

**Energy Regulatory Partnership Program
National Association of Regulatory Utility
Commissioners
State Energy Agency under the Government of
the Kyrgyz Republic**

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State Energy Agency
under the Government of the Kyrgyz Republic

MONITORING OF REGULATED ENTITIES

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Overview



Section 1

Monitoring of activities of regulated entities

- Purposes of the monitoring
- Sources of information
- Audit procedures
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- Annual reports
 - Special or periodic reports
 - Efficient cost control systems for regulated entities
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Section 1

Monitoring of activities of regulated entities

- Purposes of the monitoring
 - Sources of information
 - Audit procedures
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Section 1- Purposes of the monitoring и Sources of information

- SEA carries out monitoring of activities of regulated entities in order to identify strengths and weaknesses of companies, and also to determine their competitiveness in the market;
- To analyze thoroughly economic and financing activities during a reporting period and to elaborate further recommendations to improve the current situation;
- SEA monitors not only financial part of the energy sector, but also the situation with the legal framework (legislation), as real conditions for market development are created through laws and by-laws.

Various types of reports submitted by regulated companies on a continuous basis, namely, monthly, quarterly and annual reports, serve as sources of information, as well as the legal basis.

Section 1- AUDIT

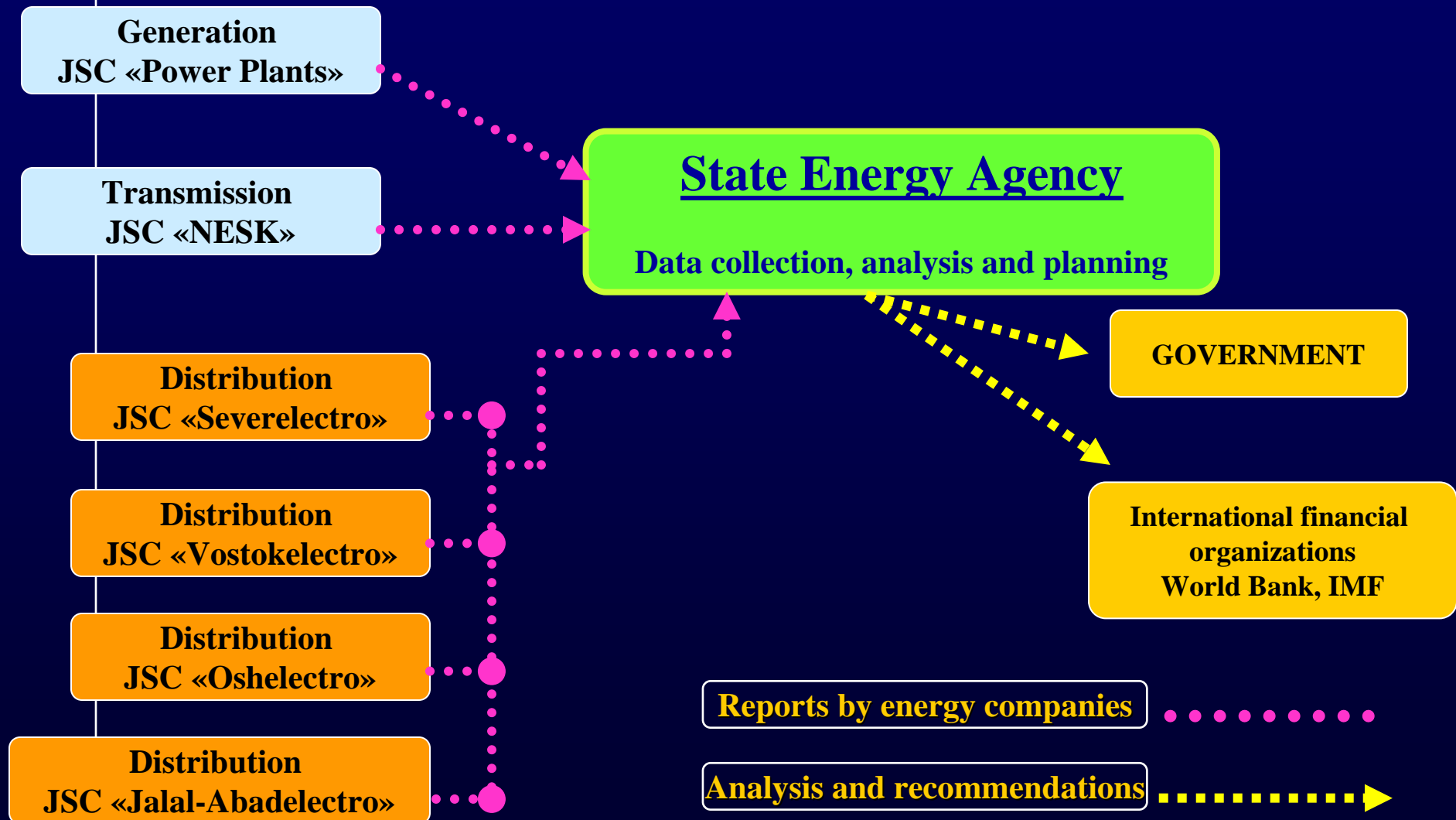
- Due to its status the State energy agency is not authorized to audit regulated companies. SEA can just recommend or invite independent audit companies and to set a task for the chosen company;
- To facilitate a tender in order to choose this or that audit company, which would provide high quality services; understanding of client's requirements and expectations is the key aspect.

