

PD-ABW-947

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

FOURTH SEMI-ANNUAL PERFORMANCE & FINANCIAL REPORT  
FOR PERIOD MARCH 6, 2002 – SEPTEMBER 6, 2002

Prepared for:

U.S AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C.  
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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 March 6, 2002 - September 6, 2002. This is Pierce Atwood's fourth Semi-Annual Report.

## 1. GENERAL OVERVIEW

Pierce Atwood is currently a prime contractor under a USAID contract to furnish services to support legal and regulatory reform in the CEE/NIS Region. A Task Order to provide Regulatory Assistance for Southeast European Regional Electricity Market Development (Task Order No. 01) was executed on September 6, 2000. A Task Order amendment (EEU-I-01-99-000-29-01), signed on September 27, 2001, extends and expands assistance until December 31, 2002. USAID and Pierce Atwood are currently in the process of working on a No-Cost Extension for this work.

Attorneys from Pierce Atwood who have worked on the project to date include:

John Gulliver, Project Manager;  
Catherine Connors, Deputy Project Manager;  
Gerald Amero, Energy Attorney;  
Isabel Traugott, Energy Attorney;  
Deborah Shaw, Energy Attorney;  
Adam Cote, Energy Attorney;  
Christopher Roach, Energy Attorney;  
James Douglass, Energy Attorney;  
Christian Filipov, Energy Attorney

TCN/CCN Local consultants who have been used over the course of this task order include:

Tin Matic, Senior Regional Legal Consultant, Croatia;  
Zija Kamberi, Local Energy Advisor, Albania;  
Biljana Kamceva, Regional Legal Consultant, Macedonia;  
Lyulin Radulov, Regional Legal Consultant, Bulgaria;  
Arpad Vajdovich, Regulatory Specialist, Hungary;  
Gabor Szorenyi, Regulatory Specialist, Hungary;  
Dora Pochtakova, Legal Consultant, Bulgaria;  
Rade Simovic, Regulatory Specialist, Canada; and  
Juris Ozolins, Grid Code Specialist, Latvia.

The goal of the regional Task Order, both originally and as amended, is to provide legal, regulatory, and technical assistance to countries throughout South East Europe to help them prepare the foundation for participating in a Regional Energy Market ("REM"), consistent with commitments made under the Stability Pact. The Task Order focuses on institutional and regulatory reform designed to create a regional electric power pool and power trading operation. Its main focus is on developing the legal, regulatory, commercial and institutional infrastructure required to make a regional power market successful. Such efforts follow up on the commitment to create a regional power market

by 2006 compatible with UCTE integration standards, executed by countries in South East Europe under the Thesaloniki Agreement.

The Regional Task Order is supplemented by two Task Orders in Croatia and Albania. Both are directed at country-specific work, with the goal of institutional and regulatory reform to assist those countries in developing toward an REM. 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, importantly, supporting the regulatory framework needed for real reform.

Work under this Task Order and the accompanying Croatia and Albania Task Orders have continued under a two-tiered approach: (1) assisting individual countries with less developed legal and regulatory infrastructures to build the framework needed to participate on a regional basis; and (2) development of regional efforts focusing on the issues crucial to development of an REM.

Under the original Task Order for this contract, the five tasks assigned to Pierce Atwood are:

- 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 Original Task Order was set to close on September 6, 2001, and was amended on September 27, 2001. The amended Task Order focuses efforts for the remainder of the year and 2002 on the following tasks:

- Task 1: Oral and written advice to regulators and Ministry officials in the region, including issue briefs.
- Task 2: Identification and analysis of key institutional and regulatory issues in the development of a regional trading and market system, including a report for a proposal for a common framework for the regulation of cross-border transactions and for use-of-network service tariffs.
- Task 3: Development of model electricity purchase/exchange contracts for potential common use in the REM.
- Task 4: Conduct a minimum of three workshops and two study visits either in the U.S. or other CEE/NIS countries to discuss international and regional electricity regulation issues.
- Task 5: Determine the status of national grid code development in the SEE countries and identify and analyze the issues to be addressed in working toward the regional harmonization of power market operators and rules and grid code development among the countries in the region.
- Task 6: In Croatia, review the recently enacted legislation and determine to what extent the limited authority of the ERC can be expanded; provide support to the ERC, including development of an organization chart; qualification list; charter; salary recommendations and license costing information; placement of a long-term advisor to assist the ERC; and procurement of limited hardware and software.
- Task 7: In Albania, draft a comprehensive electricity law; assist in technical support in enactment of the law; identify needed secondary legislation and revision of existing laws; assist in development of secondary legislation; placement of a long-term resident advisor to assist in tariff methodology development; ERC institution building; licensing; customer service and social transition issues; energy efficiency; and development of market competition and privatization; and spearhead SAP implementation.

Since entry of the amended order, work has evolved from the development of model electricity purchase/exchange contracts and workshops and study visits (Tasks 3 and 4) to broader assistance on fundamental regulatory reforms. As a practical matter, the five tasks set forth in the initial Task Order in the first year of the project and the seven tasks identified in the Amended Task Order for the second year embrace the same two-tiered approach. The amended work supplements prior efforts by focusing on (1) a natural progression in Croatia and Albania to long-term technical assistance upon the

establishment and implementation of the legal and regulatory blueprint – most notably, the regulatory body; and (2) technical assistance in Croatia from regional experts.

## **1.1 WORK PLAN**

Pierce Atwood has been and continues to be engaged in the preparation of legislation, secondary legislation, licensing, market design and tariff activities, with the one-on-one goal of improving the legal and regulatory sector environment within each country, and facilitating regional coordination and cooperation, all with the objective of developing the REM.

## **2. PROGRESS**

### **2.1 OVERVIEW OF ACTIVITIES: MARCH 6, 2002 - SEPTEMBER 6, 2002**

During the seventh and eighth quarters of the project, the country specific work has focused on Albania, Bulgaria, Croatia, Macedonia, Romania, and Serbia. Efforts included continued implementation of the Strategic Action Plan and Policy Statement in Albania; assisting with the redrafting process of the Energy and Energy Efficiency Act (“EEEA”) in Bulgaria; assisting in Charter and secondary legislation issues, as well as a cooperative licensing and training program with the Hungarian Energy Office (“HEO”) in Croatia; market and tariff design, in addition to licensing assistance in Macedonia; assistance revising the existing commercial code in Romania; and assistance on the energy law and other issues regarding the electricity sector in Serbia.

### **2.2 PIERCE ATWOOD ACTIVITIES FOR EACH TASK**

The following summary of tasks and accomplishments highlights the steps Pierce Atwood made toward the goals reflected in the current Task Order, Work Plan, and USAID requests for action, focusing on this Semi-Annual reporting period.

