• In March 2017, NARUC completed its first draft of *The Black Sea Cybersecurity Strategy Development Guide*, a document that provides information and lessons learned that will support Black Sea regulators in developing their own commissions’ cybersecurity strategies. Drawing from experiences and best practices from U.S. state-level regulatory commissions and elsewhere, the document was designed to cover the important issues and questions regulators should address as they begin the process of developing their unique cybersecurity strategies. Cybersecurity presents a critical challenge for the region, and addressing the issue helps to promote greater energy security and opportunities for regional integration.

• NARUC and the United States Energy Association (USEA) launched the **Black Sea Regional Balancing Integration Project** to further the prospect of regional integration of balancing and ancillary services in the Black Sea Region. Bringing together regulators and transmission system operators (TSOs) from Armenia, Georgia, Moldova, and Ukraine, the project aims to describe possible options, constraints, and risks to integrating balancing market. NARUC has developed an RFP for a project advisor to offer provide technical assistance to support Black Sea regulators through the review of an impact assessment of balancing integration in the Black Sea Region.

• NARUC and the Energy Regional Regulators Association (ERRA) are preparing to launch a **Natural Gas Grid Code project** designed around two of the most instrumental features of any country’s gas sector – the Transmission and Distribution Grid Codes. The project will consist of two interactive workshops in 2017 focusing on gas market design and models, the evolution of gas markets, and other issues. The first workshop is planned for June 19-21, 2017 in Budapest, Hungary.
Quarterly Report

Enhancing Stability and Technical Expertise in European and Eurasian Energy Markets (ESTEEM)

Coop. Agreement #: AID-OAA-A-16-00049

Program: Enhancing Stability and Technical Expertise in European and Eurasian Energy Markets (ESTEEM)

Website: https://www.naruc.org/international/

Countries: Europe & Eurasia Region

Period: January 2017 – March 2017

Implementer: National Association of Regulatory Utility Commissioners (NARUC)

Contact: Erin Hammel (ehammel@naruc.org; (202) 898-2210)

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Cover Photo: Black Sea regulators gather with representatives from the US, EU and Estonia as part of USAID and NARUC’s workshop on cybersecurity in March 2017 in Tallinn, Estonia. The workshop was part of a broader effort to help Black Sea regulators to develop effective cybersecurity strategies (NARUC)
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In March 2017, NARUC completed its first draft of *The Black Sea Cybersecurity Strategy Development Guide*, a document that provides information and lessons learned that will support Black Sea regulators in developing their own commissions’ cybersecurity strategies.

Drawing from experiences and best practices from U.S. state-level regulatory commissions and elsewhere, the document was designed to cover the important issues and questions regulators should address as they begin the process of developing their unique cybersecurity strategies.

Cybersecurity presents a critical challenge for the region, and addressing the issue helps to promote greater energy security and opportunities for regional integration.

During the quarter, NARUC also conducted its second cybersecurity workshop with Black Sea regulators. The activity focused on NARUC’s cybersecurity recommendations for regulators, with particular attention paid to how regulators can go about developing a regulatory cybersecurity strategy and how to effectively engage with utilities to evaluate their cyber-preparedness.

NARUC and the Energy Regional Regulators Association (ERRA) are launching a Natural Gas Grid Code project designed around two of the most instrumental features of any country’s gas sector – the Transmission and Distribution Grid Codes.

The project will consist of two interactive workshops in 2017 focusing on gas market design and models, the evolution of gas markets, and other issues. The first workshop is planned for June 19-21, 2017 in Budapest, Hungary.

NARUC and the United States Energy Association (USEA) have launched the Black Sea Regional Balancing Integration Project to further the prospect of regional integration of balancing and ancillary services in the region.

Bringing together regulators and transmission system operators (TSOs) from Armenia, Georgia, Moldova, and Ukraine, the project aims to describe possible options, constraints, and risks to integrating balancing market.