One of the vivid examples can be invitation in August 2001 of a well-known and recognized audit company «PriceWaterHouseCoopers», which had the following tasks:

- Assessment of correctness of bills for electricity sold to consumers in 2001, i.e. whether the energy company applies correctly tariffs for consumer categories, and whether bills were for actually consumed volumes of electricity;
- Assessment of the electricity consumption structure by various consumer groups in seasonal consumption indices (winter season versus summer season) and real consumption of electricity in order to determine the basis for tariff and revenue forecasting for subsequent years;
- Assessment of the rate of collections.

In its activities SEA still uses audit opinion by “PriceWaterHouseCoopers” as irrefutable statistical data.

Procedure for submitting reports to SEA by energy companies

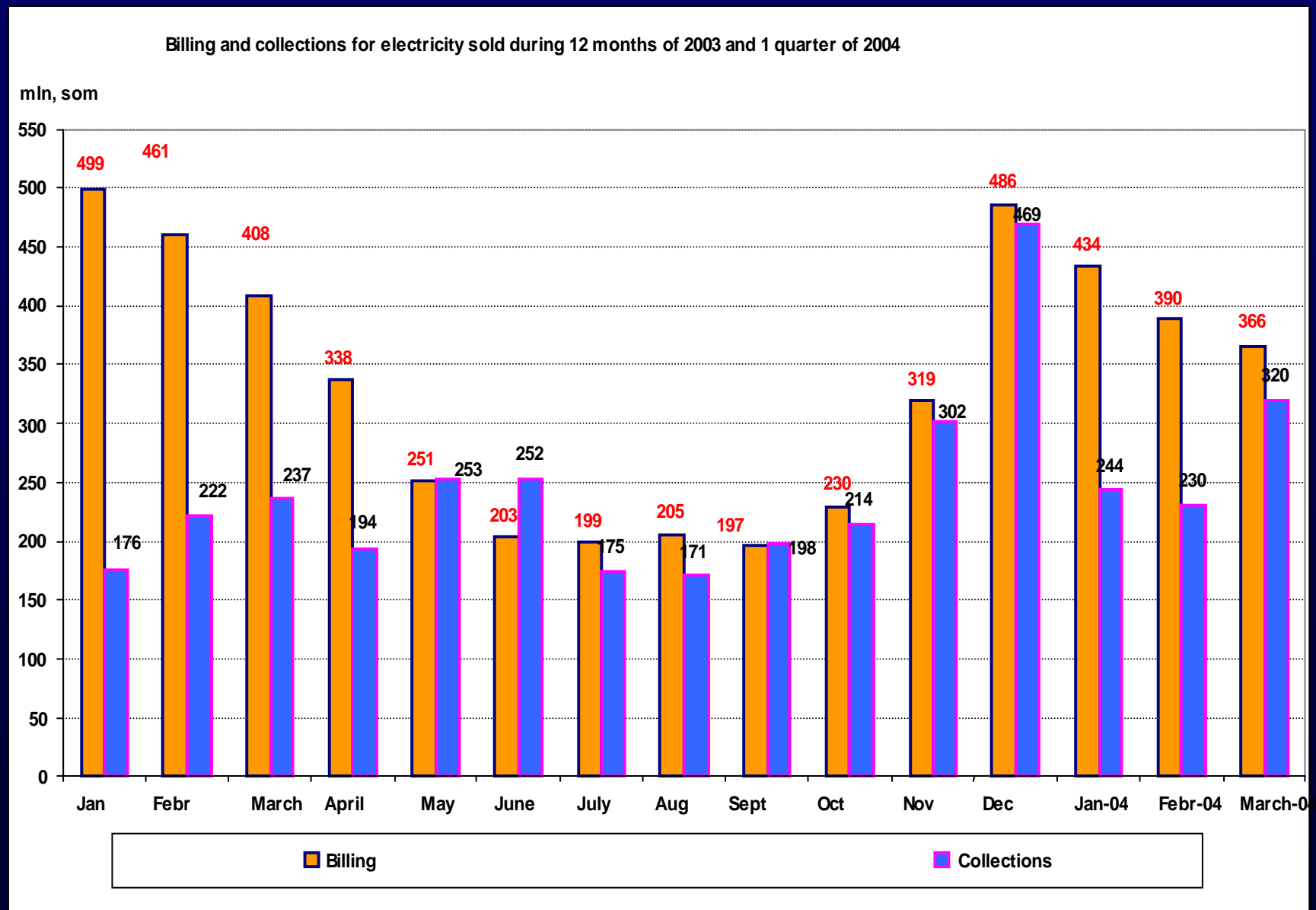