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

- Assisted in Albania on the development of a legal framework that is consistent with EU and international norms.
- Assisted in Croatia on the development of viable licensing and tariff structures for ERC (Energy Regulatory Commission).
- Assisted in Macedonia with Energy Law amendments, market and tariff design, and licensing.
- Met with Regulators and Ministry officials to create rules and regulations for Regulatory Agencies and/or Ministries consistent with the rule of law, transparency and open process in Albania and Croatia.

- Assisted the Ministry of Macedonia on reviewing comments to Energy Law and prepared brief on restructuring of Electricity sector (principles, sequence of activities, and structure) and consulted with the Ministry on restructuring issues.
- Assisted in Bulgaria on the redraft EEEA, with specific attention to tariff, licensing and marketing provisions.

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.

- Assisted with licensing, transmission tariff, grid code, database, and CERC training and support issues in Croatia, which has served to advance the state market.
- Assisted in Albania on the legal framework, which has served to advance the state market.
- Assisted Bulgaria in redrafting the EEEA and preparing a memorandum setting forth the basis for a Concept Paper by the Ministry of Energy, promoting the REM goals of open access, export promotion, tariff reform, transparency and regulatory development.
- Conducted training and analysis for regulatory issues in Albania.
- Prepared draft versions of the redraft EEEA in Bulgaria
- Provided assistance developing training and support for the regulator in Croatia.
- Assisted with the new draft of the energy law in Macedonia.
- Reviewed the public hearing comments concerning the energy law in Serbia.

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

- Assisted with the development of viable licensing and tariff structures, in Croatia, incorporating model frameworks for reform based upon transparency, commercial viability and regional consistency.
- Created model licenses and Rules of Practice and Procedure in Albania that focus on open process, transparency, rule of law and will act as a foundation and standard for purchase/exchange contracts.
- Drafted model licenses in Macedonia, to assist the regulatory task force in developing into a fully operational regulatory body.
- Drafting a market framework in the redraft EEEA for Bulgaria.

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

- USAID opted not to schedule a third regional workshop at this time but to concentrate instead on direct assistance efforts with country specific focus, with the goal of harmonizing the sectors for ultimate participation in the REM.
- Scheduling country-specific additional workshops and a study visit, including a trip to the Portuguese regulator for CERC members and CERC database and computer expert.

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.

- Assisted with the development of national codes geared toward regional cooperation in Albania and Croatia.
- Assisted, in Croatia, with acquiring analysis from tariff experts to revise the draft Transmission and Distribution Grid Code.
- Assisted, in Bulgaria, with creating the legal framework required for the development of sound and transparent technical codes and rules.
- Developed a Work Plan and plans for proceeding with Commercial Code work in Romania.

Task 6: Croatia – Legal and Regulatory Assistance – Review of New Legislation; Development of the Regulatory Agency; Long-Term Advisor, Licensing and Tariff Methodology; Procurement/Equipment

- Drafted a priority task memorandum that focused on pricing, the CERC Charter, energy regulatory agency organizational issues, and market development.
- Assisted CERC on the Charter, licensing issues, and the financing decree.
- Assisted with organization that led to the eventual signing of contracts by the CERC Commissioners and subsequent commencement of their work.
- Submitted comments on the CERC Charter and provided recommendations on the secondary legislation regarding CERC fees.
- Prepared and submitted two draft decrees on license duration and conditions.
- Assisted in the development of the legal and regulatory framework for CERC and provided hands-on training to CERC members and Energy Institute attorneys and key participants, particularly with respect to licensing issues.
- Submitted a revised Work Plan and budget for Croatia.
- Assisted in process that led to the ratification of the Articles of Association of the Croatian Energy Regulatory Council by the parliament on March 14, 2002.
- Translated the Grid Code; expert assistance on grid code development is ongoing.

Task 7: Albania – Assistance to Albania in Legal and Regulatory Development – Draft Electricity Law; Resident Regulatory and Tariff Advisor; Support Strategic Action Plan Implementation

- Reviewed the provisions of the law relating to the independent regulatory agency and its functions.
- Submitted a finalized Work Plan.
- Submitted a Policy Statement and six policy papers addressing competition, restructuring and unbundling, investment and privatization, legal and regulatory reforms, and institutional and organizational arrangements. The Policy Statement and six policy papers incorporate provisions recommended in the Strategic Action Plan.
- Submitted a Work Plan and supporting budget on May 10, 2002 for the end of the current Task Order which is consistent with the implementation of the Policy Statement, the six policy papers, and the February 2001 Strategic Action Plan.
- Drafting model licenses and regulatory Rules of Practice and Procedure in accordance with SAP define.

**3. SUMMARY OF ACTIVITIES AND OUTCOMES FROM MARCH 6 – SEPTEMBER 6, 2002**

The following summaries illustrate Pierce Atwood's country-specific and regional activities during this Semi-Annual reporting period.

**3.1 ALBANIA**

Gerald Amero traveled to Albania March 17 through March 22, 2002 to receive comments on the draft Policy Statement from Albanian counterparts. The draft Policy Statement was presented to the Albanian Government for its consideration the week of March 2, 2002 by the World Bank and USAID. While in Albania, Mr. Amero met with representatives of the National Agency for Energy, ENEL (Italian Utility) and the Ministry of Energy and Industry, which provided preliminary comments for the Policy Statement. Mr. Amero integrated many of the comments received into a new draft of the Policy Statement that was circulated on March 19 – March 20, 2002 for further comment. Mr. Amero received final comments from the Ministry at the end of March, and integrated these into a draft circulated to the International Donors by Iftikhar Khalil of the World Bank on March 29, 2002.

Mr. Amero attended a conference of International Donors in Brussels on April 4, 2002 to discuss matters relevant to the Albanian Energy Sector. At the Conference, Minister of Industry and Energy Doda made the principal presentation on behalf of the Government of Albania relating to the Policy Statement. A copy of the Policy Statement that integrated comments received from Albanian counterparts had been circulated to the Donors by e-mail on March 29, 2002. The goal of this trip was to receive and integrate

Donor comments into a final version of the Policy Statement so that the Albanian Government could adopt an appropriate Policy Statement by April 15, 2002.

Mr. Amero and Adam Cote traveled to Albania April 8 through April 19, 2002, to draft the ERE's Rules of Practice and Procedure, and to strengthen the role of the regulator in conformity with the Policy Statement and in accordance with principles of open process, transparency, rule of law, and due process. Other activities included revising the draft legislation to amend the regulatory and electricity laws to conform to the Policy Statement, and completing arrangements for the executive training course including setting dates for the giving of each class segment and arranging for the processing of the initial applications to the classes.

During his trip to Tirana, Mr. Amero made final changes to the Policy Statement, arranged translation into Albanian, and delivered the Albanian and English versions of the Power Sector Policy Statement along with an Albanian language red-line version to Minister Doda on April 9, 2002. The Policy Statement was approved by the Albanian Government on Friday, April 19, 2002.

