

## Transition facility programme for Romania

### Strengthening Security of Supply in Romania

#### 1. Basic Information

- 1.1. CRIS Number: 2007/19343.06.03
- 1.2. Title: Strengthening security of supply in Romania
- 1.3. Sector: Energy
- 1.4. Location: Romania
- 1.5. Duration: 12 months

#### 2. Objectives

##### 2.1. Overall Objective:

The overall objective of this project is to further support the implementation of the most recent developments of EU energy acquis in Romania

##### 2.2. Project purpose:

The purpose of the project is to enhance the security of supply.

##### 2.3. Justification

- The European Commission is coordinating the development of a consistent policy on the power sector in the South East Europe, known as the Athens Forum process. One significant step in this process is the signature of the Energy Community Treaty on October 25, 2005. The creation of the SEE Regional Energy Market organised in compliance to the EC Directives, as well as UCTE and ETSO rules for electricity and gas, contributes to the efforts of the countries of this region to integrate into EU practices and structures, promotes regional economic development, regional cooperation and stability. Strengthening of the capacity of the Energy Authorities of Romania is required in regard with decision making functions aiming at enhancement of security of energy supply, contribution to energy market competition within South Eastern Europe and exploiting economies of scale through the identification and study of optimal interconnection options in the gas and electricity networks. These developments are in line with the provisions of the South East Energy Community Treaty of the European Community and the Green Paper on "A European Strategy for Sustainable, Competitive and Secure Energy".
- The Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for Trans-European Energy Networks (TEN) and repealing Decision 96/391/EC and Decision No 1229/2003/EC, encourages the reinforcing of security of energy supplies, for example by strengthening relations with third countries in the energy sector in the mutual interest of all parties concerned, in particular in the framework of the Energy Charter Treaty and cooperation agreements concluded by the Community.

### 3. Description

#### 3.1. Background and justification :

Security of supply is basic pillar of EU energy policy. On this basis, Heads of State and Government of Member States, at their summits in October and December 2005, recognised the need for co-ordinated action against risks to the security of supply of EU and asked the Commission to take this forward. Among others, the development of smart electricity and gas networks, could all help at times of sudden shortage. Recent events have underlined that this challenge must be met. An approach based solely on 25, or 27 from January 1, national energy policies will have to be co-ordinated at EU level.

Romania possesses a strategic position with regard to the development of gas and electricity interconnections. The realisation of interconnection projects requires significant investments which need careful advance planning and assessment of their feasibility, as well as the assessment and preparation of an overall strategic framework which will safeguard their coherent development and the progress of Romania towards the goal set forth in the Barcelona European Council in 2002, for increasing the interconnection levels between Member States to 10%. The current project aims, in principle, at developing a strategic framework that will assess the options for interconnection development in the electricity and gas sectors, taking into account the strengthening of the cooperation between Romania, Black Sea countries and South Eastern Europe countries and with a special consideration of the principles and objectives of the South East Energy Community Treaty and the EC policy on security of supply, in order to develop a coherent framework and a roadmap for the development of interconnection projects in Romania.

Furthermore, the new energy policy initiatives on security of supply under development by the European Commission require a constructive contribution from Romania. The proposed sub-project will also provide support to the formulation of the approach of Romania to the issue of security of supply and the proposed strengthening of the energy interconnections of Romania in view of the common EU strategy which will be developed as foreseen in the Green Paper.

