STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: 2002/000-282.04.11
1.2 Title: Strengthening of the State Energy Inspectorate
1.3 Sector: Internal Market and Economic Criteria
1.4 Location: Czech Republic

2. Objectives

2.1 Overall objective
• Ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union. Existence of a functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the Union.

2.2 Project purpose
Strengthening the administrative capacity of the State Energy Inspectorate (SEI), so as to ensure full compliance with the relevant acquis, and Directives 97/76/EEC and 96/61/EC in particular.
• To increase energy efficiency through correctly performed energy audits and more efficient regional energy plans;
• To interrupt cross subsidies in the electricity and heat co-generation.

2.3 Accession Partnership and NPAA priority
AP 2001: This twinning and training project addresses an AP priority and aims to strengthen the administrative capacity of the State Energy Inspectorate – SEI-, so as to ensure full compliance with the relevant acquis, and Directives 97/76/EEC and 96/61/EC in particular, thereby will be allowed to improve energy efficiency.
NPAA 2001: priority chapter 14 Energy (May 2001)
• Short – term: Publishing of relevant decrees to the Act no. 406/2000 Coll. on Energy Management, in accordance with EU acquis;
Elaboration of the National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources for the four-year term, in accordance with the Energy Management Act;
Supporting energy efficiency increase on the basis of the Energy Management Act and relevant decrees;
• Medium – term: Supporting energy efficiency increase on the basis of the Energy Management Act and relevant decrees and in connection with National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources.

2.4 Contribution to National Development Plan
This project is a contribution to the priorities of the National Development Plan for the years 2000 – 2006. In particular, under the priority axis Support of the development of the economic basis and strengthening of its competitiveness the following priorities will be concerned:
• Development and increase of efficiency of the energy sector
• Development of municipal energy sectors and energy management

2.5 Cross Border Impact
n.a.

3. Description

3.1 Background and justification
According to the Energy Act the State Energy Inspectorate is an administrative body subordinated to the Ministry of Industry and Trade (financed from the state budget). It is split into the Central Inspectorate and eight Regional Inspectories and employs 130 inspectors.

Its main task is to control abidance with:
- The Energy Act (Act no. 458/2000 Coll.)
- The Act on Prices (Act no. 526/1990 Coll.) within the range as defined in the Act on the Authority of the bodies of the Czech Republic in the Pricing Area (Act no. 265/1991 Coll.)

For breach of the above mentioned laws, the State Energy Inspectorate imposes fines upon proposal submitted by the Ministry of Industry and Trade and the Energy Regulatory Office or on the basis of its own findings.

According to the Act no. 265/1991 Coll. (§ 3) the State Energy Inspectorate is the inspection body to supervise the adherence of price regulations in the energy sectors. According to the Act no. 458/2000 Coll. (§ 18) the State Energy Inspectorate is the inspection body to supervise the activities in the energy sectors.

In particular, the competencies of the State Energy Inspectorate concern inspections of energy auditors, inspections of cogeneration cost division and composure of central heating pricing, inspections of regional energy plans.

The Energy Management Act and the Decree no. 213/2001 Coll. of the Ministry of Industry and Trade introducing details with respect to energy audit requirements set the obligation to realize energy audits by all applicants for state subsidy within the National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources and by the state organisation units, regional and municipal organisation units including bodies entirely or partly financed from the national budget with the annual energy consumption higher than 1500 GJ and by other individuals and legal entities with the annual energy consumption higher than 35 000 GJ.

All energy auditors in the Czech Republic (examined by the State Examining Board and certified by the Ministry of Industry and Trade) are subject to inspections by the State Energy inspectorate.

The existing methods used in the EU Member States by the realisation of Directive 97/76/EEC and Directive 96/61/EC are relevant for the improvement of quality of decision making processes of the State Energy Inspectorate.

3.2 Linked activities

In 1999 the draft of the new Energy Act was prepared by NERA under the Phare Project (CZ 9703-01-02-03) „Foundation of energy regulatory institution“.

In 1999 the Ministry of Industry and Trade implemented the project on „Approximation of CEEC to EC legislation“ which was financed from the Multi-country Phare Energy Programme. The most important task in this project was to assist in the beneficiary countries in drafting the new energy legislation and develop the country strategy, which will cover remaining legislative gaps.

