



# Національна комісія, що здійснює державне регулювання у сфері енергетики



Regulatory Partnership Program between the National Association of Regulatory Utility  
Commissioners of U.S. and the National State Commission for Energy Regulation of Ukraine  
*The Ninth Visit in the framework of the Partnership Program*

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## Licensing of Economic Activity in the Energy Sector in Ukraine

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# Licensing – One of the Ways of State Regulation

Licensing is one of the state leverages to influence natural monopoly markets and adjacent markets that is implemented for the purpose of promoting competitiveness in markets that are adjacent to monopoly markets, protection of the rights of consumers that make use of natural monopoly services by way of establishing minimum requirements for economic agents that intend to perform activity in these markets.

Currently, NERC licenses the following activities:

- 6 types of activity in the power sector;
- 7 types of activity in the oil and gas sector;
- 2 types of activity in the heat sector.

All types of licensing activities are regulated by specific licensing provisions.



# Licensing in the Power Sector

NERC started issuing licenses in 1996 under the Law of Ukraine on the Electricity Sector.

NERC issues licenses for the following economic activities in the power sector:

- power transmission along main and interstate power lines
- power transmission along local power lines
- wholesale power supply
- power generation
- power supply at a regulated rate
- power supply at a non-regulated rate

In the power sector, licenses are issued for a 20 years term.



# Licensing in the Heat Supply Sector

Issuance of licenses in the heat supply sector began in 2006 under the Law of Ukraine on Heat Supply and on Combined Heat and Power Generation (cogeneration) and Utilization of Waste Energy Potential.

NERC issues licenses for the following types of economic activity in the heat sector:

- heat generation at TPP, CHP, NPP, cogeneration plants and plants using non-conventional or renewable energy;
- combined heat and power generation.

In the heat supply sector, licenses are issued for a 5-year term.



# Licensing in the Oil and Gas Sector

Issuance of licenses in the oil and gas sector began in 2006 under the Law of Ukraine on Licensing of Certain Types of Economic Activity.

NERC issues licenses for the following types of activity in the oil and gas sector:

- transportation of oil along main pipelines;
- transportation of oil products along main pipelines;
- transportation of natural gas along main pipelines;
- distribution of natural gas;
- natural gas supply at a regulated rate;
- natural gas supply at a non-regulated rate;
- natural gas storage.

In the oil and gas sector, licenses are issued for a 5-year term.



# Licensing Requirements

Issuance of licenses for all types of licensed activities (except for the supply of power and natural gas at a non-regulated rate) is possible only on the condition of generators' holding generation equipment, main or distribution power or gas (oil) networks and material and technical base needed for the following:

- production of power or heat energy
- transmission or distribution of electric power
- transportation or distribution of oil and oil products
- transportation or distribution of natural and petroleum gas

The only requirement for the supply of electric power or natural gas at non-regulated rates is the presence of financial resources necessary to buy the monthly amount of electricity or natural gas.



# Grounds for License Denial and License Revocation

## **License denial can occur for the following reasons:**

- unreliable data in documents submitted by the applicant;
- applicant documents not satisfying license requirements.

Decision on license denial can be contested in a judicial procedure

## **License revocation can occur in the following cases:**

- submission of a license revocation request by the economic agent
- detection of unreliable lists in the license application or accompanying documents
- transfer of the license by the economic agent to another entity
- repeated or major violation of license provisions
- failure by the licensee to ensure compliance with the license provisions established for the specific economic activity
- suspension of the economic agent's civil capacity



# License Fee

In the power and heat sector, license fees are established under Order #516 of the Cabinet of Ministers of Ukraine of July 13, 1995, which provides that one-off payment for the issuance of licenses by NERC depends on the following:

- claimed installed capacity of power and heat generation plants – UAH 18.72 (USD 1.6) for 1 MW installed capacity, UAH 21.77 (USD 1.9) for 1 Gcal/hr installed capacity;
- amounts of transmitted – UAH 4.12 (USD 0.4) or supplied – UAH 8.26 (USD 0.7) electric power per 1 mln kWh of the annual claimed amount.

In the oil and gas sector, license fees are established under Order #1755 of the Cabinet of Ministers of Ukraine of November 29, 2000, in the amount of 1 minimum salary at the moment of making the decision on the issuance of the license (UAH 1218 or USD 104).

For licensees in the power and heat supply sector, current license fee is also established on a quarterly basis that depends on the installed electric and heat capacity of generation plants, as well as on the amounts of transmitted and supplied electric power.

License fees and the current fees are paid to the Ukraine's state budget.





## Number of NERC Licensees as of January 01, 2014

Type of activity subject to licensing by NERC	Number of valid licenses, pcs
<i>Supply of natural gas at regulated rate</i>	49
<i>Supply of natural gas at non-regulated rate</i>	294
<i>Transportation of natural gas along distribution pipelines</i>	50
<i>Transportation of natural gas along main pipelines</i>	2
<i>Transportation of oil along main pipelines</i>	1
<i>Transportation of oil products along main pipelines</i>	1
<i>Storage of natural gas</i>	2
<i>Total in the oil and gas sector</i>	<i>399</i>
<i>Power generation</i>	225
<i>Power supply at regulated rate</i>	42
<i>Power supply at non-regulated rate</i>	257
<i>Transmission of power along local power networks</i>	45
<i>Transmission of power along main and interstate power networks</i>	1
<i>Wholesale supply of power</i>	1
<i>Total in the power sector</i>	<i>571</i>
<i>Heat generation at CHPs, TPPs, NPPs, cogeneration plants and plants using non-conventional and renewable energy sources</i>	137
<i>Combined heat and power generation</i>	34
<i>Total in the heat supply sector</i>	<i>171</i>
<b>Total licensees</b>	<b>1141</b>



Thank you for you attention