ANNEX 1 – Glossary of main technical terms used in this Report

**Acquis**: the term acquis communautaire or (EU) acquis is used in EU law to refer to the total body of EU law accumulated thus far. The EU energy acquis refers to the EU body of law that pertains specifically to the energy sector.

**Ancillary services**: all services necessary for the operation of a transmission or distribution system.

**Ancillary service tariff**: tariffs for “ancillary services”.

**Balancing (Gas)**: balancing is a requirement applicable for transmission systems to indicate that the energy sent or requested from energy producers or other suppliers should be equal to the amount of energy delivered to customers. In gas transmission, in order to ensure the safe operation of the network, pressure must be maintained within acceptable limits, which implies that input and output flows of gas must be balanced. The TSO has the ultimate responsibility for (residual) balancing.

**Bio-fuel**: liquid fuels derived from plant materials, including bio-ethanol (alcohol made by fermenting sugar components of plant materials, mostly starch and sugar crops) and cellulosic biomass (such as trees and grasses). Biogas is a type of bio-fuel.

**Biomass**: a renewable energy source derived from living, or recently living organisms, such as wood, waste, and alcohol fuels; the biodegradable fraction of products, waste and residues from agriculture (including vegetal and animal substances), forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste.

**CPI-X methodology**: an incentive-based formula for price control, in which price changes are limited to the increase in a general price index, such as the Consumer Price Index, minus a factor (x) determined by the regulator to reflect anticipated efficiency gains or productivity growth which will lower the price of supply to the customer.

**Captive customer**: an energy customer that purchases electricity from a regulated supplier designated by law, and without the option to choose supplier.

**Cost of service tariff methodology**: a tariff system that allows the producer to recover an amount equal to it costs/operating expenses (as long as reasonable) and a reasonable return on the rate base.

**Cross-border exchange**: a physical flow of electricity on a transmission network that results from the impact of the activity of producers and/or consumers outside from another transmission network.

**Cross-border transit fees**: compensation, using received by the system operators, for costs incurred as a result of hosting cross-border flows of electricity on their network.

**Distribution**: the transport of electricity on high-voltage, medium voltage and low voltage distribution systems with a view to its delivery to customers, but not including supply.

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129 Definitions in this Glossary are taken from those used in the EU Directives and explanatory papers, as well as from expert treatises on the energy sector that are funded and approved by IFIs and international donor agencies.
**Distribution System Operator (DSO):** a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the distribution system in a given area and, where applicable, its interconnections with other systems and for ensuring the long term ability of the system to meet reasonable demands for the distribution of electricity.

**Electricity grid or network:** an electrical grid is an interconnected network for delivering electricity from suppliers to consumers. It may be referred to as a distribution network (or grid) or a transmission network (or grid), largely depending on the voltage level. Electricity in a remote location might be provided by a simple distribution grid linking a central generator to homes, pursuant to a concept known as distributed generation.

**Eligible customer:** customers who are free to purchase electricity from the supplier of their own choice.

**Emission trading scheme:** an administrative trading system used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants.

**End-user or the final customer:** customer purchasing electricity or natural gas for their own use.

**Energy:** all forms of commercially available energy, including electricity, natural gas (including liquefied natural gas), liquefied petroleum gas, any fuel for heating and cooling (including district heating and cooling), peat, coal and lignite.

**Energy Community:** the group of countries (all contracting parties are currently Southeast European countries) that signed the Treaty establishing the Energy Community in Athens, Greece in October 2005 and entered into force on 1 July 2006. The Treaty aims to establish a common regulatory framework for trading energy across South East Europe and the EU internal market.

**Energy Community Treaty (EcT):** the Treaty establishing the Energy Community in Athens, Greece in October 2005 and entered into force on 1 July 2006.

**Energy efficiency:** encompasses all changes that result in a reduction in the energy used for a given energy service, such as lighting, or level of activity. This reduction in the energy consumption may be due to technical changes or to other changes, including better organisation and management or improved economic efficiency in the sector (e.g. overall gains of productivity).