In 2000 the Twinning Project (CZ 00.04.04) „Energy Regulation Administration“ was prepared within the Phare 2000 Programme. The project focused on integrating the Energy Regulatory Office (ERO) (according to the new Energy Act) into the overall regulatory framework and providing the ERO with relevant skills to ensure regulatory procedures in line with EU Directive 96/92/EC and the ERO position on the internal energy market.

This project follows up the Twinning Project (CZ 01.04.06) „Electricity Market Operator“ of the Phare 2001 Programme, which aims at the operational establishment of the independent Electricity Market Operator (EMO) and its provisions with relevant skills to ensure its right functions in the electricity market according to the new Energy Act and in line with EU acquis (in particular Directive 96/92/EC and internal energy market).

The State Energy Inspectorate (SEI) is another institution that plays an important role in the Czech energy sector. Strengthening of its administrative capacity and improving the quality of its decision making processes in compliance with the Energy Act, the Energy Management Act and the relevant EU acquis will increase efficiency of Czech energy markets.

3.3 Results

The following guaranteed results will be achieved by this project:
1) Strengthening of the administrative capacity of the State Energy Inspectorate and improving the quality of the decision making processes aligned with the Energy Act, the Energy Management Act and the relevant EU acquis (in particular Directive 97/76/EEC and Directive 96/61/EC)

2) Improvement of the energy management and increase of efficiency of energy markets through accurate pricing

In particular, this includes:

ad 1) The project should result in proposals and recommendations for legislative and organisational changes that would allow for energy audits, electricity and heating co-generation and territorial planning to be performed to an acquis compatible standard.

ad 2) Particular focus will be put on skills development of relevant staff, and by the end of the projects a substantial number of SEI inspectors should be able to perform duties required under the acquis, such as inspections, monitoring and supervising of energy auditors, the cost division in heat and electricity cogeneration procedures, the composition of prices for central heating and regional and local energy plans.

3.4 Activities

Twinning (0.5 M€):

ad 1) to advice, prepare and train SEI inspectors on how to inspect, monitor and supervise energy auditors with a view to increase the performance of auditors and thus energy efficiency.

- Train, prepare and advice SEI inspectors on the inspection of cost division in heat and electricity cogeneration procedures.
- Train, prepare and advice SEI inspectors on inspection of composition of prices for central heating.
- Train, prepare and advice SEI inspectors on inspection of regional and local energy plans and their compliance with the Act on Energy Management.

ad 2) Analyze implementing legislation regarding energy audits and electricity and heat co-generation as well as territorial energy planning and prepare complete draft amendments, if required.

The Twinning Covenant will include:

- Pre-Accession Advisor (PAA) for 12 months, to organise and coordinate training of the SEI staff, to acquaint the staff with the relevant EU legislation and help with its implementation. It is expected the PAA professional background is from similar MS institution.

- Short-term Expert(s) (STE) input (apx. 8-10 months) in order to provide training through seminars, elaborate a training manual and draft procedural guidelines in the following areas:

  - Study visits for a total of 20 Czech experts to obtain experience with mechanism applied in EU Member States.

  Further details regarding the qualification and composition of experts are specified in the attached Logical Framework matrix – see annex 1.

3.5 Lessons learned

This project is the third Twinning Project within the Phare Programme concerning the new institutional framework in the Czech energy sector.

The Twinning Project (CZ 00.04.04) „Energy Regulation Administration“ of the Phare 2000 Programme focused on integrating the Energy Regulatory Office (according to the Energy Act) into the overall regulatory framework and providing it with relevant skills to ensure regulatory procedures in line with EU acquis and its position on the internal energy market.

The Twinning Project (CZ 01.04.06) „Electricity Market Operator“ of the Phare 2001 Programme aims at the operational establishment of the independent Electricity Market Operator and its provisions with relevant skills to ensure its right functions in the electricity market according to the Energy Act and in line with EU acquis.

4. Institutional Framework

The competencies and responsibilities of the State Energy Inspectorate are defined in the Energy Act. According to this Act (§ 92) the State Energy Inspectorate is an administrative office subordinated to the Ministry of Industry and Trade (financed from the state budget). It is split into the Central Inspectorate and eight Regional Inspectorates.
The State Energy Inspectorate shall oversee compliance with (§ 93 of the Energy Act):
- The Energy Act (Act no. 458/2000 Coll.)
- The Act on Prices (Act no. 526/1990 Coll.) within the range as defined in the Act on the Authority of the bodies of the Czech Republic in the Pricing Area (Act no. 265/1991 Coll.)

