

2007 Project Fiche Kosovo IPA centralised programme
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1. Basic information

1.1 CRIS Number:

1.2 Title: Meeting EU Standards in the Energy sector;

1.3 Sector: 03.15

1.4 Location: Kosovo

Implementing arrangements:

1.5 Contracting Authority: The European Commission Office in Pristina.

1.6 Implementing Agency: The European Commission Office in Pristina.

1.7 Beneficiary Institutions:

Project activity/component	Beneficiary institution	Contact point responsible for project/activity coordination
Further Assistance to Energy Regulatory Office (ERO)	Energy Regulatory Office (ERO)	Head of ERO and Member of Board
Further Assistance to Kosovo Transmission System and Market Operator (KOSTT)	Kosovo Transmission System and Market Operator (KOSTT)	Managing Director, KOSTT
Further Assistance to the Ministry of Energy and Mining	Ministry of Energy and Mining (MEM)	Permanent Secretary, MEM

1.8 Overall cost: €3.0 million.

1.9 EU contribution: €3.0 million.

1.10 Final date for contracting

Three years after the signature of the financing agreement between the European Commission and the Kosovo Authorities.

1.11 Final date for execution of contracts

Two years after the final date for contracting.

1.12 Final date for disbursements:

One year after the final date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Kosovo's institutions develop and implement sectoral policies and strategies that are compatible with European Standards (including gender, minorities and environmental standards), and which also enable Kosovo to effectively participate in regional initiatives.

2.2 Project purpose:

To strengthen the institutional capacity and technical skills of Kosovo's energy institutions to meet the legal and technical requirements deriving from the Energy Community Treaty of South East Europe and the Regional Energy Market.

2.3 Link with: European Partnership (and its action plan); SAP/STM

The *European Partnership* calls for Kosovo to:

- Make progress in meeting commitments under the 2003 Memoranda¹ of the Athens process on the Energy Community of South East Europe (ECSEE), and to undertake structural reforms including the strengthening of the administrative capacity of the energy regulator.

The Working Group on Energy established by the Prime Minister has developed an *Action Plan for the Implementation of the European Partnership* which includes as priorities the implementation of the commitments undertaken in the framework of the ECSEE and the creation of a legislative and regulatory environment for encouraging public-private partnerships and attracting large private investment in the energy sector.

The *Kosovo Progress Report 2005*, states that Kosovo's participation in the ECSEE is a significant step for Kosovo on the way to increased regional co-operation and secure energy supply in the region as this is essential for economic and social development and stability. The report considers that the deregulation of the energy market, including third party access and cross-border trade, should be a priority. Kosovo needs to continue and intensify its efforts to ensure a viable and efficient electricity sector, which is a vital precondition for economic development.

Kosovo Progress Report 2006, states that Regional cooperation and good neighbourly relations form an essential part of the process of Kosovo's moving towards the European Union. Kosovo has further increased its participation in regional co-operation initiatives and has made some progress regarding reforms at the energy utility. However there is little progress on promoting energy efficiency and renewable energy resources.

2.4 Link with the Multi-Annual Indicative Planning Document (2007-09) for Kosovo (MIPD)

The "European Agenda" section of the MIPD focuses on the need for capacity building and Kosovo's gradual approximation of legislation along with implementing measures in the context of European standards. The document identifies the following priority which is addressed by this project:

- 'Supporting Kosovo to participate in regional initiatives', including support to establish and/or enhance the necessary structures, legal basis and requirements for Kosovo's full participation in the regional energy market (which is formalised through the signature and ratification of the Energy Community Treaty).

2.5 Link with National Development Plan

The project links to the draft *Kosovo Development Strategy and Plan (KDSP) 2007-2013*. A priority of KDSP is the intensification of regional cooperation in support of the implementation of the Energy Community Treaty (ECT). Energy is a priority for Kosovo not only because of the ECT and regional cooperation but Energy is also an urgent local priority and pre-condition for economic development.

