

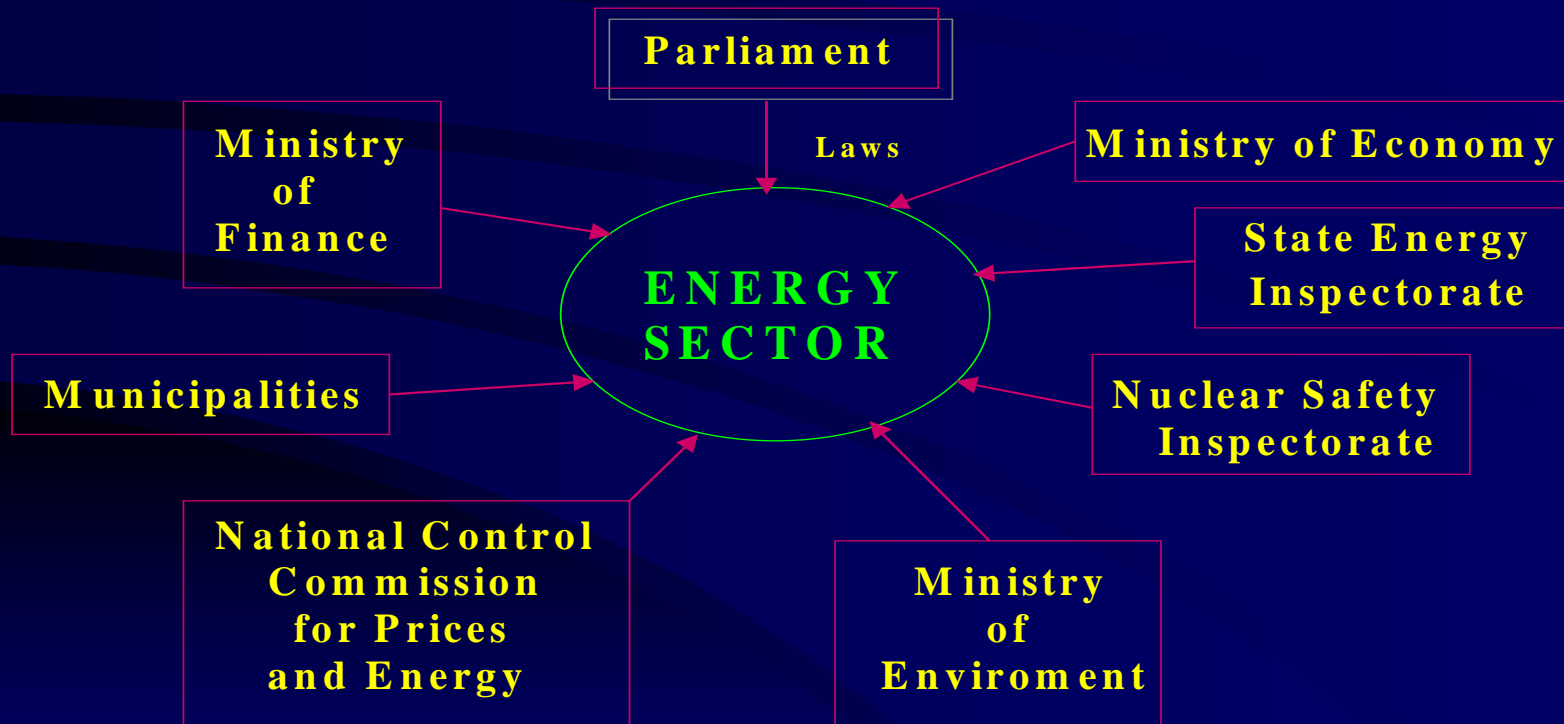
FOCUS ON ECONOMIC REGULATION

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NATIONAL CONTROL COMMISSION FOR PRICES
AND ENERGY

24 February 2005, VILNIUS

ENERGY REGULATORY AGENCIES



ELECTRICITY LEGISLATION

- **February 1997** - **National Control Commission for Prices and Energy (NCC) established and empowered to fix prices**
- **May 2002** - **Energy Law (previous 1995, 1997) with the concrete functions of the institutions**
- **October 2002** - **Renewed Energy Strategy with Ignalina NPP decommissioning conditions**
- **July 2004** - **Electricity Law (previous 2000) according to EU requirements**