#### 3.2. Linked Activities

<i>Project</i>	<i>Financing / status</i>
<b>Project Phare 2003/551.04.09.01-"Strengthening regulatory capacity of ANRE"</b> – The project provided the necessary technical assistance for to pass from the self-scheduling with a compulsory market design to the self-scheduling with a voluntary market design, designing the appropriate regulatory framework to promote renewable energy sources and cogeneration, development of the electricity market monitoring procedures, further development of transmission and ancillary services tariffs and for the cross-border tariffs (CBT) in accordance with EU practice.	Finished in November 30, 2006
<b>Project 2004/016-772.03.10-01"Consolidation of the regulatory capacity of ANRE"</b> - The project provided the necessary technical assistance for to develop the rules for load profiling, monitoring and mechanisms to ensure security of supply, investment appraisal for transmission and distribution networks, customer protection.	Ongoing
<b>Project Phare 2003/551.04.09.02-"Strengthening regulatory capacity of</b>	Finished in

ANRGN- to develop rules and regulations related to protection and safety zones of capacities in natural gas sector; to develop secondary legislation concerning the management of congestions in the national gas system; to adopt regulations designed to guarantee all gas network users freedom of access under conditions of impartiality, neutrality and transparency required by EU Gas Directive; to design regulatory framework for supplier of last resort; to develop procedures for monitoring the non-compliances with the regulations in natural gas sector; to continue the development of the knowledge base and skills of ANRGN professionals through training.	May, 2006
<b>Project 2004/016-772.03.10-02"Consolidation of the regulatory capacity of ANRGN"</b> - The project provided the necessary technical assistance in order to increase the capacity of ANRGN to analyze, interpret and synthesize data and information provided by the management information system within the process of monitoring the natural gas market in Romania, and also, to strengthen the administrative capacity of ANRGN to observe and action for correcting the difficulties that could arise on internal market of natural gas, and will help solving the structural problems of natural gas sector.	Ongoing

The project is not overlapping with other projects financed from EU funds ( post-accession funds or structural funds). This type of technical assistance/study is not eligible under Structural Funds.

### 3.3. Results

- 1) Gas and electricity supply and demand markets in SEE and neighbouring countries and existing/ planned interconnections reviewed and assessed.
- 2) Possible interconnection projects identified
- 3) Interconnection projects assessed at pre-feasibility level
- 4) Strategic Framework for the development of interconnections elaborated
- 5) Strategy on security of supply in compliance to the EU initiatives elaborated

### 3.4. Activities

1. Gas and electricity supply and demand markets in SEE and neighbouring countries and existing/ planned interconnections will be reviewed. It is a present situation analysis that could be based on recent studies and reports of international organisations, especially within the ECSEE initiative. The emphasis will be placed on the assessment of the existing interconnection capacities and the capability of national electricity, gas and oil networks to further contribute in the context of the SEE markets operation.
2. Possible interconnection projects including needs for strengthening/ development of national grids to serve interconnections will be identified. At present there are proposed projects, at various levels of maturity, which have been launched by all the SEE countries but also from private initiatives or international donors interested for better energy supply conditions of the region. The projects under the Romanian interest will be either collected from already existing initiatives or investigated if they are at the first steps of project conception. For this reason a broad consultation procedure will be undertaken involving all major Romanian energy actors and experts

in order to conclude to a selection of most perspective projects enhancing security of supply conditions for the country.

3. Pre-feasibility assessment of selected interconnection projects, under the previous task, will take place. The purpose of this exercise will be to examine the basic and through economic and technical parameters for potential implementation. The viability, as well as the possible participation interest from market actors will be traced at this initial level. A comparative report will be produced providing the necessary information to policy makers.
4. The elaboration of a Strategic Framework for the development of the selected electricity and gas interconnections is the next step. The following aspects will be considered among others:
  - priorities under security of supply and other criteria related to the effectiveness of the project regarding implementation and operation,
  - adaptation to broader regional interconnection plans in the context of the ECSEE initiative,
  - compliance with the EU relevant policies and the TEN-E program,
  - possibilities of financing under all available schemes.

The outcome will be an elaborated strategy paper indicating explicitly the necessary options and schedule of actions.

