Information about key achievements and problems encountered during the implementation of the requirements of the Energy Community Treaty (ECT)

I. Key achievements

A. Electricity

1. Imposition on undertakings. Based on the Rule on Licensing, ERO has issued licenses to all existing energy sector undertakings. Impositions are included in the conditions associating licenses.

2. Tariffs, and Customer Protection. E Regulatory Board (ERO) Board has approved the technical results of the cost-reflective Tariff Calculations of KOSTT (the TSO) and KEK sh.a. (the public power utility) for 2007 including a new Retail Tariff for Kosovo and a support mechanism for vulnerable customers. The ERO has approved the allowed revenues for KOSTT and KEK sh.a. and has requested both of them to apply for new tariffs that have to come in effect by 1st April 2007. Support mechanism for vulnerable customers will start to be applied as of 1st April 2007.

3. Public Service Obligations and Security of Supply. Public service obligations are imposed to KEK sh.a and KOSTT through licenses issued by the ERO to both of these energy undertakings. The KOSTT has compiled the long-term and annual energy balances for electricity which are submitted to the Ministry of Energy and Mining (MEM) for approval.

4. Technical Rules. KOSTT finalized and ERO has approved the Grid Code and the Metering Code. Other codes are under development, such as Electricity Standards Code, Connection Agreement, and Electricity Equipment Code.
5. **Unbundling of accounts.** Separate accounts for the generation, distribution and supply activities are being introduced as part of KEK sh.a’s internal accounting. In addition, separate accounts for supply activities for eligible and non-eligible customers are being introduced.

6. **Third party access and charges for access to the networks.** KOSTT allows third party access on the basis of ERO regulation and ERO approved use of system tariffs. ERO Board has approved the technical results of the Tariff Calculations of KOSTT. The ERO Board has determined the need for an interim transmission charging arrangement to apply prior to the coming into effect of new Transmission Use of System (TUOS) charges for the year 2007.

7. **Market opening.** MEM has developed conditions for market opening for all customers connected down to 35 kV.

8. **Implementation of Regulation 1228/2003.** KOSTT has professionally and technically accepted the CBT/ITC mechanism. Since July 2004, KOSTT has not received any compensation for transits, the amount being approx 3 million Euro while the Serbian TSO has already received this money and is holding it. Despite this problem, KOSTT is still operating in a transparent manner.

9. **Congestion Management.** Based on KOSTT application the ERO has approved the Transmission Capacity Allocation Procedures (TCAP) for interconnection lines with aim of application as soon as possible. KOSTT will negotiate with all adjacent TSOs regarding the NTC values of all interconnection lines.

10. **Unbundling.** In the framework of further unbundling of KEK sh.a., Government has decided to establish a separate mining company which will take over all mining assets and operations from KEK sh.a. ERO has commenced a review on the allowed costs and revenues of the individual business activities of KEK sh.a.

11. **Market Design and market rules.** A transitional market is being implemented for 2007, although the much modified Bilateral/Net pool model with balancing mechanism is proposed & prepared. Transitional market rules developed by KOSTT are approved by ERO.

---

**B. Gas**

Kosovo does not have any gas network infrastructure. Development of the gas legislation in line with the Directive 2003/55 is the only obligation for Kosovo in the medium term, in the framework of its Gas Road Map. Ministry of Energy and Mining has drafted such legislation. It will be processed in an inter-institutional working group before being submitted to the Kosovo Assembly for enactment.

**C. Environment**

2. Kosovo is implementing Article 4(2) of Directive 79/409/EEC of the Council of 2 April 1979 on the conservation of wild birds. MESP supervises the implementation of this directive.

3. Regarding implementation of Directive 1999/32/EC by 31 December 2011 (sulphur directive) and Directive 2001/80/EC by 31 December 2017 (LCP directive) – Kosovo has developed a relevant draft action plan which is expected to be integrated in the existing ‘Kosovo Environment Action Plan for the period 2006 – 2010’ by June of this year.

D. Energy Efficiency and Renewables


2. As required by the ECT, Kosovo has drafted and sent to the ECT Secretariat an Action Plan for Implementation of acquis on renewables

3. Kosovo has prepared draft-regulations on indicative targets for renewables and biofuels. These drafts are under discussion. They are expected to being approved by June 2007.

4. A number of draft regulations on energy efficiency are developed. Stakeholder discussion is planned to be conducted before their finalization and approval by the Minister of Energy later this year.

II. Key problems

1. Continued technical assistance is required in order to keep up with the implementation of both roadmaps on electricity and gas. In this respect, Kosovo has presented its requirements in mid-October 2006.

2. Although Kosovo is doing its best, there exists the possibility that, particularly for technical reasons in the power distribution network, Kosovo couldn’t be able to open the electricity market for all non-household customers by 1st of January 2008. But, it has to be mentioned that the policy decision for opening the market in line with the obligations of the ECT is firm.

3. Energy sector reform and restructuring related issues have critical social implication. Kosovo would kindly request the PHLG and donors to assign the required special attention to social issues. The case of Kosovo is particular, and it deserves special attention.

4. Regarding the implementation of Regulation 1228/2003, Kosovo rights for ITC fund are not recognized by Serbia. From July 2004 Serbia refuses to pay Kosovo’s part of this fund. Although the Serbian TSO has agreed on the volumes and values, payment to KOSTT was not made. Furthermore, KOSTT has not been recognized as the TSO of Kosovo with claims that Serbia retains the ownership of Transmission Network of Kosovo. KOSTT is maintaining its transmission assets and covering losses caused by transit. Also it is paying regularly for the Secondary Regulation to Serbia, thus accomplishing its
responsibilities as the TSO. *The ECT and EC are kindly requested to intervene for resolving this pending but very important issue.*

5. Rehabilitation and upgrade of energy systems and network is a priority need in Kosovo, which is making its best to facilitate the environment for attraction of private investment in these systems. Development of new generating capacity is a priority of the Government. But, concerns are being raised by a number of non-government institutions and civil society organizations regarding protection of the environment. Kosovo does not have any environment monitoring systems. There exists an urgent need for such systems, and Kosovo would request the support of the PHLG for building awareness among donors on such issues and needs. Without any environment monitoring systems that perform regular measurements, it will be impossible for Kosovo to adequately take care of the environment.

6. Implementation of energy efficiency and renewables projects and programmes is constrained by lack of substantial funding from the Government Budget. Kosovo would expect that, in the near future, all ECT parties become officially eligible to mobilize funding on such areas from the relevant EE programmes.