

COST ELEMENTS OF TARIFFS AND RELATED ACCOUNTING PRINCIPLES

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COSTS ELEMENTS THAT SHOULD BE BUILT IN TARIFFS

- Tariff consists of:
 - price of energy
 - compensation for services provided by energy undertakings under public service obligations (PSO)
 - Compensation for carrying out the regulation of energy activities
 - Compensation for stranded costs (Art. 25, Energy Law)

ELEMENTS OF ELECTRICITY PRICE DETERMINED BY TARIFF SYSTEM

- Generation of electricity (PSO)
- Transmission (PSO)
- Distribution (PSO)
- Retail supply (PSO)
- Operation and control of the electricity system (PSO)
- Organization of the electricity market (PSO)

ELEMENTS OF GAS PRICES DETERMINED BY TARIFF SYSTEM

- Supply of gas
- Gas distribution
- Gas transportation (public service obligation)

ELEMENTS OF HEAT PRICES DETERMINED BY TARIFF SYSTEM

- Heat generation
- Heat distribution is public service obligation, but the price is not necessary defined by tariff system!
- Heat supply

COSTS

- Justified costs of operation
- Maintenance
- Replacement
- Construction or reconstruction of facilities
- Environmental protection costs

FEES

- Transmission fee
- Distribution fee

Defined by CERC based on 3-years development plans

Methodology for connecting development plans and accounting principles – yet to be developed

ACCOUNTANCY REQUIREMENTS

- UNBUNDLING – art 21. Energy Law
- When an energy undertaking carries out two or more energy activities, or when in addition to energy activity he carries out some other activity, it shall keep separate accounts and prepare financial reports for each activity independently and separately, in accordance with accounting regulations for entrepreneurs.

Compensation for carrying out the regulation of energy activities

- The work of Energy Regulatory Council shall be financed from levy collected on consumer bills (Art 9. Law on regulation of energy activities)
- The proceeds as laid out above shall be used for financing the Energy Regulatory Council, the non-profit legal entity providing legal assistance and cost of market research of energy market and public services in the energy sector

- A cash fine is foreseen for energy undertaking and on a responsible official if
- A) energy undertakings fails to keep separate account and to prepare separate financial reports for each energy activity, or separately in case an energy undertaking is engaged also in other activities
- B) fails to calculate in the energy price and fails to pay compensations for services provided under public service obligations, compensation for carrying out the regulation of energy activities and compensation for stranded costs

REGULATORY RULES

- CERC does not have power to define rules, but can require data
- Rules should be defined within the project with Ministry of Finance
- For the moment, the same accounting rules apply for public services and market-based activities