5. The development of prioritised lists for future interconnections will be the synthesis of the two previous tasks. This list will be accompanied with a roadmap towards implementation and the necessary publications for promotion to the relevant EU and international organisations for support.
6. The elaboration of a security of supply strategy in compliance to the EU policy framework will be the final outcome of this project. Issues of financing and broader bilateral or international/EU support will be extensively examined for the most attractive of the interconnection projects selected and promoted. The effect of these projects to the energy security of the country's supply will be assessed. The EU policy on security of energy supply as it interacts with the relevant Romanian policy will be also presented towards preparing a policy document reflecting both approaches in the context of the EU 27.

The proposed sub-project requires the involvement of experts specialised on energy policy and planning issues as well as on security of supply issues. A Technical Assistance contract is required for the acquisition of the aforementioned expertise. The project could not be implemented as a Twinning Light because such expertise does not exist in the similar institutions from different Member States.

The foreseen budget breakdown is as follows:

Activity No.	Budget (MM)
1	5
2	4
3	6
4	5
5	3
6	5

## **Strengthening Security of Supply in Romania**

### **Required Experts' profiles**

The following experts have a crucial role in implementing the contract and are referred to as key experts.

The profiles of the key experts for this contract are as follows:

#### **Key expert 1: Team Leader: 220 working days**

The Team Leader will be responsible for all matters relating to the management and implementation of the project, including the coordination of the activities of all the other experts (long-term and short-term) and the in-country management of the project. The Team Leader will draw up and monitor work programmes for all other experts. He/she will be responsible for all activities of the project. Furthermore, he/she will participate in all tasks and especially lead the tasks on strategy formulation and motivation of the Ministry's procedures in strategy elaboration.

#### *Qualifications and skills*

- engineering, management or economic degree
- organizational skills
- good communication skills
- fluency in spoken and written English

#### *General professional experience*

- experience as project coordinator/project manager at least 5 years
- at least 15 years working experience from which at least 10 years in the energy policy/strategy, multi-criteria assessment, development of major energy programs/projects, energy legislation.
- knowledge of security of supply strategy

#### *Specific professional experience*

- experience in the EU energy policy field and especially in formulating strategy on major energy projects and managing procedures of decision making at Ministry level
- previous experience in projects related to TEN projects would be an asset.

#### **Key expert 2: Oil and Gas Development Expert: 130 man days**

He/she should support the Team Leader in performing daily activities.

#### *Qualifications and skills*

- engineering or technical degree

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- good interpersonal and communication skills
- fluency in spoken and written English

*General professional experience*

- minimum 10 years working experience from which at least 5 years in development of major electricity and gas infrastructure projects
- experience in technical and economic assessment of interconnection projects

*Specific professional experience*

- participation in gas/oil pipeline interconnection, transmission projects
- experience in the energy security of supply policy/strategy field and especially in assessing major energy infrastructure options .

**Key expert 3: Electricity Development Expert: 130 man days**

He/she should support the Team Leader in performing daily activities.

*Qualifications and skills*

- engineering degree or equivalent
- good interpersonal and communication skills
- fluency in spoken and written English

*General professional experience*

- minimum 10 years working experience from which at least 5 years in development of major electricity infrastructure projects
- experience in technical and economic assessment of interconnection projects

*Specific professional experience*

- participation in electricity interconnection, transmission projects
- experience in the energy security of supply policy/strategy field and especially in assessing major electricity infrastructure options .

**4. Institutional Framework**

The institutions involved in the implementation of this project are:

The **Ministry of Economy and Finance** is responsible for the development of energy strategy.

The **Romanian Energy Regulatory Authority (ANRE)** is responsible for the regulation of the electricity market and natural gas market.

The **Electricity Market Operator of Romania (OPCOM)** is responsible for the management and operation of the electricity market exchange.

**S.N. Transelectrica S.A.** – The Romanian Power Grid Company, responsible for electricity transmission, international transit of electricity, system and market operation, grid and market infrastructure development ensuring the security of the Romanian power system. It also serves as the main link between electricity supply and demand, matching all the times power generation with demand.