Section 1- Analysis of operating and financing activities

After restructuring of the energy sector the State Energy Agency developed one reporting form, which was approved by Decree of the Government # 531, as of August 19, 2003, and on the basis of monthly reports on technical-economic indicators the following key moments are analyzed:

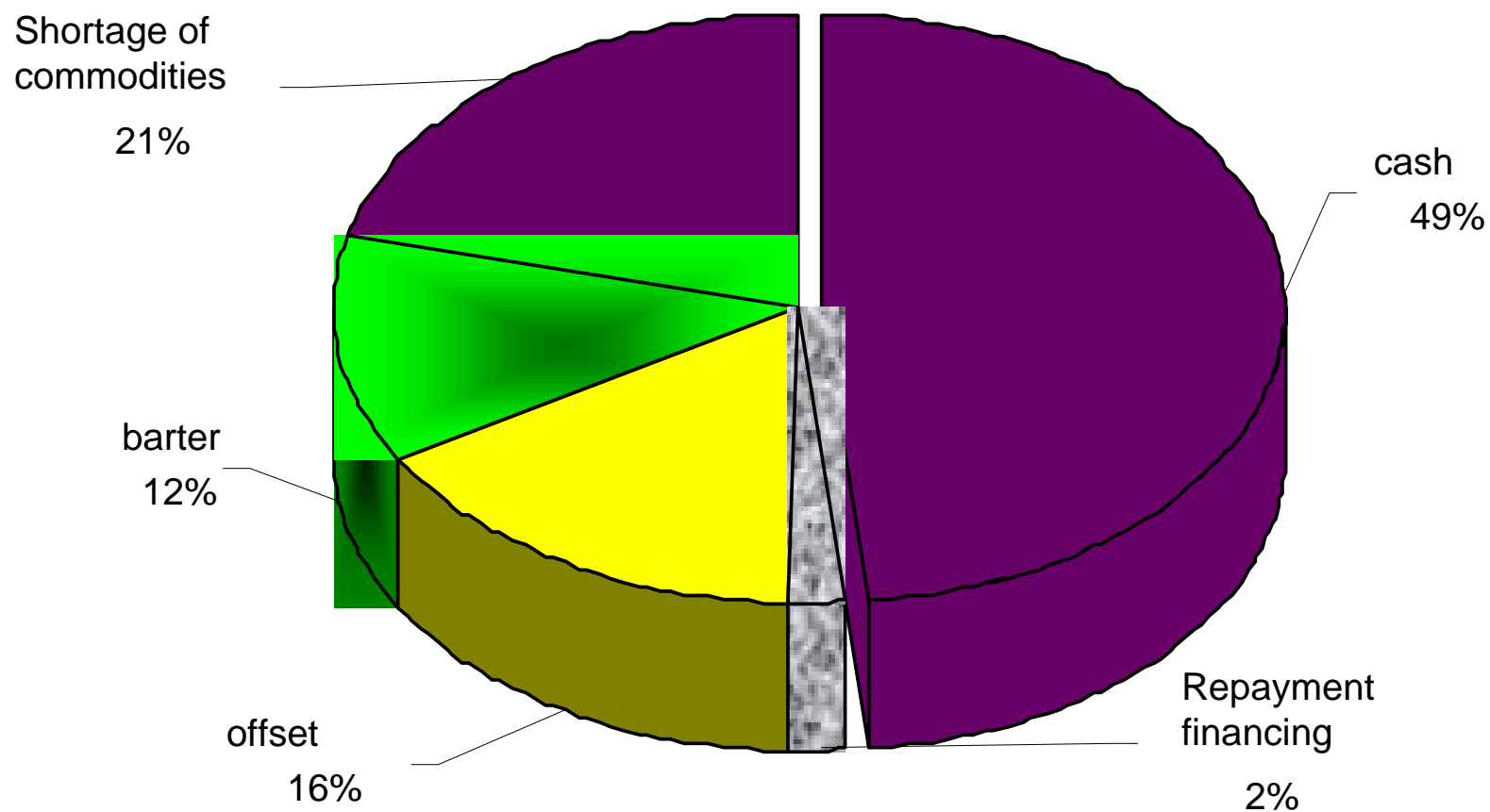
- Electricity losses in generation, transmission and distribution;
- Useful sale of electricity or consumption by various consumer groups;
- Correctness of billing by consumer groups, sources of revenues;
- Rate of collections for sold electricity;
- Actual implementation of cost items envisioned in the tariff;
- Profits or losses of the company during the reporting period;
- Companies' execution of obligations related to repayment of credits, as well as payment of liabilities to the budget of the republic;
- Dynamics of receivables for each company;