¹ Now transformed into the Energy Community Treaty

2.6 Link with national/ sectoral investment plans

The *Kosovo Energy Strategy 2005-2015* approved in 2005 by the Assembly of Kosovo identifies the significant challenges for Kosovo to complying with and implementing all the commitments arising from the establishment and operation of the ECSEE. The Energy Strategy aims to develop a technologically advanced and financially viable energy sector which will become a part of the regional and European energy system. The Energy Strategy Implementation Programme 2006-2008 identifies actions which include implementation of obligations deriving from the Energy Community Treaty related to strengthening the institutional capacity and implementation of sector reforms.

3. Description of project

3.1 Background and justification:

The purpose of the ECSEE Treaty² is to integrate the SEE region – including Kosovo - into a single energy market and to create regional security of supply, investment and planning capabilities, in compliance with EU Directives in the energy and environmental field.

The entry into force of the Energy Community Treaty in July 2006 imposed significant obligations on Kosovo to comply with the EU *acquis communautaire* in the energy and environmental fields. Under the Treaty, the scope of the *acquis* which must be implemented are primarily the Electricity Single Market Directive (Directive 2003/54/EC), the Gas Single Market Directive (Directive 2003/55/EC), and Regulation 1228/2003/EC on conditions for access to the network for cross-border exchanges in electricity.

Action plans (road maps) have been prepared by each contracting party, including Kosovo, which set out in detail the actions, with concrete deadlines, which have to be implemented by the Ministry of Energy and Mining (MEM), the Energy Regulatory Office (ERO), the energy corporation - KEK (currently comprising mining, generation, distribution and supply) and the Kosovo electricity transmission system and market operator (KOSTT). The most important of these obligations are:

- The requirement to implement unbundling of the transmission and distribution system operators
- Elaborate and implement market opening
- Develop cost reflective retail tariffs
- Develop cost reflective tariffs for third party access to the transmission system
- Develop and adopt support schemes for the protection of vulnerable consumers

The Provisional Institutions of Self-Government (PISG), through the responsible line Ministry, the Ministry of Energy and Mining (MEM), is responsible for setting energy policy, developing energy strategy and its implementation programme, and preparing long term and annual energy balances. MEM's implementation programme for Kosovo's Energy Strategy covers the following areas:

- i Electricity generation, transmission, distribution and supply and KEK restructuring/unbundling
- ii District heating, liquid fuels, and natural gas
- iii Environment
- iv Energy efficiency and renewable energy
- v Institutional capacity building for R & D and advanced technologies

² The Treaty was signed in October 2005 between EC and countries in SEE region including UNMIK and entered into force on 1st July 2006.

- vi Establishment of a suitable environment for investment, and development of financing policies

The independent Energy Regulatory Office implements the strategy, enacts the secondary legislation needed to establish and operate the energy market, and ensures compliance with the primary and secondary legislation, requiring legal, economic and technical expertise.

Under the 2005 CARDS Programme, EC funded assistance has supported Kosovo's participation in the regional initiative for establishing the regional energy market. Support was provided to MEM, ERO and KOSTT. This assistance focused mainly on developing a ten year energy strategy for Kosovo, setting up a transparent and non-discriminatory regulatory framework and on unbundling the vertically integrated electricity utility (KEK) and establishment of an independent transmission system and market operator.

However, further follow-up technical assistance support is needed in 2008 and 2009 to support the institutions responsible for implementing the Treaty and ensuring Kosovo's participation in the Regional Energy Market i.e. the Ministry of Energy and Mining, the independent Energy Regulatory Office and the Transmission System and Market Operator (KOSTT). Experience throughout the region and in the new Member States suggests that continued technical assistance is required to help build the capacity needed in the regulator to enable this office to properly fulfil their function, and thus comply with the Energy Community Treaty. Similarly, the KOSTT requires follow up technical assistance to enable Kosovo to operate in the environment of the Regional Energy Market, with an unbundled electricity sector. The MEM requires further technical assistance to implement its Energy Strategy, particularly the Ministry's obligations for meeting requirements of the Energy Community Treaty. In addition, the EC assistance will consider relevant local legislation and documents/toolkits to mainstream European standards on cross cutting issues like the promotion of gender equality and the balanced participation of communities in these beneficiary organisations.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The institutions concerned with implementing the Energy Community Treaty are already established (Ministry of Energy and Mining MEM, Energy Regulatory Office ERO, and Transmission System and Market Operator KOSTT) but still in need of capacity strengthening. The result of the capacity building activities is intended to set up fully sustainable institutions. It should also be noted that this activity concerns the strengthening of *existing* institutions, rather than the much more risky operation of establishing *new* institutions. This project has an important cross border impact, since the Energy Community Treaty is intended to increase cross border (regional) energy trade by creating a single market in network energy covering the Member States and South Eastern Europe.