**S.N. Transgaz S.A.** - The gas transmission company, responsible for the natural gas transmission, international transit of natural gas, the national and regional despatching of gas, as well as research and design in relation to natural gas transmission.

## 5. Detailed Budget

MEuro	Transition Facility Support			Co-financing			Total cost (TF plus cofinancing)
	Investment Support	Institution Building	Total Transition Facility (=I+IB)	National Public Funds (parallel cofinancing)*	Other Sources	Total cofinancing of the project	
TA	0.00	0.52	0.52	0.00	0.00	0.00	0.52
Total	0.00	0,52	0,52	0.00	0.00	0.00	0,52

VAT is not an eligible expenditure under both the Transition Facility and national cofinancing funds indicated in the above budget table. Where contracts are subject to VAT due to provisions of national legislation, these funds have to be provided from national resource outside and in addition to the amounts indicated in the budget table.

## 6. Implementation Arrangements

### 6.1. Implementing Agency

The **Romanian Implementing Agency** is the **Central Finance and Contracts Unit (CFCU)** within the Ministry of Public Finances, which retains overall responsibility for the implementation of the project (approval of tender documents, of evaluation criteria, of evaluation of offers, signature of contracts, authorization and payments of invoices).

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The **Implementing Authority for the energy programme is the Ministry of Economy and Finance** . The Implementing Authority is responsible for the project implementation.

152, Calea Victoriei, 70034 Bucharest, sector 1, Romania  
Tel::2025271  
Fax: 2025275

Contact person: **Steluta Goanta**  
Deputy General Director/SPO  
e-mail: sgoanta@minind.ro

The **Ministry of Economy and Trade** is the project beneficiary.

For the purposes of the projects, a Project Steering Committee will be set up two weeks after the start of the project activities in order to reflect the various attributions of the institutions acting in the field of energy. The Steering Committee will include top representatives from ANRE, OPCOM, S.N Transelectrica SA, S.N Transgaz SA, Ministry of Economy and Finance - General Directorate for Energy Policy.

The Steering Committee will be chaired by the SPO within the Ministry of Economy and Finance. The consultant will take part at the meetings of the Steering Committee and will ensure the secretariat of this committee.

The Steering Committee will be responsible for the overall co-ordination of the project and for providing guidance to the Consultant. The Steering Committee will review the progress and the outputs of the consultant, and will provide comments and propose solutions where is necessary.

The Steering Committee will meet quarterly.

## 6.2. Twinning

N/A

## 6.3. Non-standard aspects

The procedures defined in NPR will be strictly followed.

## 6.4. Contracts

1 TA contract	0.52 Meuro
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## 7. Implementation Schedule

### 7.1. Start of tendering/call for proposals

ToR for the sub-projects are expected to be finalised in December 2007. The contracting procedure is expected to commence on January 2008.

### 7.2. Start of project activity

Expected in March 2008



### 7.3. Project completion

Expected in March 2009

### 8. Sustainability

The results of the project will contribute to enhancement of security of energy supply, energy market competition within South Eastern Europe and exploiting economies of scale through the identification and study of optimal interconnection options in the gas and electricity networks. Also, will contribute to develop a coherent framework and a roadmap for the development of interconnection projects in Romania.

The Beneficiary of the project is the Ministry of Economy and Finance. The Ministry of Economy and Finance has been the Implementing Authority for the PHARE energy projects and has created a specific Programme Implementation Unit (PIU) for the monitoring of such projects. The PIU is in close collaboration with the Energy Department of the Ministry.

Resources in terms of staff and budget will secure the sustainability of the project after their completion.

