



## **Overview of CERC Introductory Note**

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### **Scope, sphere of action and activities of the regulatory body – in general:**

**Regulation of a monopoly or a public service (prices for use of the grid, requirements for grid access, rules for system management, conditions of ensuring system stability and reliability),**

**Setting tariffs for end customers,**

**Quality and performance standards' control,**

**Creation and implementation of general requirements, regulations and standards,**

**Regulation of energy subjects' entrance into the sector (licenses, privileged status, new construction) and market control,**

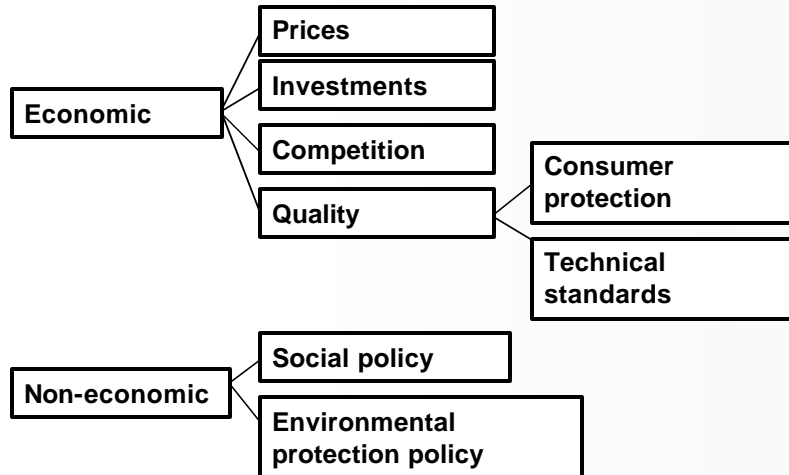
**Advising the Government,**

**Solving disputes.**

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## Economic and non-economic functions of regulation:



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## Regulation includes pricing, scope of investments, technical standards and service quality.

**Pricing:** Definition of the regulation method, which can be based on the rate of return criterion of the invested capital, i.e. on the price cap estimate (incentive pricing, RPI-X).

**Scope of investments:** Investment control, justifiability of investments, control of the investments into transmission and distribution grid, transport, supply etc.

**Technical standards and service quality:** Defined by sub-legal regulations (*Grid Code, Market Code, General Requirements for Connection of Customers and Their Energy Supply*), service standards, prices and payment modes for disconnection of supply or unsatisfactory service quality.

Key to successful regulation lies in getting timely and reliable information about the energy subject (activity) and/or company supervised by the regulatory body (efficiency evaluation, justifiability of the price level, including protection by creating stable business conditions).

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Area	Organizational issues	Key options
Mission	Goals	One or more goals among: customer protection, investor protection, economic efficiency, competition;
	Authorities	Regulatory authority for one or more activities: policy of pooling or entering the sector, investments, privatization;
	Sphere of action	One sector (energy-related) or more than one sector.
Management	Structure, decisions	One regulator or collegiate body, odd or even number of committee members, re-election or no re-election;
	Regulator appointment	Named by the Parliament or the Government, shareholders can or cannot be named;
	Independence protection	Mandate at disposal, prohibition of conflict of interests during and after the mandate, stable financing sources;
Activities - regulation	Functions	One or more functions: monopoly regulation, tariffs for end buyers and quality standards, control of the subjects in the sector, solving disputes, advisory role towards the Government;
	Conduct and appeal proceedings	Conduct according to: rules established in advance, negotiations among shareholders; Appeal proceedings: transparency of decisions, independent appellate body , complaint about inappropriate conduct;
	Coordination with other bodies	Formal or informal consultation mechanisms

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## Main Activities:

Licencing

Energy supply

Pricing/Tariffs

Consumer protection

Legal issues

Environmental protection

Technical standards and service quality:

To be discussed under Issues confronting CERC

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