

Key regulatory issues confronting AERS

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REGULATORY DEVELOPMENTS



Key tasks of AERS

Price Regulation

- Pricing methodologies
- Tariff systems (Govt. approves)
- Methodologies for connection charges
- Opinion on the energy prices (Govt. Approves)

Dispute Settlement

- Disputes on TPA
- Disputes on connection to networks

International affairs

Licensing

- Issuing of licenses
- Suspending and revoking of licenses
- Keeping the license register

Market Monitoring

- Price monitoring
- Approving Market Rules
- Approving Grid Codes
- Setting eligibility threshold for eligible customers
- Monitoring compliance with license conditions
- Keeping the register of eligible customers

Status of activities (1)

Price Regulation

- Pricing methodologies
- Tariff systems (Govt. approves)
- Methodologies for connection charges
- Opinion on the energy prices (Govt. Approves)

Main challenges:

- Implementation of the new price regulation
- Meeting the objectives of price regulation
- Drafting methodologies and tariff systems for natural gas storage
- Drafting regulatory accounting guidelines
- Treatment of asset valuation and depreciation (guidelines?)
- Quality of data
- Unbundling of accounts
- Incentive based pricing
- Relations with stakeholders

Status of activities (2)

Licensing

- Issuing of licenses
- Suspending and revoking of licenses
- Keeping the license register

Main challenges

- Criteria for revoking and suspending licenses
- IT upgrade (license register)

Status of activities (3)

Dispute Settlement

- Appeals on TPA
- Appeals on connection to networks

Main challenges

- Large number of appeals on connection to networks

Status of activities (4)

Market Monitoring

- Price monitoring
- Approving Market Rules
- Approving Grid Codes
- Setting eligibility threshold for eligible customers
- Keeping the register of eligible customers
- Monitoring compliance with license conditions
- **Market surveillance**

Main challenges

- Jurisdiction
- Interfaces with the Competition authority
- Market monitoring guidelines
- Data collection and analysis
- Action

Agency funding



Agency funding

- **EU grant (CARDS programe)**
- **License fees**
- **UoS charges**



Energy Community and SEE REM



Main features of the EnCT

- **Harmonization of legislation**
- **SEE REM**
- **Pan- European energy market**
- **Institutional framework**
- **Decision making process**

Status of activities in the EnC (1)

electricity (E), natural gas (G), Vulnerable customers (C)

- **E- ETSO ITC mechanism**
- **E- Flow based coordinated auctions**
- **E- Establishment of the Implementation Group**
- **E- SEE balancing mechanism**
- **E- Wholesale market opening**
- **E- Priority regional projects (SECI)**
- **E- Capacity mechanisms/ investment optimization**
- **E- Market monitoring pilot project (USAID)**

Status of activities in the EnC (2)

electricity (E), natural gas (G), Vulnerable customers (C)

- **G**- New gas infrastructure investment regulation
- **G**- SEE Gas Survey
- **G**- SEE gasification study (WB)
- **C**- MoU on vulnerable customers
- **C**- Guidelines on protection of vulnerable customers
- **C**- Action plans for protection of vulnerable customers
- **E, G, C**- Implementation review

