



АГЕНЦИЈА за ЕНЕРГЕТИКУ
РЕПУБЛИКЕ СРБИЈЕ

Application of methodologies and tariff systems to natural gas pricing for tariff customers

Energy 2009, October 14-16

TARIFF SYSTEMS

- **At the end of 2006 AERS laid down and published the following tariff systems for the natural gas sector (Official Gazette of the Republic of Serbia No. 1/2007):**

- **Tariff system for access to and use of system – natural gas transmission**

- **Tariff system for access to and use of system – natural gas distribution**

- **Tariff system for natural gas pricing for tariff customers (wholesale and retail supply)**

TARIFF SYSTEMS

- The max. allowed revenue in methodologies that is allotted to tariff elements, is allocated to specific customers (customer groups) according to characteristics of their consumption (quantity, capacity, and connection point). In that way prices for an individual customer/user objectively and transparently reflect his influence on the operating costs of the energy entity.

- Tariff rates (value units) :

- Transmission: “energy carrier”, “energy carrier for system operation” and “capacity”
- Distribution: “energy carrier” and “capacity”
- Trading for supply of tariff customers: “energy carrier” and “capacity”
- Retail supply for smaller tariff customers: “energy carrier”, “capacity” and “charge by place of delivery”

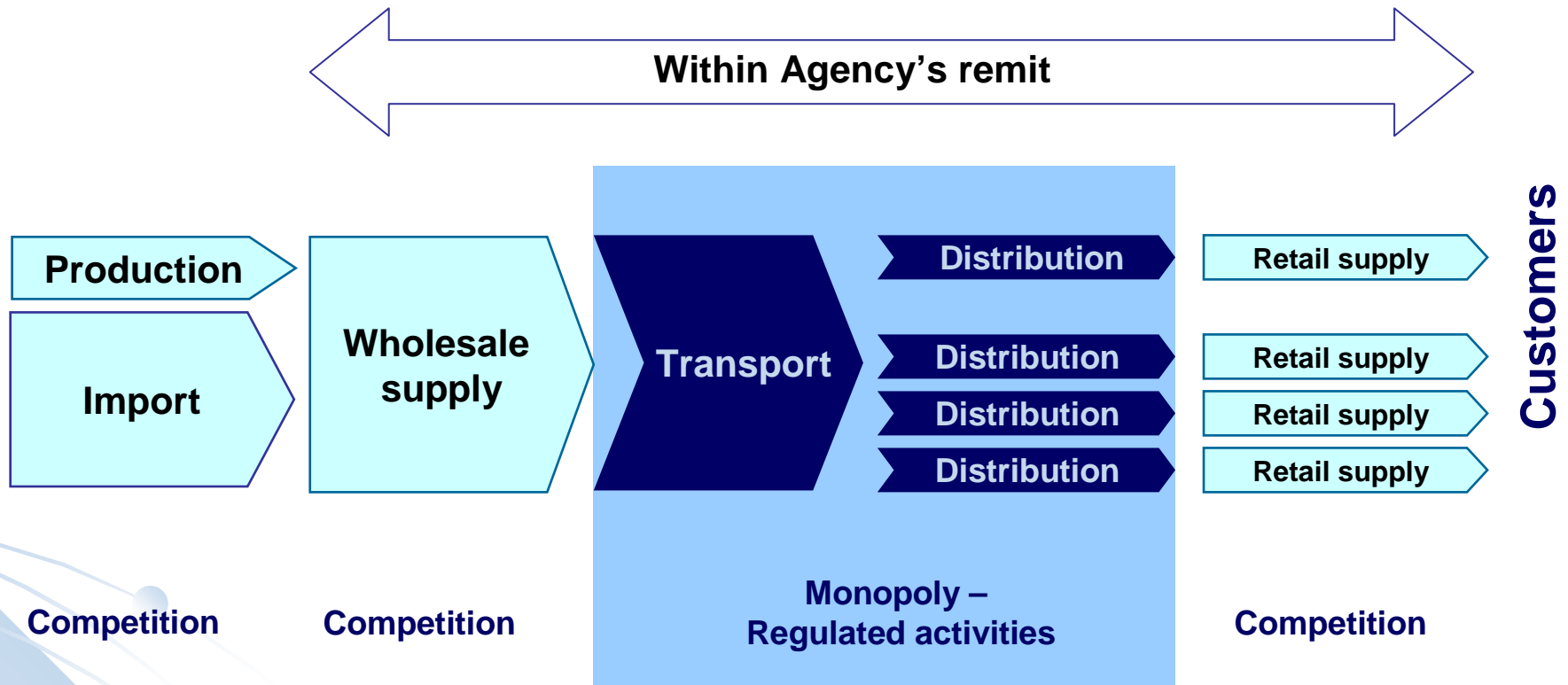
New natural gas tariff customer groups

Customer category	Customer group
“Category 1” (p < 6 bar)	“Households”
	“Other customers”
“Category 2” (6 ≤ p < 16 bar)	“District heating system”
	“Even consumption” (Q < 70% of consumption in the period 01.10.-01.04.)
	“Uneven consumption” (Q ≥ 70% of consumption in the period 01.10. - 01.04)
“Category 3” (p ≥ 16 bar)	“District heating system”
	“Even consumption” (Q < 70% of consumption in the period 01.10. - 01.04.)
	“Uneven consumption” (Q ≥ 70% of consumption in the period 01.10.-01.04.)

Implementation of natural gas tariff systems

- By winning Serbian Governmental approval for the draft decisions on prices on April 2, 2009, the natural gas tariff systems revived in all distribution companies that had been licensed by that point of time.
- Before that, Governmental approval of Srbijagas prices as of October 15, 2008 was valid.
- Out of 30 request for opinion on prices 25 have been provided based on the justified costs; 5 distributors apply tariff systems of Srbijagas. (*AERS provided 3 more positive opinions until today, but the Government still hasn't taken these requests under consideration*)
- The main reason why tariff system implementation is in delay is because of the lack of experience (tariff systems are to be implemented for the first time), distribution companies being unprepared in the sphere of account separation by activities, as well as inadequate quality of submitted data.