Example: Analysis of billing and payments for electricity on a monthly basis



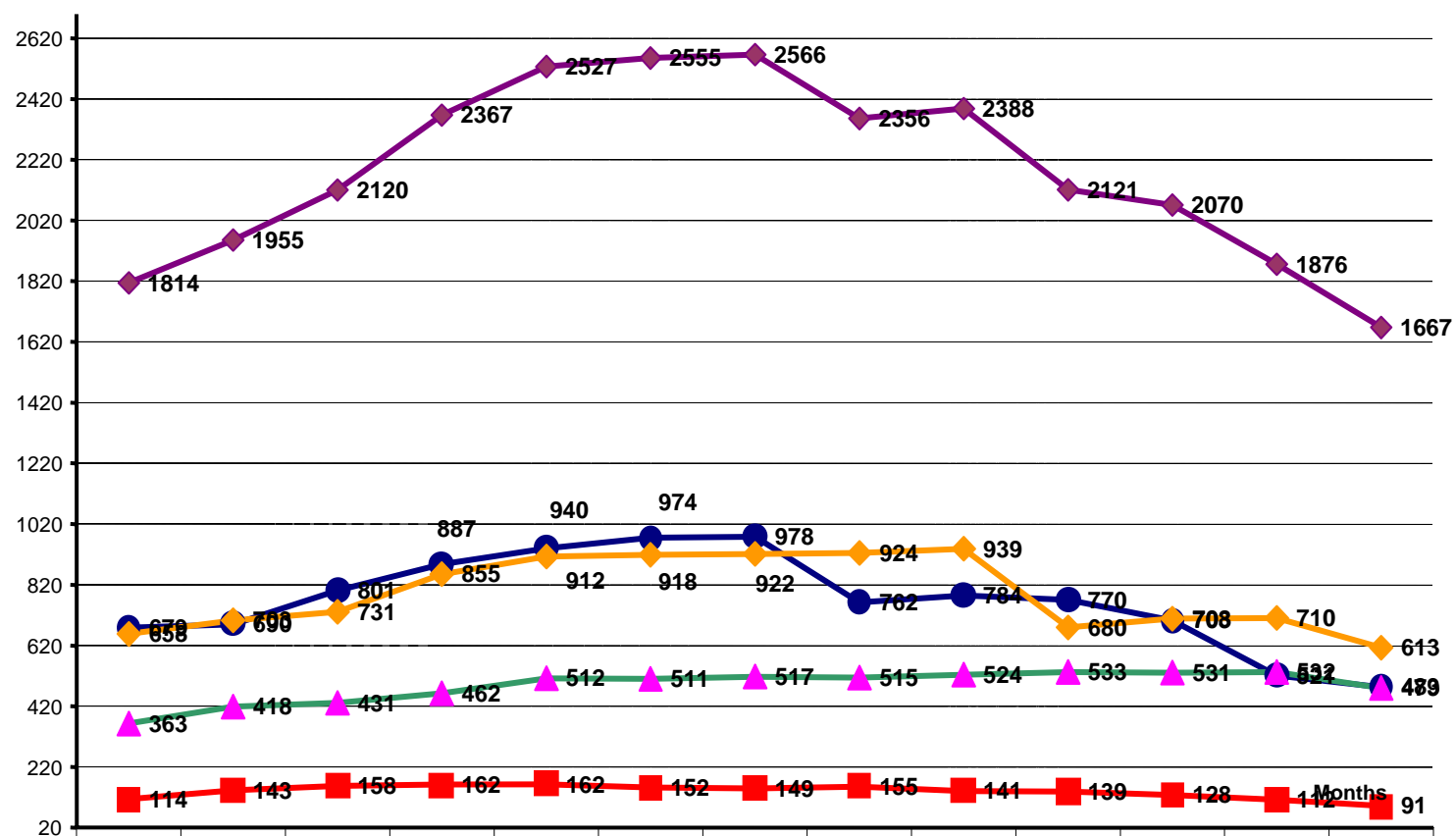
Example:
Analysis of collections for electricity by types of payment

