

Pursuant to Article 15 and in connection with Article 68 of the Energy Law ('Official Gazette RS' № 84/2004) and Article 12 of the Articles of Association of the Energy Agency of the Republic of Serbia ('Official Gazette RS' № 52/2005),

The Council of the Energy Agency of the Republic of Serbia, at 31st session from November 30, 2006 adopted the following

**TARIFF SYSTEM
FOR NATURAL GAS SETTLEMENT
FOR TARIFF BUYERS**

(The Tariff System was adopted with the compliance of the Government – 'Official Gazette RS' № 116 from December 29, 2006 and published in the 'Official Gazette RS' № 1 from January 05, 2007)

Basic provisions

Article 1

This tariff system for the settlement of natural gas for tariff buyers (hereinafter referred to as: the tariff system) establishes tariff elements and tariff rates for the settlement of prices for natural gas for tariff buyers (hereinafter referred to as: the buyers), the manner of their calculation, as well as buyer groups and categories.

This tariff system shall be applied to the buyers whose facilities are connected to the natural gas transport system or natural gas distribution system.

Article 2

Tariff elements represent accounting values of the tariff system to which maximum approved income of energy entities performing natural gas retail for the needs of tariff buyers is distributed (hereinafter referred to as: the retail trader).

Maximum approved income, in terms of paragraph 1 hereof, covers reasonable business costs of the retail trader within the regulatory period and it is established through the application of income control method achieved by the retail trader by performing natural gas retail for the needs of tariff buyers. Maximum approved income is settled and distributed to tariff elements in accordance with the Methodology for determination of tariff elements for the calculation of natural gas price for tariff buyers – 'Official Gazette RS' № 68/2006 (hereinafter referred to as: the Methodology).

Article 3

Natural gas prices for tariff buyers are expressed according to tariff rates established by this tariff system, based on which natural gas for tariff buyers is settled for the accounting period and established according to tariff elements for each group of tariff buyers.

Categories and groups of buyers

Article 4

Categories of buyers are as follows:

- 1) Buyers with the natural gas distribution system connection point with the operating pressure lower than 6 bar (hereinafter referred to as: 'Category 1');
- 2) Buyers with the natural gas distribution system connection point with the operating pressure equal or higher than 6, and lower than 16 bar (hereinafter referred to as: 'Category 2');
- 3) Buyers with the natural gas transport system connection point (hereinafter referred to as: 'Category 3').

Article 5

Within 'Category 1', depending on the purpose of the facility, two groups of buyers are established:

- 1) 'Households', including natural persons whose housing facilities (flat, family residential building, vacation building, etc) are connected to the natural gas distribution system, using natural gas for the heating of flats, i.e. residential buildings, including the heating of ancillary buildings, water heating, food preparation, as well as other household needs, using natural gas solely for these purposes;
- 2) 'Other Buyers', including legal and natural persons whose facilities are connected to the natural gas distribution system, except buyers from point 1 hereof.

Article 6

Within 'Category 2', depending on the purpose of facilities and annual uniformity of consumption, three groups of buyers are established:

- 1) 'District Heating Systems', including heat generators using natural gas exclusively in heat generation process;
- 2) 'Uniform Consumption', including buyers who in the period from October 01 of the previous year to April 01 of the ongoing year consume less than 70% of the total delivered amount of natural gas between October 01 of the previous year and October 01 of the ongoing year, except buyers from point 1 hereof;
- 3) 'Uneven Consumption', including buyers who in the period from October 01 of the previous year and April 01 of the ongoing year consume at least 70% of the total delivered amount of natural gas between October 01 of the previous and October 01 of the ongoing year, except buyers from point 1 hereof.

