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PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA
PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT

QEVERIA E KOSOVËS

GOVERNMENT OF KOSOVA

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MINISTRIA E ENERGJISË
DHE MINIERAVE

MINISTRY OF ENERGY
AND MINING

MINISTARSTVO ENERGIJE
I RUDARSTVA

PERMANENT SECRETARY

Prishtina, 11 October 2006

Energy Community Secretariat
Am Hof 4, Level 6
1010 Vienna, Austria

Subject: Requests for technical assistance in the framework of the Energy Community Treaty for the Southeast Europe

As proposed and agreed during the Expert Meeting on September 14-15, 2006, the key energy sector stakeholders in Kosovo have identified the following needs for technical assistance in the framework of the Energy Community Treaty.

I. Ministry of Energy and Mining

1. *Assessment/study on electricity market opening and its financial implication*

Conduct a study on electricity market opening and its financial implication for Kosovo, including development of a workable schedule.

2. *Security of Supply Statement and Safeguard Measures*

Development of a comprehensive Statement of Energy Security of Supply and Safeguard Measures for Kosovo.

3. *Assistance for the implementation of the Action Plan on MoU on Social Issues*

Continued assistance to the implementation of the Action Plan on the MoU on Social Issues will be required in the medium term period, including legal audit and impact analysis of Employment Law Directives.

4. Review compliance of the Kosovo law with the Acquis on competition and state aid

Conduct an assessment of the compliance of the Kosovo law with the acquis on competition and state aid, including proposed institution and framework arrangement for ensuring such compliance in the future.

5. Develop a plan to adopt EU standards and environment regulation

Design and develop a realistic plan for adopting and implementing the relevant EU standards in Kosovo. Identify, develop and adopt priority energy and mining sector related regulation on environment.

6. Development of an electricity demand side management programme

Design and develop a comprehensive demand side management programme particularly for the electricity, including a plan and mechanisms for the promotion of the energy efficiency by the KEK JSC (the national power utility).

7. Development of the energy code for buildings in Kosovo

Develop and adopt an energy code for building in Kosovo which will substantially contribute to energy efficiency.

8. Assessment of Potentials for Renewable Energy (excluding small hydropower)

Conduct a comprehensive assessment of renewable energy sources and potential to their utilization, including schemes and mechanisms supporting their development.

9. Modelling future household demand for electricity

Study on future household demand for electricity, including: (i) wealthy customers - increased demand for air conditioning (summer peak), (ii) middle income customers - increased number of appliances, (iii) potential for substitution of electricity for heating and hot water heating (reducing winter peak), (iv) potential for lighting demand reduction, and (v) vulnerable customers increasing numbers.

10. Business planning for seven new companies (KEK non-core businesses)

II. Energy Regulatory Office (ERO)

1. Assistance to developing and enhancing ERO's monitoring capabilities

Development of ERO's capabilities to (i) monitoring activities of the functioning of internal and regional electricity market, (ii) setting the rules on management and allocation of interconnection capacity, and monitoring of the unbundling process of the vertically integrated energy enterprise KEK J.S.C. into generation, distribution, public supply, supply & trade within the KEK J.S.C. as unbundled units with unbundled accounts and activities. Further, assistance is required in the area of (i) mutual recognition of licensees among ECSEE parties, (ii) development of procedures for entering of the eligible customers into competitive market and vice-versa, and (iii) development of supportive schemes for vulnerable customers and the impact of such schemes to the tariff structure.

2. Promotion of power generation from renewables

Assistance is required in (i) establishing the framework of the market for renewable energy sources, (ii) issuing of the certificate of origin and green certificates, (iii) defining of best mechanisms of support for renewable energy sources at national level, and (iv) developing of monitoring mechanisms for the market of renewable energy sources.

III. KEK J.S.C. – The National Utility

1. Incorporation and operationalisation of DSO in Kosovo

Technical assistance to establishing an independent distribution system operator (DSO) in Kosovo according to the relevant law in Kosovo and the EU Directive 2003/54

2. Preparation of Distribution network Codes

As requested by the Law, the DSO needs to develop new codes such as;

- Distribution Code
- Metering Code
- Customer Protection Code
- Construction and reconstruction Code
- Customer Connection Code
- Code for use and maintenance of assets
- Tariff Calculation

3. Study on potential privatization of electricity supply in Kosovo

Privatization of electricity supply as a possibility to increase billing and collection rate of electricity and reduce high commercial losses.

4. Feasibility study on unbundling of Generation Division in KEK J.S.C.

Study on the feasibility of creating two power generation companies from the existing KEK JSC Generation Division - Thermo Plant Kosovo A and Thermo Plant Kosovo B in Kosovo

5. Institutional development of the Regulatory Office of KEK J.S.C.

Institutional development and capacity building of the Regulatory Office in KEK J.S.C., dealing with all issues concerning the regulated activities of KEK J.S.C.

IV. KOSTT – Independent Transmission Company

Priority needs

1. Interconnector Trading

Assistance in interconnector trading including (i) Methodologies for calculation according to SEE rules, and (ii) Procedures for allocation of Available Interconnector Transport (ATC) capacity.

2. Scheduling

Assistance on scheduling including (i) procedures on scheduling in order to fulfill duties according to SEE/UCTE Rules.

3. Legal and regulatory issues

Assistance in order to adapt secondary regulation within the SEE region

4. Common SEE Training

Assistance to coordinate/harmonize activities for e.g. scheduling/balancing and eventual Grid operation (for TSO)

5. Software and Hardware Platform (IT and communication) for the Market Operation functional requirements

6. Development of Procurement procedures for Capital Projects

Development of procurement procedures for capital investment projects in accordance to the European rules, FIDIC, etc.

Other needs

1. Study to review KOSTT Investment Plan to identify potential improvement of the transmission capacities in the regional market context

2. Institutional development of the Legal and Regulatory Office of KOSTT J.S.C.

Institutional development and capacity building of the Legal and Regulatory Office in KOSTT J.S.C., dealing with all issues concerning the legal and regulated activities of KOSTT J.S.C.

3. Public Relation

Support to developing capacities on creating, managing communication within the company and key stakeholders in order to build, manage and sustain a positive image, as well as to become able to define policies, procedures, protocols and forms for enhancing the image of KOSTT J.S.C.

Sincerely,

Astrit Beqa