

# **THE POWER SECTOR OF THE REPUBLIC OF ARMENIA**

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## REGIONAL BLACK SEA REGULATORY WORKSHOP

### *Participants of the Electricity Market include:*

- “ARMENIAN ELECTRIC NETWORKS“ (a closed joint stock co.)
- “SETTLEMENT CENTER“ (a closed joint stock co.)
- GENERATING ENTERPRISES:
  - “ARMENIAN NPP” with capacity of 408 MW,*
  - “RAZDAN TPP” with capacity of 1110 MW,*
  - “YEREVAN CHP” with capacity of 550 MW ,*
  - “MEK” with capacity of 561.4 MW,*
  - “VOROTAN HPP SYSTEM” with capacity of 405.4 MW,*
  - 83 small HPPs,*
  - A wind power plant,*
  - A power plant generating electricity from biomass,*
  - Two power plants with combined generation of electricity and heat based on the efficiency-needed heat*
- CJSC “HIGH VOLTAGE POWER NETWORKS“;
- CJSC “POWER GRID OPERATOR “.

## ***THE ELECTRICITY MARKET***

***In the Republic of Armenia, market relations are regulated by the Law on Energy.***

***The Law regulates relations of state bodies of the Republic of Armenia and economic entities in the field of electricity, including pricing and licensing in the electricity sector, and relations between a supplier and consumers of electricity.***

### *MARKET OPENING*

*At present, economic relations between economic entities in the power sector of the Republic of Armenia are based on the ‘single buyer – seller’ model, the role of which is fulfilled by the ‘Armenian Electric Networks’ (a closed joint stock co.)*

*A system of direct sales and purchase agreements between generating companies and the distribution company.*

## ***STATE REGULATORY BODY***

***The national policy for energy is implemented by the Government of the Republic of Armenia, represented by the Ministry of Energy and Natural Resources and by the Commission for Regulation of Public Services.***

***Regulation of the energy sector is part of the national policy with the goal to balance interests of consumers and licensed entities, create equal conditions for activities of the licensed entities and promote the formation and development of a competitive market by means of establishing rules for functioning of electricity, heat and natural gas markets, regulated tariffs and licensing conditions.***

*Regulation of the energy sector in the Republic of Armenia is performed by the Commission, which is an independent body carrying out its authorities based on the mandate set forth in the Law.*

*Legal acts of the Commission can be appealed in a court. Level of tariffs set by the Commission cannot be changed or appealed.*

## ***UNBUNDLING OF NETWORK ACTIVITIES, GENERATION AND SUPPLY***

***In Armenia, as a result of restructuring of the vertically integrated state-owned utility, activities related to generation, transmission and distribution of electricity have been unbundled.***

***The closed joint-stock companies have been established for generators of electricity, a transmission company and a distribution company.***

***Companies have been established to provide services in the wholesale market – the power grid operator and the Settlement Center.***

***The power distribution company “ARMENIAN ELECTRIC NETWORKS” has been privatized.***

*Before 2005, in accordance with the Law on Energy, supply and sale of electricity were in exclusive competence of the “Armenian Electric Networks”.*

*After 2005, wholesale and retail markets were organized in accordance with market rules established by the Public Services Regulatory Commission (PSRC) of the Republic of Armenia.*



## ***EXPORT / IMPORT OF ELECTRICITY***

***An entity holding a license for import of electricity (capacity) has the right to import and sell electricity (capacity) in accordance with the established market rules, license conditions and agreements.***

*An entity holding a license for export of electricity (capacity) has the right to export it in accordance with the established market rules and license conditions. Such electricity can be purchased from entities holding licenses for generation of electricity (capacity) and/or electricity (capacity) generated by the entity.*

*A license to export electricity (capacity) is issued only in cases when internal market demand is satisfied and exporting of electricity would not contradict interests of consumers in the domestic market.*

*Prices for export of electricity (capacity) are not regulated.*

*Commercial activities of the power grid of Armenia are limited as a whole by transactions on sale and purchase of electricity carried out under the renewed agreements with the power grids of Georgia, Nagorny Karabakh and Iran.*

*Additionally, if there are purely export transactions with the power grids of Georgia and Nagorny Karabakh, then there are net exchanges with Iran through the option of seasonal swaps (export of electricity in the summer and import of the same quantity in the winter period.)*

*In 2009, construction of the line part of the “Kadjaran-Ararat” pipeline of the “Iran-Armenia” main was completed. Up to 2.3 – 2.5 billion cubic meters of gas per year can be supplied through the pipeline. This practically ensures the security of supply for Armenia in cases of force majeure.*

*In the framework of the national energy priorities, Armenia can become a transit country for the Iranian gas.*

*According to the final agreement signed in 2004, Armenia will pay for natural gas with its electricity.*

## ***CONSTRUCTION AND RECONSTRUCTION OF POWER PLANTS***

*At present, work on construction of a modern steam and gas energy unit with combined cycle has been completed.*