While Mr. Cote was in Albania, he worked closely with Mr. Amero and local attorney Zija Kamberi in drafting the ERE's Rules of Practice and Procedure in conformity with the Policy Statement and Albanian regulatory and electricity laws. Mr. Cote met with Angel Cuci, Chairman of the ERE, to discuss provisions in the Policy Statement and draft Rules of Practice and Procedure pertaining to the ERE, and to solicit additional input from the Chairman.

John Gulliver and Mr. Amero again traveled to Tirana April 27 – May 3, 2002 to plan strategies, assistance, and achievable results for the balance of the remaining Task Order, consistent with the recently adopted Policy Statement.

During the first three days of their TDY in Albania, Messrs. Amero and Gulliver met extensively with Robert Posner, Rajiv Rastogi and Fred Karlson, CORE International, to develop an internal USAID team approach. The latter was presented to Howard Sumka, USAID Mission Director on Wednesday, May 1, 2002.

Following these internal meetings, Messrs. Gulliver, Amero and Posner met with Minister Doda on Thursday, May 2, 2002. The purpose of the meeting was to emphasize USAID's commitment to assist in key areas of implementation of the Policy Statement, including the Executive Training Program, legal and policy reform, and specific tasks for regulatory support. Minister Doda confirmed the Ministry's strong support to implement the Policy Statement and the commitment of the Ministry to create a monitoring and implementation body that will actively support concrete implementation of the Policy Statement. Mr. Gulliver and Mr. Amero then had a similar meeting with ERE Chairman Cuci. Chairman Cuci confirmed ERE's eagerness in participating in the Executive Training Program, the Policy Statement implementation, and the creation and adoption of rules and regulations pertaining to the agency.

Mr. Amero traveled to Albania June 16 through June 21, 2002. The purpose of this trip was to meet with representatives of the Ministry of Industry and Energy to receive initial comments on the drafts of the Power Sector Reform Law and the Energy Policy Law that were submitted to Minister Doda during the last TDY. Also in June, Mr. Amero began developing an action plan for ERE implementation of the Power Sector Policy Statement. Mr. Amero worked with Enver Masud, who began his two-month assignment in Tirana as short-term resident advisor on May 26, 2002, to develop a schedule of action plan activities.

Mr. Amero reviewed with Mr. Kamberi the comments of the ERE Commissioners on the proposed Rules of Practice and Procedure and then met with Chairman Cuci to discuss proposed changes to those rules. A re-draft of the rules was prepared reflecting the comments received. Mr. Amero and Mr. Masud also met with Chairman Cuci to review the draft organizational chart for the ERE and to solicit his comments.

Also discussed during this period were coordination efforts between SEETEC and USAID with regard to the ERE. Pierce Atwood created a bullet outline of proposed assistance to the ERE through December 31, 2002, which was approved by USAID, signed by Chairman Cuci and presented to SEETEC.

In July Mr. Masud, completed his assignment as short-term resident advisor. Among other tasks, Mr. Masud prepared an organization chart for the Organization of the Electric Regulatory Commission and a mission statement for each department (informally approved by Chairman Cuci).

In July and August, Mr. Amero and Mr. Cote, in close coordination with Mr. Posner, created a draft Work Plan for 2003 and 2004 that included a focus on strengthening the competence of the ERE, drafting necessary regulatory rules, maintaining the executive management training program, incorporating an incentive based resident advisor to support the ERE, and encouraging market reforms and attracting private investment and privatization.

In addition, Mr. Amero and Mr. Cote, working with Mr. Kamberi, created draft licenses to support ERE competence building. Model licenses for generation, distribution, transmission, and supply were created and will be presented to Chairman Cuci for review and comment.

### **3.2 BULGARIA**

Isabel Traugott traveled to Bulgaria March 25 through March 28, 2002 to work on the replacement EEEA with key members of the Ministry and its working group, and to assess how to proceed. Specific areas of concern for the redraft of the EEEA included market structure, export/import, regulatory strengthening, system and market operators, and energy efficiency. During this trip, the Ministry asked for assistance from USAID, and Pierce Atwood through USAID, in drafting the Concept Paper and requested in-

country working group discussions pending completion of the Concept Paper and the redraft EEEA.

In May, Ms. Traugott traveled to Bulgaria (May 26 through May 30, 2002) to start the redrafting process, with the initial first step of gathering information and providing advice and comments for the Ministry Concept Paper, and providing a foundation for redrafting the law.

Edward LaFarge of USAID in Sofia and Ms. Traugott met with Minister of Energy Kovachev to discuss progress on the redraft and to create an implementation schedule for moving forward. The meeting with the Minister was productive, resulting in the decision that Pierce Atwood would provide comprehensive comments in preparation for the Ministry's Concept Paper and would return to Sofia to redraft the EEEA, pursuant to a second round of meetings after issuance of the Concept Paper.

In June, Catherine Connors and Ms. Traugott drafted a memorandum setting forth the outline and detail of the substance required for the Ministry's Concept Paper, and providing legislative expertise on target areas for redraft of the EEEA. The memorandum was distributed to the Ministry's Legislative Working Group Members and USAID on June 10, 2002.

Extensive work was done on the development of the EEEA replacement law. Ms. Traugott worked with various persons from the Ministry, SERC, and the National Electric Company ("NEK") on key issues on the redraft. Discussion focused on: (1) the role and status of SERC; (2) how market opening and design should be addressed in the law and the role of market throughout the law; and (3) coordination with other ongoing assistance, such as the market rules and design from SEETEC, district heating from Alliance to Save Energy, and World Bank efforts in the gas and electricity sectors. Other issues covered in brief were gas, property rights and energy efficiency.

On Tuesday, August 27<sup>th</sup>, after receiving, reviewing and incorporating where appropriate, comments from SERC on regulatory provisions of the replacement EEEA, SEETEC on primarily market issues, the World Bank, the Alliance to Save Energy and Nexant on district heating, Pierce Atwood submitted its second draft of the EEEA replacement law to Robert Archer and Mr. LaFarge of USAID. The substantial redraft put particular emphasis, as requested by the Bulgarian Ministry of Energy, on identifying progressive approaches used by other countries, and provides examples of reform-minded language in other energy laws in the region.

The Ministry continues to seek comments on the Energy Efficiency Agency's draft of an Energy Efficiency Law, and will be working with SEETEC to prepare an Energy Efficiency Strategy, as Pierce Atwood understands from USAID that the energy efficiency component is not within Pierce Atwood's scope of work.

In response to the Ministry's request for additional work on the EEEA, Pierce Atwood scheduled a TDY to Bulgaria in mid September for Mr. Gulliver and Ms.

Traugott to meet with Ministry representatives and provide a follow-up draft of the replacement EEEA.

