

Executive Summary and Agenda for Moldovan Study Tour to Czech Republic and Poland

Executive Summary

Study Tour Report to Czech Republic and Poland February 14 – 21, 2004

1. Background

In the light of the ongoing heat reform and continuous disputes between heat market stakeholders, endless debates on heat contractual issues and especially taking into account the development of the heat legal framework and amendment of the Law on Condominium, ASE invited the key experts from DH and Housing sectors in a study tour to Czech Republic and Poland to familiarize them with the experience of European countries and see their problems from another perspective.

Prior to our departure, we circulated a questionnaire to our potential participants to identify the areas of DH and Housing Sectors they would be particularly interested in. Later, based on the responses received, the relevant information (see Angela's notes in Annex# attached) was provided in order to introduce each participant to the idea of what the situation is in the visiting countries.

The Study Tour was undertaken during the period February 14-21, 2004. During the tour the group visited 2 cities in Czech Republic, Prague and Olomouc and Tychy in Poland. ASE selected and carefully arranged meetings according to the Groups' field of interest. The hosts represented domestic experience from all institutional perspectives, both from local and state public authorities, as well as NGOs and private companies.

2. Study Tour Meetings and Site Visits

- Ministry of Industry and Trade, Prague, CR
- Czech District Heating Association, Prague, CR
- DH Companies Komtherm and Harpen, Prague, CR
- John Krigger, EE independent US Publisher, Prague, CR
- DH Company "Prazska Teplarenska", Prague CR
- Civic Union of Private Home Owners of the CR, Prague, CR
- SEBA Dynatronic (Germany), Prague, CR
- Ministry of Regional Development, Prague, CR
- Local Housing Cooperative, Prague, CR
- SEVEN, Prague, CR
- DH Company Dalkia, Olomouc, CR

- Municipality (Departments of Environmental Protection and Housing), Tychy, PL
- DH Company, Tychy, PL

3. Fact Findings

A key conclusion from the trip has been that the problems faced by the heat supply sector of Moldova are similar with the ones that Czech R. faced 9 years ago and Poland about 7-8 years ago. Creation of a solid legislative framework, which, in connection with these countries' adherence to the European Union, should be brought into accordance with its requirements, played a significant role in solving these issues.

For example, the energy legal framework has been created in Czech R. that includes 2 key laws. The first Law on Energy, as such, covers the main principles and provisions, while the second law regulates the rules of economic activity of enterprises that perform in this sector. Separate chapters of each law contain provisions related to supply of electric power, gas, thermal power. As for Poland there is a similar situation. They have a Law on Energy, which as well regulated provisions on liquid fuel.

The effective enactment of laws is insured by distinct delimitation of functions of each player involved. For example, the Ministry of Industry and Trade responsible for the energy sector drafts legislative and regulatory acts and in no way is involved in solution of issues related to administration of enterprises. Issues of the household and dwelling complex are solved at site by the local governments.

Favorable conditions for investors and capital investments have caused substantial reconstruction of DH companies. Rather, where there has been success, complex sets of factors change along with the introduction of new management and technologies like Olomouc DH Company leased by Dalkia. Especially, considerable time and attention needs to be given to management aspects supporting the new technology introduction and its use (e.g. monthly reporting of each department manager, coordinated and sustained staff development, finance policies that enable long term planning and programs).

A great deal of discussions was paid to the issue of contracting (between heat suppliers and consumers). Having lots of disputes around this issue in Moldova, one of the main reasons of the trip was to bring ardent opponents from DH and Housing sectors in Moldova into a more constructive discussion by introducing them to the international experience with contracting and relationships between heat suppliers and consumers. The Study Tour was very effective in addressing these hot issues in Moldova, and in reducing the animosity between the district heating companies and the housing communities.

The Study Tour showed us the experience that helped break the old stereotypes and convince the Housing sector representatives that heat supply contracts should be concluded only with Housing Managers and not necessarily with each individual household. Also there were numerous discussions of the issues related to the housing property and relationship between consumers and suppliers which helped participants identify the main mistake within the framework of Moldovan Law on Condominium that has consequently created so many problems in this domain. Likewise, the experience of other countries was thoroughly studied before privatization took place in Czech R. Dwellings were privatized simultaneously with commonly used places and

internal networks. This fact is also indicated in the Contract on sale/purchase of apartment. Each resident became owner of apartment and member of the corresponding cooperative only after the entire sum was paid off.

Another topic that was ranked as one of the most interesting for the study tour delegates was social housing program in CR. Here, energy efficiency was a substantial part of social housing. The idea of the Program is the disbursement of funds for construction of rental housing to groups of the population in a specific income bracket and for construction of technical infrastructure used in subsequent construction of apartment buildings and family homes. In conditions of the ongoing social housing reform in Moldova this experience is expected to be studied in more details by the Moldova Ministry of Ecology, Construction and Territorial Development. It was agreed that the Ministry and ASE will work together to find some possibilities of applying similar practice in Moldova. Meanwhile, ASE contacted Miroslav Maly from the Czech consulting firm Enviro for further exchange of experience and possible attracting some funding from Czech international budget for social housing projects in Moldova.

