



BS/EN/WG/R(2003)1

**REPORT
OF THE MEETING
OF THE BSEC WORKING GROUP
ON ENERGY**

Istanbul, BSEC Headquarters, 26-27 February 2003

1. The Meeting of the BSEC Working Group on Energy was held in Istanbul at the BSEC Headquarters, on 26-27 February 2003.
2. The Meeting was chaired by Mr. Arsen AVAGYAN, Permanent Representative of the Republic of Armenia to the BSEC.
3. The Meeting was attended by the following Member States of the BSEC:
 - Republic of Albania
 - Republic of Armenia
 - Republic of Azerbaijan
 - Republic of Bulgaria
 - Georgia
 - Romania
 - Russian Federation
 - Republic of Turkey
 - Ukraine
4. The representatives of Israel, Italy and Republic of Poland attended the Meeting as Observers.
5. The Meeting was also attended by the representatives of the Parliamentary Assembly of the BSEC (PABSEC) and the BSEC Business Council (BSEC BC).
6. Ms. Charlotte GRIFFITHS, Economic Affairs Officer, Sustainable Energy Section, UN ECE, attended the Meeting as Guest.

The list of participants of the Meeting is attached as Annex I.

7. The draft agenda of the Meeting was discussed and adopted. The agenda, as adopted by the Working Group, is attached as Annex II.

**REVIEW OF RECENT DEVELOPMENTS IN THE INTERCONNECTION OF ELECTRIC
POWER SYSTEMS IN THE BSEC REGION**

8. The Delegations presented reports and exchanged views on the steps undertaken recently at the national level to promote this significant objective. In particular, the Armenian Delegation in its capacity of the BSEC Chairmanship-in-Office provided an overview of interconnections and prospects of electricity trade in the Caucasus region involving the power systems of Russia, Azerbaijan, Georgia and Armenia.

9. The participants converged on the opinion that the interconnection of national power systems in the BSEC Region remains a project of primary importance on a medium and long term for the Member States taking into account its potential to facilitate further integration of national economies and, particularly, to set up the preconditions for gradual creation of open electricity markets. Along with this, it will create new opportunities for investors and involved private companies. They also underlined that a sustainable progress towards this endeavour presumes a proactive role of electric utilities, transmission companies and regulatory authorities at all the stages of the relevant deliberations. For this purpose the Working Group on Energy will further strive to ensure a deeper engagement of the said entities in its activities. At the same time, the recent developments and existing trends in the region should be duly taken into account.

STATE OF PLAY IN THE PROCESS OF SYNCHRONIZATION OF ELECTRIC GRIDS OF BULGARIA, ROMANIA AND TURKEY WITH THE UCTE SYSTEM. PROSPECTS OF INTERACTION BETWEEN UCTE AND UES CIS SYSTEMS IN THE BSEC REGION

10. The participants appraised the ongoing process of integration of Romanian and Bulgarian power systems into the UCTE network and the measures aimed at synchronizing the Turkish electric grids with the UCTE. A particular reference was also made to the positive experience of cooperation between Ukraine with the UCTE in the context of the functioning of the Burshtinskiy electro-energetic island.

11. It was agreed to continue the exchange of information on this issue as well as to encourage the dialogue relating to the problems and prospects of electricity trade in the South East Europe between the BSEC countries participating in the UCTE and the BSEC countries interconnected within the Unified Energy System of the CIS.

12. During the consideration of this issue the participants also expressed themselves in favour of further exploring and addressing concrete aspects of a stage by stage harmonization of technical requirements and standards in the energy sector, particularly, with due account to the UCTE rules and regulations as well as EU, norms in order to promote compatibility of electricity equipment and services.

PROGRESS IN THE LIBERALIZATION OF ENERGY MARKETS IN THE BSEC MEMBER STATES

13. The deliberations in this respect revealed the growing awareness in the BSEC region of the substantial benefits of more liberal trade regimes. Detailed presentations* made by the participants on key aspects of the liberalization process allowed a fruitful interchange and productive discussion on this topical issue. In particular, the participants highlighted the advantages for the electricity sector resulting from the liberalization measures and, specifically, the lower electricity prices and greater choice of suppliers for the consumers, lower reserve margin requirements and reduced peak load requirements in integrated systems, without compromising the security of supply.

