

Recent Developments in Macedonia's Energy Sector Since Last Exchange

**NARUC Energy Regulatory Partnership Program
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Radomir Cvetkovic, Vice-President, ERC Macedonia

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
- Parliament elections have taken place - New government has been elected (July 2006 – left oriented SDSM party has been replaced with right oriented VMRO-DPMNE party)

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

Regulations (1/4)

- ▶ A new **LAW ON ENERGY** was adopted – **May, 2006**
- **Energy policy objectives** (safe, reliable and efficient energy supply, sustainable development transparency, nondiscriminatory, improvement of energy competition, environmental protection from harmful impact of energy facilities etc.) –
Energy strategy and Energy program for realization
- **The conditions for performance of energy related operations of public interest- public service obligation**
- **The organization and operation of Regulatory Commission**
- **The organization and rules for operation of the energy markets** (electricity, gas, oil market...) - **threshold and conditions for market opening**
- **Supervision and penalty provisions**

Recent Developments in Macedonia's Energy Sector (since last exchange) *Regulations (2/4)*

- ▶ **The Rulebook on the Method and Conditions for Regulating Prices for Transmission, Distribution and Gas Supply**
- Adopted and published in the Official Gazette of RM in November, 2005
- Provides incentive based regulation in the gas sector, enabling efficiency increase gas consumption, decrease in losses and incentives for investment in this sector
- **Methodologies applied in the Rulebook:**
 - **For transmission, distribution and gas supply**
 - ✓ ***Price cap method***
 - ✓ (Applied Methodologies enable covering of all costs and ensure a level of regulated return of capital)

Recent Developments in Macedonia's Energy Sector **(since last exchange)** ***Regulations (3/4)***

► The Rulebook on the Method and Conditions for Regulating of Prices for Heating

- Adopted and published in the Official Gazette of RM in February, 2006
- Provides incentive based regulation for the heating price setting, enabling efficiency increase, decrease in losses and incentives for investment in this sector
- **Methodologies applied in the Rulebook:**
 - **For generation and distribution of heat**
 - ✓ ***Revenue cap method***
(Applied Methodologies enable covering of all costs and ensure a level of regulated return of capital)

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(since last exchange)

Regulations (4/4)

► The Rulebook on the Method, Conditions and Procedure of Issuing, Modifying and Revoking Licenses

- Adopted and published in the Official Gazette of RM in June, 2005

► Transmission grid code

- Adopted and approved by ERC in August, 2006
- Technical conditions and procedures for interconnection and access to the transmission grid
- Planning, maintenance and development of transmission grid
- Functional requirement and class of accuracy of metering equipment
- Quality of electricity delivered across the transmission system

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

Current Activities

- Preparation of a *Tariff system for the electricity sector*
- Preparation of a *Tariff system for the district heating sector*
- Preparation of a rules (conditions) for supply of electricity, natural gas and heat.
- Participation in various work-groups and committees of the Energy Community in South-East Europe

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Electricity Market Participants (1/2)

➤ Generation of electricity: (AD ELEM)

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

➤ Transmission of electricity: (AD MEPSO)

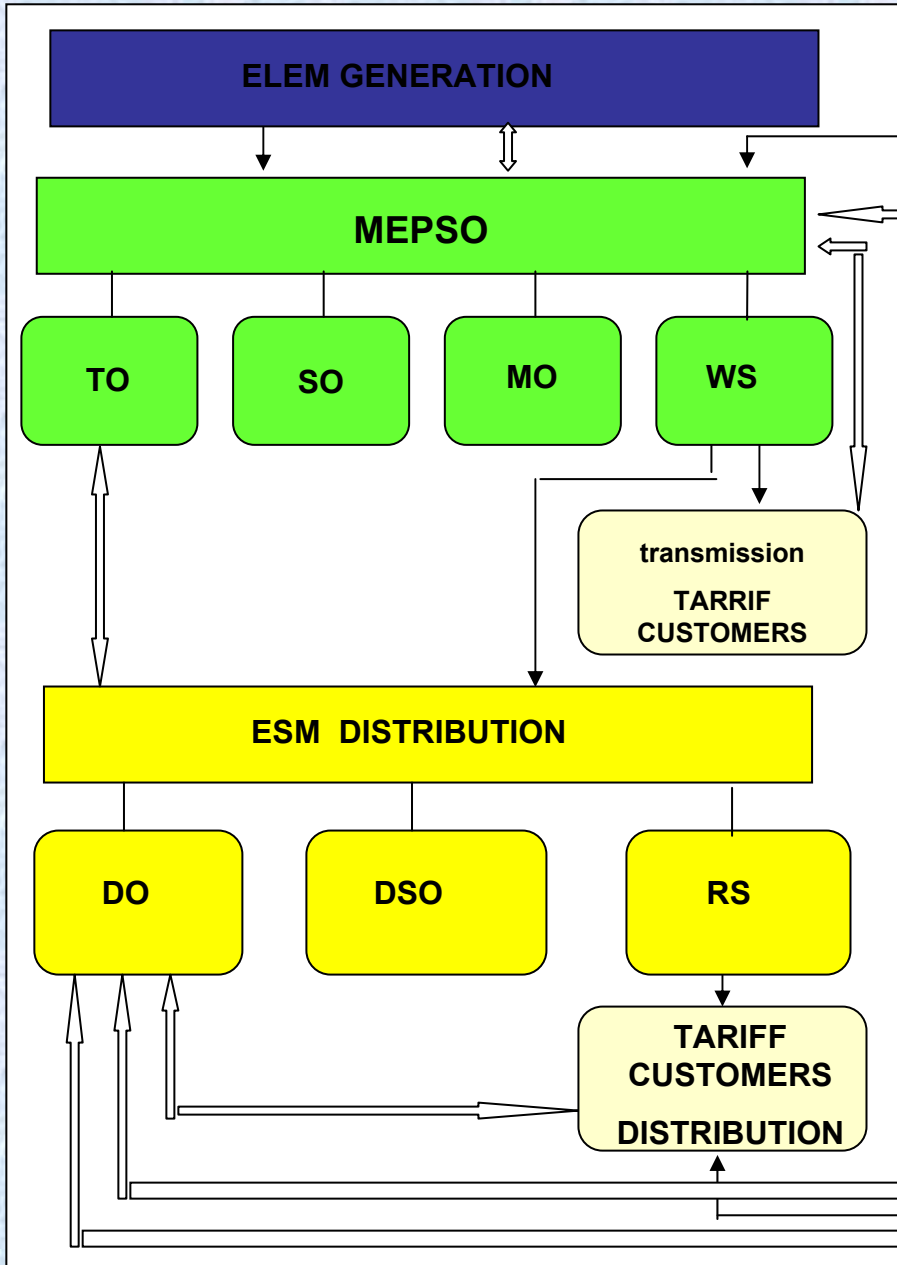
- Transmission operator (TO)
- System Operator (SO)
- Market Operator (MO)
- Wholesale Supplier for Tariff Customers (WS)

