

ENERGY REGULATORY COMMISSION  
OF THE REPUBLIC OF MACEDONIA



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# **Update on ERC's Upcoming Events**

## **Recent Developments in Macedonia's Energy Sector Since Last Exchange**

**NARUC Energy Regulatory Partnership Program  
ERC, MACEDONIA & PSB, VERMONT  
Montpelier, Vermont, May 23-27, 2005**

**Radomir Cvetkovic, Vice-President, ERC**

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Key Events and Activities***

- Continuation of the process of institutional and legislative approximation to the EU
- Macedonia's responses to the "EU Membership Candidacy Questionnaire" were submitted to the EU Commission in Brussels on 14<sup>th</sup> of February 2005

# **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

## ***Regulations***

- Amendment of the Energy Law – May, 2005
  - Regulates relations among participants in the electricity and gas markets
  - Stipulates the threshold and conditions for market opening
  - Prohibition of subventions among consumer categories
  - Public service obligations
  - Harmonization with the EU legislation
- Grid Code – June, 2005
- Market Code – June, 2005
- Preparation of the new Energy Law – by end of 2005

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***The Rulebook on the Method and Conditions for Regulating Electricity Prices***

- Adopted and published in the Official Gazette of the Republic of Macedonia #95/04 on December 31, 2004
- Provides incentive based regulation in the electricity sector, enabling efficiency increase, decrease in losses and incentives for investment in the sector
- Methodologies applied in the Rulebook:
  - For transmission of electricity
    - ✓ *Revenue cap method*
  - For distribution of electricity
    - ✓ *Hybrid method (Revenue cap and Price cap method)*
  - For generation of electricity for tariff consumers
    - ✓ *Revenue cap method*

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Current Activities***

- Preparation of a *Tariff system for the electricity sector*
- Preparation of the *Rulebook for the method and conditions for regulating natural gas prices*
- Preparation of the *Rulebook for the method and conditions for regulating district heating prices*
- Preparation of a *Tariff system for the district heating sector*
- Preparation of the *Rulebook for the method, conditions and procedure of issuing licenses* (in cooperation with Pierce Atwood)

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Reforms in the Electricity Sector (1/2)***

- Unbundling of the “Elektrostopanstvo na Makedonija” – a joint stock, state-owned company for generation, transmission and distribution of electricity into two companies (March, 2004):
  - AD MEPSO - transmission system owner, system operator, market operator and wholesale supplier
  - AD ESM - generation, distribution and supply of electricity
  
- Unbundling of the AD ESM (July, 2005):
  - ESM Generation
  - ESM Distribution and Supply

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Reforms in the Electricity Sector (2/2)***

- Government Decision adopted on 26<sup>th</sup> January 2005 initiated the process of *Privatization* of the Electric Power Company of Macedonia – A Joint Stock Company for Power Generation, Distribution and Supply, in state ownership, Skopje
  - *up to 51% of the stock is to be sold to a strategic investor*
  - *the sale is to be carried out through a tender procedure which will also include a prequalification phase*

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Electricity Market Participants (1/2)***

#### ➤ Generation of electricity:

- Regulated generation (AD ESM)
- Distributed generation
- Independent power producers (IPP)

#### ➤ Transmission of electricity:

- Transmission Owner (TO)
- System Operator (SO)
- Market Operator (MO)
- Wholesale Supplier for Tariff Customers (WS)



## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

### ***Electricity Market Participants (2/2)***

- Distribution of electricity:
  - Distribution Owner (DO)
  - Distribution System Operator (DSO)
  - Retail Supplier for Tariff Customers (RS)
- Eligible Customers
- Tariff Customers
- Traders



## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

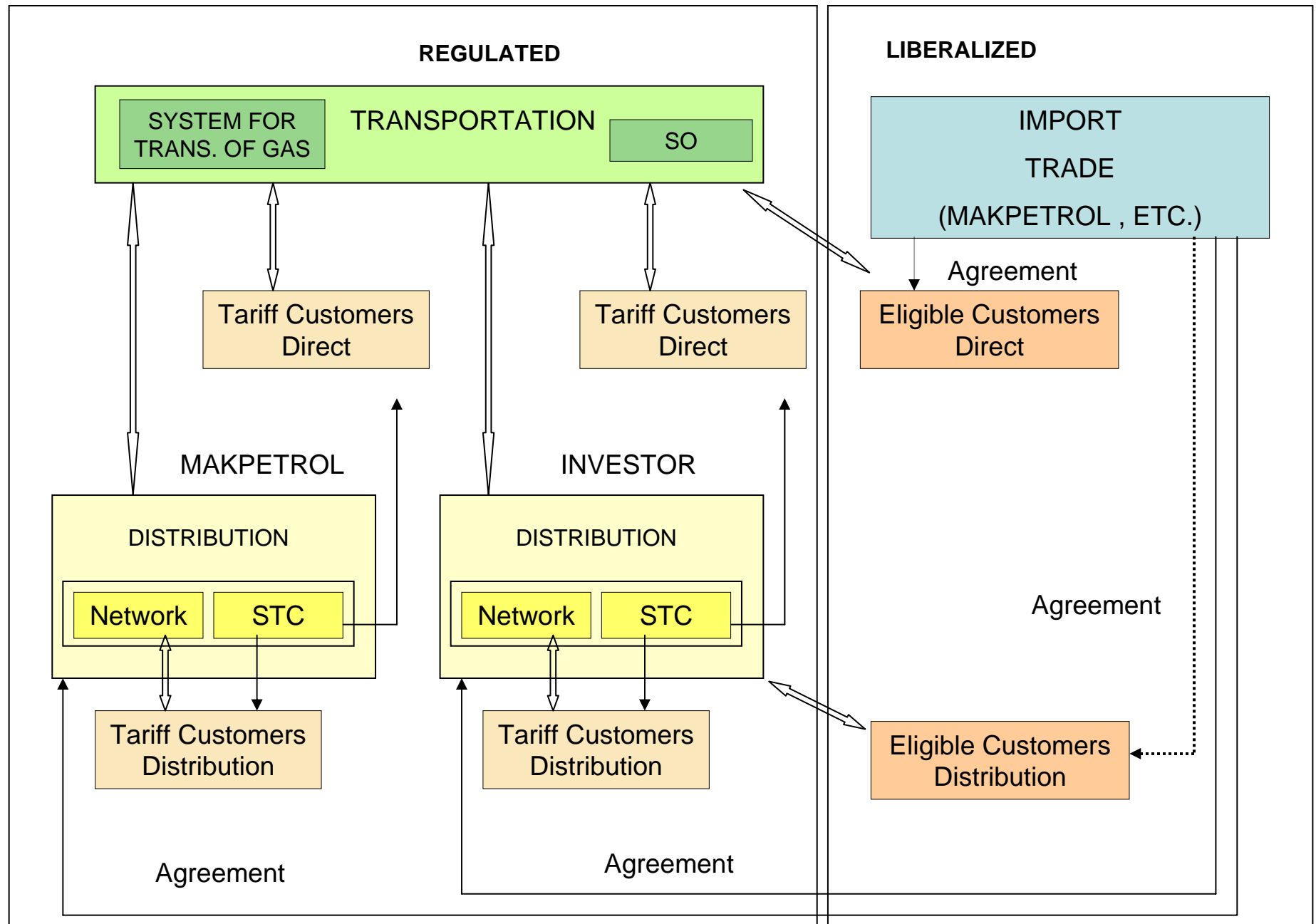
### ***Reforms in the Gas Sector***

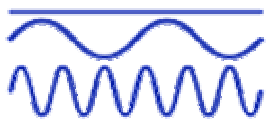
- Separation of the public services from the commercial activities
- Separation of the ownership of the transport infrastructure from the transport operation and transport system operation of natural gas as a public service
- Formation of an independent company for transport services under regulated conditions
- Granting concessions for gasification, distribution and supply of tariff consumers for a specified territory and determined period for investors

## **Recent Developments in Macedonia's Energy Sector** **(since last exchange)**

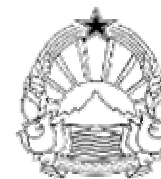
### ***Gas Market Participants***

- Transportation of Natural Gas:
  - Transportation
  - System Operator (SO)
- Distribution of and Supply with Natural Gas:
  - Distribution of Natural Gas
  - Supply with Natural Gas for Tariff Customers (STC)
- Eligible and Tariff Customers
- Direct and Distributed Customers
- Trade and import





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**THANK YOU  
FOR  
YOUR ATTENTION**

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