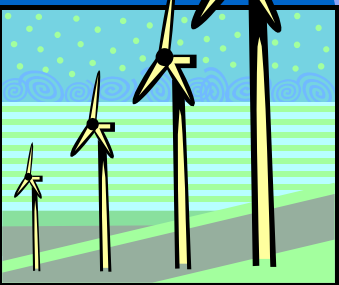


MAIN ELEMENTS OF TARIFFS WHICH ARE SUBJECT TO REVIEW BY SERC



ZDRAVKA ZHELEVA

State Expert

Economy Regulation Directorate

September 8 - 12, 2003, Sofia

Tariffs Determination Principles

- Equal footing of energy companies
- Justified costs and reasonable profit
- Prohibition for cross-subsidizing among the different groups of users

Regulation Method

- **Cost plus:**
 - **Costs approved of by SERC**
 - **Regulated return on assets**

Price-formation Elements

- **Return**
 - Return base
 - Rate of return
- **Conditionally fixed costs**
- **Variable costs**
- **Quantities for generation, transfer and distribution**

Return

- **Return base (RB)**
 - Fixed assets directly related to the activities under the license
 - Financing for fixed assets
 - Working capital

$$RB = FA + FNtgA - Ctfa - Ffa + WCI$$

Return — continued

- **Rate of return (RR)**
 - Own capital RR
 - Loan capital RR

Conditionally Fixed Costs

- **SERC guidelines regarding the groups and types of costs, which are subject of approval**
 - **Determined on the basis of an estimate for the relevant regulatory period**
 - **Determined as a totality and separately for the different types of activities**
 - **Costs are directly related to the activities under the license**

Variable Costs

- **Directly dependent on the quantity of generated, transferred and distributed energy**
- **Determined on the basis of estimates for generation and consumption**

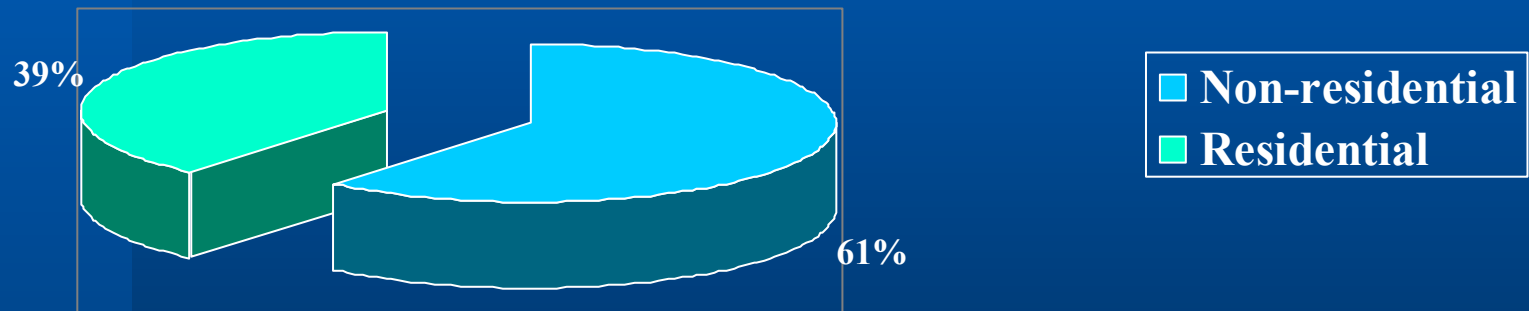
Technological Losses

For each regulatory period the SERC approves the percentage of:

- **Technical**
- **Commercial**

Consumption Structure in the Energy Sector

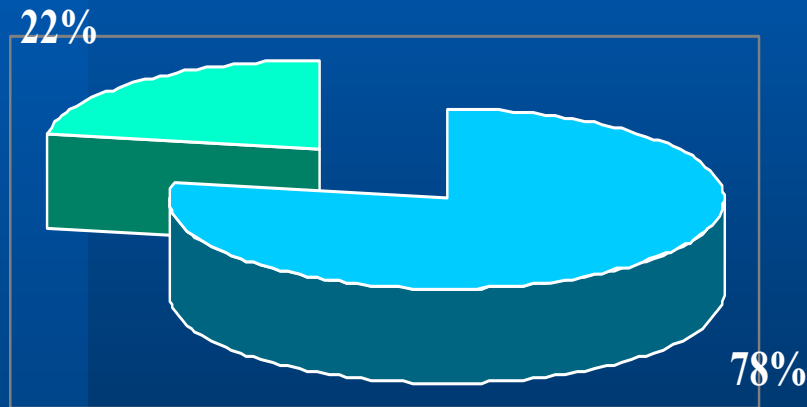
2003 г.



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Consumption Structure in the Thermal Energy Sector

2003г.

