MONTHLY REPORT
January 2021

Developing Regional Energy Markets in Europe and Eurasia (DREM)
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### II. FINANCIAL MANAGEMENT

#### II. JANUARY LEVEL OF EFFORT
I. SUMMARY OF TASK PROGRESS
The Minister of Economy (MoEcon) signed the Rulebook on storage capacities for oil and oil derivatives, which was drafted by DREM. The Rulebook was published in the Gazette on January 20 and entered into force on January 21.

DREM sent the final draft Energy Law amendments to the MoEcon to publish in the Electronic Register of Regulations (ENER) and initiate the public consultation process. Amendments are intended to ensure the law is compliant with new European Union (EU) regulations and Energy Community (EnC) requirements.

DREM developed a draft Memorandum of Understanding (MoU) to define its cooperation with National Energy Resources (NER) and support to the NER/Gasification-Macedonia (GA-MA) merger/acquisition process. A single gas transmission operator is needed for licensing and certification, as well as for compliance with EU gas sector unbundling requirements.

The Legislative Secretariat (LS) provided an official opinion on sections of the energy sub-legislation developed by DREM and submitted by the MoEcon. DREM is currently integrating the comments.
Task A1. North Macedonia Legal Reform

NEXT STEPS

- Finalize the amendments to the Energy Law
- Finalize the amendments to the Rulebook on RES, including amendments related to prosumers
- Finalize amendments to the Decree on RE Support Measures
- Finalize the Draft Rulebook on eco labeling
- Work on the Decree on eco design
- Work with NER to explore alternatives and procedures for potential GAMA-NER acquisition/merger
Task A2. Albania/Kosovo Market Coupling

- DREM worked on finalizing the Framework Agreement for Market Coupling that will be signed by Albania and Kosovo’s transmission system operators. Through DREM coordination, the Legal Working Group also included its feedback.

- DREM continued its support to operationalize the Albania Power Exchange (ALPEX) by drafting and submitting the ALPEX Code of Ethics and preparing the terms of reference for a Service Provider. ALPEX is tendering to procure a trading platform, services and project support for a day-ahead market and an intraday market.

- DREM discussed the designation of a Nominated Electricity Market Operator (NEMO) with the Legal Working Group and regulators. The project prepared a summary brief with arguments on the necessity of designating a NEMO for the day-ahead market.
NEXT STEPS

- Support the drafting of the Framework Agreement for Market Coupling
- Support ALPEX as needed, especially with the Service Provider procurement procedures
- Follow up on the NEMO designation process
- Support the establishment of a Kosovo branch of ALPEX
Task A3. Azerbaijan New Energy Law

- DREM finalized a draft of Azerbaijan’s new Energy Law and submitted it to the Ministry of Energy. The draft law is an umbrella law that establishes the basic principles of energy industry regulation in Azerbaijan. It is designed to give the government flexibility in introducing competition, unbundling, third-party access to natural monopoly systems, and promotion of private investment in accordance with the principles set in the Law and in alignment with EU principles.

- To complement the law, DREM provided a summary brief outlining several outstanding issues for the Ministry’s consideration before the law is finalized.

- Following final submission of the draft Energy Law, this activity is closed.
Task A4. Moldova Energy Transition Activity

- DREM coordinated with USAID implementing partners the National Association of Regulatory Utility Commissioners (NARUC) and the United States Energy Association (USEA) as well as the Moldovan regulator to understand implementation activities and regulatory needs.

- DREM submitted a draft work plan to USAID that included support on amendments to the energy law, capacity-building and support to Moldovan authorities on tariff setting for natural gas, and support for market coupling in Ukraine. DREM awaits USAID approval of work plan activities.

NEXT STEPS: Following USAID approval, DREM will begin implementation.

Task A5. Georgia Scoping Study for the Strategic Environmental Assessment (SEA)

- DREM is finalizing the first draft of the Scoping Study for the Georgia Strategic Environmental Assessment for the National Energy Policy Concept.

NEXT STEPS: DREM will present the first draft to the Ministry of Economy and Sustainable Development (MoESD) in early February and make revisions based on their comments.
ELECTRICITY LOSSES

Consumption increases caused by inclement weather and the absence of readers due to COVID-19 led to increases in losses across all regions.

- **Shkodra** – Losses decreased from 45.7 percent in January 2020 to 44.4 percent in January 2021 but increased from 38.4 percent in December 2020. Consumption increased by 11 percent.

- **Durrës** – Losses increased from 29 percent in January 2020 to 33.2 percent in January 2021. More significantly, losses also increased from 18.3 percent in December 2020. Consumption increased by 8 percent.

- **Vlora** – Losses decreased from 28.2 percent in January 2020 to 25.8 percent in January 2021 but increased from 5.1 percent in December 2020. Consumption increased by 13 percent.
Task B2. OSHEE Performance Improvement

IMPROVED READING AND BILLING

- **Shkodra** – Billing efficiency increased from 54 percent in January 2020 to 56 percent in January 2021. It decreased from 61 percent in December 2020 because of increased consumption.

- **Durrës** – Billing efficiency decreased from 71 percent in January 2020 to 67 percent in 2021. It decreased from 82 percent in December 2020 because of increased consumption.

- **Vlora** – Billing efficiency increased from 72 percent in January 2020 to 74 percent in January 2021. It decreased from 94 percent in December 2020 because of increased consumption.
In general, zero bills increased slightly in January 2021 compared to December 2020.

- **Shkodra** – Zero bills increased from 33,028 in December 2020 to 33,439 in January 2021.
- **Durrës** – Zero bills increased from 50,380 in December 2020 to 52,990 in January 2021.
- **Vlora** – Zero bills increased from 28,018 in December 2020 to 28,037 in January 2021.
RELOCATING METER POINTS/INSTALLING BALANCE METERING

- **Shkodra** – 466 new electronic meters were installed, of which 52 were replaced in collective boxes while 414 were replaced and relocated outside customer premises.