**Entry-exit model:** a network access model that has become standard in European gas transmission networks and allows shippers to book capacity rights independently at entry and exit points. Compared to the former common distance or path-dependent point-to-point regimes, this model represents a general improvement towards more flexibility for shippers, system transparency and cost-reflective network tariffs.

**Feed in Tariffs (FIT):** an incentive structure to encourage the adoption of renewable energy, usually through primary or secondary legislation, through setting mandatory prices for type and quantities of renewable energy at above-market rates.


**Gas storage facility (infrastructure):** a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions;
Gas (trading) hub: a “point” (virtual or physical) where gas trading is facilitated by an operator which organises the exchanges: receives and treats the trading notifications (also known as nominations) of the parties.

Generators or producers: a natural or legal person generating electricity or gas.

Grid access: access to electricity grid.

Grid Code: a regulation that sets forth rules that govern the development, maintenance and operation of a coordinated system for the transmission of electricity, to facilitate competition in the generation and supply of electricity and to promote the security and efficiency of the power system as a whole.

Hydro power: power derived from the force or energy of moving water, which may be harnessed for electricity.

Network or system operator: the entity that coordinates controls and monitors the operation of the electrical power system.

Installed or technical capacity: the maximum firm capacity that the transmission system operator can offer to the network users, taking account of system integrity and the operational requirements of the transmission network;

Interconnection capacities: capacities of transmission and distribution systems linked together by means of one or more interconnectors.

Kyoto Protocol: protocol to the United Nations Framework Convention on Climate Change, an international environmental treaty with the goal of stabilising greenhouse gas emissions. Initially adopted in December 1997 in Japan, the Protocol entered into force in February 2005 and approximately 187 states have ratified the protocol. The Protocol allows for several flexible mechanisms, such as clean development mechanism, emissions trading and joint implementation to allow specified industrial countries (known as Annex I countries) to meet identified greenhouse gas emission targets.

Licences: permits issued to the energy undertakings for performing the energy activities.

Liquified natural gas (LNG): a natural gas that has been converted temporarily to liquid form for ease of storage or transport.

Market opening: the process or the degree of market liberalisation.

Market operator (MO): the operator licensed by the regulatory or other authorities and authorised to undertake all the functions described for it in the market rules.

Market rules: the relevant secondary legislation of the power sector that determine the electricity market framework.

Price cap: the price cap is simply a process for establishing rates or prices that will be charged for a particular good or service. In some instances, there are governmental organizations that determine price regulation. One excellent example of price cap regulation is in the rates that may be charged for household utilities, such as water and electricity.

Public Provider (gas): a public-service gas provider.

Public service obligations: obligations imposed on energy undertakings in the general economic interest, or in relation to security, including security of supply, regularity, quality and price of supplies and environmental protection, including energy efficiency and climate protection.
Power exchange: a sales forum or marketplace used by energy producers and which works for participants in much the same way as a stock exchange in the financial industry; usually owned and operated by the parties who use it.

Postage stamp transportation tariff: non-industry-specific term for a rate structure in which each customer in a given class is charged the same rate for a commodity as every other customer, regardless of the cost of serving different customers in the same class. Also refers to rates set for all customers in a given territory regardless of their distance from the point where the given service or commodity is supplied; common in the gas sector though postage stamp tariff structures are disfavoured in the electricity sector.

Quality of service standards: a set of standards/indicators fixed by the regulation to guarantee a certain level of quality and performance of a contracted service. Electricity and gas supply service quality have many technical and commercial dimensions: continuity; physical quality; tension/pressure; and degree of responsiveness of service providers to customer problems and complaints.

Rate of return: the rate of profit (or return) of an investment, expressed as a percentage of the total amount invested. It is usually calculated on an annual basis.