3.3 Results and measurable indicators:

Further Assistance to Energy Regulatory Office (ERO)

Results:

- a. Guidelines are developed for the further unbundling of KEK (separation of accounts between generation, distribution and supply and legal unbundling between distribution and supply activities) and the preparation of the authorisation criteria for construction

of new generation capacity in line with requirements of the Energy Community Treaty roadmap³ and in line with PISG policy on sector restructuring

- b. Progress on tariff reforms and on the implementation of customer protection procedures with due regard to the profile of customers (gender and ethnicity)
- c. Increased professional capacity of ERO staff and trained staff (the training policy – including customer service trainings and other business development trainings - will include modules on equality and diversity as well as environmental issues)

Measurable indicators:

- a. Actions related to Energy Regulatory Office included in the Electricity road map of the Energy Community Treaty implemented in line with the agreed timetable with the Energy Community Secretariat
- b. Approved tariffs for 2008/2009 and price review completed
- c. Customer complaints handled with due regard to the profile of customers (gender and ethnicity)

Further Assistance to KOSTT (Kosovo Transmission System and Market Operator)

Results:

- a. Improved performance of the transmission system operator and market operator
- b. Increased professional capacity of KOSTT staff on the implementation of market rules, technical codes and on participation in the cross border trade. Training policy for the KOSTT staff will extend to practical guidance on how to accommodate and manage equality and diversity within the workplace for a more efficient/friendly organisation, and to improve the customer focus.

Measurable indicators:

- a. Developed plan to evolve from transitional market rules to a competitive market, with wholesale market opening as foreseen under the Energy Community Treaty.
- b. Actions of the Electricity Roadmap of the Energy Community Treaty are implemented within the agreed timetable.

Further Assistance to the Ministry of Energy and Mining

Results:

- a. Progress achieved on implementation of the energy strategy as set out in the Energy Strategy Implementation Plan
- b. Fulfilment of the requirements of the Energy Community Treaty and the Road Map/ Action plan for its implementation under the responsibility of MEM
- c. Increased professional capacity of MEM staff. Training policy will include modules on equality and diversity, and environment.

Measurable indicators:

- a. The measurable indicators for each sub-programme of the Energy Strategy Implementation Programme set out in the Programme reached.
- b. Detailed actions of the Energy Community Treaty as set out in the Road Map/ Action Plan implemented.

³ The Electricity and Gas road maps have been submitted by each contracting party including UNMIK Kosovo to the Energy Community Secretariat. Implementation will be monitored by the Energy Community Secretariat. Those road maps will help contracting parties in the implementation of the Treaty obligations. The road maps identify concrete actions and timelines for implementation. The results of the proposed activities in this project fiche will be measured against the timeframe given in the road maps.

3.4 Activities:

Assistance will cover the following mutually reinforcing areas:

1. Further Assistance to Energy Regulatory Office (ERO)

The project will provide technical assistance and advice to the ERO across a number of areas, indicatively:

- Strengthening the regulatory framework and implementation of secondary legislation
- Implementation of Road Maps for Electricity and Gas approved at the Ministerial Council Meeting of the Energy Community Treaty. This includes assistance on developing and implementing guidelines for further unbundling of accounts in KEK between generation, distribution and supply, and on developing Authorisation criteria for new generation capacities as required by the Road Map for Electricity and Law on Energy Regulator.
- Review of license applications and on monitoring the compliance of licensees with the license conditions including implementation of environmental requirements set in the license.
- Review of tariff applications submitted by energy enterprises and price review with considerations on life line tariffs for low income costumers, and analysis on gender and minority
- Monitoring market rules implementation and market opening.
- Implementation of costumer protection procedures including low income costumers and women and minority as specific social categories, etc.