Payment for electricity by types of payment 1st half of 2004



Example: Analysis of dynamics of energy companies receivables for 2003

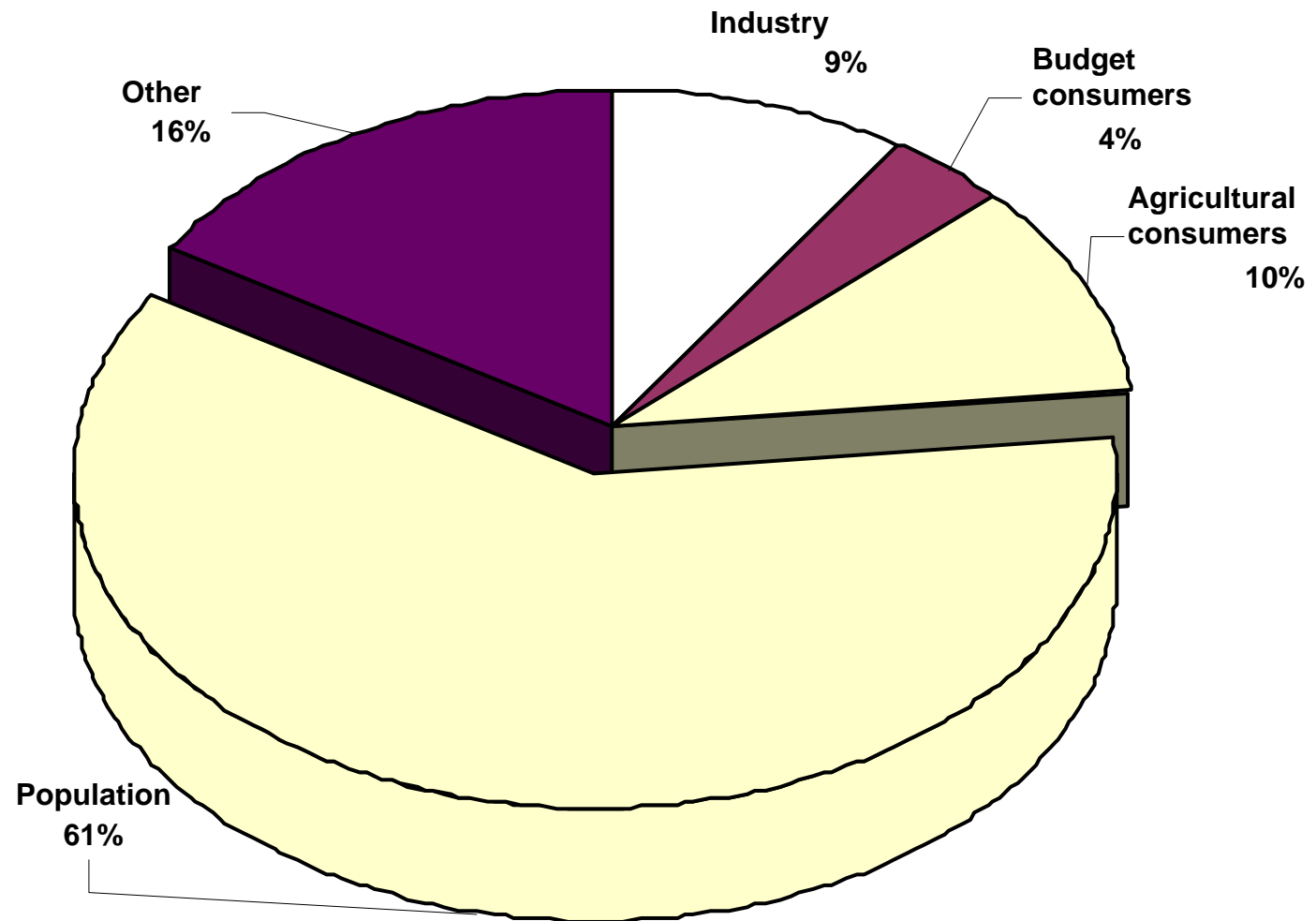
DisCos' receivables as of 1.01.2004 r (without VAT)