For breach of the above mentioned laws, the State Energy Inspectorate imposes fines upon proposal submitted by the Ministry of Industry and Trade and the Energy Regulatory Office or on the basis of its own findings.

According to the Act no. 265/1991 Coll. (§ 3) the State Energy Inspectorate is the inspection body to supervise the adherence of price regulations in the energy sectors. According to the Act no. 458/2000 Coll. (§ 18) the State Energy Inspectorate is the inspection body to supervise the activities in the energy sectors.

The State Energy Inspectorate shall be entitled to (§ 94 of the Energy Act):
- Request written proposals in respect of the actions and dates to remove the identified faults,
- Decide on the obligation to take measures as proposed by energy audit, and on the dates thereof,
- Inspect whether subsidy recipients under the National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources, enter true information in their applications and assessments.

5. Detailed Budget (mil.€)

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Phare Support</th>
<th></th>
<th>National</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Institution Building</td>
<td>Cofinancing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twinning Covenant</td>
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<td>0.5</td>
<td></td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.5</td>
<td>0.5</td>
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<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency
The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. Responsibility for technical preparation and control will remain with the beneficiary State Energy Inspectorate.

6.2 Twinning
The twinning contact point:
Mr. František Plecháč, Deputy Director of the Central Energy Inspectorate of the Czech Republic, Štěpánská 15, 120 21, Prague 2, Tel.: (+420-2) 962 120 52, Fax: (+420-2) 963 666 50, E-mail: UISEI@pha.pvnet.cz

The State Energy Inspectorate will be the main beneficiary of the Phare project

6.3 Non-standard aspects: N/A

6.4 Contract
(1) Twinning Covenant: 0.5 mil.€

7. Implementation Schedule

7.1 Start of tendering/call for proposals 2 Q/2002
7.2 Start of project activity 4Q/2002
7.3 Project Completion 3Q/2003
8. **Equal Opportunity**

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. **Environment**

n.a.

10. **Rates of Return**

n.a.

11. **Investment Criteria**

n.a.

12. **Conditionality and Sequencing**

All Acts and Decrees, relevant for this project, are already in force. National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources was approved by the government on October 22, 2001.

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**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format

2. Detailed implementation chart

3. Contracting and disbursement schedule by quarter for full duration of programme
# LOGFRAME PLANNING MATRIX

<table>
<thead>
<tr>
<th>Project title: Strengthening of the State Energy Inspectorate</th>
<th>Programme number: 2002/000-282.04.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary institution: State Energy Inspectorate</td>
<td>Contracting period expires: 31/10/2004</td>
</tr>
<tr>
<td></td>
<td>Disbursement period expires: 31/10/2005</td>
</tr>
<tr>
<td>Overall objective</td>
<td>Total budget: 0.5 mil.€</td>
</tr>
<tr>
<td>Ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union. Existence of a functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the Union.</td>
<td>Phare budget: 0.5 mil.€</td>
</tr>
<tr>
<td>Objectively verifiable indicators</td>
<td>Sources of Verification</td>
</tr>
<tr>
<td>Acknowledgement by the European Commission.</td>
<td>EC Regular Report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase energy efficiency through correctly performed energy audits and more efficient regional energy plans.</td>
<td>10 – 20% reduction of energy consumption for heating purposes in the Czech Republic by the strengthening of energy audits between 2004-2008</td>
<td>Annual Report of the Czech Energy Agency on energy efficiency improvements.</td>
<td>Assumptions</td>
</tr>
<tr>
<td>To interrupt cross subsidies in the electricity and heat co-generation</td>
<td>5 – 10% fall in prices payable for centrally provided heat produced in cogeneration plants by end 2003 compared with end 2001</td>
<td>Annual Report of the State Energy Inspectorate on results of inspections concerning prices of heat and electricity produced in cogeneration plants.</td>
<td>Assumptions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/ Strengthening of the administrative capacity of the State Energy Inspectorate and improving the quality of the decision making processes aligned with the Energy Act, the Energy Management Act and the relevant EU acquis (in particular Directive 97/76/EEC and Directive 96/61/EC)</td>
<td>Approximately thirty SEI staff trained in carrying out efficient inspections of energy auditors, including thermotechnical and energy characteristics of buildings; sources and distribution of heat including the systems of metering and regulation of heat energy supplies inside the buildings; systems of economic assessment of energy savings; methods of financing of energy savings.</td>
<td>Project Report</td>
<td>Assumptions</td>
</tr>
<tr>
<td></td>
<td>Approximately twenty SEI staff trained in carrying out inspections of cogeneration cost division and composure of central heating pricing.</td>
<td>PAA Assistance Report</td>
<td>Availability of sufficient financial resources required to implement measures suggested by SEI inspectors.</td>
</tr>
<tr>
<td>In particular, this includes:</td>
<td>Approximately ten SEI staff trained in</td>
<td>State Energy Inspectorate</td>
<td>Penalties imposed by inspectors large enough to act as an effective deterrent against improper audits.</td>
</tr>
<tr>
<td></td>
<td>carrying out inspections of cogeneration cost division and composure of central heating pricing.</td>
<td></td>
<td>Availability of human and financial resources at the SEI required to fulfil its responsibilities as described by the law.</td>
</tr>
</tbody>
</table>
1/ The project should result in proposals and recommendations for legislative and organisational changes that would allow for energy audits, electricity and heating co-generation and territorial planning to be performed to an acquis compatible standard.