### 3.3 CROATIA

In March, portions of licensing and training assistance were delayed at the request of the Ministry and CERC, as the Commission had yet to be formally registered and contracts had not yet been consummated for the individual Commissioners. The Energy Institute, however, continued to revise secondary legislation in accordance with Dr. Szorenyi's draft suggestions, but the process was slow. Dr. Mico Klepo, head of CERC, disagreed with the Institute where it failed to adopt comments of Dr. Szorenyi, and drafts of the licensing went to the Ministry of Economy while the Institute continued to provide input.

From April 15 – April 19, 2002, Ms. Connors, Ms. Traugott, and Dr. Szorenyi traveled to Croatia to meet with the Ministry, the power company HEP, and all the new members of the CERC. While in Croatia, Ms. Connors, Ms. Traugott, and Dr. Szorenyi met with Boris Maksijan of the Ministry. Mr. Maksijan reported on a number of regulatory and energy sector developments in Croatia. First, that CERC received an official registration and the Government executed its first approval of the CERC Charter. Mr. Maksijan also reported on the status of the draft grid code. HEP was working with Ekonerka, its institute, to develop a transmission and distribution grid code, and sought translation and comments from Pierce Atwood.

While in Zagreb, the Pierce Atwood team also met with HEP, the Energy Institute, and the Ministry on tariff, licensing, and grid code issues. Dr. Szorenyi briefly explained all the substantial steps that must be taken to create tariffs in a competitive market. Jamshid Heidarian of USAID, Ms. Traugott, and Dr. Szorenyi met with HEP and the Ministry on grid code issues. A draft of the transmission grid was near completion. At the request of HEP and the Ministry, Pierce Atwood agreed to translate the draft grid code, review it, and provide comments. The distribution grid code was at a less advanced stage, and it was agreed that, when completed, Pierce Atwood would provide similar assistance if resources permitted.

On May 12, 2002, Dr. Charles Zimmermann traveled to Croatia to give a presentation on transmission tariffs, *Transmission Tariffs for a Liberalized Electricity Market in Croatia*, (which took place on May 14 and 15 to HEP and CERC, respectively), to prepare a draft Work Plan, and to meet and strategize with counterparts to develop the transmission tariffs analysis.

Ms. Connors, Dr. Szorenyi, and Ms. Traugott traveled to Croatia May 15 – May 18, 2002 to meet with CERC, HEP and the Energy Institute to work on grid code, licensing, CERC organizational structure and computer and database assistance.

On May 15, 2002, alternate meetings in Zagreb dealt with secondary legislation issues and were attended by Mr. Heidarian, Ms. Connors and Mr. Matic with members of

HEP, Dr. Klepo (CERC chair), Eraldo Banovac (the Vice-chairman of CERC), Zrinka Spicek (of the Ministry of Economy), and Noda Jandrilovich and Karmen Stupin of the Energy Institute. In this meeting the licensing secondary legislation was credited as much improved from its earlier version. Concerns were expressed by Pierce Atwood that although the text of the secondary legislation is appropriate on financial guarantees, the annex is inadequate to the extent it is read as restricting CERC. The group agreed to discuss the matter further.

On May 16, 2002, Dr. Szorenyi, Mr. Maksijan, Z. Tonkovic, D. Kucic and I. Stritof (a CERC member), met to discuss the grid code table of contents. M. Caubet of RTE (the French transmission entity) and Juris Ozolins, who drafted the Latvian grid code, had prepared some written comments, which Dr. Szorenyi reviewed, along with his own.

On May 17, 2002, Ms. Traugott arrived and discussions about computers and databases ensued. On the subject of computers, the bids received were not equivalent, and so work needed to take place to put them in forms acceptable for review.

Significant progress was made during the eighth quarter in the five areas of USAID's assistance package to Croatia. Pierce Atwood worked extensively with Dr. Szorenyi on CERC organization. Dr. Szorenyi's proposal was circulated to CERC in June. The proposal was discussed, revised and accepted by CERC. Similar steps were taken with a draft contract between the CERC and the Energy Institute and a draft Rulebook on internal CERC procedure. Licensing suggestions were also circulated on inserts to the draft legislation and discussed during the June trip. The draft transmission code was prepared by Croatian counterparts and preliminary written comments from USAID consultants were provided. In addition, a Work Plan for transmission fee assistance was prepared, circulated and modified during the June 27 – June 28, 2002 trip.

In July, Mr. Ozolins and Ms. Traugott went to the Ministry of Economy of Republic of Croatia, to meet with Energy Institute and Ministry representatives to review the Grid Code and make recommendations for change.

As a result, a Grid Code Change Council was formed. This Council has responsibility for analyzing and weighing proposals for amendments made by the System Operator. In this way, the Council provides an evaluation of proposals from a technical perspective, contributes the views of various market participants, and disseminates this information to CERC. In turn, CERC participates in the early stage by evaluating proposals, and the market participants can learn CERC's position and get its input early on.

A similar committee was suggested for dispute settlement, in order to provide additional opportunity for system users and market participants to meet with system specialists and acquire information about trading or access limitations. The goal is for the committee to address purely technical issues, and if these come to dispute level, to bring them before CERC, with the aim of reducing cost and risks to CERC.

In August, Tihana Klepac, Pierce Atwood's translator who has expertise in the power sector, finalized the translation of the Grid Code. The finalized Code was provided to Mr. Ozolins, who reviewed the code and prepared his September 9<sup>th</sup> and 10<sup>th</sup> presentation. Based on the last meeting in Croatia, input from the Croatians, and revisions to the Code, Mr. Ozolins concentrated his efforts on: (1) dispute settlement; (2) the interface between the Grid Code and the market rules; and (3) the Grid Code as a regulatory instrument.

Ms. Traugott also worked with the Portuguese Regulator, and with CERC, to develop a study tour for three of the Croatian Commissioners and CERC's database and computer expert, currently scheduled for late October. Organizational structure, public comment and access, database development and licensing are among the issues for the agenda, along with input from the Portuguese on key regulations, such as rules to guard confidential information.

### **3.4 MACEDONIA**

On March 18, 2002, Karl McDermott and Carl Peterson of National Economic Research Associates ("NERA") and Ralph Zarumba traveled to Skopje, Macedonia, to meet with several groups/entities involved in the privatization and market structure efforts for the electric sector.

While in Macedonia, Mr. McDermott, Mr. Zarumba, and Mr. Peterson met with the Commercial Department of ESM (Electric Power Company of Macedonia) to develop a better understanding of what type of data ESM could provide and when it could be provided.

During April, Pierce Atwood and its subcontractor NERA, drafted a preliminary market report, a tariff analysis, and four model licenses, in preparation for the May 6 – May 10, 2002 trip to Macedonia. Pierce Atwood prepared and coordinated preparation of these drafts in cooperation with the Meisl Bank Consortium timetable. Throughout April, Pierce Atwood worked with ESM to obtain data for the tariff study. In addition, Ms. Connors coordinated with Meisl Bank on the draft confidentiality agreement sought by Meisl Bank, and Ms. Traugott scheduled and prepared for meetings in May. Ms. Traugott followed the status of the amendments to the Energy Law, which, during the third week of April, were scheduled for passage in mid-May.