Separation of activities within natural gas sector



Separation of activities is the key condition for market opening

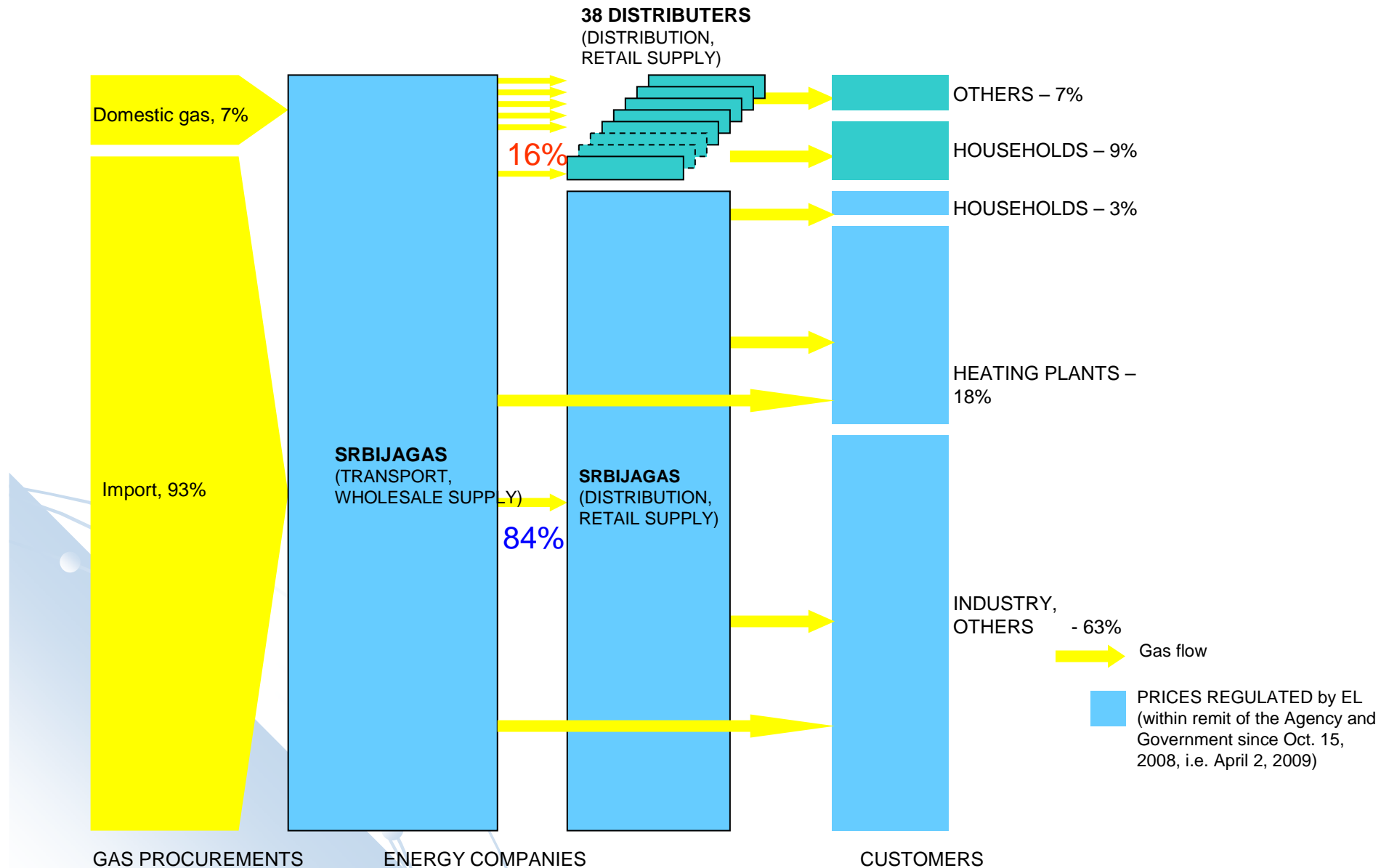
Number of licensed companies

- Out of 38 license requests 34 have been granted approval until today, while there were 31 of licensed distribution companies in 2008 of which one became insolvent.
- All types of ownership are present:
 - 10 public enterprises
 - 8 public utility enterprises
 - 11 limited companies
 - 5 joint-stock companies
 - 4 holding companies

Basic data on Serbian gas sector

- Total average number of active connections is 230.718 of which 222.725 are households and 7.993 others
- Total length of the distribution network is 10.980 km
- Total consumption in 2008 was 2,392 mil.m³
- Share of households in total consumption is 12%
- Actual, annual consumption of natural gas per household is 1.292 m³ (Croatia - 1.204 m³, Slovenia - 894 m³, Hungary 1.396 m³)

CONSUMPTION PROFILE WITHIN THE SERBIAN NATURAL GAS SECTOR for 2008.