- **Durrës** – 336 new electronic meters were installed, of which 139 were replaced in collective boxes while 197 were replaced and relocated outside customer premises.

- **Vlora** – 182 new electronic meters were installed, of which 87 were replaced in collective boxes while 95 were replaced and relocated outside customer premises.
Task B2. OSHEE Performance Improvement

NEXT STEPS

- Conduct skills assessment of all mid-level management and field employees in Durrës
- Complete recruitment for vacant Shkodra and Vlora positions in Loss Control & Recovery Department (LCRD)
- Continue activities to improve billing and reading process as well as planning and operations
- Implement changes in mid-level management and feeder teams in Durrës and Vlora based on skills assessment and quarterly performance results
- Ensure alignment of positions and employee assignments based on the new organizational structure that mirrors the distribution network in Durrës
- Meet municipal and law enforcement representatives in Durrës and Vlora to inform them of DREM’s engagement and solicit their support for DREM initiatives
- Continue relocating electricity meters to the edge of customer premises in Shkodra, Durrës and Vlora where OSHEE implemented network investments and in small feeders with high losses
- Train field employees, readers and electricians on meter inspection for theft of electricity
- Train regional LCRD units on work procedures and meter inspection processes
- Continue implementing key initiatives, such as buttress field operations and performance management in all regions of OSHEE
DREM continues monitoring and verification of project sites, observing the following savings from October 15, 2020 to February 7, 2021.

Pančevo Hospital

- Compared to the baseline period of 2018-2020, DREM continues to see savings of 40 to 50 percent through February 7, 2021.

- Distribution pumps’ variable speed drives show an 85 percent fall in specific electricity consumption (MWhe/MWh\text{Thermal delivered}) from January 6 through February 7, 2021.

Exhibit 1 - Impact Assessment Pančevo - gas consumption for space heating

Exhibit 2 - Savings in Electricity Consumption
Niš Majakovski

After the Toplana Niš-funded component of the project was completed and integrated with the USAID-funded component, savings increased to 37 percent compared to the 2019-2020 baseline.
In October, DREM completed the Financial Model, Diagnostics and Recommendation Report and Implementation Roadmap assessing ESM’s organization, its operations and assets (generation plants) and recommending ways to improve ESM’s overall performance. DREM awaits USAID approval of the deliverables prior to coordinating a final presentation for ESM and closing the activity.
Task B5. Energy Management Systems (EMS)

DREM continues to work with USAID and EMS beneficiaries to finalize MoUs and move forward with EMS installation under five anticipated projects.

- Serbia: DREM is waiting for USAID approval of the MoU with the Krusevac Wastewater Treatment Plant (KWWTP). Kragujevac Water Works (KWW) agreed to the project terms and will publish the tender; however, KWW awaits a final meeting with DREM before releasing it. KWW has yet to sign the MoU.

- North Macedonia: DREM submitted the Sasa MoU and awaits USAID approval. DREM will meet with Vitalia leadership this month to discuss its interest in proceeding with EMS installation.

- Albania: DREM is working with Alumil engineers to obtain data to enable preliminary technical design development.

NEXT STEPS

Once all beneficiaries have signed the MoUs, DREM will begin the equipment procurement process with Honeywell in preparation for installation.
Task B6. Procurement Assistance for KEK (Kosovo)

- Solar assessment: DREM prepared a new, improved, financial model for the project that will be discussed with KEK.

- Bucket wheel excavator: KEK accepted the technical specifications DREM prepared for the tender. DREM also drafted a proposal for the new evaluation criteria, on which the procurement department provided feedback. DREM met with the department director, who proposed opening up the procurement procedure for the most economically advantageous tender. DREM will meet with the finance director and new CEO to finalize the tender dossier.

NEXT STEPS

- Finalize Bucket Wheel Excavator tender documents.
- Review Solar project assessment with USAID before sharing with KEK.
DREM reviewed the application submitted by ElektroSever to ERO for a supply license and discuss their proposed response.

DREM engaged with KEDS and prepared a list of talking points for future engagement with ElektroSever regarding the provision of distribution services in northern Kosovo.

DREM also updated its Frequently Asked Questions for the electricity supply challenges in northern Kosovo

**NEXT STEPS**

- Work with KEDS on arranging a meeting with ElektroSever and support negotiations as needed.
- Continue to engage with ERO on the pending ElektroSever application.
Task B8.1. Georgia Hydro Implementation

- Given DREM contract’s time constraints, DREM awaits USAID’s formal feedback on the way forward to complete feasibility studies for the two Imedi Inn hydropower projects, Aragvi 3 and Mleta. **NEXT STEPS:** USAID feedback will determine DREM’s next steps.

Task B9. Cybersecurity and Critical Infrastructure

- DREM launched its Cybersecurity and Critical Infrastructure task in a meeting with the North Macedonia Ministry of Information Society and Administration (MISA) that confirmed project activities, milestones, and timeline. **NEXT STEPS:** As instructed by MISA, DREM will develop an MoU with MISA to enable the creation of the Critical Infrastructure Cyber Working Group (CICWG), which is key to the success of this task.

Task C4. Energy Knowledge Survey

- Following the October submission of the focus group questionnaire, DREM received USAID approval to move forward with the focus groups. **NEXT STEPS:** DREM is currently coordinating with its local partners on recruiting and scheduling. Focus groups will be conducted until the end of March and the DREM team will submit a formal report for USAID approval and feedback to inform survey design.