Mr. Heidarian, Ms. Traugott, Mr. McDermott and Mr. Peterson traveled to Skopje May 6 – May 10, 2002 to meet on Task 3.2.3 and regulatory assistance issues.

During this trip, the NERA consultants presented the draft market study report and an outline of general tariff methodology to ESM, Ministry and Meisl Bank Consortium representatives. In addition, Ms. Traugott gave a presentation to ESM,

Ministry and Task Force representatives on license issues critical to regulatory development.

Ms. Traugott worked closely with the Ministry and ESM to develop a confidentiality agreement, in order to accommodate the desire of the Government of Macedonia and ESM to protect confidential information. A direct agreement with the Government of Macedonia was decided upon, after negotiations with Meintl Bank failed to arrive at an agreement that best served the interest of the Government of Macedonia. By the end of the week, a draft Memorandum of Understanding Regarding Confidentiality was submitted to the Ministry, for final review, with the expectation that signature could be expected shortly.

Completion of Task 3.2.3 was stalled because data necessary for the market study report and tariff design (as well as the regulatory license work because license terms and conditions are dependent upon market structure) was not provided, despite numerous requests. The Meintl Bank Consortium refused to release such information unless Pierce Atwood signed a comprehensive and limiting confidentiality agreement that created duties to Meintl Bank, covering all forms of information (written, oral communications, emails and verbal and written comments to reports); not only was the scope far beyond that requested or desired by Pierce Atwood, but the structure of the agreement – i.e., creating obligations to Meintl Bank rather than the Government of Macedonia – compromised Pierce Atwood's objectivity and the transparency of the assistance process.

After extensive discussions and concerted effort by Ms. Traugott and Mr. Heidarian to reach an agreement that would move the process forward, Meintl Bank agreed to create an Annex that would add on to its existing agreement with the Government of Macedonia. Meintl Bank seeks this Annex to provide information to Pierce Atwood. This Annex is intended to release the Meintl Bank Consortium from liability and its obligations of confidentiality with respect to data, comments, and other information provided to Pierce Atwood and its subcontractors. The Meintl Bank Consortium agreed that it will provide us with the requested data after signature of these two separate agreements.

Ms. Traugott provided USAID an update on how things are proceeding in Macedonia. As per her conversations with Simon Uzunov of the Ministry: (1) the amendments to the law are still delayed in Parliament; the objection is to the privatization components of the law, not the regulatory components; (2) the confidentiality agreement process was moving slowly in large part because the Ministry's legal department had been working with Meintl Bank on the release of liability and because the EBRD is now involved as well and also requires a confidentiality agreement; (3) the Annex releasing the Meintl Bank is complete and has been signed by all parties which is a positive sign as the Annex was the primary reason that the confidentiality agreement for us was delayed; and, (4) Ms. Traugott sent to Meintl Bank an updated data inventory and request the week of June 24, 2002. Meintl Bank has indicated to the Ministry that they are preparing the data and would be able to distribute it upon signature of the agreement.

Throughout June, July, and August, Ms. Traugott and Mr. Uzunov continued to correspond regularly regarding the status of the law, the confidentiality agreement, the Meinl Bank privatization, involvement of the European Bank for Reconstruction and Development (EBRD), and data requests from the Meinl Consortium.

Mr. Uzunov informed Ms. Traugott that the provision of data is problematic for the Government because Meinl Bank has the data compiled, but will not release it until the Government pays Meinl Bank. The Government was late in paying Meinl Bank, and informed Meinl Bank that, at this time, it will not be able to move forward on the Meinl Bank contract, in part for financial reasons and in part because the amendments to the law did not pass Parliament, as hoped. As a result, Meinl Bank ceased operations in July, and did not come to an agreement with the Government on the status of the work until mid August. At that time, it was agreed that Meinl Bank would complete the due diligence, and would be paid for this product by the Government; all further Meinl Bank operations on the Macedonian contract would be frozen for an undefined period to last, at minimum, until the amendments were passed. After this agreement was reached and signed by Meinl Bank and the Government of Macedonia, Meinl Bank agreed to respond to Pierce Atwood's request for data, but indicated to Mr. Uzunov that it would not provide explanation or correspond with Pierce Atwood regarding the data provided. Mr. Uzunov has indicated that he will coordinate receipt of this data on behalf of the Ministry, and is in touch with Meinl Bank.

Pierce Atwood worked with the Ministry to develop a Confidentiality Agreement to cover the disclosure of certain sensitive information by the Government of Macedonia. Confidentiality issues were resolved, allowing substantive work to go forward on market design and tariffs. The Memorandum of Understanding Regarding Confidentiality was executed by Pierce Atwood and the Government of Macedonia and submitted to USAID on August 16, 2002. Separate Indemnification Agreements were also developed.

### **3.5 ROMANIA**

Ms. Traugott delivered to USAID on July 17, 2002 a preliminary Work Plan and budget to revise the existing commercial code for work to be completed between September and November 2002.

During this period, Ms. Traugott went to Bucharest, Romania on August 12 – 15, 2002 for an assessment trip, to provide technical assistance to ANRE on the Commercial Code and work with the Ministry on the draft Electricity Law.

In August, Ms. Traugott traveled to Romania to discuss technical assistance needs with the USAID Mission in Bucharest, ANRE, the Ministry of Industry and Resources, and Transelectrica. The purpose of the trip was to determine and design a final Work Plan detailing the nature and scope of Pierce Atwood work in Romania, in accordance with the Scope of Work covering Commercial Code and legislative review activities. The Work Plan covers assistance from September to December 2002, and concentrates on Commercial Code reform, with technical assistance focused on ANRE, with

secondary assistance on the new draft Electricity Law for the Ministry of Industry and Resources.

Implementation of the Work Plan is delayed per the request of USAID, pending decision by the Government of Romania on certain key restructuring and privatization decisions.

### **3.6 SERBIA**

In July, Rade Simovic reviewed comments on the Energy law from the consultant developing the Energy Regulatory Agency as well as all the submissions/comments on the Energy Law received during the public debate of the Law which took place during the months of May and June. Mr. Simovic also reviewed the comments and suggestions forwarded by KPMG (the Ministry's consultant), who is working on the development of Energy Regulatory Agency. He studied all the comments/suggestions provided to the Ministry during the public debate of the energy law in May and June.

Mr. Simovic prepared a document for the restructuring of the electricity sector. The document contains Phase 1 and Phase 2 of the restructuring program, which defines basic principles of restructuring, describing sequence of activities and giving the organizational structure for new business units.

Phase 2, which is to start in October, will terminate the existence of all EPS companies (23) which will be set up as one company EPS (Elektroprivreda Srbije – EPS-Serbian Power Company). There will be unbundling of functions of production, transmission and distribution into three business units as cost centers. These cost centers will become financially independent business units by middle of 2003.