2. Further Assistance to KOSTT (Kosovo Transmission System and Market Operator)

Further technical assistance and capacity building will be provided for the Kosovo Transmission System and Market Operator (KOSTT). The project is expected to cover the following areas:

- Further development of the necessary operational business processes and training of staff on implementation of the new processes to improve performance of the transmission system operator and market operator,
- Support on the implementation of grid code and other technical codes,
- Support on implementation of cross-border trade mechanism and issues related to interconnection capacity allocations as required by the Energy Community Treaty,
- Develop a plan to evolve from the transitional market provisions foreseen in phase 1 of the market rules, where generation and retail prices are regulated to a market in competition (for non-retail consumers),
- Support on developing IT and metering infrastructure,
- Improve market transparency
- Enhance the website of KOSTT, and other tasks as required by the applicable legislation and Energy Community Treaty.

3. Further Assistance to the Ministry of Energy and Mining

Further technical assistance will be provided to the Ministry of Energy and Mining, concentrating on the tasks required for the implementation of the Energy Strategy (based on the Implementation Programme prepared under CARDS funding). The assistance will focus on:

- implementation of the EU acquis on environment and renewables
- implementation of the energy efficiency programme
- support on establishing the criteria for further market opening

- advisory support on reporting and preparation of position papers as required for the Permanent High Level Group (PHLG) and Secretariat of the Energy Community Treaty.

Contracting arrangements

- Up to three service contracts are envisaged to implement the actions described above.

Project management and administration

The European Commission Office in Pristina will manage the procurement, implementation, quality control, reporting and coordination with other donors of the development assistance and of the financial and technical cooperation related to the actions described in this project fiche, taking remedial actions if and when needed. The European Agency for Reconstruction's operational centre in Pristina will assist the Commission Office in preparing for the initial implementation phase of this project through such actions as the drafting of project Terms of References and helping to prepare the IPA tender dossiers.

The Team Leaders engaged through the contracts for this project will have the authority to run the project activities on a day-to-day basis under the supervision of the Commission Office. His/her primary responsibility shall be to ensure that the project produces the required outputs, to the required standards of quality and within the specified constraints of time and cost. The team leader and other will also address cross-cutting issues. A detailed description of the duties of the team leader and key experts will be elaborated in the Terms of Reference, in line with this project fiche.

Project Steering Committees will be responsible for the overall direction of the project and comprise of representatives from the beneficiary institutions and the Commission Office.

Monitoring will be performed centrally by the Commission. The project may be evaluated at the interim or ex-post stages under the supervision of Commission's Evaluation Unit. The project may be audited by Court of Auditors - in line with the standard European Commission procedures.

3.5 Conditionality and sequencing:

- Government's commitment on ensuring and respecting the financial and operational independence of Energy Regulatory Office as foreseen by the Law on Energy Regulator and EC Directive and in line with the recommendations of the TAIEX Assessment Report for Regulators in Kosovo
- Government's support, particularly from the Ministry of Energy and Mining and the Ministry of Environment and Spatial Planning, to on the implementation of the Energy Community Treaty (road maps/action plans)
- Government's support for the implementation of the KOSTT investment programme and ensuring KEK's regular payment of transmission tariffs.
- Government's commitment on ensuring the viability of KEK, including assistance to the utility to increase revenue collection from customers and financial support to KEK from the Kosovo Budget, if necessary.
- Full compliance with EU acquis for Kosovo C and any other new investment in the energy sector.

3.6 Linked activities

Other donors' project supporting energy sector are:

- USAID supports the Ministry of Energy and Mining through resident advisors who provide policy guidance and technical assistance to improve MEM's outreach to investors and ensure its compliance with regional energy agreements. This assistance is part of a bigger project 'Kosovo Economic Development Initiative' in support to Kosovo Government. USAID expects to start a follow up project to support relevant government entities on steps for privatising POEs including KEK. This programme includes support to MEM and Project Steering Committee for development of a new power plant Kosovo C project to ensure that LPTAP (World Bank funded) project progresses in a transparent and professional manner. This programme includes technical assistance to ERO through a resident advisor to ensure that ERO develops into a strong independent and well functioning regulator. Since 2005 USAID has supported the Energy Regulatory Office on drafting the secondary legislation. In Jan 2007 USAID launched the project for KEK Networks and Supply which includes technical assistance in increasing management efficiency and systems with specific emphasis on billing and collection. A task of this project is preparation of the strategy for privatising distribution and supply divisions of KEK.
- KfW support to KOSTT on improving transmission infrastructure- the project for a new transmission substation Peja/Pec 3, and possible involvement in building the new 400kV transmission line to Albania. These projects will contribute to the security of supply in Kosovo and to the overall regional grid reliability.
- World Bank's technical assistance support to the Ministry of Energy and Mining (Lignite Power Technical Assistance Project) and to KOSTT. The project supports the project for development of new generation capacities in Kosovo. World Bank has supported the establishment of KOSTT (ESTAP III project), has designed the organisational scheme and has developed the technical codes.

