduri legale ale Agentiei ce ar asigura un proces echitabil și deschis pentru toți participanții și părțile interesate, incluzând o notificare prealabilă adecuată și posibilitatea prezentării dovezilor aferente, de a examina și contesta dovezile altor participanți și de prezenta argumente scrise și orale în favoarea deciziei luate

Va prezenta Directorilor avize legale referitoare la legislația existentă sau propusă în domeniul energiei electrice, a gazelor naturale și energiei termice precum și informație vizând obligațiile și drepturile Agentiei

Directia Relații Publice și Protecția Consumatorilor

1 Protecția Consumatorilor

De a determina și recomanda norme și regulamente ce stabilesc standardele de deservire a consumatorilor care trebuie să fie îndeplinite de către titularii de licențe în procesul realizării activităților stipulate în licență. Va determina și recomanda practicile, procedurile și cerințele de înregistrare și raportare ce trebuie adoptate și implementate de către titularii de licență pentru a monitoriza, înregistra și prezenta îndeplinirea standardelor de deservire a consumatorilor. De a monitoriza și evalua îndeplinirea de către titularii licențelor atât a standardelor de deservire a consumatorilor cât și implementarea practicilor, procedurilor și cerințelor de înregistrare și raportare. De a determina și recomanda politici și practici ce ar rectifica cazurile de plângere a consumatorilor vizând calitatea joasă a serviciilor, pentru a cerceta faptele și circumstanțele relevante plângerilor, pentru hotărârea acestor plângeri prin intermediul consultării reclamantului și a titularului de licență, precum și pentru a transmite spre considerația Agentiei plângerile nesolutionate

2 Relații Publice

De a determina și recomanda politici și practici ce asigură difuzarea în masă a rolului Agentiei, a obligațiilor și responsabilităților sale juridice, procedurile utilizate pentru implementarea obligațiilor și responsabilităților precum și drepturile și sarcinile consumatorilor în problema tarifelor și a calității serviciului. De a determina și recomanda politici și practici pentru a asigura difuzarea în masă a informației generale vizând sectoarele electroenergetic, de gaze naturale și termoelectric, precum și informație specifică de interes public vizând evenimentele, mediul și tendințele, ce afectează puterea, securitatea, siguranța, costurile și tarifele industriei și ale titularilor de licență independenți

3 Secretariat

De a elabora și implementa un sistem de identificare și documentare a materialelor prezentate Agenției pentru audiere publică. De a crea un borderou de înregistrare a tuturor licențelor și un altul vizând toate documentele receptionate sau emise de către Agenție, precum și un sistem de înregistrare a procedurilor de arbitraj ale Agenției și ședințele Directorilor

De a elabora și administra sistemele de comunicare, de examinare a informației, de control fiscal, serviciu cadre și de administrare

Anexa nr 2
a Hotărârii Guvernului Republicii Moldova
GoM 767
11 august 1997

**Structura și numărul personalului executiv
al Agenției Naționale pentru Reglementare în Energetica**

	Nr personalului
Director General (Președintele Consiliului)	1
Vicedirecții (Membrii Consiliului)	2
Directia Eliberarea Licențelor	5
Directia Analiza Economica și Reglementarea Tarifelor	4
Directia Juridica	2
Directia Relații Publice și Protecția Consumatorilor	3
Secretariat	3
TOTAL	20

REPUBLIC OF MOLDOVA

WORK PLAN

**NIS Institutional Based Services
Energy Efficiency and Market Reform Project
Contract No CCN-Q-00-93-00152-00**

**Moldova Energy Sector Reform
Delivery Order No 19**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

Prepared by

Hagler Bailly
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Suite 400
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(703) 351-0300

September 30, 1997

SUMMARY DESCRIPTION

Moldova's energy sector, particularly in the gas and electricity subsectors, suffers from a number of serious deficiencies which threaten economic reform, national financial viability and political independence, including

- A desperate financial condition caused by the continued accumulation of domestic and external debt, the latter mostly to Russia's Gazprom and Ukraine,
- An extremely poor quality of energy supplies unreliable electricity and heat due to restricted fuel supplies and system obsolescence,
- Energy production, distribution and consumption are extremely inefficient, and
- Use of energy by industries, the agricultural sector and residences is very inefficient due to inadequate technology, metering and disincentives due to low prices and the lack of commercial discipline applied to bill collections

The problems which underlie these energy sector deficiencies are considerable

- 1 State owned energy suppliers (including Moldenergo and Moldovagaz) tolerate non-payment in response to political pressure,
- 2 The government assumption of arrears encourages non-payment and lack of effort to raise and collect tariffs by the companies, and
- 3 The lack of independent regulation contributes to uneconomic pricing and consequent dis-investment in the systems, and consumers wasting energy

The GoM has begun to recognize the depth of its problems, as evidenced by the following

- Government Resolution 478 in September 1996 ordered development of a plan for economic restructuring of the energy sector, initiation of energy price increases, development of a new method for regulation of electricity, gas and heat prices, improvement of the social safety net including targeting households in need with the higher energy bills, and movement to settle payment arrears
- Resolution 547, dated June 12, 1997, adopted a Debt Restructuring Plan to help to resolve the industry's debt problem and implement reforms for the future,
- Resolution 628, dated July 8, 1997, approved the restructuring of Moldenergo into separate joint stock companies separately engaged in the generation, transmission and distribution of

electricity and heat, and

- Resolution 767, dated August 11, 1997, established the National Energy Regulatory Commission "ANRE" (*Agentia Nationala pentru Reglementare in Energetica*), which will become an independent regulatory body after adoption of an electricity law now pending

The energy sector reform and transition are being supported with \$200 million through the IMF and a \$100 million Structural Adjustment Loan from the World Bank. EBRD has a \$10 million power loan in place.

