

Status of natural gas legislation and regulation

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- AERS Competences
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Legal framework

- International
(multilateral and bilateral agreements)
- EU Legislation
(applicable in EU and domestic territory).
- Domestic legislation
(laws, by-laws, rules)

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International Legislation

Treaty establishing the Energy Community (2006)
signed by EU, and other non-EU members in the Region,
including Republic of Serbia
Acquis communautaire
Directive 2003/55/EC on internal market in natural gas

Ministerial Council Decisions

Directive 2004/67/EC concerning measures to
safeguard security of natural gas supply
Regulation (EC) No 1775/2005 on conditions of
access to the natural gas transmission networks

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International Legislation

Treaty establishing the energy Community (2006)
Timetable for implementation

- Directive 2003/55/EC concerning common rules on internal market in gas- until July 2007
 - Relevant EU legislation concerning environment (by 31.December 2011.and 2017.), competition and renewables (on the entry into force)
- Each Contracting Party must ensure that the eligible customers are:
- from 1 January 2008, all non-household customers
 - from January 2015, all customers

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International Legislation

Treaty establishing energy Community (2006)
Timetable for implementation

- Ministerial Council of Energy Community adopted Decision No.2007/06/MC-EnC of 18 December 2007, according to which each Contracting party shall implement:
- Directive 2004/67/EC concerning measures to safeguard security of natural gas supply before 31 December 2009
 - Regulation (EC) No 1775/2005 on conditions of access to the natural gas transmission networks before 31 December 2008

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EU Legislation

Secondary legislation:

- Directives
- Regulations

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Domestic Legislation

Energy Law (2004)

General Conditions on Natural Gas Delivery (2006)

By-laws, deriving from the Energy law, which are defining:

- criteria and conditions for issuing energy permits(2005)
- minimal requirements for gas-expert personnel (2005)
- examination procedure for the persons performing technical conduct, maintenance & handling of natural gas facilities for distribution/transportation(2005)
- conditions of issuing and revoking of licences(2005)

-Law on Public Enterprises and conduct of activities of public interest

-Law on foreign investments

-Company Law

-Concession Law

-Law on pipelines transportation of liquid and gaseous hydrocarbons

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II Implementation of EU Legislation

Directive 2003/55/EC concerning common rules on internal market in gas, is mostly implemented in domestic legislation (through Energy Law and secondary legislation)

Directive 2004/67/EC concerning measures to safeguard security of natural gas supply and Regulation (EC) No 1775/2005 on conditions of access to the natural gas transmission networks – implementation in progress through draft changes of Energy Law and secondary legislation (Transportation/Distribution Code, Tariffs Systems and Methodologies)

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II Implementation of EU Legislation

Energy Law (OJRS 84/2004)

general provisions

special parts for each energy sector

-Principles:

- Reliable and efficient energy production, transmission/transportation and distribution
- Regular and good quality supply of energy and services
- Energy efficiency and environmental protection
- Unbundling of transmission/distribution system operator
- Unbundling of accounts for each energy activity performed by the same entity
- Market opening based on equal position of all customers (non-discrimination) and effective competition
- Development of renewables
- Energy policy objectives on balance development of all energy-related activities
- Independent Regulatory authority -AERS

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II Implementation of EU Legislation

Energy Law (OJRS 84/2004)

established AERS as regulatory body

AERS is a legal entity functionally independent from any state entity, and it gained *sui generis* position within the system via:

- Separation from the state administration - AERS is functioning in accordance with the Company Law, and no provisions deriving from the Law on State Administration and Law on Civil Servants is to be applied
- Separate budget, formed by annual license fees and % of tariffs for access to system

AERS' budget excluded from the State Treasury

AERS' Financial plan approved by National Assembly

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II Implementation of EU Legislation

Acquis communautaire-environment, renewables, competition

- AERS is excluded from the process of new infrastructure planning, and issuance of energy permits (exclusive competence of the Ministry of Mining and Energy)
- In general, relevant legislation on Competition, Environmental protection and Renewables are entrusted to relevant Ministries, Competition Commission, and Agency for Energy Efficiency

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III AERS' Competencies

According to the Energy Law, AERS is to:

- 1) formulate Draft Tariffs for calculating electricity and natural gas for tariff customers and Tariffs for access and usage of trans/distrib systems & storage and other services (approved by the Government)
- 2) set Methodologies for determination of Tariff elements for calculation of electricity and natural gas prices for tariff customers, including the heat produced in combined processes
- 3) set criteria for determination of costs of access to trans/distr. system

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III AERS' Competencies

- 4) approves Market and Grid Codes
- 5) sets the eligibility threshold
- 6) verifies, upon request, the status of eligible customer
- 7) act as dispute resolution authority on appeals, when request for access to trans/distribution/storage or transit is denied or decision is not delivered by relevant operator.
- 8) issue licenses

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III AERS' Competencies

- 9) issues opinions on calculated costs for TPA, determined by SO, prior Governmental approval
- 10) issues opinions on prices of electricity and natural gas, determined by supplier, prior Governmental approval
- 11) ex ante approval of Electricity Market Code, drafted by the Market Operator
- 12) ex ante approval of Transport and Distribution Grid Codes for transport of electricity, crude oil, and natural gas and distribution of electricity, oil derivatives and natural gas

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III AERS' Competencies

Market opening

Decision on minimum yearly consumption of natural gas necessary to obtain the eligibility status of natural gas consumer (OJRS 21/08)

- From January 1st 2008 all non-household customers (exception are household customers whose eligibility threshold is set up to 50.000 m3/year)
- Only one natural gas customer exercised eligibility
- Public Register of eligible customers

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III AERS' Regional Competencies

- According the **Treaty establishing Energy Community**, AERS is represented in two out of five institutions of Energy Community:
 - Energy Community Regulatory Board
 - Fora (Athens and Maribor)

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IV Organization of Natural Gas Sector

Before 2005. – one Public Company JP NIS
In July 2005. Government of the Republic of Serbia made decision on establishing:

- two public companies (JP Transnafta and JP Srbijagas)
- one joint stock company(NIS a.d.).

In this way natural gas activities are separated from oil activities and exploration and production of natural gas.

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IV Organization of Natural Gas Sector

Activities of Public Interest

- Transportation, distribution, including supply and trade for tariff customers,
- Production, exploration and trade on free market - exceptions,
- Activities of Public Interest have to be monitored by the Government and AERS,
- Performance of such activities is entrusted to:
 - Public Enterprises,
 - Other companies via special contract.
- Prerequisite for performing an energy activity of public interest is to obtain a license by AERS.

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IV Organization of Natural Gas Sector

Licenses

- For performing concrete energy-related activity.
- Conditions (technical, legal and commercial)
- The energy entities which are not state-owned (public enterprises and joint stock companies), need to be established in accordance with the domestic Company Law –no reciprocity and no mutual recognition of licenses.

So far, AERS issued:

- -2 licenses for gas transportation
- 1 license for operation of the natural gas transportation system
- 29 licenses for gas distribution, operation of distribution and trade for tariffs customers
- 11 licenses for trade on free natural gas market

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ENERGY AGENCY OF THE REPUBLIC OF SERBIA

Thank you for your attention!

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