STATE OF PLAY IN EU

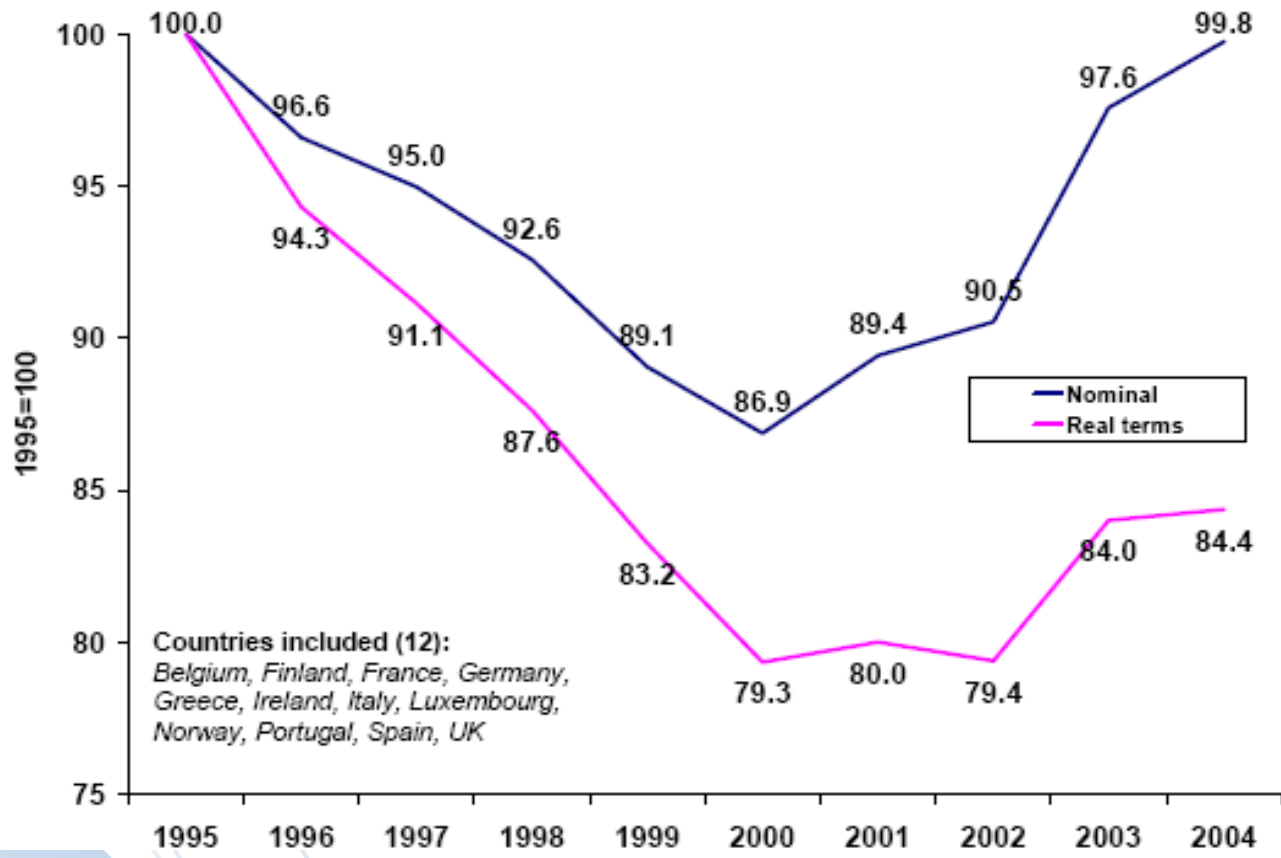


Market development obstacles in EU


DG TREN and DG Competition reports:

- **No single market yet**
- **Unbundling and vertical foreclosure**
- **Lack of capacities for cross border trade (interconnection tie lines)**
- **Lack of coordination btw. TSOs**
- **Competencies of regulators**
 - **National level (lack of harmonization)**
 - **EU level (lack of coordination)**

Electricity prices for industrial customers in Eu 1995 - 2004



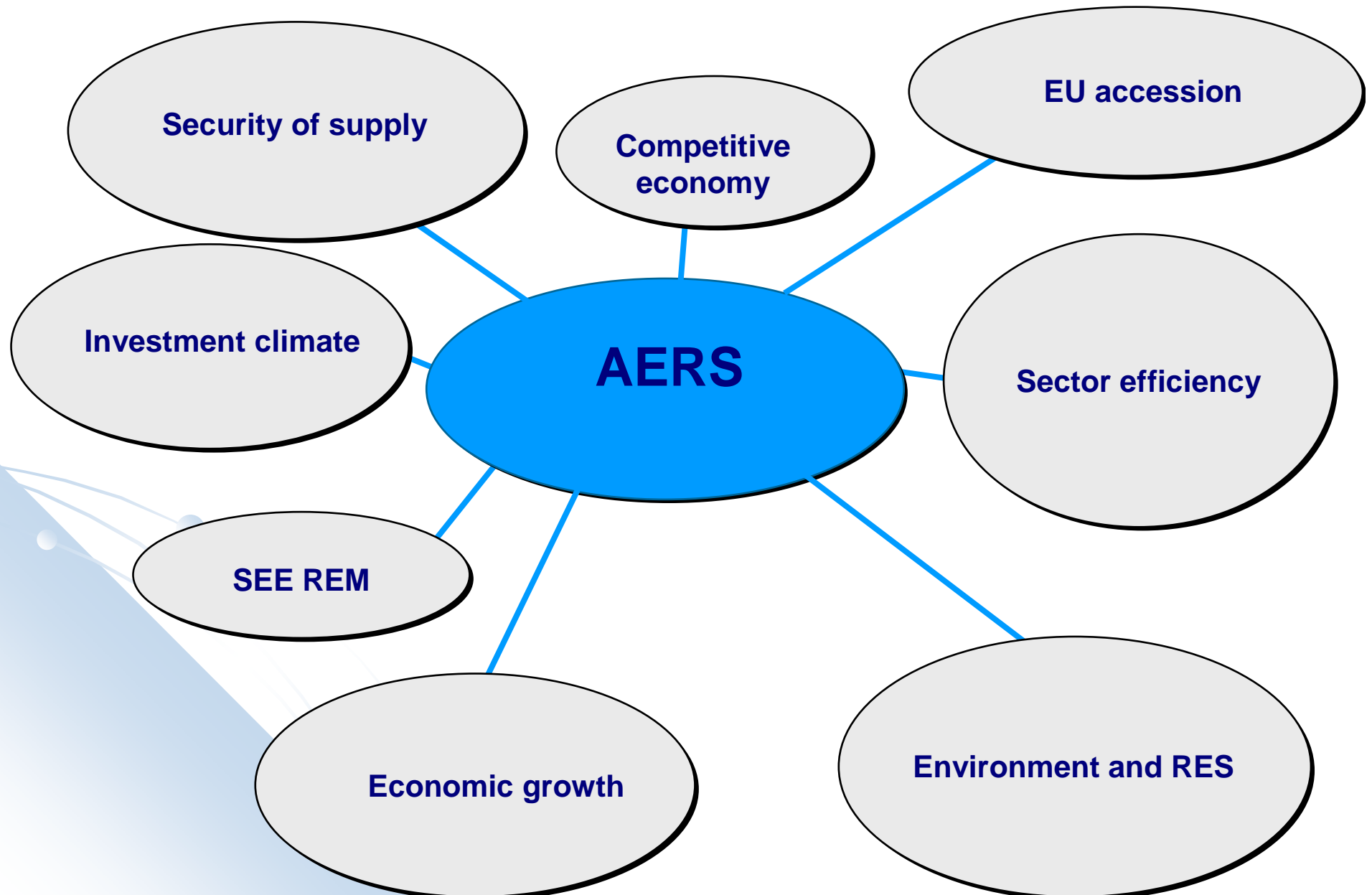
Proposed changes in EU

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- **Continued liberalization of national markets (3rd legislative package)**
 - **Regional integration (EREGG regional initiatives)**
 - **Coordination btw. regions**
 - **Single EU energy market**

Final remarks



Conclusions



Thank you for your attention!

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