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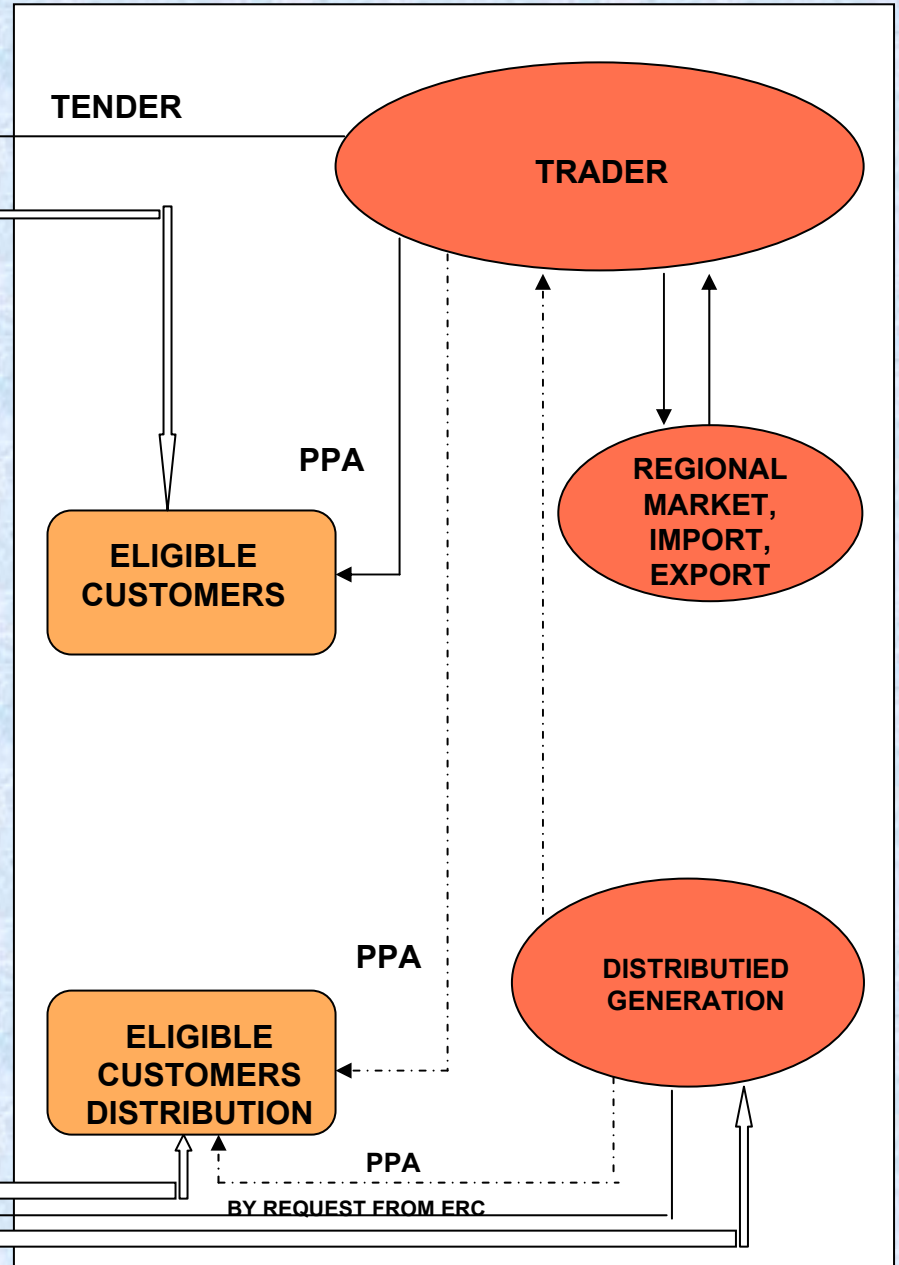
Electricity Market Participants (2/2)

- **Distribution of electricity (AD ESM-EVN)**
 - Distribution operator (DO)
 - Distribution System Operator (DSO)
 - Retail Supplier for Tariff Customers (RS)
- **Eligible Customers**
- **Tariff Customers**
- **Traders**

REGULATED



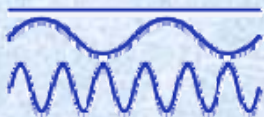
LIBERALIZED



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



THANK YOU FOR YOUR ATTENTION



Contact: radomir.cvetkovic@erc.org.mk