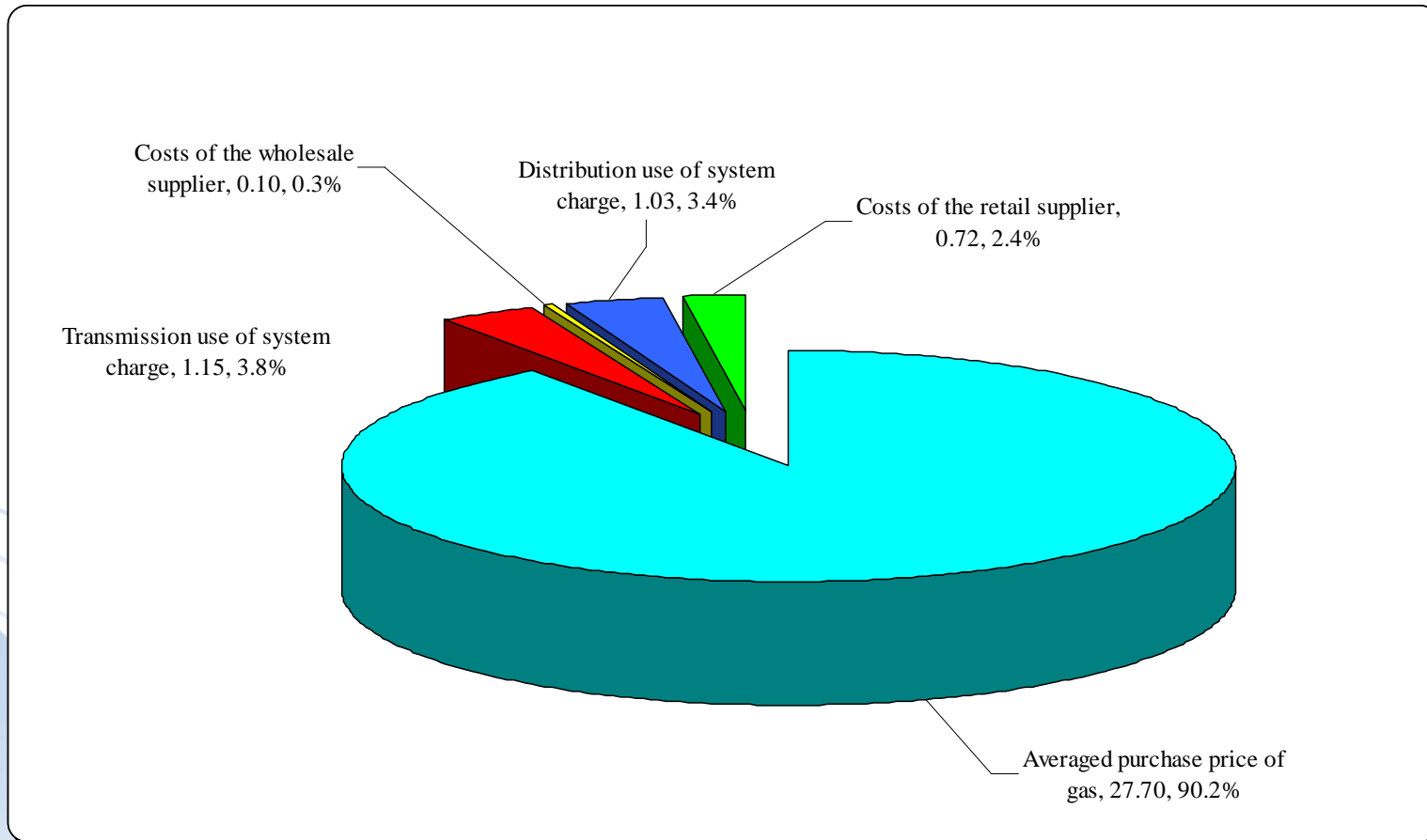


EL = Energy Law

Srbijagas price breakdown by customer categories



Srbijagas gas price breakdown



Characteristics of the gas distribution sector

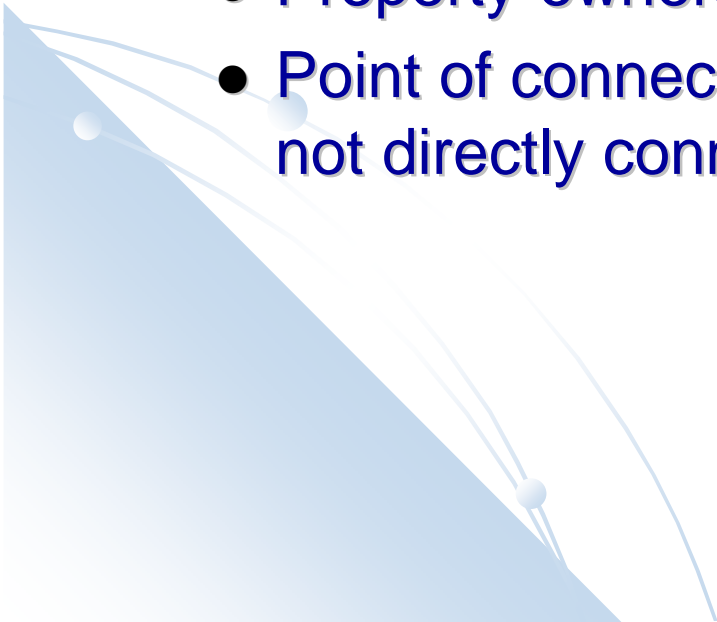
- Lot of small companies within the sector
 - 12 of 30 (43%) licensed distributors have less than 2.000 active connections, and their annual consumption is less than 5 mil.m³.
 - Out of a total of active connections, 50,2% relate to the two largest distributors (Srbijagas-28,9% and Novi Sad-21,3%)
 - The number of customers per km of network is 21 customers, which is significantly less (35-50%) in relation to Croatia, Slovenia or Hungary.
 - As a consequence of the great number of companies is also that lack of economies of scale and higher inefficiency.

Effects of tariff system implementation

- **Comparison of prices before and after tariff system implementation has become difficult because approaches to pricing and presentation are totally different.**
- **The general conclusion that can be made is that the prices of distribution companies after tariff system implementation are far more uniform than before (the range between the maximum and minimum price has been decreased by more than 10 percentage points).**

Effects of tariff system implementation

- The differences in prices (i.e. justified costs) between distribution companies were affected, amongst other, by:
 - Network performances (length, age, value, business books entries about the network and connections, purchases funded by capital contributions etc)
 - Property-ownership relations
 - Point of connection to the network (11 distributors is not directly connected to the transmission network)





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THANK YOU FOR YOUR ATTENTION!



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