STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   1.1 Désirée Number: SI0002.01
   1.2 Title: Liberalisation and Regulation of Energy Market
   1.3 Sector: Energy
      (Twinning n° SI2000/IB/EY-01)
   1.4 Location: Slovenia.

2. Objectives

   2.1 Wider Objective(s):
   - Liberalisation of public services in the energy sector

   2.2 Immediate Objectives:
   - Preparation of the internal energy market;
   - Liberalisation (de-regulation) of monopolies in electricity and gas sector, and the access to energy networks;
   - Further strengthening of regulatory function to implement electricity and gas market regulation;
   - Regulation of network related activities in terms of prices and settlement of disputes resulting from the access to natural monopoly, and from financing for networks

2.3 Accession Partnership and NPAA priority

   - NPAA:
     3.4.4 Energy: Competition and internal energy market:
     - opening-up of the electric power supply market
     - harmonisation of the legal order of the Republic of Slovenia with the acquis communautaire in the area of electricity market and of natural gas market
     - improving the competitiveness of the sector.

   - Accession Partnership medium-term priorities:
     - Economic criteria: complete restructuring, commercialisation and liberalisation of state-owned utilities, while ensuring competition and price liberalisation
     - Energy: prepare for the internal market, notably the electricity and gas Directives (including adaptation of energy prices to cost levels and the establishment of a regulator)

3. Description

   3.1 Background and justification:
   Liberalisation of public sectors related to infrastructure, i.e. railways, telecommunications, air traffic and energy supply are among Slovenia's accession priorities foreseen to be performed by using sectoral approach. In the energy sector, correspondent legal basis already exists in the 1999 adopted Energy Act.
Liberalisation and new regulation of the energy sector is one of the objectives, found in the NPAA. Slovene companies in the energy sector are of different structure and ownership. While gas sub-sector is partly privatised, electricity sub-sector is currently in public ownership. The energy sector is in a process of restructuring which has started as a consequence of the new Energy Act introducing electricity and gas markets. The Energy Act introduces licenses and permits, allows trading with energy, establishes market rules and market regulation through an independent regulatory institution (Energy Agency).

The main objective of the project is to support the Energy Agency in early stage, i.e. in the second and third year of its operation. Establishing and proper functioning of this institution is of vital importance for proper functioning of the electricity and gas markets and therefore has high priority in these years activities of the ministry, responsible for energy. In order to optimise its activities, transfer of experience in establishing and first few years of operation of a similar regulatory institution to support the staff in form of on-site daily work as well as some training at a similar regulatory institution in a country with a comparable structure of the energy market, are expected from this project.

Moreover, the Energy Act provides for judgement and justification of costs for electricity distribution and transmission which represent a basis for network pricing. On the same basis, in case of disputes, gas network prices can be judged. Therefore, benchmark studies to cover electricity and gas network prices, both at transmission and distribution level, will be necessary to develop acceptance criteria for justification of costs. Apart from this, acceptance criteria for technical limitations in case of disputes have to be developed, as well as methods for allocation of limited transport capacities. Scope of these studies ought to cover price comparisons and technical limitations at international level, including particularly countries with comparable electricity/gas sector to Slovenia. Deliveries of this project serve as direct aid to regulation of network prices and are needed within first half of the year 2002, since electricity market opens at latest 1.1.2003 at international level.

3.2 Linked activities:

A technical assistance through Phare 1999 project ‘Electricity and gas sector regulation’ to be implemented in 2000 represents the first phase of support to establishing the regulatory institution. It has started in March 2000 for a duration of one year. This project represents mainly support in development and preparation of secondary legislation, regulations and licences, pricing methodologies for electricity networks, alternative dispute resolution procedures, development of management procedures, job profiles and several other supporting activities in preparation for start-up. The proposed twinning project is a continuation of the 1999 Phare project.