Article 7

Within 'Category 3', depending on the purpose of facilities and annual uniformity of consumption, three groups of buyers are established:

- 1) 'District Heating Systems', including heat generators using natural gas exclusively in heat generation process;
- 2) 'Uniform Consumption', including buyers who in the period from October 01 of the previous year to April 01 of the ongoing year consume less than 70% of the total

delivered amount of natural gas between October 01 of the previous year and October 01 of the ongoing year, except buyers from point 1 hereof;

- 3) 'Uneven Consumption', including buyers who in the period from October 01 of the previous year and April 01 of the ongoing year consume at least 70% of the total delivered amount of natural gas between October 01 of the previous and October 01 of the ongoing year, except buyers from point 1 hereof.

Article 8

Classification of buyers to categories and groups of buyers shall be done for each delivery point, according to:

- 1) Data on the connection point and the purpose of the facility, established by the act approving the connection of the facility to natural gas transmission and distribution system;
- 2) Annual uniformity of natural gas consumption established on the basis of data on natural gas consumption between October 01 of the previous year and October 01 of the ongoing year.

For the new buyers, as well as for the buyers who within the entire period from October 01 of the previous year to October 01 of the ongoing year did not have natural gas consumption, data on annual uniformity of natural gas consumption, in terms of paragraph 1 hereof, shall be established in accordance with natural gas sales contract.

Tariff elements

Article 9

Tariff elements include:

- 1) 'capacity';
- 2) 'energy source';
- 3) 'delivery point'.

Article 10

Tariff element 'capacity' shall be determined by adding maximum daily consumptions from the previous year of all buyers measured and maximum derived daily consumptions of natural gas of those buyers not having the possibility of daily reading, on all gas delivery points from the natural gas distribution system and it is expressed in m³/day/year (cubic meter of natural gas is the amount of natural gas of lower calorific value 33.338,35 kJ under the temperature of 288,15 K (15 °C) and pressure of 1,01325 bar).

Maximum derived daily consumption of natural gas shall be determined for delivery points on which there is no daily reading and it shall be calculated on the basis of the maximum measured monthly consumption at the given delivery point in the previous year, reduced to a day and increased for 20%, rounded to a whole number.

Article 11

Tariff element 'energy source' represents the total annual amount of natural gas delivered by the retail trader to all system users and is expressed in m³.

Article 12

Tariff element 'delivery point' shall be established as the number of delivery points on which the retail trader sells natural gas within the regulatory period.

The number of delivery points shall be established as the arithmetical average of the number of delivery points at the beginning and in the end of the regulatory period.

Article 13

Tariff elements 'capacity' and 'energy source', as accounting values of this tariff system shall be established for each of the categories and groups of buyers in the regulatory period.

Tariff element 'delivery point' as an accounting value of this tariff system shall be established for each of the categories and groups of buyers in a regulatory period.

Tariff rates

Article 14

Tariff rates shall be established for each of the tariff elements – 'energy source', 'capacity' and 'delivery point', except for the buyers from the group 'Households', for which tariff rates shall only be established for tariff elements 'energy source' and 'delivery point', in accordance with this tariff system.

Tariff rate 'capacity' is established for tariff element 'capacity'.

Tariff rate 'energy source' is established for tariff element 'energy source'.

Tariff rate 'charge per delivery point' is established for the tariff element 'delivery point'.

Tariff rates within the same group of buyers are equal for all buyers of the same retail trader.

The manner of price calculation according to tariff rates

Article 15

Prices under tariff rates for natural gas settlement for tariff buyers shall be calculated according to tariff elements for each group of buyers, and in accordance with the income of the retail trader distributed to tariff elements by categories and buyer groups, in compliance with this tariff system and the Methodology.

Maximum approved income of the retail trader within the regulatory period in accordance with the Methodology shall be distributed to the income based on which prices under tariff rates for each of the buyer groups are calculated. This income shall be calculated according to the share of each of the buyer groups in retail trader costs in terms of natural gas distribution system utilisation compensation costs, natural gas supply costs (including natural gas transport system utilisation costs) and other reasonable business costs.