This work supports the achievement of Strategic Objective 1.5. A more economically sound and environmentally sustainable energy system and proposed Intermediate Results of a rational energy regulatory framework and commercially viable electricity and gas companies.

SPECIFIC GOALS/OBJECTIVES

Hagler Bailly will provide technical assistance, training and limited equipment to achieve the transformation of Moldenergo and Moldovagaz to market-oriented commercial organizations prepared for privatization. The work shall be carried out in close coordination with the World Bank which will be the other major provider of technical assistance. The approach shall be for the World Bank consultants to work with the GoM to develop an Energy Sector Reform Plan and to coordinate overall implementation of the Plan. USAID will participate on a limited basis in the preparation of the plan, have responsibility for development of the regulatory framework and organization as well as for implementation of the Moldenergo and Moldovagaz restructuring and commercialization. Only limited preparatory work for privatization will be part of the commercialization effort.

Task 1 Regulatory Development

This task encompasses the development of the regulatory framework and the establishment of an effective regulatory body through technical assistance to help create the organization itself and the regulatory tools required for ANRE to be effective, as described below:

1. Assist with the preparation and draft as necessary, appropriate documentation required for the establishment of the regulatory body and definition of its authorities,
2. Develop regulatory organization plan including the definition of the structure, authority, functions, staffing and operation of the new regulatory body,
3. Provide training for new commissioners and staff,

- 4 Advise on and develop the documentation needed for implementation of the regulatory functions of the new organization including such documents as licenses tariff methodologies, monitoring and enforcement procedures and public participation, and
- 5 Advise regulatory body on policy and operational issues

Task 2 Moldenergo – Implementation of Reform Plan

Under this task, Hagler Bailly will provide technical assistance for restructuring, market development, corporatization, electricity market definition and establishment, commercialization and preparation for privatization, as follows

- 1 Assist with the implementation of the restructuring through unbundling of Moldenergo, based on the reform plan and other relevant documents,
- 2 Provide advice on and assistance with the corporatization of the new entities including document drafting and other measures, as necessary,
- 3 Develop Master Plans for commercialization of distribution companies, generation companies and transmission company (if separate),
- 4 Assist with the commercialization of the new entities including the design and implementation of model organizational structures, definition of accounting and financial management needs, implementation of new contractual arrangements and related measures as required to attract international financing, and
- 5 Develop model bilateral contracts for electricity transactions between sellers and buyers and advise on implementation, assist dispatch center to register bilateral contracts with due attention to system-wide issues such as reserve requirements, stability, etc

Task 3 Moldovagaz – Implementation of Reform Plan

This task will assist Moldovagaz with restructuring (including aggregation of distribution companies), market development, corporatization, commercialization and preparation for privatization, as follows

- 1 Assist with the implementation of the Moldovagaz restructuring through merger of distribution companies into fewer companies and rearrangement of other subsector entities,
- 2 Provide advice on and assistance with the corporatization of the new entities including document drafting and other measures as necessary,
- 3 Develop Model Master Plan for commercialization of distribution companies that addresses organizational and operational needs,
- 4 Assist with the commercialization of the new entities including the development and implementation of organizational structures, implementation of new contractual arrangements and related measures, and
- 5 Develop model gas contract for gas transactions between gas purchaser and distributors

EXPECTED OUTPUTS

The expected outputs from the technical assistance to be provided by Hagler Bailly pursuant to this Delivery Order 19 are as follows

- 1 A detailed Work Plan to be approved by USAID,
- 2 Organization Plan for regulatory body,
- 3 Corporatization plan of the new gas and electricity companies,
- 4 Training Curriculum for regulatory personnel,
- 5 Draft licenses for electricity and gas organizations,
- 6 Draft tariff methodologies for electricity and gas,
- 7 Master Plans for electric distribution, generation and transmission/dispatch companies, and
- 8 Report on financial management systems required
- 9 Reports, as follows

- a Monthly expenditure-to-budget report,
- b Monthly status reports, and
- c A Final Report of 20 pages

All deliverables will be prepared in both English and Moldovan, except for items 1 and 9, which shall be in English only