NARUC has developed an RFP for a project advisor to offer technical assistance to support Black Sea regulators through the review of an impact assessment of balancing integration in the region.
Annex I: Country and Project Updates

BLACK SEA REGIONAL BALANCING INTEGRATION PROJECT

NARUC and the United States Energy Association (USEA) launched the Black Sea Regional Balancing Integration Project to further the prospect of regional integration of balancing and ancillary services in the Black Sea Region. Bringing together regulators and transmission system operators (TSOs) from Armenia, Georgia, Moldova, and Ukraine, the project aims to describe possible options, constraints, and risks to integrating balancing market. The project also seeks to estimate potential benefits from common use of balancing capacities and energy.

- In March 2017, NARUC developed an RFP for a project advisor to offer technical assistance to support Black Sea regulators through the review of an impact assessment of balancing integration in the Black Sea Region. All proposals for the RFP are due in April 2017 and NARUC plans to have a project advisor selected in May 2017.

CYBERSECURITY

NARUC launched the Black Sea Cybersecurity Initiative in December 2016 to provide the regulators of Armenia, Georgia, Moldova, and Ukraine with the necessary tools and understanding to work with utilities and governmental agencies to effectively strengthen the cybersecurity and resilience of their respective energy sectors. The Cybersecurity Initiative aims to leverage US and EU regulatory experience on cybersecurity to assist Black Sea regulators in strengthening their understanding of the role of the regulator in the cybersecurity space, developing country-specific cybersecurity strategies, and engaging with utilities to improve cybersecurity performance.

- In March 2017, NARUC completed its first draft of The Black Sea Cybersecurity Strategy Development Guide, a document that provides information and lessons learned that will support Black Sea regulators in developing their own commissions’ cybersecurity strategies.
- NARUC conducted its second cybersecurity workshop with Black Sea regulators in Tallinn, Estonia from March 30-31, 2017. The activity focused on NARUC’s five cybersecurity recommendations for regulators, with particular attention paid to how regulators can go about developing a regulatory cybersecurity strategy and how to effectively engage with utilities to evaluate their cyber-preparedness. The recommendations are:
  1. Convene an internal team of staff to set aside time in addition to normal duties to work on cybersecurity to develop essential expertise.
  2. Develop a strategy that outlines the commission’s desired approach, goal, and timeframe for proceeding, and sets expectations for utility performance.
  3. Ask questions – especially to utilities – and handle answers carefully.
  4. Engage with companies and stakeholders in a context that is geared toward dealing with cybersecurity as a discrete issue.
  5. Take action and revisit the strategy and ensuing steps in a cycle of continuous improvement.
- At the workshop, NARUC presented an outline of its draft Black Sea Cybersecurity Strategy Development Guide to Black Sea regulators for comment.

- **Upcoming Work:** Following the Tallinn workshop, NARUC will incorporate feedback received from Black Sea regulators into The Black Sea Cybersecurity Strategy Development Guide.

- **Upcoming Work:** From May to July 2017, NARUC plans to assist Black Sea regulators in the development of their cybersecurity strategies. NARUC expects regulators to develop cybersecurity strategies using NARUC’s guide, which will be finalized and sent to regulators in April 2017. NARUC will concomitantly plan a cybersecurity study tour for Black Sea regulators, which will take place in September 2017 in Ames, Iowa, and Washington, DC.

### NATURAL GAS GRID CODE

NARUC and the Energy Regional Regulators Association (ERRA) are launching a project designed around two of the most instrumental features of any country’s gas sector – the Transmission and Distribution Grid Codes. The project will consist of two interactive workshops in 2017 focusing on gas market design and models, the evolution of gas markets, Transmission and Distribution Grid Codes, and the necessary steps to harmonize grid codes to support regional trade and greater security of supply.

The project will also support the development of detailed Transmission and Distribution Grid Code frameworks to help regulators develop codes that are:

1. Tailored to their own country-specific features and context
2. Designed to remove market-related obstacles to trade and energy security
3. Structured to support regional integration.