The tariff policy was another issue that was highlighted within the framework of our ST meetings. As Moldova is debating about the procedure for setting up tariffs as well as making amendments regarding how tariffs are addressed in the draft Heat Law, it was extremely helpful to learn about the international experience in this respect. We were quite surprised to find out that in Czech R. there is almost no prices regulation for power-carriers, even for the enterprises performing in the conditions of monopoly. Tariffs are calculated based on the methodology that was drafted and approved by the Czech Power Agency. This Agency also determines the rate of return for each year. The rate may be taken into account during calculation in each sector of power engineering. Enterprises calculate tariffs themselves, but these calculations may be subjected to inspections from the State Power Inspection within the Ministry of Industry and Trade. Enterprises have the right to revise the tariff quarterly because of the fuel prices fluctuation.

Even for enterprises that have a dominating position, there is only one regulator – the market. And, therefore, there is competition only between types of fuel, which is used for heating. Each consumer has the right to select how he will be heating his dwelling or other object – by gas, coal, electric power, or by connecting to the centralized heating system. Yet, the tariffs are made in such a way that nobody can think of installing autonomous gas heating at his place or to heat the dwelling by electricity, because such heating is considerably more expensive, than centralized heating. Such is the tariff policy of the state, which complies with directives of the European Union. The directives read that from the standpoint of ecology, security, prices, and comfort, centralized heating on the basis of cogeneration is the most preferable.

These were the main findings of the Moldovan Group while visting the Czech Republic for a study tour. As a follow up event, on March 19 ASE is organizing a roundtable with all of the Moldovan decision-makers in the housing and heating sectors in order to disseminate the acquired experience. As a result of presentations and discussions to be held at the roundtable the ST Participants expect to come up with joint proposals on modifying the respective legislation based on experience learnt. The outcome results to be reported in the next monthly report.

Study Tour Agenda

DAY	MEETINGS
16-Feb	
10:00:00 - 12:00	<p style="text-align: center;">Czech Energy Agency (CEA) and Ministry of Industry & Trade (MPO)</p> <p>Issues to be discussed:</p> <ul style="list-style-type: none"> Introduction of Moldovan Delegation and Moldovan Conditions in Heat and Housing Sectors Overview of Czech energy policy - esp. related to heat and hot water Relationships among heat suppliers, consumers, and regulators Energy efficiency awareness-raising campaigns (e.g. Efficient Lighting Initiative, examples in the sector) and the results <p>Organizer/Host: Czech Energy Agency & Ministry of Industry and Trade, Department of Electricity and Heat</p> <p>Coordinator: Vlasta Kolarikova, International Relations Dept. at CEA</p> <p>Translator: Czech-Russian Ms. Jekaterina Sochorova, mobile: 604 116 435</p> <p>Leader: Mrs. Kolarikova (CEA) and Mr. Tomas Chvatal (MPO's Department of Electricity and Heat)</p> <p>Address: Ministry of Industry and Trade, Na Františku 32, Prague 1, room No. 244; tel: 224 853 4</p>
	Lunch
13:30 - 15:30	<p style="text-align: center;">Czech District Heating Association, and DH companies Komtherm and Harpen (@ Praha Teplarenska's offices)</p> <p>Issues to be discussed:</p> <ul style="list-style-type: none"> Heat cost allocation Methodology on calculating heat consumption The advantages of district heating vs autonomous heating Private sector participation (e.g. concessions, lease-to-operate or management contracts, as from distributor standpoint and on end-consumer side) <p>Organizer: Czech District Heating Association</p> <p>Coordinator: Hana Luptovska</p> <p>Translator: Czech-Russian Ms. Jekaterina Sochorova, mobile: 604 116 435</p> <p>Leader: Hana Luptovska</p> <p>Address: Partyzanska 7 - Praha 7; tel: 266 752 712</p>
16:00 - 17:30	<p style="text-align: center;">John Krigger, Energy Efficiency Publisher (also at Prazska Teplarenska's offices)</p> <p>Organizer: Alliance to Save Energy</p> <p>Coordinator: Angela Morin</p> <p>Translator: Russian-English Ilona Sprcová, cell: 604 913 195</p> <p>Leader: John Krigger, Angela Morin, Irina Plis</p> <p>Address: Partyzanska 7 - Praha 7</p>
17-Feb	
	<p style="text-align: center;">Group A</p>
	<p style="text-align: center;">Group B</p>