Finally, Mr. Simovic consulted frequently with the Minister of Energy and Mines on the following issues:

- Staffing of the Ministry top positions; Deputy Minister, Assistants to the Minister for Electricity sector, Oil and Gas sector and Mining and Exploration sector
- Issues related to the restructuring of the electricity sector
- Issues related to the restructuring of the Oil and Gas sector
- Organization and information flow within the Ministry
- Provided comments on the Economic Regulation Policy issues report and the Energy Regulatory Agency Inception, prepared by KPMG for the Ministry

### **3.7 REGIONAL**

During April, Ms. Connors traveled to Hungary to attend the ERRA and NARUC conferences. Ms. Traugott also attended the conferences. Ms. Connors presented on regional development, moderating a session for the NARUC conference on

harmonization of key legal, regulatory and privatization issues. During these conferences, Ms. Connors and Ms. Traugott coordinated assistance plans with USAID, the World Bank, the European Union and SEETEC, and met with local partners to plan and move forward assistance projects.

Following the ERRA and NARUC meetings, Ms. Connors and Ms. Traugott met with various people, including: Ms. Argyriou to follow up on coordination with the EU on assisting it in its benchmarking exercise for the region, Messrs. Archer and LeFarge to discuss Bulgarian legal assistance; CERC Commissioners (Messrs. Klepo and Pavlovic, and Ms. Stritof) to discuss the next trip to Croatia on organizational issues, databases and licenses; Messrs. Uzunov and Cvetkoviv to discuss ongoing work in Macedonia and scheduling for next trip; Mr. Caubet to discuss the Croatian grid code (Mr. Caubet offered to review the HEP draft; we have communicated that offer to Mr. Tonkovic); and Ms. Manicuta to discuss the draft Romanian law and possible commercial code assistance.

Based on a request from the EU, Pierce Atwood followed up throughout the region to ensure that appropriate representatives in each country responded to an EU benchmarking survey on the status of sector development. Following up on the success of the benchmarking exercise, the EU has requested additional assistance on investment surveying.

#### **4. DELIVERABLES**

Below is the list of all written documentation produced by Pierce Atwood since March 6, 2002, within the reporting period:

- *Draft Energy Policy Statement of Government of Albania, March 2002 – clean and red-lined (Delivered to USAID on April 1, 2002)*
- SEETEC – Albania Detailed Work Plan, Activity ALB-3105, Strengthening of the Electricity Regulatory Authority – March 2002 (Delivered to USAID on April 1, 2002)
- KESH Co-Management Team Monthly Report for January 2002, dated February . 26, 2002 (Delivered to USAID on April 1, 2002)
- ENEL Consultancy Contract Assistance to KESH Management Yearly Report 2001 (Delivered to USAID on April 1, 2002)
- ENEL Second Power Sector Action Plan 2002 – 2003 (Delivered to USAID on April 1, 2002)
- April 5, 2002 redline of Power Sector Policy Statement showing changes to Power Sector Policy Statement to reflect comments of the GoA and International Donors. (Delivered to USAID on April 10, 2002)
- April 5, 2002 clean copy of Policy Statement integrating comments from Albanians and International Donors. (Delivered to USAID on April 10, 2002)
- Power Sector Policy Statement (English) (Delivered to USAID on April 24, 2002)

- Power Sector Policy Statement (Albanian) (Delivered to USAID on April 24, 2002)
- Draft Electricity Reform Law, dated April 17, 2002 (Delivered to USAID on April 24, 2002)
- List of Successful Applicants – Executive Training Course (Delivered to USAID on April 24, 2002)
- List of Unsuccessful Applicants – Executive Training Course (Delivered to USAID on April 24, 2002)
- ERC Rules of Practice and Procedure dated April 18, 2002 (Albanian version) (Delivered to USAID on April 24, 2002)
- Newspaper article “Islami and Poortman – 100 million USD for the transport and energetic” (Delivered to USAID on April 24, 2002)
- Newspaper Article “More electricity for the capital city - KESH: On Monday starts the new strategy” (Delivered to USAID on April 24, 2002)
- Newspaper Article “Germany: Our plan for Albania - A delegation from Bavaria Land will land today in Tirana with a package of proposals for the Prime Minister Majko. (Delivered to USAID on April 24, 2002)
- Power, air transport and agriculture, are the main fields where the German investments are expected to be focused – Korrieri, April 14, 2002” (Delivered to USAID on April 24, 2002)
- ERC Rules of Practice and Procedure English version (Delivered to USAID on April 24, 2002)
- May 1, 2002 copy of USAID Power Sector Reform Implementation outline (Delivered to USAID on May 10, 2002)
- May 6, 2002 copy of Electricity Reform Law (Delivered to USAID on May 10, 2002)
- April 30, 2002 copy of Upcoming Tasks for Albanian Energy Sector Reform Project - Discussion Points: Current Objectives of the Albanian Energy Sector Reform Project (Delivered to USAID on May 10, 2002)
- Revised Work Plan for Albania assuming a no-increase in cost extension through December 31, 2002 (Delivered to USAID on May 10, 2002)
- Supporting budget for the revised Work Plan. The budget reflects labor rate increase effective October 1, 2002 (Delivered to USAID on May 10, 2002)
- An Memorandum outlining further work anticipated in Albania during the period January 1, 2003 to December 31, 2004 (Delivered to USAID on May 10, 2002)
- Memorandum on outline of the replacement law, submitted to S (first name? Neykov on May 13, 2002.
- Memorandum to working group in preparation for Concept Paper and setting the stage for the drafting process, submitted to USAID on June 4, 2002.
- Draft Bulgarian outline re replacement law, with appendix of definitions (Delivered to USAID on May 8, 2002).
- Draft SOW memorandum (previously given to J. Heidarian)