- **Upcoming Work:** NARUC is in the process of planning its inaugural workshop, which is expected to take place from June 19-21, 2017 in Budapest, Hungary.

### SOUTHEAST EUROPE – TARGETED ASSISTANCE

**Serbia**

NARUC is providing Technical Assistance to the Energy Agency of the Republic of Serbia (AERS) to assist in the development of its methodology to assess the need for continued price regulation for balancing and ancillary services and the retail electricity market in Serbia. By Law, AERS must submit its first annual reports on the need for price regulation for balancing and ancillary services and the retail electricity market by May 1, 2017.

- In March 2017, NARUC initiated its work with project advisor to perform the Technical Assistance.

- **Upcoming Work:** As part of the consultancy, the project advisor will travel to Serbia for in-country assistance in early April 2017.
Annex 2: Monitoring and Evaluation

Overview

NARUC International takes a comprehensive approach to monitoring and evaluation (M&E) in its efforts to help partners establish and improve regulatory fundamentals. NARUC’s M&E Strategy builds from its Results Framework, which describes how NARUC International supports the emergence of economically viable and environmentally sustainable energy sectors while supporting gender integration in the countries in which NARUC works.

The Results Framework represents NARUC philosophy of change and provides the foundation for the more detailed cause-and-effect relationship found in the partnership-specific Logical Framework. In turn, Project Workplans are operational, partnership-specific documents that describe the context and vision of the partnership and lists specific work streams as well as anticipated milestones, deliverables, and results for the upcoming fiscal year. The graphic below describes how the philosophy of NARUC’s Results Framework flows through individual projects, workstreams, and activities/engagements to produce results.

Results Monitoring

Tracking performance against qualitative and quantitative targets at all levels of a Logical Framework holds NARUC and partners accountable for resources used. NARUC staff play a lead role in the design, reporting of indicators, and progress measurement. NARUC tracks 15 performance indicators for USAID projects, drawn from U.S. State Department and USAID’s Standard Foreign Assistance Master Indicator List (MIL) (current and previous editions), based on their relevance to NARUC’s projects.
Quantitative figures and qualitative stories are used to explain how important regulatory results emerge from exchanges. This quantitative and qualitative data clearly shows not only how assistance resulted in the adoption of new policies and practices but also demonstrates the value and efficacy of NARUC’s approach. NARUC works with partners to identify challenges along the way. If the management of identified challenges is within NARUC’s manageable interest line, NARUC re-evaluates strategy and updates workplans as needed to maximize effectiveness.

Under ESTEEM, NARUC will use a range of indicators consistent with this approach. NARUC tracked the following indicators for the March 2017 activity under its Cybersecurity Initiative for Black Sea Utility Regulators.

<table>
<thead>
<tr>
<th><strong>Cybersecurity Initiative for Black Sea Utility Regulators</strong></th>
<th>Tallinn, Estonia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 5 - Number of institutions with improved capacity</strong></td>
<td>March 30-31, 2017</td>
</tr>
<tr>
<td>to address climate change issues as a result of USG assistance (e.g., DSO’s and TSO’s, ministries and statistical agencies [including those participating in inter-ministerial LEDS groups], regulators, homeowners’ associations, etc.)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Indicator 6 - Number of energy agencies, regulatory bodies,</strong></td>
<td></td>
</tr>
<tr>
<td><strong>utilities and civil society organizations undertaking capacity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>strengthening as a result of USG assistance</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>Indicator 9 - Number of people receiving USG supported training in energy related policy and regulatory practices</strong></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
<tr>
<td><strong>Indicator 10 - Person hours of training completed in USG supported training in energy related policy and regulatory practices</strong></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
<tr>
<td><strong>Indicator 11 - Number of people receiving training in technical energy fields supported by USG assistance</strong></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
<tr>
<td><strong>Indicator 12 - Person hours of training completed in technical energy fields supported by USG assistance</strong></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
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</tbody>
</table>