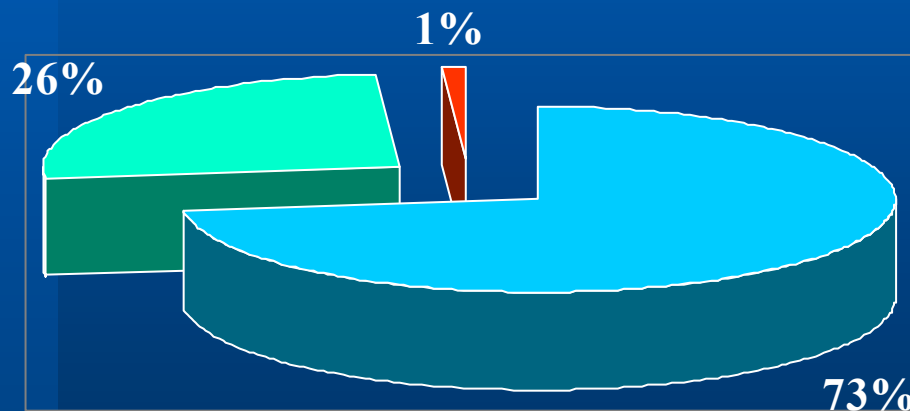


□ Residential
□ Business

September 8 - 12, 2003, Sofia

Consumption Structure in the Natural Gas Sector

2003 г.



Industrial
PA & T
Residential

September 8 - 12, 2003, Sofia

Classification of Tariffs for End Users in the Electric Power Sector

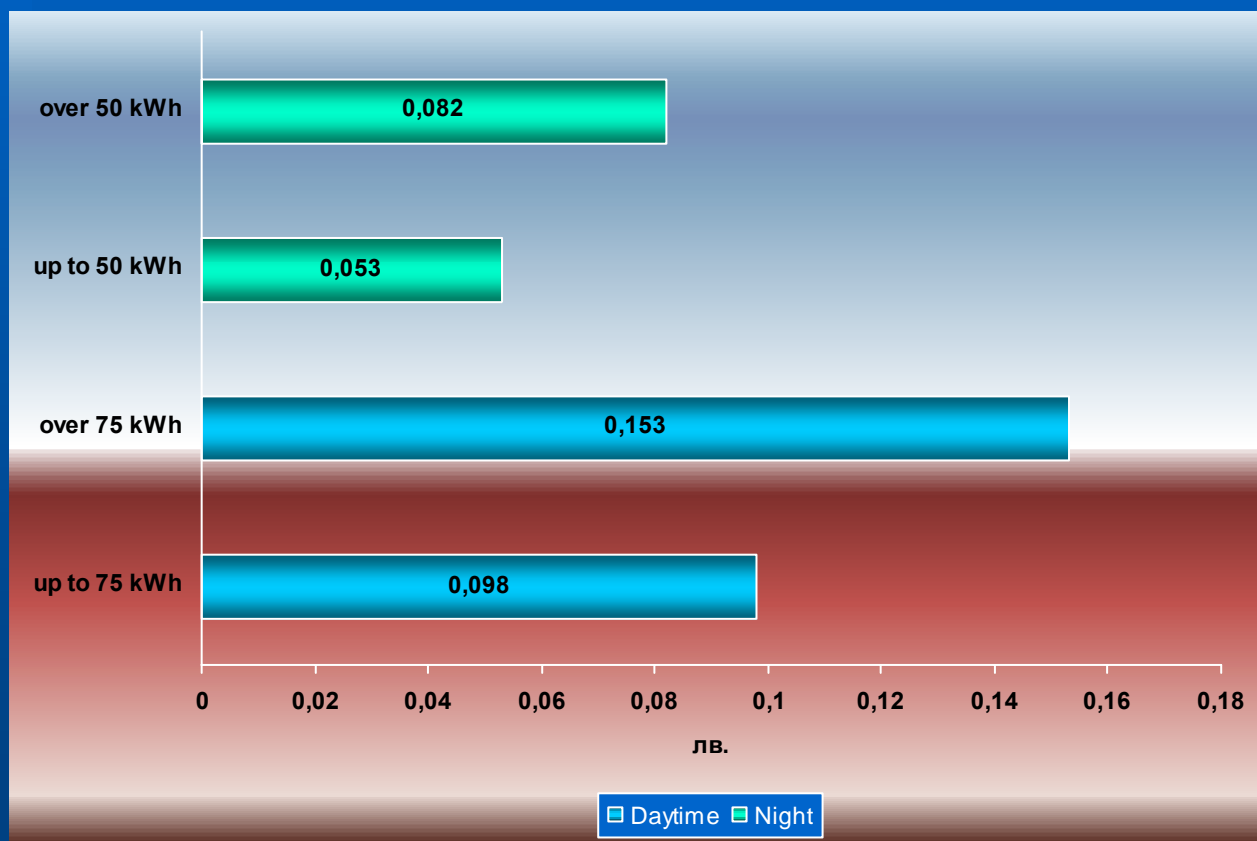
Criteria

- **Voltage**
 - High voltage
 - Medium voltage
 - Low voltage
- **Time tariffs over 24 hours**
 - Peak
 - Daytime
 - Night
 - Non-differentiated

Special Tariffs

- **Tariff for weekends and holidays for users:**
 - Connected to the transfer network
 - With annual consumption over 50 million kWh
 - Regular payers to the NEC EAD
- **Street lighting**

Prices of electric power used for household purposes in force since July 1, 2003 (BGL/kWh)



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Thermal Energy Prices

- **For business users – approved of by SERC**
- **For residential users – for heat distribution companies subsidized from the state budget the prices are set by the Council of Ministers**

Natural Gas Prices

- Uniform prices for natural gas transfer by the gas transfer companies to all users
- Regional prices for natural gas distribution per groups of users
- Actual price levels and differentiation among the different groups of users of the gas distribution companies

Future Developments

- **New methods for price regulation**
 - **Criteria for cost efficiency**
 - **Supplies quality**

THANK YOU!

September 8 - 12, 2003, Sofia