However, the participants recognized that despite recent encouraging progress, a lot still remains to be done to achieve liberalization in electricity trade both at national and regional level.

NOMINATION OF COUNTRY-COORDINATOR AND ELABORATION OF THE PLAN OF ACTIONS OF THE BSEC WORKING GROUP ON ENERGY

14. The Delegations took note of the resolution of the BSEC Council of Ministers of Foreign Affairs, by which it has adopted the “Terms of Reference of the Institution of the Country-Coordinator” in various fields of cooperation. They subsequently welcomed the interest of the Republic of Azerbaijan and the Russian Federation in being appointed Country-Coordinator for the Working Group on Energy.

15. In line with the respective decision of the BSEC Council of Ministers of Foreign Affairs, the Delegations invited the above-mentioned States to submit their two-year Plans of Action relating to cooperation in the field of energy by the next Meeting of the BSEC WG on Energy, enabling thus the Working Group to agree on a recommendation for the BSEC Council to appoint the Country-Coordinator for the WG on Energy.

16. The text of the “Terms of Reference of the Institution of the Country-Coordinator” adopted at the Meeting of the BSEC Council of Ministers of Foreign Affairs in Kyiv, 25 April 2002, is attached for easy reference as Annex III.

CONSIDERATION OF EVENTUAL MODALITIES OF INTERACTION BETWEEN THE BSEC WORKING GROUP ON ENERGY AND THE BSEC PROJECT DEVELOPMENT FUND

17. Under this agenda item, the BSEC Secretariat informed the delegations on the recent decisions of the BSEC Council of Ministers of Foreign Affairs (Tirana, 25 October 2002), by which it adopted the establishment of the BSEC Project Development Fund and the regulatory documents for its functioning, specifically, the “Rules and Regulations of the BSEC Project Development Fund”, the “Role of the BSEC organs in the Project Development”, and the “Project selection criteria within the BSEC”.

18. The Member States were invited to submit through BSEC International Secretariat their respective project proposals aiming at facilitating the cooperation in the field of energy, with the understanding that such proposals shall be elaborated in accordance with the provisions of the “Standard Application for funding a BSEC Project”. As indicative issues to be addressed during the

* All the presentations made by the Delegations at this Meeting are circulated to the Member States by e-mail.

elaboration of such project proposals the participants pointed out to the need to update the Terms of Reference for the Feasibility study on interconnection of electric power systems in the BSEC region; to conduct a comparative study on the legal framework of functioning of national power systems of the BSEC Member States; to elaborate measures aimed at harmonizing the regulatory framework of electricity markets in the BSEC region.

19. The Working Group on Energy emphasized the importance of the Project Development Fund for reinvigorating the BSEC activities, and in this respect it called on the Member States to expedite the transfer of their voluntary contributions to the said Fund.

20. The texts of the “Rules and Regulations of the BSEC Project Development Fund”, the “Role of the BSEC organs in the Project Development” and the “Project selection criteria within the BSEC” adopted at the Meeting of the BSEC Council of Ministers of Foreign Affairs in Tirana, 25 October 2002, are attached as Annexes IV.1, IV.2, IV.3. The “Standard Application for funding a BSEC Project” agreed at the Meeting of the BSEC Working Group Banking and Finance in Istanbul, 11-12 December 2002, is attached as Annex IV.4.

ANY OTHER BUSINESS

21. The Representative of the UNECE drew attention to the UNECE’s Programme of work on electricity currently being developed under its Ad Hoc Group of Experts on Electric Power and invited BSEC to contribute to the Terms of Reference being drafted for this Group. The Meeting agreed on the importance of ongoing collaboration between the two organizations.

DATE AND VENUE OF THE NEXT MEETING

22. The Working Group agreed that the date and venue of its next meeting would be communicated to the Member States through the BSEC PERMIS.

ADOPTION OF THE REPORT

23. The Working Group adopted the present report for the submission to the Committee of Senior Officials and the Eighth Meeting of the Council of Ministers of Foreign Affairs to be held in Yerevan on 18 April 2003.