Subject of this project is the second phase, assistance in implementation and execution of the above mentioned processes and procedures during early phase of operation of Energy Agency.
3.3 **Results:**
The project will result in the upgraded functioning of the Energy Agency, an independent regulatory authority, and in the operational management and regulatory procedures. Criteria for justification of network costs, i.e. operation, maintenance, ancillary services and other network related costs, and criteria used in dispute resolution procedures will be developed. Methods for allocation of limited transport capacities will be developed. Dispute settlement processes will be in place. Staff will be trained. Benchmark studies on the electricity transmission and the distribution network pricing and on the gas transmission and the distribution network pricing will be prepared.

3.4 **Activities:**
- assist in developing management and regulatory procedures
- assist in the implementation of pricing methodologies
- assist in the implementation of dispute settlement procedures
- advise on the optimisation of the work process within the Energy Agency
- training the Agency's staff (seminars, workshops)
- organise study visits for Energy Agency staff to a Member State regulatory body
- prepare a benchmark study on the electricity transmission and the distribution network pricing (through technical assistance)
- prepare a benchmark study on the gas transmission and the distribution network pricing (through technical assistance)

LT PAA profile: senior experience in setting-up and/or operation of a regulatory body, long term experiences in network pricing and licence issuing in the electricity market, knowledge in economic issues applicable to the electricity networks is required, a good communication skills and good written skills in English. LT PAA must have an advanced university degree in economy, business or engineering.

One Short-Term experts (up to 6 months) will have the same profile as the LT PAA, emphasis will be put on gas market. Apart from this, a pool of short-term experts (max 8-10) is expected to be formed to cover the above topics.

4. **Institutional Framework**
The overall co-ordination is under the Ministry of Economic Affairs (MEA). The project beneficiary is the new Energy Agency. The Ministry for Economic Affairs (MEA), Energy division, Directorate for Energy Supply within MEA, other ministries and companies, if necessary for the performance of this project, will be involved as required.

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1 Energy Agency is an independent regulatory authority which is to be financed through state budget (15 to 20%), from transmission and distribution fees (up to 80%) and its own sources (up to 5%). This ensures its independence in financial terms while the Energy Act provides for its independence in terms of decision-making and legal actions.
5. **Detailed Budget**

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing*</th>
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*In cases of co-financing only*

6. **Implementation Arrangements**

6.1 **Implementing Agency**

The overall co-ordination is under the Ministry of Economic Affairs (MEA). The beneficiary institution is the Energy Agency. The responsible person is Mr Robert Golob, State Secretary for Energy, MEA, the contact person is Mr Marko Sencar, Director of the Directorate for Energy Supply, tel. ++386 62 220 05 66.

Tendering and contracting shall be carried out by the CFCU in the Ministry of Finance. The contact person is Mr. Peter Skofic, Head of CFCU, tel. ++386-1-1786305, fax.++386-1-1786204, e-mail: peter.skofic@mfi.sigov.mail.si. The tendering and contracting of the projects components shall follow standard DIS procedures where applicable, including the twinning manual.

6.2 **Twinning**

The project will be implemented through twinning. There will be one Long-Term Pre-Accession Adviser (for 1 year) and one Short-Term expert (for up to 6 months) based at the Energy Agency. A pool of short-term experts will support them.

6.3 **Non-standard aspects**

DIS manual will be strictly applied and followed, no other non-standard aspect is foreseen.

6.4 **Contracts**

There will be one single twinning covenant for the value of € 0,5 million.

7. **Implementation Schedule**

7.1 Start of tendering/call for proposals: 3 months before the signature of the Financing Memorandum.

7.2 Start of project activity: April 2001

7.3 Project Completion: March 2002.

8. **Equal Opportunity**
Participation in this programme, both by Government Employees or other types of personnel, contracted by the Government, will be open to both males and females involved in the sector. Records of staff participating in training and other project related activities will reflect this.

9. **Environment:** Not relevant

10. **Rates of Return:** Not relevant

11. **Investment Criteria:** Not relevant

12. **Conditionality and sequencing**

   Energy Act, which is in force, provides for Energy Agency to be established at latest by 15 April 2000 and starts operation at latest by 15 October 2000. Early operation means the year 2001. Since this is a new institution no restructuring plan is necessary.