SCHEDULE MILESTONES	COMPLETION DATE			
	Q4 1997	Q1 1998	Q2 1998	Q3 1998
1 Regulatory Development				
1 1 Develop regulatory organization plan	10/15			
1 2 Provide Training				
1 2 1 NIS Regulatory Conference – Budapest	11/17			
1 2 2 Study tour to Ukraine (*)		02/15		
1 2 3 Study tour to Hungary (*)			4/15	
1 3 Prepare draft licenses	10/31			
1 4 Prepare draft tariff methodologies	11/30			
1 4 Prepare draft monitoring and enforcement procedures		03/31		
1 4 Prepare draft public participation process			06/15	
2 Implementation of Moldenergo Reform				
2 1 Provide assistance with corporatization	10/15			
2 2 Develop Master Plans for commercialization				
2 2 1 Distribution companies		02/28		
2 2 2 Generation companies			04/30	
2 2 3 Transmission company				07/01
2 3 Design and implement model organizational structures			04/30	
2 4 Define of accounting and financial management needs			06/15	
2 5 Implement new contractual arrangements to attract international financing		03/31		
2 6 Develop model bilateral contract for electricity transactions between sellers and buyers	12/15			
2 7 Provide management training through study tours				
2 7 1 Study tour to Ukraine (*)		03/15		
2 7 2 Study tour to Hungary (*)			06/15	
3 Implementation of Moldovagaz Reform				
3 1 Assist with merger of distribution companies into fewer companies		04/15		
3 2 Provide assistance with corporatization of the new entities				
3 3 Develop Master Plan for commercialization of distribution companies		04/15		
3 4 Assist with the commercialization of the new entities				
3 4 1 Development and implementation of organizational structures			05/31	
3 4 2 Implementation of new contractual arrangements				08/15
3 5 Develop model gas contract for gas transactions between gas purchaser and distributors		03/31		
3 6 Provide management training through study tours				
3 6 1 Study tour to Ukraine (*)		03/15		
3 6 2 Study tour to Hungary (*)			06/15	

(*) Study tours are recommended but not budgeted in the Delivery Order

KEY PERSONNEL

Key personnel are identified in the delivery order No 19

SIGNIFICANT ISSUES

There are many factors which may affect energy sector reform in Moldova, specifically the following issues have been identified

- 1 The framework designed for this reform has not been articulated in detail. To the extent that ARIA has attempted to supply the necessary details, there exist several areas which either are not addressed at all or which contain obvious errors or inconsistencies. This is not intended as a criticism of ARIA's work, which in the main is admirable and of high quality. ARIA professionals simply lack the background and expertise necessary to successfully introduce a Western economic system to a sector as complex as energy. In order to do its work, Hagler Bailly will be required to address these problem areas of "design" in addition to its nominal role of "implementing" reforms.
- 2 The current schedule calls for the introduction of licenses, tariff reform, bi-lateral contracts, the establishment of a new regulatory agency, and the creation of new corporate entities by the end of 1997. While Hagler Bailly is prepared to accomplish these goals during this period, there is a significant risk that Moldovans are not ready, and may not be willing, to accept the required changes on such an accelerated schedule.
- 3 As noted in 2 above, the scope of work within this Delivery Order 19 includes all of the technical assistance to be provided to Moldova to accomplish restructuring and reform in the electricity, gas and heat sectors, including creation of a regulatory agency. Given the breadth of this assignment and the extent of the resources available under DO19, there will be limited opportunities to treat any particular task area in great depth.
- 4 The difficulties of designing and introducing the necessary administrative systems required to account for electricity transactions at the National Dispatch Center have not been addressed in either the plan for reform or DO19 (which does not provide sufficient resources for this task).
- 5 There are many factors on the Moldovan side which may impede or threaten the implementation of the proposed reforms.
 - A Parliament which consists of only a small number of democratic reformers, a large block of Communists and a majority of "agrarians" and which may well try to delay or block energy sector reforms,

- Continuing problems of accumulating debts to both Gazprom and Ukraine may lead to interruption of fuel or imported energy supplies this winter, either impeding the pace of reform or tainting it,
- The continuing problem of the left bank (Transdneister) region in which is located the bulk of Moldova's electric generating capacity and is the source of most of the Gazprom debt,
- The continuing lack of any payment discipline or any apparent willingness to tackle financial reform,
- The total failure to carry out the provisions of Resolution 547, the Debt Restructuring Plan, including even clearing the agreed offsets with government ministries and other budget entities,
- Lack of reform in the vast system of energy price subsidies for residential consumers,
- Lack of a comprehensive social safety net to provide an environment conducive to enacting price reforms (which, in turn, reflects the GoM's lack of budget funds due to a failure to adopt tax reforms), and
- New elections scheduled for March which will inhibit any economic reforms which threaten incumbent legislators

These issues are not unique to Moldova among the former client states of the old Soviet Union and, by themselves, they are not so severe as to suggest abandoning the energy sector reform effort. Indeed, on the positive side, the economic situation is so adverse and the energy sector so central to the overall economic health of the Republic, that there is good reason to believe that the proposed reforms *must* be enacted for Moldova's survival. However, success cannot be guaranteed in this environment and Hagler Bailly's work plan is, of necessity, predicated on the basis that the actual or potential problems identified will not prevent the delivery of its planned technical assistance.

Approved by _____ Date _____
Contracting Officer's Technical Representative