Renewable energy: renewable non-fossil energy sources (wind, solar, geothermal, wave, tidal, hydro power, biomass, landfill gas, sewage treatment plant gas and biogases)

Security (energy): means both security of supply and provision of electricity, and technical safety.

Security of Supply: the ability of a system to supply final customers with electricity or gas.

Single buyer: an entity, most commonly a transmission (and dispatch) company, which has the exclusive right to purchase electricity from generators and sell it to distributors.

Supplier of last resort: an energy supplier that is automatically assigned to serve an existing customer immediately following deregulation, or an energy supplier that must supply a given classification or sub-classification of customers who may not be able to acquire energy from any other provider. In many cases, the supplier of last resort is the utility company that the customer used before deregulation.

Supply contracts: agreements for the sale, including resale, of electricity or gas to customers.

Tariff methodology: the methodology used for calculation of tariffs.

Tender documents: documents for the tendering procedure.

Tendering procedure: the procedure, often launched by the government, through which planned additional requirements and replacement capacity are covered by supplies from new or existing generating capacity.

Third Party Access (TPA): the right of independent undertakings operating in the energy sector to access and use various energy network facilities owned by other companies.

Tons (or “tonnes”) of oil equivalent (Toe): normalised unit of energy. It is equivalent to the approximate amount of energy that can be extracted from one tone of crude oil. It may be used to compare the energy from different sources.

Trader: a person licensed for the sale and purchase transactions.
Transmission (electricity): “transmission” means the transport of electricity on the extra high-voltage and high-voltage interconnected system with a view to its delivery to final customers or to distributors, but not including supply.

Transmission (gas): the transport of natural gas through a high pressure pipeline network other than an upstream pipeline network with a view to its delivery to customers, but not including supply.

Transmission System Operator (TSO): a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long term ability of the system to meet reasonable demands for the transmission of electricity or gas.

Unbundling: the process of separation of the integrated electricity utilities.

Integrated electricity utilities: a vertically or horizontally integrated undertaking.

Horizontally integrated utility: an undertaking performing at least one of the functions of generation for sale, or transmission or distribution of electricity, and another non-electricity activity.

Vertically integrated utilities: a vertical organisational structure including generation, transmission, maintenance, operation, distribution and supply.

Wholesale market: market in which the energy is purchased for the purpose of resale.

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The Treaty establishing the Energy Community went into effect in 2005, and Title II of this Treaty extends parts of the European Union (EU) acquis communautaire to the territories of the Treaty’s contracting parties, of which Bosnia and Herzegovina is one. Specifically, the Contracting Parties have committed to: transpose (EU Electricity) Directive 2003/54 and Regulation 1228/2003 into national legislation by 1 July 2007; to open the electricity market to non-household customers by January 2008 and full opening by 2015; to transpose (electricity security of supply) Directive 2005/89 by the end of 2009; (EU Gas) Directive 2003/55; to open the gas market to non-household customers by January 2008 and full opening by 2015; to transpose (access to gas networks) Directive 2004/67/EC and (security of gas supply) Regulation 1775/2005 by end of December 2009. For environment and competition, the contracting parties to the Treaty are required to take various steps and plan for bringing legislation in line with the EU, though requirements on the contracting parties in these areas as a general matter are less expansive. Specific requirements are available at http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/EU_Legislation.

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\textsuperscript{xlviii} Population and all energy sector figures in the Overview are drawn from IEA statistics, 2007, [http://www.iea.org/stats](http://www.iea.org/stats).

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The Treaty establishing the Energy Community went into effect in 2005, and Title II of this Treaty extends parts of the EU acquis communautaire to the territories of the Treaty’s contracting parties; as an Observer rather than a party, Georgia is not required to implements the incorporated parts of the EU acquis communautaire, though Observer status does indicate a willingness to bring its framework closer to Energy Community and EU standards. The specific provisions that form part of the specific Energy Community acquis are available at http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/EU_Legislation.