- A presentation on *Transmission Tariffs for a Liberalized Electricity Market in Croatia* (PowerPoint, 60 slides). The electronic version was given to one of the four Commissioners on May 13, 2002 and to EIHP on May 14, 2002. Hard copies were distributed to the participants in the May 14 - May 15, 2002 workshop. (Delivered to USAID on May 30, 2002)
- An outline entitled *Transmission Tariffs for a Liberalized Electricity Market in Croatia* (3 pages). The electronic version was given to EIHP on May 14, 2002. Hard copies were distributed to the participants of the May 14<sup>th</sup> and –15<sup>th</sup> workshop. (Delivered to USAID on May 30, 2002)
- A document entitled *Transmission Network Fees for Croatia* (4 pages). This was sent to Ms. Connors in electronic form only, on May 16, 2002. It is a proposed Work Plan for the preparation of a report on transmission network fees. (Delivered to USAID on May 30, 2002)
- Three additional documents were distributed to the participants in the May 14<sup>th</sup> and May 15<sup>th</sup> workshop:
  - A presentation by Peep Soone, CFO of Eesti Energia National Grid, on *Transmission Tariffs* (9 slides). This was presented to the Forum of Baltic Regulators and TSOs on March 27, 2002. The electronic version was given to EIHP on May 14, 2002.
  - The title page plus Appendix 2 (together, 4 pages) of the report to the European Commission on *Benchmarking of Electricity Transmission Tariffs*.
  - Chapter 5, "Transmission Tariffs" (25 pages) of the report entitled *Electricity Pricing in Georgia* prepared for USAID by Hagler Bailly Services, Inc. and dated August 1998.
- Articles of Association of the Croatian Energy Regulatory Council (the Charter) dated March 14, 2002 (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Bylaws of the council for the Regulation of the Energy Activities prepared by Mr. Matic (Bylaws which should be passed by the Council are defined in Art. 25 of the Charter of the Council) dated May 12, 2002 (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Proposed Content of the Contract to be concluded between the Council for the Regulation of Energy Activities (principal) and "non profit legal entity (provider) prepared by Mr. Matic dated May 10, 2002 (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Draft secondary legislation prepared by the Energy Institute incorporating recommendations from Dr. Szorenyi entitled Statute on Requirements for Performing Energy Activities and on the Register of Energy Licenses (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Annex to the draft secondary legislation including financial resource requirements for licenses (only in hard copy – sent to Robert Ichord) (Delivered to USAID on May 23, 2002)
- Powerpoint presentation prepared by Dr. Zimmermann, Nexant Inc., presented to CERC and HEP entitled "Transmission Tariffs for a Liberalized Electricity Market in

Croatia" dated May 14, 2002 (electronic and hard copy) (Delivered to USAID on May 23, 2002)

- Outline of Tariff Presentation by Dr. Zimmermann dated May 14, 2002 (Delivered to USAID on May 23, 2002)
- Table of Contents for Draft Grid Code of the Croatian Transmission Network (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Email between Ms. Connors and Michel Caubet re Caubet's remarks on the Croatian Grid Code dated May 11, 2002 (only in hard copy – sent to Robert Ichord) (Delivered to USAID on May 23, 2002)
- Mr. Ozolin's comments on the Croatian Grid Code (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Proposed IT for the Croatian Minister (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Proposed Local Area Network Scheme for the Commission with 5 proposed servers (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Proposed Local Area Network Scheme for the Commission with 2 proposed servers (electronic and hard copy) (Delivered to USAID on May 23, 2002)
- Memorandum from Arpad Vajdovich of the HEO on database issues (Delivered to USAID on May 29, 2002) (Delivered to USAID on May 23, 2002)
- Draft Market Study Report by NERA (Delivered to USAID on April 30, 2002)
- Powerpoint presentation outline by NERA on market structure for ESM, the Ministry and the Meintl Bank Consortium (May 7, 2002)
- Four draft licenses for the Task Force, ESM and the Ministry.
- Powerpoint presentation outline by I. Traugott on licenses for ESM, the Ministry and the Meintl Bank Consortium (May 10, 2002)
- Draft confidentiality agreements for the Ministry, ESM and the Meintl Bank Consortium, copy provided to USAID (May13)
- See Mr. Amero's Trip Report previously submitted June 19, 2002. Attached to Mr. Amero's Trip Report were the following:
  - Draft Power Sector Reform Law dated 5/28/02 (English version)
  - Draft Power Sector Reform Law dated 5/28/02 (Albanian Version)
  - Draft Energy Policy Law dated 5/28/02 (English version)
  - Draft Energy Policy Law dated 5/28/02 (Albanian version)
  - Cover Letter to Minister Doda dated 5/29/02 (English version)
  - ERC Rules of Practice and Procedure dated 5/23/02 (English version)
  - ERC Rules of Practice and Procedure dated 5/23/02 (Albanian version)
  - Memorandum re Pierce Atwood Assistance to the ERE through December 31, 2002 (Delivered to SEETEC and USAID on June 21, 2002)
- See Mr. Amero's Trip Report previously submitted June 28, 2002. Attached to Mr. Amero's Trip Report were the following:
  - Draft ERC's Rules of Practice and Procedure dated June 18, 2002 (English version)

- Draft ERC's Rules of Practice and Procedure dated June 18, 2002 (Albanian version)
- Electric Regulatory Commission (ERC) Organization and Duties – Draft, June 20, 2002
- Policy Statement Milestone Schedule
- Email from Zija Kamberi to Gerald Amero re New President elected in Albania dated June 28, 2002
- See Mr. Masud's Trip Report previously submitted July 30, 2002. Attached to Mr. Masud's Trip Report were the following:
  - Organization of the Electric Regulatory Commission
  - Job Descriptions for Commission Staff
  - "Least Cost Planning" Presentation (plus attachments)
  - Electricity Supply Contracts/Hearing Procedure
  - Cost-of-Service Tariff Calculation Example
- See Draft 2003 and 2004 Work Plan previously submitted July 31, 2002. Attached to the Draft 2003 and 2004 Work Plan were the following:
  - 2003 Cost Proposal
  - 2004 Cost Proposal
  - Memorandum addressing completion of Pierce Atwood tasks prior to December 31, 2002
  - Memorandum detailing 2003 and 2004 Cost Proposal budget allocations
  - Revised Work Plan (Delivered to USAID on August 22, 2002)
  - Appendix A to Work Plan – Statement of status of Pierce Atwood tasks through Dec. 31, 2002 (Delivered to USAID on August 22, 2002)
  - Appendix B to Work Plan – Detailed description of 2003 and 2004 budgets (Delivered to USAID on August 22, 2002)
  - Appendix C to Work Plan – 2003 Cost Proposal (Delivered to USAID on August 22, 2002)
  - Appendix D to Work Plan – 2004 Cost Proposal (Delivered to USAID on August 22, 2002)
- Second draft of the Energy and Energy Efficiency Act ("EEEE") replacement law (Delivered to USAID on August 27, 2002)
- Draft Energy Efficiency Law produced by the Agency submitted to USAID July 19, 2002.
- Memorandum in preparation for Concept Paper and setting the stage for the drafting process (Delivered to Legislative Working Group Members and USAID on June 10, 2002)
- Memorandum from Dr. Zimmermann re Identification and Valuation of Transmission Assets, dated August 1, 2002
- Memorandum from Dr. Zimmermann re Long Run Marginal Cost of Transmission Service, dated August 27, 2002
- Memorandum from Dr. Zimmermann re Definition of Customer Classes, dated August /2, 2002
- Memorandum from Dr. Zimmermann re Market Model, dated August 28, 2002