8:00 -10:00	Morning meeting at Prazska Teplarenska:	Morning Meeting with Civic Union of Private Home Owners of the Czech Republic (co-located at AXA Hotel and then move to a nearby café for meeting)
	<ul style="list-style-type: none"> • Meeting with Director, Tour of DH company • Information Management Dept • Customer's Dept; PR Dept. • Engineering/Technical Dept <p>Organizer: Czech DH Association Coordinator: Hana Luptovska Translator: Academia Czech-Russian Interpreter</p>	<ul style="list-style-type: none"> • Introduction and overview with Director Tomislav Simecek • Meeting with the Head of Home Owners Association discussing all relevant HOA issues <p>Organizer: Alliance to Save Energy Coordinator: Angela Morin Translator: no translation needed because Tomislav Simecek speaks Russian Leader: Irina Plis Address: AXA Hotel, Na Porici 40, Prague 1</p>
11:00 - 12:30	Leader: Martin Hajek, Pavel Muron, others?	Enviros, s.r.o.
	Address: Partyzanska 7 - Praha 7	Discuss Low Energy Housing Project for Low Income (Social) Housing
	Logistics: Martin Hajek offered to bring Group A to Prague 1	Organizer: Enviros, s.r.o.
12:30 - 13:30	Lunch: Both groups can meet for lunch at pub on Jachymova Street, Prague 1	
14:00 - 16:00	SEBA Dynatronic	Ministry of Regional Development - Deputy Minister Vnoucek
	Organizer: Alliance to Save Energy Coordinator: Angela Morin Translator: Russian-English Ilona Sprcova, cell: 604 913 195 Leader: Friedrich Enkert, Sales Director SEBA - Germany Address: SEBA, Budecska 18, Prague 2; tel: +49 172 868 6630	Organizer: Alliance to Save Energy Coordinator: Angela Morin Translator: Czech-Russian Interpreter to be provided by Alliance Leader: Deputy Minister Frantisek Vnoucek Daniela Grabmullerova Address: Ministry of Regional Development, Staromestske namesti 6, Prague 1
16:30 - 18:00	Meeting with local Housing Cooperative Representative Responsible for heat calculations, Karel Rybak	
		Organizer: Alliance to Save Energy Coordinator: Tomas Simecek/Angela Morin Translator: Academia Russian-Czech Interpreter provided by Alliance Leader: Ing. Karel Rybak Address: Tesnov 5, Prague 2, tel: 224 805 Directions: from AXA hotel walk toward Florenc main intersection, turn left - 2nd or 3rd house
18-Feb		
9:00 -10:45	Meeting at SEVEN to discuss SEVEN's Role in Moderating Housing and Heat Sector Issues to EE	
	Organizer: SEVEN Coordinator: Jiri Zeman Translator: Czech-Russian Interpreter to be	

	provided by Alliance Leader: Tomas Vorisek Address: Americka 17 - Praha 2; tel: 224 252 115; (cell) 602 313 190
11:00 - 12:30	Roundtable discussion about housing and DH issues with Czech representatives from h and DH sectors.
	Participants include the Ministry of Industry and Trade, Civic Union of Real Property Owne Czech Republic, Czech Energy Efficiency Center (SEVEN), Enviros, Czech Energy Agency Organizer: SEVEN/Alliance to Save Energy Coordinator: Jiri Zeman/Angela Morin & Irina Plis Translator: Czech-Russian Interpreter to be provided by Alliance Leader/Moderator: SEVEN - Jiri Zeman Address: Americka 17 - Praha 2; tel: 224 252 115; (cell) 602 313 190
Lunch	
14:00	Departure for Olomouc
17:00?	Estimated arrival time Accommodations at Sigma Hotel
19-Feb	
9:00	Meetings in Olomouc for a visit to DH company (Dalkia) with Czech DH Association Issues to be discussed: How do the municipality and the DH company work together on issues regarding heat tariffs, end- energy efficiency in buildings, etc.? What are (or have been) the main obstacles for the municipality and DH company regarding heat in residential areas? From the perspective of Olomouc municipality and DH company, what incentives exist in the Cze establish home owner associations, and what is the role of the municipality and the DH company with HOAs (e.g. regarding contracting, maintaining, renting)? What financial infrastructure exists within the municipality to support HOAs - can municipalities gu loans?
Late afternoon	Continue journey to Poland - to Tychy Municipality
20-Feb	Polish Experience: Cooperation Between Municipality and District Heating Company to I Energy Efficiency
Times to be determined	Meetings in Poland (Tychy Municipality, Tychy District Heating Company, Housing Associat Tychy) Issues to be discussed: <ul style="list-style-type: none"> · What is the procedure for creation of home owner associations (HOAs) and condominiums Poland? · At the local level, what are main obstacles of creating of HOAs and condominiums? · What incentives exist in Poland for creation of HOAs (e.g. do HOAs have a special opportu financing improvements, are there benefits to being in an HOA that make it better to have an HOA

to have one?)

- What financial infrastructure exists to support HOAs - can they take out loans (thermomode fund and how it works in reality)?
- What are the relationships among heat suppliers, consumers, and regulators? What role do municipalities play in managing these relationships?
- What is Poland's (and Tychy's) experience with heat cost allocation?
- What methodology is used in calculating heat consumption? What role does the municipality play in calculating heat consumption?
- What are the advantages of district heating vs. autonomous heating (from Polish point of view)?
- What is Tychy's experience with private sector participation (e.g. concessions, lease-to-own, management contracts, as from a distributor standpoint and on end-consumer side)?

Begin journey back to Chisinau

Evening

21-Feb

Arrival in Chisinau