



**TARIFF(PRICE) COUNCIL
OF THE AZERBAIJAN REPUBLIC**

Existing situation in sphere of price regulation in Azerbaijan

Elshan Asadov

Secretary, Tariff (Price) Council

Republic of Azerbaijan

21-25 July 2008, Baku



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

- * The Statute of the Tariff (Price) Council of the Republic of Azerbaijan (approved by the Decree No. 341 of the President of Republic of Azerbaijan of 26 December 2005)
- * The Rules for Supervision of Government-Regulated Price (Tariff) Formation and Application (approved by the Resolution No. 247 of the Cabinet of Ministers of 30 December 2005)
- * The List of Goods (Works, Services) with Government-Regulated Prices (Tariffs) (approved by the Resolution No. 178 of the Cabinet of Ministers of 28 September 2005)
- * The law on regulated prices of Azerbaijan Republic on Controlled prices



STRUCTURE OF TARIFF(PRICE) COUNCIL OF THE AZERBAIJAN REPUBLIC

Chairman of the Tariff (Price) Council of the Azerbaijan Republic

Members:

**Deputy Ministers of Finance, Taxation, Justice, Transport,
Communication & IT, Agriculture, Public Health, Education,
Labor & Social Protection**

**Deputy Chairmen of State Customs Committee and State
Construction and Architecture Committee**



Regulation Section

- ◎ Transport, communication, industry, utilities
- ◎ Agriculture, Natural Resources
- ◎ Education, public health, other services



Monitoring, Analysis and Supervision Section

- ◎ Methodology & information
- ◎ Monitoring & analysis
- ◎ Finances, general services



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

- A report substantiating the need to adjust a tariff
- Cost reports for the current and two previous years
- Expected cost (generation cost breakdown) and profit
- Breakdown of accounts payable and receivable
- Audit reports of relevant entities
- Comparative table for current and expected prices
- Level of relevant prices for several countries in the region



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

- Based on the Resolution No. 247 of the Cabinet of Ministers of 30 December 2005, regulated entities must present their reports to the Tariff Council by 1 March of each year
- If there is a need for tariff adjustment, a draft decision is considered (analyzed) for one month:
 - within 5 days of the report submission the Tariff Council informs the entity about deficiencies in the report submitted;
 - within further 5 days the entity must complement and resubmit the report
- Council members are given a written draft of the resolution to be discussed
- The Council adopt decisions (resolutions) according to an agreed schedule
- Once adopted, the resolution is distributed through media and posted on the website www.tariffcouncil.gov.az



Tools of regulation

- The legislation
- Acts, rules
- Codes/instructions
- The decision (decision) of the Regulator

The purpose of Regulating - regulation of spheres in aspect of a free competition and improvement of a social level of the population.



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

In 2006,2007 and 2008 the Tariff (Price) Council held 15 meetings. Some of the decisions taken directly concerned the energy sector:

- **“On the Wholesale and Retail Prices of Certain Oil Products and Changes in Excise Degrees”**
- **New tariffs for gas processing by Azerbaijan Qaz Emalı JSC (Azerbaijan Gas Processing Corp.)**
- **Change in national electricity rates**
- **Retail rates for natural gas in Azerbaijan**



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

Residential prices (eurocents per kWt/h)	2006	2007 (current)	2008 (forecast)
Average price	1,52	4,78	4,78
Average grid tariff	0,39	1,48	1,48
Average tax burden	18%	18%	18%



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

Consumer prices (eurocents per kWt/h)	2006	2007 (current)	2008 (forecast)
Average price	4,7	4,78	4,78
Price for wind energy	-	3,52	3,52
Average grid tariff	2,26	1,48	1,48
Average tax burden	18%	18%	18%



Natural Gas

Data		2006	2007	2008
Generation (mln.m ³)		5944,4	9172,0	11287,0
Volume of transmission				
Population		2816,5	2580,3	3253,0
Industry		1168,0	997,8	953,0
Tariffs (euro/1000m ³)				
Retail	Population		36,95	36,95
	Others		78,27	78,27
Wholesale			32,88	32,88
Processing of natural gas on Open Society « Azərbaycan Qaz Emlı»			4,31	4,31
Transmission			1,57	1,57



The power market

- Generation – “Azərenerji” JSC and small independent thermal electric power station.
- Transfer – «Sumqaitelektrikşəbəkə» SC
«Bakıelektrikşəbəkə» SC
«Gəncəelektrikşəbəkə» SC
«Əli-Bayramlıelektrikşəbəkə» SC
- 90 % of Power plants are necessary on TEPS, 10 % on HPS and wind stations
- The competitive market in the country stimulates an investment of external and internal investments.



Kinds of electric power station working in Republic

- ⦿ Gas- Steam
- ⦿ Gas-Turbine
- ⦿ Gas- the Piston (Module)
- ⦿ Hydro-
- ⦿ Wind-



INTERNATIONAL COOPERATION AND SUPPORT

International Cooperation

- **ERRA** (Energy Regulators Regional Association): participation in working groups of the Pricing, Licensing and Legal Committees;
- **EMRA** (Energy Market Regulation Authority);
- **NARUC** (National Association of Regulatory Utility Commissioners);

Support

- **World Bank** (assistance and advice in the framework of Project PO96213);
- **European Bank for Reconstruction and Development** (technical assistance);
- **USAID Azerbaijan**;

The lead seminars in sphere of regulation

- ◎ On May, 7-11th 2007

- « Perfection of tariff rate and regulation of public utilities»

Support of USAID

- ◎ April, 7-11th 2008

- «Establishment and calculation of tariffs»

Support of ADB (the Asian Bank of Development)

- ◎ On March, 22nd 2008

- « Methodology of tariffs for the electric power, calculations and formation of tariffs »

Support of USAID



Plans for the future

- Improving the structure and the regulatory framework in line with best international practice;
- Databank of local and international experts for government-regulated sectors;
- Improving Secretariat's HR potential. Learning international experience (seminars, professional and language courses, meetings, trainings, etc.);
- Improved information support and public relations of the Secretariat;
- Improvement of structure of tariffs on wholesale and to retail prices on the basis of a market demand;
- Development of the Concept of the Tariff Policy in the Republic of Azerbaijan for 2009-2011



TARIFF(PRICE) COUNCIL OF THE REPUBLIC OF AZERBAIJAN

- ⦿ **ERRA**
- ⦿ **NARUC**
- ⦿ **USAID**

Special thanks to

all participants

Thank you for listening.