Donor	Projects	Start End
KfW	Construction of a new transmission substation Peja3. €15.25 million (incl. €4.75 million KCB co-funding).	Nov 2006- Mid 2008
	Refurbishment of a coal excavator for opening the new mine for existing power plants (€8 million)	Oct 2006- Feb 2009
USAID	Advisory services for MEM	2005 – Jul 2007
	Follow on Economic Development activity (under procurement)-includes support to MEM and ERO	Aug 2007- Aug 2009
	Short term advisory services to ERO	2005-2006
	Network and Supply Project-KEK (\$4.7 million)	Jan 2007- Dec 2008
World Bank	Lignite Power Technical Assistance Project (LPTAP) \$8,5 million	July 2007 July 2009
	ESTAP III – (Technical Assistance to KOSTT) \$2,5 million	Mar 2006 May 2007

Since 1999, some €400 million in EC assistance (including investment, training, management support and technical assistance) has been provided for the rehabilitation and development of the energy sector in Kosovo. The table below summarises the past EC assistance relevant to this project:

Name of project (Amount €million)	Start End	Activities/Results
Energy Regulatory Office (€1.9 million)	Feb 2005- Sept 2007	Technical support provided to ERO to develop and implement energy regulatory frameworks, market rules, mechanisms and procedures for the establishment of a competitive energy market in Kosovo.

KOSST (Transmission, System and Market Operator) (2.5 million)	Feb 2006 August 2007	Support the restructuring of the Kosovo Energy system in line with the Energy Community Treaty through the establishment and development of an independent Transmission System and Market Operator. Assistance includes the supply of maintenance vehicles
Ministry of Energy and Mining (€2.1 million)	April 2005- May 2008	Institutional capacity Support to the MEM to: formulate an Energy Strategy; and to prepare secondary legislation;
Pre-Feasibility studies and assessments (€1,5 million)	Jan 2007- Aug 2007	Pre-feasibility studies for a new lignite fired power plant in Kosovo and related transmission (in support of the LPTAP project funded by the World Bank); Options Analysis Study for investment in the new power plant and coal mine; and studies for pollution mitigation measures in the Kosovo B power plant.
Transmission system (€2,2 million)	Jun 2007- Dec 2008	Replacement of relay protection system for transmission substations

3.7 Lessons learned

- *Enforcement:* There has been large focus on establishing the legal frameworks in Kosovo. The capacity to enforce the law, however, has received insufficient attention. While legal reform has been advanced, law enforcement and implementation has not followed. This creates a widening gap between the formal legal situation and ‘on-the-ground’ practice. .
- *Coordination:* Close consultation among the many stakeholders in the energy sector and a collaborative approach are essential to ensure that all these stakeholders are fully informed, and are supportive of the reforms to be carried out.
- *Prioritising investment needs:* As the energy sector is highly capital intensive it is vital that investments in the sector are properly prioritised, ensuring that investments have the maximum impact in realising the objectives for the sector, and that the economic benefits from a regional, as opposed to a purely national energy market are realised.
- *Ownership:* Experience of previous energy sector reform projects in Kosovo have shown the importance of having counterpart ‘ownership’ of capacity building and reform projects. This project helps Kosovo Institutions on implementing sector reforms and builds further the capacity for a sustainable development of the sector and its integration in the Energy Community.