### 9. Conditionality and sequencing

There is no conditionality

#### Annexes to project Fiche

1. Logframe in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule, by quarter, for full duration of project (including disbursement period) (compulsory)
4. For all projects: reference list of feasibility/pre-feasibility studies, indepth ex ante evaluations or other forms of preparatory work. For all investment projects, the executive summaries of economic and financial appraisals, environmental impact assessments, etc, should be attached
5. Reference list of relevant laws and regulations (compulsory)
6. Reference list of relevant strategic plans and studies (may include institution sector strategies, development plans, business development plans, etc)
7. Lessons learnt from previous years (compulsory)
8. Detailed budget breakdown (compulsory)

**Annex 1 - Log frame**  
**Transition Facility programme for Romania**

LOGFRAME PLANNING MATRIX FOR Project Fiche			
<b>Title of the project :Strengthening Security of Supply in Romania</b>		Programme name and number 2007/19343.06.03	
<b>Overall objective</b>	The overall objective of is to further support the implementation of the most recent developments of EU energy acquis in Romania	Contracting period expires: 15 12 2009	Disbursement period expires: 15 12 2010
		Total budget :0,52 M€	TF budget: 0,52 M€
		List of other projects with same objective	
<b>Project purpose</b> The purpose of the project is to enhance the security of supply	<b>Objectively verifiable indicators</b> Defined strategic framework for the development of electricity and gas interconnections of Romania	<b>Sources of Verification</b> • EU Delegation reports • EU Commission reports • Consultants Task Reports • Electricity Market Participants reports	<b>Assumptions</b> Cooperation with other institutions
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>

<sup>1</sup> Please specify here the recommendation made in Comprehensive Monitoring Report or other relevant documents (SIGMA (financial control, procurement, Peer Reviews, Evaluation reports, Final reports of TW projects)

<b>Results</b> <ul style="list-style-type: none"> <li>Gas and electricity supply and demand markets in SEE and neighbouring countries and existing/ planned interconnections reviewed and assessed.</li> <li>Possible interconnection projects identified</li> <li>Interconnection projects assessed at pre-feasibility level</li> <li>Strategic Framework for the development of interconnections elaborated</li> <li>Strategy on security of supply in compliance to the EU initiatives elaborated</li> </ul>	<ul style="list-style-type: none"> <li>Prioritised list for developing Romania's electricity and gas interconnections elaborated</li> <li>Channelling of energy interconnection projects through the TEN procedures</li> <li>Defined strategy on security of supply in compliance with the EU27 initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Consultants Task Reports</li> <li>PIU Reports</li> <li>Beneficiaries Reports</li> </ul>	Cooperation with other institutions
<b>Activities</b> <ol style="list-style-type: none"> <li>Gas and electricity supply and demand markets in SEE and neighbouring countries and existing/ planned interconnections will be reviewed. It is a present situation analysis that could be based on recent studies and reports of international organisations, especially within the ECSEE initiative. The emphasis will be placed on the assessment of the existing</li> </ol>	<b>Means</b> Technical assistance		<b>Assumptions</b> Cooperation with other institutions

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<p>interconnection capacities and the capability of national electricity, gas and oil networks to further contribute in the context of the SEE markets operation.</p> <p>2. Possible interconnection projects including needs for strengthening/development of national grids to serve interconnections will be identified. At present there are proposed projects, at various levels of maturity, which have been launched by all the SEE countries but also from private initiatives or international donors interested for better energy supply conditions of the region. The projects under the Romanian interest will be either collected from already existing initiatives or investigated if they are at the first steps of project conception. For this reason a broad consultation procedure will be undertaken involving all major Romanian energy actors and experts in order to conclude to a selection of most perspective projects enhancing security of supply conditions for the country.</p> <p>3. Pre-feasibility assessment of selected interconnection projects, under the previous task, will take place. The purpose of this exercise will be to</p>			
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<p>examine the basic and through economic and technical parameters for potential implementation. The viability, as well as the possible participation interest from market actors will be traced at this initial level. A comparative report will be produced providing the necessary information to policy makers.</p>			
<p>4. The elaboration of a Strategic Framework for the development of the selected electricity and gas interconnections is the next step. The following aspects will be considered among others:</p> <ul style="list-style-type: none"> <li>• priorities under security of supply and other criteria related to the effectiveness of the project regarding implementation and operation,</li> <li>• adaptation to broader regional interconnection plans in the context of the ECSEE initiative,</li> <li>• compliance with the EU relevant policies and the TEN-E program,</li> <li>• possibilities of financing under all available schemes.</li> </ul> <p>The outcome will be an elaborated strategy paper indicating explicitly the necessary options and schedule of</p>			