2/ Particular focus will be put on skills development of relevant staff, and by the end of the projects a substantial number of SEI inspectors should be able to perform duties required under the acquis, such as inspections, monitoring and supervising of energy auditors, the cost division in heat and electricity co-generation procedures, the composition of prices for central heating and regional and local energy plans.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td></td>
<td>carrying out inspections of regional energy plans, including methods of territorial energy planning.</td>
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</tbody>
</table>
The project consists of a single contract for a Twinning and Training Package. (All figures are approximate).

- A Pre-Accession adviser (PAA), to stay for 12 months, to organise and coordinate training of the SEI staff, to acquaint the staff with the relevant EU legislation and help with its implementation. The PAA will also help preparing proposals for amended legislation, produce a training manual and a comprehensive document on procedural guidelines. (€ 150,000)
- The PAA should have a minimum of 5 years experience with energy audits in an EU Member State.
- Approximately 8-10 months Short-term Expert (STE) input in order to provide training through seminars, elaborate a training manual and draft procedural guidelines in the following areas:
  - Thermo-technical and energy characteristics of buildings;
  - Sources and distribution of heat including the systems of metering and regulation of heat energy supplies inside the buildings;
  - Systems of economic assessment of energy savings;
  - Methods of financing of energy savings;
  - Electricity generation aimed at renewable and secondary sources;
  - Combined heat and electricity generation (CHP);
  - Methods of central heating pricing;
  - Methods of territorial energy planning;
- The experts have to bring to the Czech Republic deep expertise in the given field, modern methods of work and schemes as they are provided in the EU countries. They could be from different countries (with respect to heterogeneity of problems). The training should proceed 10 months. (£300,000)
- Study visits for a total of app. 20 Czech experts to obtain experience with mechanism
Preconditions

- According to the Energy Act (§ 93) the State Energy Inspectorate shall oversee compliance with:
  - The Energy Act (Act no. 458/2000 Coll.)
  - The Act on Prices (Act no. 526/1990 Coll.) within the range as defined in the Act on the Authority of the bodies of the Czech Republic in the Pricing Area (Act no. 265/1991 Coll.)

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  - Inspect whether subsidy recipients under the National Programme for Economical Energy Management and Use of Renewable and Secondary Energy Sources, enter true information in their applications and assessments.

- The State Energy Inspectorate employs 130 inspectors in its central office in Prague and its eight regional offices.

- All energy auditors in the Czech Republic are examined by the State Examining Board and certified by the Ministry of Industry and Trade (The Czech Energy Agency only organises these examinations for the Ministry). They are subject to inspections by the State Energy Inspectorate.
## Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Action</th>
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<td></td>
<td>2002</td>
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<tr>
<td>Launch of Twinning Request to MSs</td>
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<tr>
<td>Selection of MSs for Twinning</td>
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<td>Elaboration of Twinning Covenant</td>
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<tr>
<td>Twinning Implementation</td>
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</table>
## Annex 3

**Contracting and Disbursement Schedule by Quarter for Full Duration of Programme**

### Cumulative Quarterly Contracting Schedule (mil.€)

<table>
<thead>
<tr>
<th>Project</th>
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<th>1Q/02</th>
<th>3Q/02</th>
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### Cumulative Quarterly Disbursement Schedule (mil.€)

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