- See Trip Report for Ms. Traugott and Mr. Ozolins submitted to USAID July 23, 2002.
- Grid Code Presentation by Juris Ozolins in Zagreb, July 16, 2002(Delivered to USAID July 19, 2002)
- Grid Code Presentation by Juris Ozolins in Zagreb, July 15, 2002(Delivered to USAID July 19, 2002)
- Rules of Procedure of the Council for Power Industry Management marked in red (Delivered to USAID July 17, 2002)
- Rules of Procedure of the Council for Power Industry Management version 3 (Delivered to USAID July 17, 2002)
- Service Agreement for Energy Institute (Delivered to USAID July 17, 2002)
- Rules of Procedure of the Council for Power Industry Management Croatian Version (Delivered to USAID July 17, 2002)
- Work Plan: Transmission Network Fees for Croatia (Delivered to USAID July 12, 2002)
- Suggestion for Organizational Structure and Management Plan for the Energy Regulatory Staff assisting, supporting the Energy Regulatory Council of Croatia. Finalized version based on the Discussion with the Council on June 27 and June 28, 2002 (Delivered to USAID July 8, 2002)
- See Trip Report for Ms. Connors and Dr. Szorenyi and Trip Report for Dr. Zimmermann, both submitted July 5, 2002. Attached to the Connors/Szorenyi Trip Report were the following:
  - Draft organizational structure presented by CERC to USAID
  - Proposed interim transmission fee presented by HEP to USAID
- Draft Work Plan: Transmission Network Fees for Croatia (Delivered to USAID on June 10, 2002)
- Memorandum to CERC from Ms. Connors re Conflict of Interest Agreements for CERC staff (Delivered to USAID on June 10, 2002)
- Data list to be collected May 27, 2002 (Delivered to USAID on June 10, 2002)
- Dr. Szorenyi's proposed organizational structure recommendations (Delivered to USAID on June 17, 2002)
- Draft CERC-Energy Institute Contract (Delivered to USAID on June 17, 2002)
- Draft Rulebook on Procedure (Delivered to USAID on June 27, 2002)
- Memorandum of Understanding Regarding Confidentiality (Delivered to USAID August 16, 2002)
- Indemnification Agreements – July 31<sup>st</sup>, 2002
- Memorandum re Summary of Macedonia Work (Delivered to USAID July 19, 2002)
- Memorandum from Mr. McDermott, Mr. Zarumba and Mr. Peterson to Ms. Connors re Additional Scope for Macedonia Project dated June 3, 2002. (Delivered to USAID on July 2, 2002)
- Expanded Scope of Budget (Delivered to USAID on July 2, 2002)

- Summary of Cost Proposal January 1, 2002 – March 31, 2002 (Delivered to USAID on July 2, 2002)
- See Trip Report for Ms. Traugott submitted to USAID August 30, 2002
- Work Plan (Delivered to USAID on August 23, 2002)
- Budget (Delivered to USAID on August 23, 2002)
- CV of Recommended Commercial Code Advisor Steve Auradou (Delivered to USAID on August 30, 2002)
- Draft Work Plan (Delivered to USAID July 17, 2002)
- Statement of Work ANRE Bridge Program (Delivered to USAID July 17, 2002)
- Summary of Cost Proposal (Delivered to USAID July 17, 2002)

## **5. TASKS AND PLANS FOR THE REMAINDER OF THE PROJECT**

Tasks will continue as identified in the Task Order amendment, noted above. Notably:

### **Albania**

- Submitted a detailed outline to USAID describing tasks that we will complete through December 31, 2002. Tasks include:
  - defining revenue requirements for KESH;
  - assist in defining standards for ratemaking proceedings;
  - reviewing system of accounts and financial accounting relevant to ratemaking;
  - assessing the current level of information available from KESH and detailing information needed by the regulator;
  - begin drafting regulations for financial unbundling;
  - begin establishing a uniform system of accounts and assisting in the public hearing process;
  - conducting classes on the conditions and standards of service and customer complaint procedures;
  - begin outlining distribution operation code, grid operation code, market rules and metering code; and
  - assist in preparing fast track procedures for small hydro and small cogeneration.
- TDYs are scheduled for November and December.
- Submitted a detailed Workplan for 2003 and 2004. The regulator has also requested, and USAID Albania has approved, that in January 2003 we will provide assistance to the regulator in adopting standard terms and conditions to be used for power purchases by KESH.

### **Bulgaria**

- Follow up drafts and technical assistance with the Working Group, including
  - legal analysis on SERC authorities, incorporating regional agreements and goals, EU Directives, and Bulgarian legal requirements;

- revising the legal framework on market restructuring and market opening, to conform to EU Directives, Energy Strategy goals and regional electricity market plans;
- harmonizing reform to produce a streamlined legal framework;
- assist the Ministry in soliciting public comment on the redraft law, and providing technical review of the law to the Ministry.
- Assistance timeframe is dependent on our involvement with Draft IV, and the latest budget anticipates one TDY, estimated to occur in November.

### **Croatia**

- Members of CERC and its IT staff member are scheduled to visit the Portuguese regulator in late October, focusing on data processing issues.
- The transmission network fee work, consisting of the calculation, a report and presentation, is scheduled for completion by mid-November.
- The grid code work, consisting of final comments and presentation, is following approximately the same schedule.
- CERC has asked us to participate in the Government of Croatia's annual energy conference, scheduled in late November-early December.
- TDY is scheduled for the week of November 18<sup>th</sup>. Dr. Zimmerman on grid codes, potentially Mr. Ozolins on grid codes, and Ms. Connors. There may also be a TDY for Ms. Connors for the Croatia Energy Conference.

### **Macedonia**

- First, ongoing work delayed because of the elections in Macedonia and cessation of the Meint Bank privatization contract, resulting in delayed provision of data for market and tariff reform assistance. In this category, ongoing additional tasks are:
  - final market report;
  - final tariff design;
  - final draft licenses; and,
  - possible additional assistance to the Task Force, in preparation for creation of the new regulatory body, including organizational development and draft rules of practice and procedure.
- Second, additional proposed work requested by the Ministry is:
  - tariff calculation
- TDYs are anticipated and the timeline for assistance is approximately 3-4 months; however, more time could be required if additional regulatory assistance is requested.

### **Romania**

- Review existing Commercial Code and ANRE decisions on market rules, along with other secondary legislation critical to revisions of the Commercial Code.
- Provide guidelines for redraft of the Commercial Code.
- Propose certain key revisions.
- Conduct a workshop on Commercial Code issues.

- Review the draft electricity ordinance and provide technical assistance to the Ministry on comments received from other Ministries on the draft law.
- We are prepared to commence activity when authorized by USAID and scope of assistance is clarified, per AID request to understand restructuring decision of Government before work begins.

### **Serbia**

- Delivery of final draft Energy law to Minister and Cabinet (scheduled for early October).
- Additional assessment of issues related to Phase 1 of restructuring, including ability of non-core companies to survive independently and support needed for their internal organization.

### **Regional**

- Focused projects coordinated with the CTO, in turn coordinated with other donors, to advance the REM.

## **6. BUDGET**

An administrative report covering budget and personnel expenditures will be forwarded to USAID at the end of October.