Article 16

Income of the retail trader distributed to the tariff element 'capacity' in accordance with the Methodology, shall be distributed to the income according to buyer groups under the synchronous maximum natural gas consumption, as an accounting value of maximum daily natural gas consumption for each of the buyer groups within the natural gas distribution system (for buyers from 'Category 1' and 'Category 2') and synchronous maximum consumption of all buyers to whom the retail trader is selling natural gas (for buyers from Category 1', 'Category 2 and 'Category 3').

Synchronous maximum natural gas consumption for each of the buyer groups within the natural gas distribution system (for buyers from 'Category 1' and 'Category 2') is equal to the synchronous maximum natural gas consumption established within the same regulatory period for the same group of natural gas distribution system users, in accordance with this tariff system regulating the access and utilisation of the natural gas distribution system.

Synchronous maximum natural gas consumption of all buyer to whom the retail trader is selling natural gas shall be established as the synchronous maximum consumption of the buyers within the natural gas distribution system, in terms of paragraph 2 hereof, increased for the sum of maximum daily natural gas consumptions of buyers of that retail trader from 'Category 3' within the same regulatory period and its is expressed in m³/day/year.

Synchronous maximum natural gas consumption of the group of buyers from 'Category 3' is equal to the value of maximum daily natural gas consumption of latter group of buyers within the regulatory period.

Article 17

Income of the retail trader distributed to the tariff element 'capacity' against the compensation of costs for the utilisation of natural gas distribution system, shall be distributed to the groups of buyers in the manner and amounts established in accordance with the tariff system regulating the access and utilisation of the natural gas distribution system.

Income of the retail trader distributed to the tariff element 'capacity' against the compensation of costs for natural gas supply from the tariff element 'capacity' shall be distributed to the groups of buyers from all buyer categories ('Category 1', 'Category 2' and 'Category 3') according to the share of synchronous maximum natural gas consumption of the group of buyers for whom income is calculated in synchronous maximum natural gas consumption of all the buyers to whom the retail trader is selling natural gas, in terms of Article 16, paragraph 3 of this tariff system.

Income of the retail trader distributed to the tariff element 'capacity' for each of the buyer groups from 'Category 1' and 'Category 2' shall be established as the sum of income calculated in accordance with paragraphs 1 and 2 hereof.

Article 18

Income of the retail trader distributed to the tariff element 'energy source', in accordance with the Methodology, shall be distributed to incomes according to buyer groups.

Income of the retail trader distributed to the tariff element 'energy source' against the compensation of costs for the utilisation of natural gas distribution system, shall be distributed to the groups of buyers in the manner and amounts established in accordance with the tariff system regulating the access and utilisation of the natural gas distribution system.

Income of the retail trader distributed to the tariff element 'energy source' against the compensation of costs for natural gas supply from the tariff element "energy source' increased for the compensation costs in the name of receivables collection risk, in

accordance with the Methodology, shall be distributed to the groups of buyers from all buyer categories ('Category 1', 'Category 2' and 'Category 3') according to the share of annual natural gas amount of the group of buyers for whom income is calculated in total annual natural gas amount for the sale to all tariff buyers of the same retail trader.

Income of the retail trader distributed to the tariff element 'energy source' for each of the buyer groups from 'Category 1' and 'Category 2' shall be established as the sum of income calculated in accordance with paragraphs 2 and 3 hereof.

Income distributed to the tariff element 'capacity' for the group of buyers 'Households', shall be included into the income based on which prices under tariff rate 'energy source' are calculated for that group of system users.

Article 19

Income of the retail trader distributed to the tariff element 'delivery point', in accordance with the Methodology, shall be distributed based on unit income to the part of the income of 'Category 1' and part of the income of 'Category 2' and 'Category 3', collectively.

Unit income shall be calculated as the quotient of income of the retail trader distributed to the tariff element 'delivery point' and the sum of delivery points of the buyers from 'Category 1' and tenfold sum of delivery points of the buyers from 'Category 2' and 'Category 3'.

Income under the 'Category 1' shall be calculated as the product of unit income and the number of delivery points of all the buyers from 'Category 1', while the income under 'Category 2' and 'Category 3', collectively, as the product of the unit income and tenfold number of delivery points of all buyers from 'Category 2' and 'Category 3'.

