

PROJECT NAME:	ECSEE APL2 PROJECT
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LOAN AMOUNT: EURO 50.6 million

DURATION: June 2005 to June 2010

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BACKGROUND: Turkey is part of the Energy Community of South East Europe (ECSEE) which seeks to establish integrated regional markets in South East Europe, closely linked to the internal energy market of the European Union, and fully complying with the rules applicable within the European Union, and to enhance the energy security of South East Europe and the European Union by providing incentives to connect the Balkans to Caspian, Middle Eastern and North African gas reserves. The Bank has been supporting this process in a number of ways, including through the March 2004 strategy paper for energy trade in South East Europe¹ and the ECSEE APL program. The APL program was approved by the Bank on January 27, 2005. The objective of ECSEE APL is the development of a functioning regional electricity market in South East Europe and its integration into the internal electricity market of the European Union, through the implementation of priority investments supporting electricity market and power system operations in electricity generation, transmission and distribution and technical assistance for institutional/systems development and project preparation and implementation.

ECSEE APL2 will support Turkey in its power market liberalization program. Turkey is in the process of establishing a competitive market for electricity, and is restructuring its generation and distribution companies with a view to privatizing them over time.

PROJECT OBJECTIVE: The objective of the Project is to support the implementation of the investment programs of TEIAS, including: (a) creation of a market management system for the management of the electricity market; (b) strengthening supervisory control and data acquisition/energy management system to enable TEIAS to operate more efficiently; and (c) provision of transmission grid strengthening and expansion for overall stability.

PROJECT DESCRIPTION: APL2 supports the implementation of several elements of the investment programs of TEIAS. First, a Market Management System (MMS) would be created for TEIAS, for the management of the electricity market in Turkey. Second, its SCADA/EMS (supervisory control and data acquisition/energy management system) would be strengthened so that TEIAS would be in a position to operate its system more efficiently and to coordinate with other SEE systems operators in order to meet overall stability and control requirements. Third, the project would provide transmission grid strengthening and expansion for overall stability. This includes funding some of TEIAS sub-stations investments. TEIAS will finance taxes, interest during construction (IDC) and land acquisition for the project.

IMPLEMENTING AND MONITORING: The project is being implemented by TEIAS. At the project-level, monitoring is being carried out by TEIAS along with the World Bank and MENR. At the regional

¹ World Bank Framework for Development of Regional Energy Trade in South East Europe, EMT Discussion Paper No. 12, March 2004.

level, the ECSEE APL program is included in the established mechanism for ECSEE coordination – Ministerial Council, Permanent High-level Group, Task Forces, and the Forum. At the country level, APL 2 is being monitored by the ECSEE coordination mechanism.

BENEFITS: The project will strengthen Turkey's internal market, and enable Turkey to integrate with the regional market. While the investments in Turkey will improve TEIAS' transmission capacity and system stability, better regional integration will reduce operating costs through least cost dispatch over the region.

PROJECT STATUS: The Loan became effective on September 1, 2005. The wholesale market has been started, and further work is being carried on to finalize the market design. Implementation of various components is picking up with several contracts now in place. Several subcomponents have been completed, and implementation on two main substations, Beykoz and Altintepe, is beginning.