	January	February	March	April	May	June	July	August	September	October	November	December	January
JSC "Severelectro"	679	690	801	887	940	974	978	762	784	770	703	521	483
JSC "Vostokelectro"	363	418	431	462	512	511	517	515	524	533	531	532	479
JSC "Jalal-Abadelectro"	114	143	158	162	162	152	149	155	141	139	128	112	91
JSC "Oshelectro"	658	703	731	855	912	918	922	924	939	680	708	710	613
Total:	1814	1955	2120	2367	2527	2555	2566	2356	2388	2121	2070	1876	1667

Example:
Analysis of the structure of receivables by consumer groups

Structure of receivables by consumers as of 1.01.2004





Section 2

Reporting systems

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Section 2

Reporting systems

As has already been mentioned, the State Energy Agency developed and the Government of the KR approved a uniform reporting form that includes 5 main aggregated groups of indicators:

1 Section – Electricity balance

- Electricity generation – transmission - distribution
- Losses of electricity from generation to supply to consumers
- Useful consumption

2 Section – Billing at existing tariffs

3 Section – Collection of payment for electricity sold

4 Section – Actual costs of companies

5 Section – Payables and receivables of companies related to received electricity

The given structure of reports allows us to get a comprehensive and transparent picture of the current technical and financial situation of the company.

We conduct monitoring and analysis on the basis of similar types of reports.

Example:
1 – Chapter of the report – Electricity balance

<i><u>Indicators</u></i>	<i><u>Unit.</u></i>	<i><u>Month</u></i>
TOTAL INFLOW OF ELECTRICITY IN NETWORKS OF A DISTRIBUTION COMPANY	thous. kWh	517,943.1
LOSSES OF ELECTRICITY, TOTAL	thous. kWh	140,057.2
The same in %	%	27.0%
Technical losses	thous. kWh	61,077.3
the same in % from inflow in networks	%	11.8%
Commercial losses	thous. kWh	78,979.9
the same in % from inflow in networks	%	15.2%
USEFUL SALE OF ELECTRICITY TO END-USERS	thous. kWh	377,885.9
TOTAL CONSUMPTION OF ELECTRICITY	thous. kWh	377885.9
Industry	thous. kWh	42,315.3
Budget consumers	thous. kWh	44,595,6
Agricultural consumers	thous. kWh	3,059
Population	thous. kWh	240,029
Other consumers	thous. kWh	47,886

Example:**2 и 3 – Chapters of the report – Billing and payment for electricity sold**

BILLING	thous. som	182,238.4
Industry	thous. som	32,254.7
Budget consumers	thous. som	33,521.5
Agricultural consumers	thous. som	2,459.1
Population	thous. som	80,733.4
Other consumers	thous. som	33,269.7
RATE OF COLLECTION ON BILLS	thous. som	187,667.8
Out of them: in cash	thous. som	139,229.8
Repayment financing	thous. som	-19,135.1
Offset	thous. som	45,861.3
Barter	thous. som	23,309.5
RATE OF COLLECTIONS (as % from the billed amount)	%	103%
including: Industry	%	130%
Budget consumers	%	80%
Agricultural consumers	%	207%
Population	%	70%
Other consumers	%	174%