4. Indicative Budget (amounts in €)

Activities	TOTAL COST	SOURCES OF FUNDING											
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *	
Energy	3.0	3.0	100	3.0									

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering (tender launch)	Signature of contract	Project Completion
Energy	Q1 2008	Q3 2008	Q2 2010

Q = quarter

6. Cross cutting issues

6.1 Equal Opportunity (gender mainstreaming)

The project will promote the participation of women in the KOSTT, Ministry of Energy and Mining, and Energy Regulatory Office. Terms of Reference for the project will explicitly identify the project's intended effects /impact/ opportunities on and for women.

Promoting a more diverse (gender and ethnic wise) workplace will be a strong element in strengthening the institutional capacity of the target institutions. The project will ensure mainstreaming of gender and minority issues both (i) within the target institutions and (ii) the outputs (services provided by these institutions):

- address the barriers in the workplace that prevent the achievement of gender equality and ethnic diversity; create a workplace culture supportive of gender equality and ethnic diversity to improve gender/ethnic balance within the organisation. Opening up new possibilities for minorities as well as opportunities for women to work in non-traditional areas will, in turn, contribute to change the policy, business and customer focus of these institutions.
- introduce concepts of equality and diversity in strategic planning and management, including the business case for equality and diversity so as to make the workforce more representative of/responsive to Kosovo customer base. A work culture that is respectful and accommodating of diversity will in turn contribute to the creation of an energy sector at the service of a multi-ethnic Kosovo.

Terms of Reference will explicitly identify the project's intended effects /impact/ opportunities on/for women as well as minorities. Data systematically disaggregated by sex and ethnicity shall be produced to establish baseline and measure progress. Team of experts must possess relevant skills to ensure effective mainstreaming of gender equality and minorities inclusion/participation.

6.2 Environment

The Energy Community Treaty includes the requirement that acquis on the Environment is complied with. Previous CARDS funded assistance has helped to mitigate pollution from thermal power plants in Kosovo, and hence move towards compliance with the provisions of the acquis. The Energy Strategy of Kosovo defines a set of priorities regarding the protection of the environment and pollution mitigation, and the implementation plan (for which technical assistance will be provided) provides for both legal measures, and investment in pollution mitigation measures.

A detailed programme for Energy Efficiency and Renewable Energy has been prepared under CARDS funding, covering 2007 – 2009. Technical assistance to be provided to the Ministry of Energy and Mining which covers the areas of improving energy efficiency, demand-side management and promoting the wider use of renewable energy will have a direct environmental benefit due to the reduction in energy production and use.

6.3 Minorities

The project will promote the participation of minority communities in the KOSTT, Ministry of Energy and Mining, and Energy Regulatory Office. Terms of Reference will explicitly identify the project's intended effects /impact/ opportunities on and for minorities.

ANNEXES

- 1 Log frame in Standard Format
- 2 Amounts contracted and Disbursed per Quarter over the full duration of Programme