   The following conditions should be met:
   - the Slovene Government will ensure the timely adoption of relevant legislation;
   - the Slovene Government will ensure the readiness of the sector to introduction of market and its acceptance of implementation regulatory approach;
   - the regulatory authority will be established both in legal terms (including its independence) and in terms of infrastructure;
   - the proper staffing and work organization will be available before the start of the twinning project.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. Reference to feasibility /pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)
5. List of relevant Laws and Regulations (optional)
6. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc) (optional)
**LOGFRAME PLANNING MATRIX FOR**

**Liberalisation and Regulation of Energy Market**

<table>
<thead>
<tr>
<th>Project Number SI0002.01</th>
<th>Total Budget: 0,50 MEUR</th>
<th>Phare contribution: 0,50 MEUR</th>
</tr>
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### Wider Objective

<table>
<thead>
<tr>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Liberalisation of public services in the energy sector</td>
<td>• Energy sector liberalised</td>
<td>• Adoption of relevant legislation</td>
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<tr>
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<td>• Energy market operating</td>
<td>• Readiness of the sector to introduction of implementation regulatory approach</td>
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<td>• Sector reorganised and restructured</td>
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### Immediate Objectives

<table>
<thead>
<tr>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Preparation of the internal energy market; Liberalisation of monopolies, and of access to energy networks; Strengthening the regulatory function to implement electricity and gas market regulation; Regulation of network related activities</td>
<td>• Licenses, regulations and procedures are in compliance with the Energy Act and operational internal energy market functional</td>
<td>• Job fluctuation in the Agency is limited</td>
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<td>• Timely adoption of legislation and implementation mechanisms</td>
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<td>• Operational Energy Agency</td>
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### Assumptions and Risks

- Slovene legislation and institutional reform
- Commission Progress Report on accession process
- NPAA
- Evaluation by MEA and EC of documentation produced.
- Progress reports on the accession process
## Outputs

- Upgraded functioning of the Energy Agency
- Dispute settlement processes in place
- Management and regulatory procedures operational
- Criteria for justification of network costs developed
- Staff trained
- Benchmark studies prepared
- Methods for allocation of limited transport capacities developed

## Indicators of Achievement*

- Operational regulations and procedures
- A number (percentage) of solved cases
- Assessed and approved completeness of network cost justification criteria
- A number of trained staff
- Assessed and approved completeness of methods for allocation of limited transport capacities

## How, When and By Whom Indicators Will Be Measured

- Quarterly reports and final project report
- Training reports
- Benchmark studies

## Assumptions and Risks

- Availability of short-term experts with very specific knowledge to address the particular issues

### Inputs

LT PAA, short-term expertise, training, study visits, workshops and seminars.
Annex 2 of Financing Proposal

Name and Number of programme
Liberalisation and Regulation of Energy Market - SI0002.01

CUMULATIVE CONTRACTING SCHEDULE
(EUR million)

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NB: all contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of FM

Name and Number of programme
Liberalisation and Regulation of Energy Market – SI0002.01

CUMULATIVE DISBURSEMENT SCHEDULE
(EUR million)

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NB: all disbursements must be completed within 36 months of signature of the FM
## CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE

*EUR million*

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**NB:**
1. all contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of FM
2. all disbursements must be completed within 36 months of signature of the FM
## Implementation time chart

<table>
<thead>
<tr>
<th>Sub-programme</th>
<th>Liberalisation and regulation of Energy Market SI0002.01</th>
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Annex 4: Reference to feasibility/pre-feasibility studies:
   Not relevant

Annex 5: List of relevant Laws and Regulations:
   • Energy Act (O. J. RS, no. 79/99)
   • Draft regulations, implementing *acquis communautaire*, according to NPAA.

Annex 6: Relevant Government Strategic Plans and Studies
   • Strategy and Business Plan for EU Accession in the Energy Sector