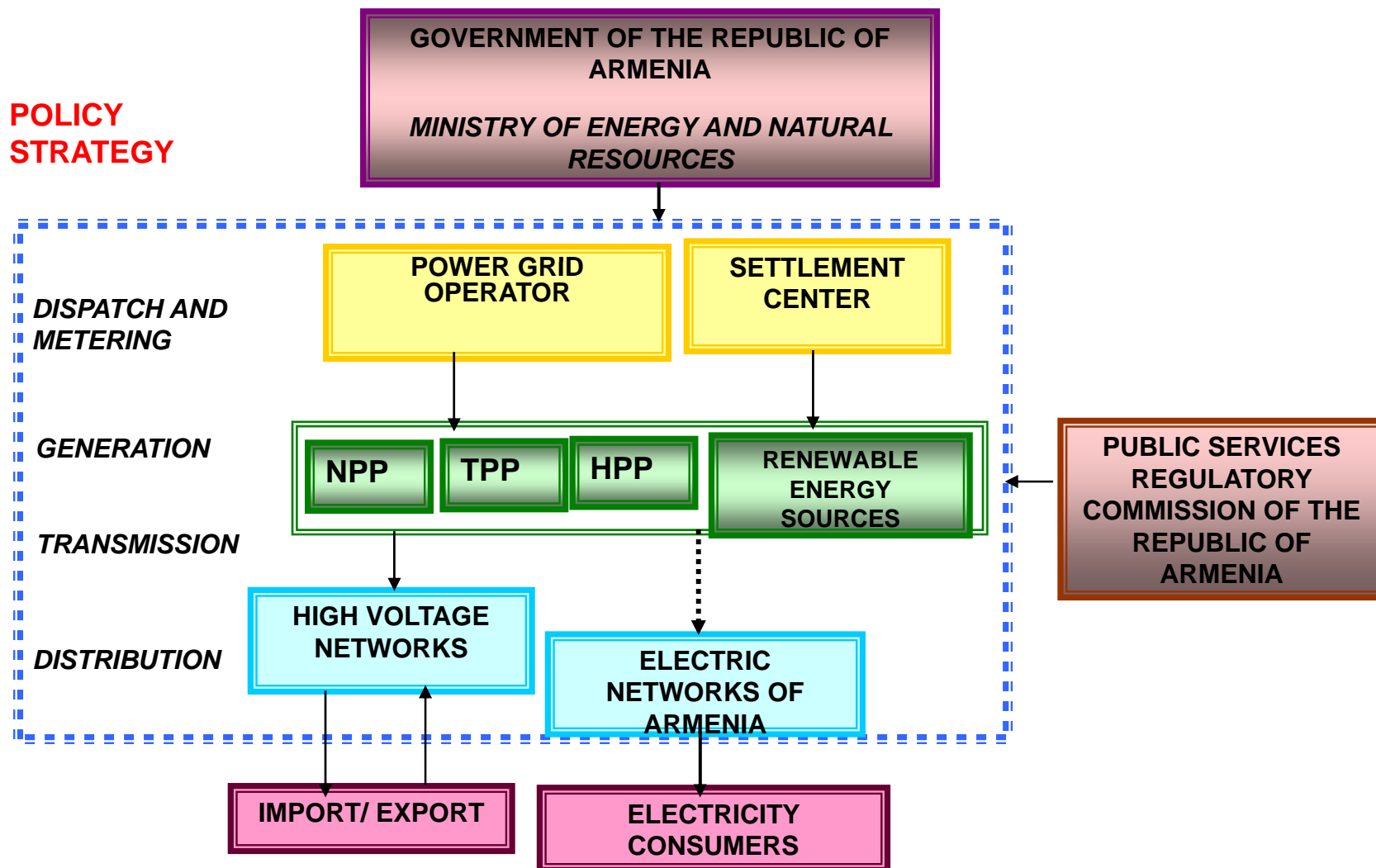
*In the framework of the agreement concluded in year 2009 between the government of Armenia and the Japanese Bank for International Cooperation, on the basis of a preferential credit granted to Armenia, an energy unit was installed at the Yerevan CHP with the capacity of 220 MW. This installation has been commissioned for the end of April this year.*

*In September 2010, construction and upgrading of the 5<sup>th</sup> energy unit of Razdan TPP is scheduled to be completed.*

*Reconstruction and completion of the 5<sup>th</sup> energy unit assumes combination of the gas and steam turbine technologies – complete reconstruction of the existing steam turbine energy unit with the capacity of 300 MW and supplementing it with the new gas turbine energy unit with the capacity of 180 MW.*

*This is an unprecedented project, which will allow the generation of cheap electricity with the capacity of 480 MW.*

## ORGANIZATIONAL CHART FOR THE ENERGY SECTOR IN ARMENIA



***THANK YOU FOR YOUR  
ATTENTION!***