Efficient cost control systems for regulated entities

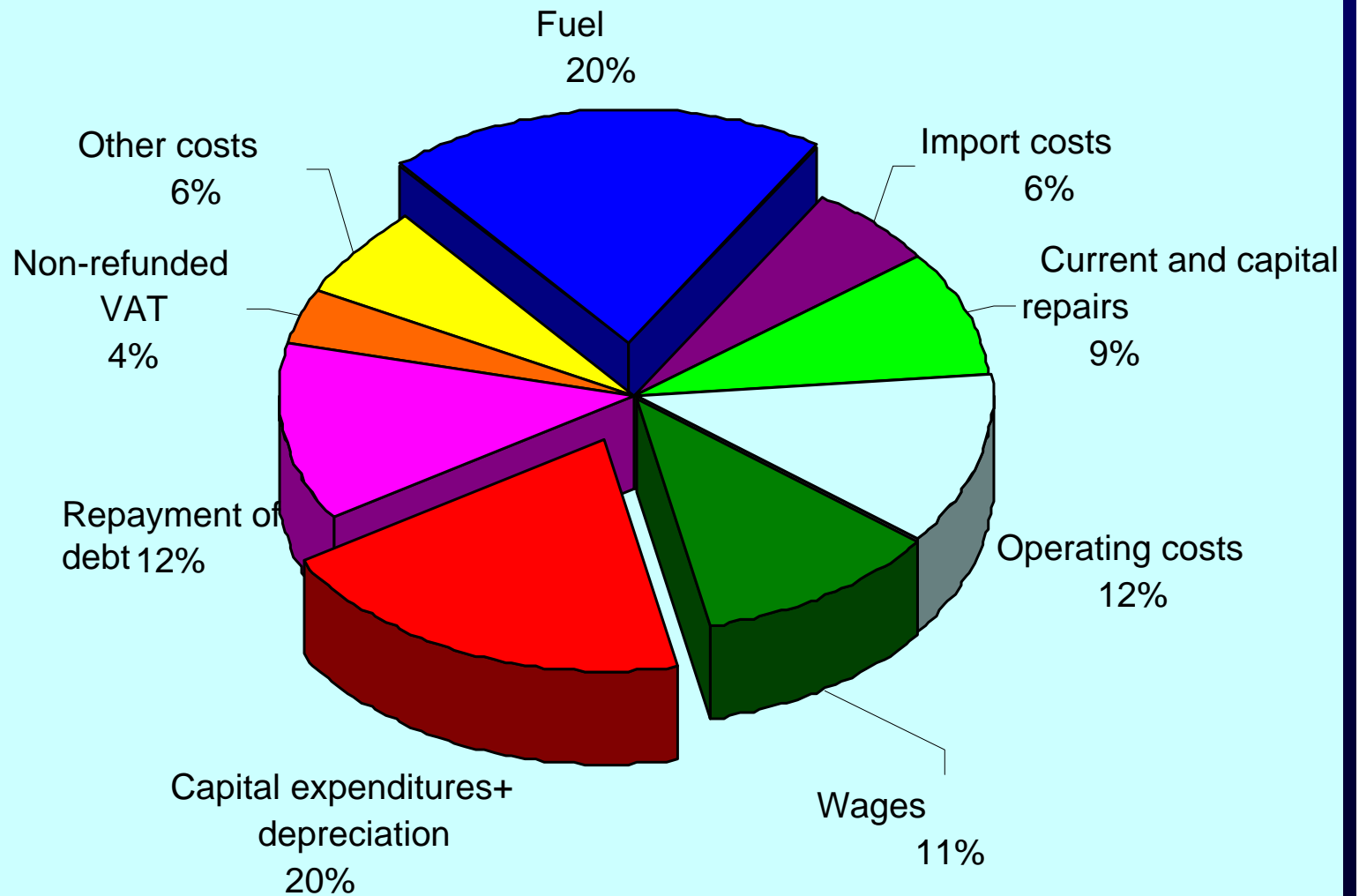
- Every year when setting tariffs for purchase, transmission and distribution, SEA comprehensively studies actual utilization of earlier scheduled expenses, both in absolute terms and percentage.

Such parameters as 22 % of losses in distribution and 93 % collection on bills are taken into account. But, of course, not all the companies are able to achieve the mentioned parameters, therefore, a number of cost items remain open.

According to the legislation in the Kyrgyz Republic SEA sets tariffs, but control over execution of tariffs or utilization of costs rests with the Department on Antimonopoly Policies, which is legally authorized to apply administrative fines and sanctions when tariff violations occur.

At present the State Energy Agency takes measures aimed at changing the current legislation in order to delegate functions of control over efficient utilization of costs to SEA.

Share of various costs in the tariff for 2003





**THANK YOU FOR
ATTENTION!**