Article 20

The price under the tariff rate 'capacity' shall be calculated as the quotient of incomes distributed to the tariff element 'capacity' for each of the buyer groups in accordance with Article 17 of this tariff system and maximum daily natural gas consumption within the corresponding group of buyers, expressed in Dinars per m³/day/year, rounded to two decimals.

The price under the tariff rate 'energy source' shall be calculated as the quotient of incomes distributed to the tariff element 'energy source' for each of the buyer groups in accordance with Article 18 of this tariff system and natural gas consumption within the corresponding group of buyers, expressed in Dinars per m³, rounded to two decimals

The price under the tariff rate 'charge per delivery point' shall be calculated as the quotient of incomes distributed to the tariff element 'energy source' for each of the buyer groups in accordance with Article 19 of this tariff system and the number of delivery points within 'Category 1', i.e. 'Category 1' and 'Category 3' collectively, expressed in Dinars per delivery point, rounded to two decimals.

The manner of natural gas distribution settlement for tariff buyers

Article 21

Natural gas shall be settled on the basis of prices under tariff rates for the accounting period. If during the accounting period prices under tariff rates are changed, natural gas shall be settled by applying previously valid and new prices, proportionally to the number of days of their validity within the accounting period.

Article 22

For one buyer, on each natural gas delivery point, the price under the tariff rate 'capacity' shall be applied to the maximum daily consumption of natural gas of this buyer within the previous year. Maximum daily consumption within the previous year, where possibility for daily reading is not provided shall be calculated on the basis of the maximum measured monthly consumption on a given natural gas delivery point of that buyer, reduced to a day and increased for 20%, rounded to a whole number.

For one buyer, on each delivery point, the price according to the tariff rate 'energy source' shall be applied to the sold amount of natural gas established by measurement for each natural gas delivery point of that buyer within the accounting period.

The price under the tariff rate 'charge per delivery point' shall be applied to each individual buyer.

The amount settled for one buyer, in accordance with paragraphs 1 and hereof, established at the annual level, shall be distributed according to the number of accounting periods.

Article 23

Maximum daily consumption of natural gas during the first year of connection of the new buyer shall be established on the basis of data on maximum daily consumption of natural gas for that year from the natural gas sales contract.

Provision from paragraph 1 hereof shall also be applied to the buyer who did not have natural gas consumption during the previous year.

Article 24

The manner of measuring, the accounting period, as well as the manner of settlement of natural gas shall be arranged between the retail trader and the buyer, in accordance with the law, regulations on natural gas delivery conditions, rules on natural gas distribution i.e. transport system operation, issued approval for the connection to the natural gas distribution, i.e. transport system and this tariff system.

Transitional and final provisions

Article 25

During the first regulatory period, maximum daily consumption of natural gas, in terms of Article 22 of this tariff system, for existing buyers, is established for:

- 1) Buyers connected to the natural gas distribution, i.e. transport system by December 31, 2004, according to the maximum daily consumption of natural gas between January 01 and December 31, 2005;
- 2) Buyers connected to the natural gas distribution, i.e. transport system during 2005, according to maximum daily consumption of natural gas in the period of 12 successive months, starting from the day of natural gas delivery from the natural gas distribution, i.e. transport system;
- 3) Buyers connected to the natural gas distribution, i.e. transport system during 2006, based on maximum daily consumption of natural gas in 2007, established by the natural gas sales contract.

Provision from paragraph 1, point 3) hereof shall also be applied to buyers not having natural gas consumption during the previous year.

Article 26

This tariff system shall be published, upon obtaining of the compliance from the Government, in the 'Official Gazette of the Republic of Serbia' and it shall become effective as of the eighth day of its publishing, and applied from July 01, 2007.

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Belgrade, November 30, 2006

The Council of the Energy Agency of the Republic of Serbia

PRESIDENT

Ljubo Macic