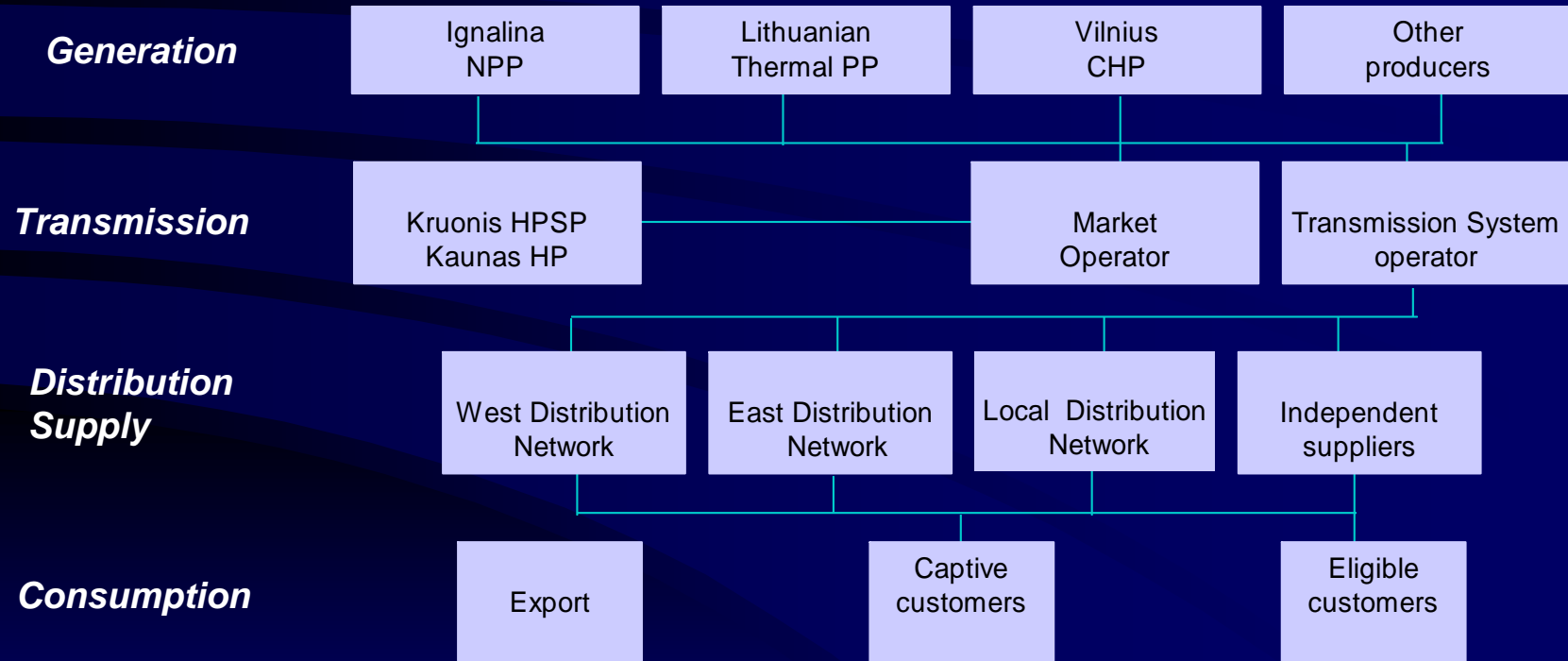
NCC RESPONSIBILITIES

- **To issue, revoke, suspend licenses - transmission, distribution, storage, supply**
- **Control implementation of license requirements**
- **To grant the eligibility status to the customers**
- **To set price caps for transmission, distribution, storage, supply service**
- **To approve connection fees**
- **To determine principles of the price setting for producers having more than 25% of the market and for the balance power**
- **To resolve disputes between the market participants (access to the grid, outages, etc.)**

NCC CONTROLS

- 1) the conformity to the Rules on administration of interconnections
- 2) the time duration connecting customer equipment to networks
- 3) that available information related with interconnections, system use and capacity distribution
- 4) the effective unbundling of accounts with a view to avoiding cross-subsidisation
- 5) objective, transparent and non-discriminating connection conditions and tariffs
- 6) the level of transparency and competition as well as supply reliability and service quality monitoring

ELECTRICITY MARKET MODEL



ELECTRICITY PRICING PRINCIPLES - 1

- **Generation prices are not regulated - bilateral agreements or auctions**
- **If a generator and independent supplier has more than 25% of the market share**
- **Then Commission sets the rules for price regulation**

ELECTRICITY PRICING PRINCIPLES - 2

- **Transmission, distribution and public supply prices are regulated**
- **Price caps mechanisms with the 3 year revision period**
- **Tariff structures developed by the operators, approved by the Commission**