ANNEX 1: Logical framework matrix in standard format

Project Title: Meeting EU standards in Energy; Food Safety and Veterinary Services; and Public Procurement		Programme name and number	
Sector: European Standards		Contracting period: (see section 1.10)	Disbursement period : (see section 1.12)
		Total budget: €3.0 million	IPA budget: €3.0 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
Kosovo's institutions develop and implement sectoral policies and strategies that are compatible with European Standards (including gender, minorities and environmental standards), and which also enable Kosovo to effectively participate in regional initiatives.	Specific requirements of the Energy Community Treaty and the EU Energy Acquis (with deadlines).	Monitoring reports prepared by the Energy Community Secretariat (for the European Commission and Ministerial Council of the Energy Community).	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To strengthen the institutional capacity and technical skills of Kosovo's energy institutions to meet the legal and technical requirements deriving from the Energy Community Treaty of South East Europe and the Regional Energy Market.	The Detailed Road Maps/ Action plans on the implementation of the Treaty The implementation plan of the Kosovo Energy Strategy	Detailed monitoring reports on the Road Maps/ Actions Plans, prepared by the Energy Community Secretariat for the European Commission. Reports and data published in the website of ERO, KOSTT and MEM Governments report on implementation of EU Partnership/ Action Plan for Energy Monitoring Project reports Government strategies and action plans Conclusions of STM meetings; and Commission's regular progress report on Kosovo	There is commitment of the beneficiary staff to implement road maps
Results:	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>ENERGY</p> <p>Further assistance to ERO</p> <ul style="list-style-type: none"> Guidelines for further unbundling of KEK (separation of accounts between generation, distribution and supply and legal unbundling between distribution and supply activities) and preparation of the authorisation criteria for construction of new generation capacity in line with requirements of the Energy Community Treaty roadmap and in line with PISG policy on sector restructuring Progress on tariff reforms and on the implementation of customer protection procedures with due regard to the profile of customers (gender and ethnicity) Increased professional capacity of ERO staff and trained staff (the training policy – including customer service trainings and other business development trainings - will include modules on equality and diversity as well as environmental issues) <p>Further assistance to KOSTT</p> <ul style="list-style-type: none"> Improved performance of the transmission system operator and market operator Increased professional capacity of KOSTT staff on the implementation of market rules, technical codes and on participation in the cross border trade. Training policy for the KOSTT staff will extend to practical guidance on how to accommodate and manage equality and diversity within the workplace for a more efficient/friendly organisation, and to improve the customer focus. <p>Further assistance to the Ministry of Energy and Mining (MEM)</p> <ul style="list-style-type: none"> Progress achieved on implementation of the energy strategy as set out in the Energy Strategy Implementation Plan Fulfilment of the requirements of the Energy Community Treaty and the Road Map/ Action plan for its implementation under the responsibility of MEM Increased professional capacity of MEM staff. Training policy will include modules on equality and diversity, and environment. 	<p>Secondary legislation implemented within deadlines given in primary legislation</p> <p>Approved tariffs for 2008/09</p> <p>Consumer protection measures in place</p> <p>Effective monitoring the compliance of licensees with license conditions including environmental requirements</p> <p>Customer complaints handled with due regard to the profile of customers (gender and ethnicity)</p> <p>Technical and financial performance indicators (benchmarks) compared to industry standards reached.</p> <p>Grid code implemented considering environmental requirements</p> <p>Developed plan for market transition.</p> <p>Measures set out (with deadlines) in the energy strategy implemented</p> <p>Measures foreseen in the Road Maps/ Action Plans including actions for implementation of acquis on environment implemented</p>	<p>Monitoring of the specific outputs and deliverables of the project and the monitoring reports to be prepared by the Energy Community Secretariat, as noted above.</p>	<p>PISG support on ensuring the independence of ERO</p> <p>PISG ensures support of the Ministry of Environment and Spatial Planning (MESP) and Ministry of Labour and Social Welfare (MLSW) on the implementation of relevant actions set in the roadmaps.</p> <p>PISG and ERO's support to KOSTT on implementing its investment and development plan through support from KCB.</p> <p>KEK pays regularly the transmission tariffs to KOSTT.</p>

Activities	Means	Costs	Assumptions
ENERGY <ul style="list-style-type: none"> • Further assistance to ERO • Further assistance to KOSTT • Further assistance to MEM 	Up to three service contracts	€3.0 million	Beneficiaries allocate sufficient staff to the project activities Beneficiaries provide office space for the EC funded project team

Pre conditions:

- Government's commitment on ensuring and respecting the financial and operational independence of Energy Regulatory Office as foreseen by the Law on Energy Regulator and EC Directive and in line with the recommendations of the TAIEX Assessment Report for Regulators in Kosovo
- Government's support, particularly from the Ministry of Energy and Mining and the Ministry of Environment and Spatial Planning, to on the implementation of the Energy Community Treaty (road maps/action plans)
- Government's support for the implementation of the KOSTT investment programme and ensuring KEK's regular payment of transmission tariffs.
- Government's commitment on ensuring the viability of KEK, including assistance to the utility to increase revenue collection from customers and financial support to KEK from the Kosovo Budget, if necessary.

ANNEX II: Indicative planning of the amounts (in EUR million) contracted and disbursed by quarter for the project (cumulated)

	2007	2008				2009				2010				2011			
Contracted	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract 1.1				1.0													
Contract 1.2					1.0												
Contract 1.3					1.0												
Cumulated Total				1.0	3.0												
Disbursed																	
Contract 1.1				0.3		0.3		0.3	0.1								
Contract 1.2					0.3		0.3		0.3	0.1							
Contract 1.3					0.3		0.3		0.3	0.1							
Cumulated Total				0.3	0.9	1.2	1.8	2.1	2.8	3.0							