

## Natural Gas Market Monitoring in Serbia

Jasmina Trhulj  
Senior Expert for Electricity

NARUC' Energy Regulatory Partnership Program  
AERS – PA PUC  
2<sup>nd</sup> Partnership Activity  
Belgrade, September 15 – 19, 2008

## Status of Market Monitoring in Serbia

- Legal framework set  
**BUT...**
- Implementation not yet

## Supranational Legislation

- Energy Community Treaty (ECT)
- Directive 2003/55/EC – internal market
- Regulation 1775/2005/EC – network access
- Directive 2004/67/EC – security of supply

## Supranational Legislation Energy Community Treaty

- Contracting parties (including Serbia) committed to implement *acquis communautaire* for energy, environment, renewables and competition within certain timeframes
- Implementation of *acquis* supported by the Road maps - structured framework for showing the commitments countries have made and for assessing their progress
- Road maps reporting responsibility of the Government/Ministry of mining and energy
- AERS has **indirect** role – answering the questions for the issues that are in the Regulator's jurisdiction
  - ⇒ AERS has to monitor the areas on which the Ministry may ask AERS to report



## Supranational Legislation Directive 2003/55/EC

- According to the Article 25 **explicit** responsibility to the AERS for ensuring:
  - Non-discrimination
  - Effective competition
  - Efficient functioning of the market
  - Monitoring
  - Publishing annual report on monitoring activities



## Supranational Legislation Directive 2003/55/EC

- **Monitoring** of the:
  - Rules on the management and allocation of interconnection capacity
  - Mechanisms to deal with congested capacity within natural gas networks
  - Time taken by transmission and distribution system to make connections and repairs
  - Publication of appropriate information by TSO/DSO concerning interconnectors, grid usage and capacity allocation
  - Effective unbundling of accounts
  - Access conditions to storage, linepack and to other ancillary services
  - Extent to which TSO/DSO fulfil their tasks
  - Level of transparency and competition
- ⇒ **Monitoring mainly regulated parts of the sectors**



## Supranational Legislation Regulation 1775/2005

- **Regulatory Authorities** have **explicit** obligation of ensuring compliance with the rules contained in the Regulation and the guidelines adopted on the basis of the Regulation
  - ⇒ AERS has **indirect** obligation to monitor access to the natural gas networks including:
    - Charges for access to networks
    - Capacity allocation mechanisms
    - Congestion management
    - Transparency of TSO's activities and data
- The **Annex Guidelines** to Regulation more precisely define role of Regulatory Authorities with respect to the access to the natural gas networks

7



## Supranational Legislation Directive 67/2004

- **Regulatory Authorities** have almost **direct** obligation to **monitor security of supply** according to the Directive 55/2003
- Directive 67/2004 concerning measures to safeguard security of supply more precisely define obligations to monitor and report on security of supply

8



## National Legislation

- Energy Law
- Competition Law
- Customer protection Law

9



## National Legislation Energy Law

- AERS is founded as a regulatory body for performing, among others, tasks of
  - Improving and directing the energy market development on the principles of non-discrimination and effective competition
  - Monitoring the implementation of regulations and rules for energy systems operation
  - Harmonizing activities of energy entities on providing regular supply of energy and services to customers and their protection and equal position

10



## National Legislation Energy Law

- AERS activities that are **explicitly** related to Market Monitoring are:
  - Approving of natural gas transportation and distribution system Operation Rules and natural gas storage Operation Rules
  - Collecting and processing data on energy entities with reference to performing energy related activities
  - Monitoring the behavior of energy entities regarding separation of accounts and protection of customers
- The AERS is authorized to request from energy entities data and documents necessary for conducting its activities and energy entities are obliged to deliver these data to the AERS within 8 days from the date of request

11



## National Legislation Energy Law

- ⇒ Energy Law provides a **strong but indirect** mandate for AERS to monitor:
  - **whole gas sector** (wide scope of MM)
  - **competition** (narrow scope of MM)

12



## National Legislation Energy Law

- Entities **explicitly** obliged for monitoring activities:
  - The Government of the Republic of Serbia** – monitors the implementation of the Energy Sector Development Strategy
  - The Ministry, i.e. pertinent authority of the Autonomous Province** – monitors implementation of the Energy Balance and, if necessary, proposes measures to the Government of the Republic of Serbia
- Energy entities **indirectly** obliged for monitoring through performing their operational activities

13



## National Legislation Competition Law

- Competition Law gives **no mandate** to **AERS** to monitor competition in the energy sector.
- Competition Commission** is **explicitly** given the authority to monitor competition.

14



## National Legislation Customer Protection Law

- Ministry
- Customer Protection Law does not allocate any responsibility to AERS
- BUT...**
- Energy Law does allocate customer protection responsibilities to AERS!