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<p>actions.</p> <p>5. The development of prioritised lists for future interconnections will be the synthesis of the two previous tasks. This list will be accompanied with a roadmap towards implementation and the necessary publications for promotion to the relevant EU and international organisations for support.</p> <p>6. The elaboration of a security of supply strategy in compliance to the EU policy framework will be the final outcome of this project. Issues of financing and broader bilateral or international/EU support will be extensively examined for the most attractive of the interconnection projects selected and promoted. The effect of these projects to the energy security of the country's supply will be assessed. The EU policy on security of energy supply as it interacts with the relevant Romanian policy will be also presented towards preparing a policy document reflecting both approaches in the context of the EU 27.</p>			
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**Annex 3a - Cumulative contracting schedule**

	31/03/07	30/06/07	30/09/07	31/12/07	31/03/08	30/06/08	30/09/08	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09
CONTRACTED Technical assistance	7	7	7	7	8	8	8	8	9	9	9	9
NB: All contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of the FA.												

**Annex 3b - Cumulative disbursement schedule**

	31/03/08	30/06/08	30/09/08	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09	31/03/10	30/06/10	30/09/10	30/09/10
DISBURSEMENT Technical assistance	8	8	8	8	9	9	9	9	10	10	10	10
NB: All disbursements must be completed within 36 months of signature of the FA.												



#### **Annex 4: Reference list of relevant laws and regulations**

1. Law 199/2000 regarding the efficient use of energy
2. Government Decision no.163/2004 regarding the National Strategy for Energy Efficiency
3. Government Decision no.647/2001 regarding the medium term Romanian Strategy for Energy Development 2001-2004
4. Government Decision no.890/2003 regarding the Road map in the energy sector in Romania.
5. Law No.199 /2000 on Energy Efficiency as amended by the GO 78/2001,
6. Law No.14/ 1997 for ratifying the Energy Charter Treaty and the PEEREA

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## Annex 5 - Lessons learned:

<i>Identified Gaps or Recommended courses of intervention</i>	<i>Action for covering the Gap or implement the recommended intervention</i>	<i>Phase Programming (Project Reference)</i>  2004-2006	<i>Transition Facility</i>
<p><b>Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy:</b></p> <p>"...interconnections should be developed, effective legislative and regulatory frameworks must be in place and be fully applied in practice, and Community competition rules need to be rigorously enforced"</p> <p>At the Barcelona European Council in 2002, the Heads of State and Government agreed to increase minimum interconnection levels between Member States to 10%. Progress has not been satisfactory.</p>	<p>Development of a Strategic Framework for the development of gas and electricity interconnections that includes assessment and ranking of interconnection projects taking into account the SEE and broader energy market conditions, and elaboration of implementation plans</p>		<p><b>Strengthening Security of Supply in Romania (Technical Assistance)</b></p>

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**Budget breakdown**

<b>Annex 6 – Budget breakdown</b>				
<b>Expenditures (including overheads):</b>				
<i>Long term experts</i>				
- Team leader				
- Senior experts		220,00	950,00	209000,00
- Junior experts		260,00	850,00	221000,00
				0,00
<i>short term experts</i>				
- Senior experts				
- Junior experts		100,00	850,00	85000,00
				0,00
				0,00
				0,00
				0,00
				0,00
<b>Total expenditure</b>				515000,00
<i>Incidental expenditure</i>				
<i>checking the expenditure</i>				0,00
<b>MAXIMUM CONTRACT VALUE</b>				5000,00
				<b>520000,00</b>

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