NCC REGULATIONS FOR THE ELECTRICITY SECTOR

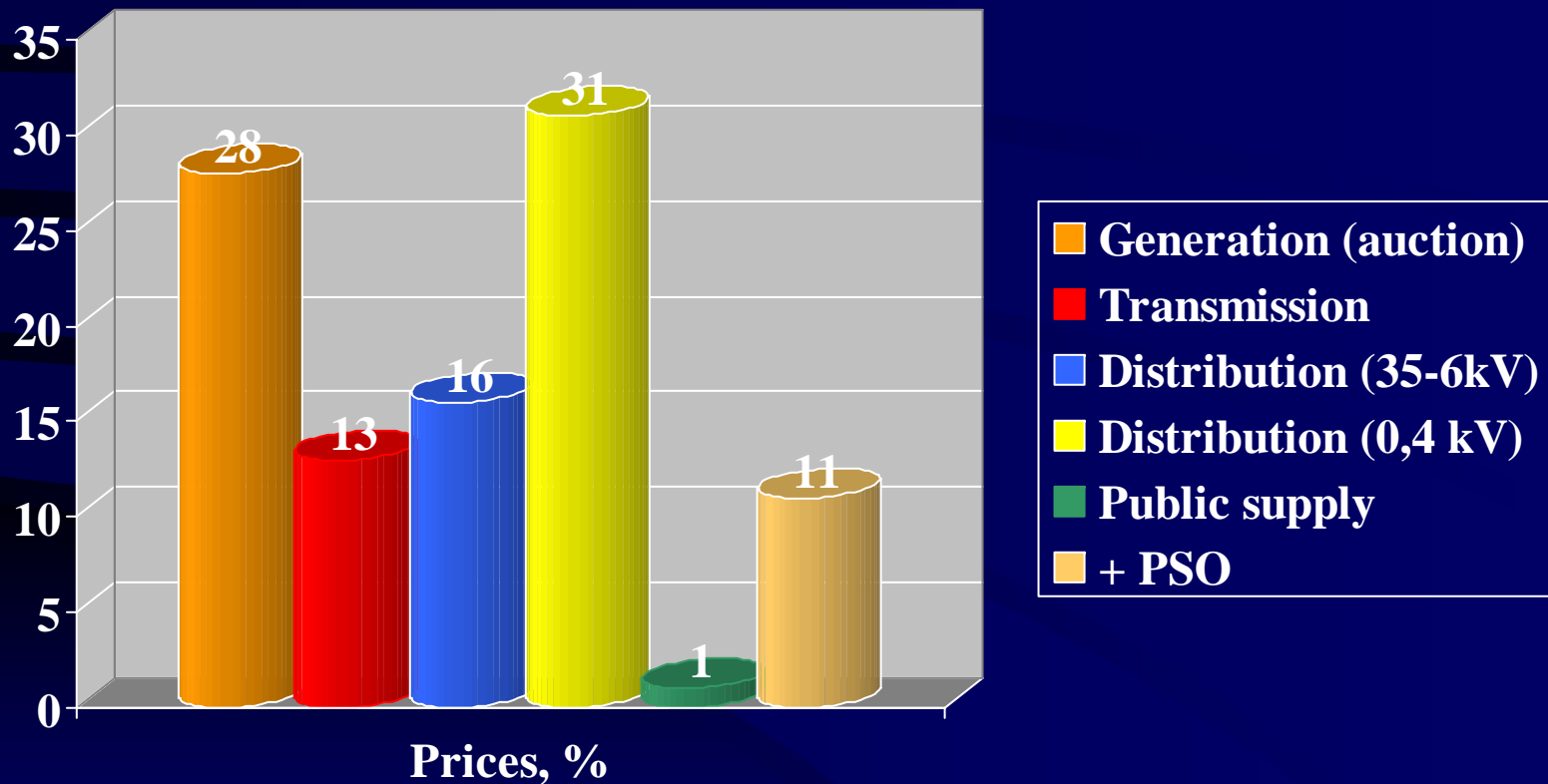
- **Methodology of the transmission and distribution services price caps determination**
- **Methodology of the public electricity tariffs price cap determination**
- **Methodology of electricity and power reserve prices regulation for the generators and independent suppliers, which have more than 25% of electricity sale market**
- **Rules of electricity purchase price from CHPP**
- **Methodology of the balance energy price regulation**
- **Methodology of the PSO price calculation**

ELECTRICITY PRICE COMPONENTS

There are 5 electricity price components:

- **Generation (auction)** - ~20.9 EUR/MWh
- **Transmission (330-110 kV)** - 9.8 EUR/MWh
- **Distribution (35-6 kV)** - 12.0 EUR/MWh
- **Distribution (0.4 kV)** - 22.9 EUR/MWh
- **Public supply** - 1.0 EUR/MWh
(adding PSO of) - ~8.5 EUR/MWh

COMPONENTS OF THE ELECTRICITY PRICE IN %



ELECTRICITY MARKET OPENING

- **2002 year - 20 GWh per year**
 - **12 eligible consumers**
 - **19% of electricity sale market**
- **2003 year - 9 GWh per year**
 - **22 eligible consumers**
 - **26% of electricity sale market**
- **2004/07/01 - all non-households - ~70%**
- **2007/07/01 - 100%**

ELECTRICITY MARKET

- **6 independent producers**
- **16 independent suppliers (IS)**
- **2 main public suppliers**
- **6 large consumers chose IS**
- **~17% of electricity is sold through the IS**
- **Auction price - ~21 EUR/MWh**
- **Future - Common Baltic Electricity Market**
- **More info - www.regula.lt**