

Implementation Partnership

Between

The Kosovo Ministry of Economic Development, the Energy Regulatory Office and Secretariat of the Energy Community

Based on intense cooperation between the Ministry, the Assembly, its advisers and the Secretariat, three sets of laws governing the electricity sector, namely a Law on Energy, a Law on the Energy Regulator and a Law on Electricity have been adopted by the Assembly in October 2010. The Laws contain a number of clear improvements as compared to the previous law and will significantly further the state of transposition of the Energy Community *acquis*, as well as the efficiency of the domestic energy sectors.

What remains decisive in terms of compliance with the *acquis* is its implementation. The notion of implementation goes beyond transposition of the key Directives in primary legislation and requires application of Energy Community rules and principles in the structure of the energy markets and conduct of its operators. In order to achieve implementation in that sense, domestic law – even after the entry into force of the new Laws – will require the drafting and adoption of an appropriate and compliant electricity market model and additional secondary legislation. The drafting and adoption of that secondary legislation will pose a big challenge to the actors involved, both in terms of content (complexity, workload, appropriateness for the market and compliance with the *acquis*) and time. To have the market model and secondary legislation drafted, adopted and applied in compliance is in the common interest of the Secretariat and the domestic institutions.

The work to follow needs to take into account the new Laws in place, in the development of which the Secretariat together with the European Commission was already involved. For the work ahead, the Secretariat expressed its readiness to get involved in the work in a much deeper and intensive way than in the past. For this purpose, it proposes the comprehensive, yet legally non-binding framework and structure of an Implementation Partnership as outlined in the Memorandum of Understanding below. This follows a new approach to boosting Treaty implementation presented by the Secretariat upon invitation by PHLG in March 2011, which has already started.

Memorandum of Understanding

1. By this Memorandum of Understanding, the partners intend to cooperate within their structures and procedures required for the adoption of an appropriate and compliant market model and the secondary legislation required by the domestic laws applicable to the electricity sector.

2. The Energy Regulatory Office is expected to establish working groups for different categories of secondary legislation required under the Laws of 2010 in the electricity sector.

As a minimum, working groups should be established for the establishment of market rules (including energy contracts, procurement of network losses, balancing and ancillary services), grid rules, allocation of interconnection capacities, supply rules and tariff and price rules.

The working groups should work in parallel and may be joined where efficiency so suggests.

All working groups are expected to meet regularly, upon invitation by the respective institutions designated as chair.

3. In all working groups established under item 2 a representative of the Energy Regulatory Office is expected to participate.

The working groups should encompass representatives of the relevant stakeholders, including network operators, generators, suppliers, traders and big consumers. The Energy Regulatory Office shall define the composition for each working group, based on criteria such as expertise, relevance, equal treatment and manageable size.

The working groups intend to define their work programmes, deliverables and timelines. All relevant deliverables should require the approval by the representative of the Energy Regulatory Office.

The Secretariat should participate in the working groups where appropriate and needed for ensuring compliance.

4. The working groups are expected to present drafts to a steering committee in regular interval, and not less than once every three months.

The steering committee consists of the Chairman of the Energy Regulatory Office, the Director of the Secretariat and the Minister of Economic Development.

The steering committee should make comments and recommendations on the documents presented to it for implementation by the working groups.

The steering committee may communicate via telecommunication, meetings or by other means.

5. The Secretariat is invited to provide technical and legal assistance to the working groups and the Energy Regulatory Office and organize expert missions which should be sufficiently extensive to allow for close and thorough cooperation on draft documents.

6. The Ministry commits to fully respect the independence of the Energy Regulatory Office.

7. The Energy Regulatory Office and the Ministry agree between themselves to duly take into account the output of the working groups, as reviewed by the Steering Committee.

8. Nothing in this Memorandum of Understanding creates any additional legal obligations on the Parties to the Treaty establishing the Energy Community or under any applicable law.

Signed in Pristina on 21 April 2011

For the Ministry



Besim Beqaj

Minister

For the Energy Regulatory Office



Ali Hamiti

Chairman

For the Secretariat



Slavcho Neykov

Director