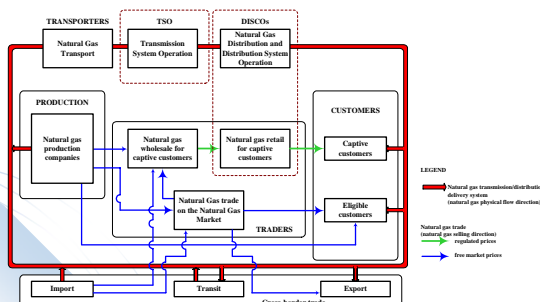
15

## Serbian Natural Gas Sector

- Number of customers: 230,000 (97% households)
- 1 SO
- 2 TO
- 35 DSO/Supply of captive customers
- 1 Production company
- 10 Natural gas trading on free market
- Net Consumption: 2.3 billion m<sup>3</sup>
- 88% Market opening (1 eligible customer)


16

## Serbian Natural Gas Market



17

## Market Monitoring Process in Serbia

- Market Monitoring framework is 
    - ⇒ Careful definition of
      - What
      - How
      - By Whom
      - Why
- is going to be monitored, is needed.
- BUT...**
- AERS aims for...**

18

## Market Monitoring – WHAT? (I)

**Scope** of market monitoring depends on the current status of the natural gas market

⇒

- **Natural gas market in the establishment phase**—introduction of competitive market for gas in Serbia will still take considerable time (longer than for electricity)

⇒ **scope of the natural gas market monitoring will be limited to the foreseeable future**

19

## Market Monitoring – WHAT? (II)

- **Overall** status of the natural gas sector
  - Natural gas market characteristics
  - Natural gas market reform
  - Compliance with national and international legislation
- **Basic assessment** of gas market functioning
  - Wholesale market
  - Retail market
  - Market opening
  - Switching of suppliers
  - Price development-retail market

20

## Market Monitoring – HOW?

- **Methods:**
  - Quantitative monitoring
  - Qualitative monitoring
  - Informal monitoring
- **Principles:**
  - Output orientation
  - Customer orientation
  - Proportionality and cost efficiency
  - Transparency
  - Consistency over time
  - Market players' participation encouragement
  - Avoiding regulatory intervention on the market

21

## Market Monitoring – WHO?

### Bodies:

- Government/Ministry
- Competition Commission
- AERS
- Transporters/TSO/DSO
- Market players

22

## Market Monitoring – Scheme



23

## Market Monitoring – WHY?

### Objectives:

- Encourage and improve the compliance towards existing legislation and license obligation
- Improve existing legislation in order to make it more clear, understandable and functional
- Improve operations of the transportation and distribution system and natural gas market
- Price development
- Internal and international reporting and publishing obligations

24

## Market Monitoring progress (I)

- AERS operational from January 2006

Market monitoring conducted through:

- **Licensing process** – checking whether market players' performances are in compliance with legislation
- **Dispute resolution process** – checking whether market players' behavior in the process of connection and access to the network is in compliance with legislation
- **Informal monitoring** - based on informal discussions with stakeholders, ad hoc data request, rumors/allegations related to the functioning of the natural gas market
- Database has been developed in-house in order to support licensing activities (License Register)

25

## Market Monitoring progress (II)

- Data collection process formalized with the introduction of the Information Code
- **Information Code** – developed by AERS in order to clearly define request for licensees' data
  - Structured by the licensed activities
  - Focused on the regulated licensed activities
  - Defines what data, in which format, how often and for which purposes should be submitted
  - **Requested licensee data** grouped into:
    - Technical
    - Financial
    - Legal
    - Other non-systematic data

26

## Market Monitoring progress (III)

- **Information Code**
  - **Timing** – yearly, quarterly and monthly
  - **Purpose**
    - setting tariff systems
    - giving opinion on prices
    - monitoring of unbundling
    - comparing/benchmarking regulated entities
    - national and international reporting
  - **Format**
    - Excel tables
    - in line with a standard reporting procedure within companies
  - Published on the AERS website

27

## Market Monitoring – in progress

AERS is in the process of establishment of the:

- **Market Monitoring Guidelines** (what, how, by whom and why is going to be monitored),
- **Centralized AERS Information System**,  
in order to support and improve Regulatory Market Monitoring function.

28

## Market Monitoring - Obstacles

- Existing Regulatory framework
  - Lack of Operation Rules
  - Availability of information
  - Access to information (data confidentiality)
  - Lack of consistent, comparable and reliable data
  - Lack of measurement systems, IT systems and data bases
  - Lack of unified rules for data recording and collecting
  - Reluctance of energy entities
- ! **Time and experience needed in order to improve Market monitoring process**

29



ENERGY AGENCY OF THE REPUBLIC OF SERBIA

*Thank you for your attention!*

### Contact details:

Jasmina Trhulj  
Energy Agency of the Republic of Serbia,  
Terazije 5/V, 11000 Belgrade, Serbia  
Tel: + 381 11 3226004; Fax: + 381 11 3225780  
e-mail: [jasmina.trhulj@aers.rs](mailto:jasmina.trhulj@aers.rs), URL: [www.aers.rs](http://www.aers.rs)

30