



STATE ENERGY REGULATORY COMMISSION

ECONOMIC REGULATION DIVISION

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Director

Sofia, 23-27 September 2002



STATE ENERGY REGULATORY COMMISSION

Activities

- Developing and upgrading the mandatory rules for pricing and application of the prices and tariffs of electricity, heat energy and natural gas.

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Activities

- Development of automated models for calculation of the prices of the energy utilities.
- Development of methodological guidelines for the energy utilities for the needs of pricing.
- Analysis and evaluation of the prices and tariffs proposed by the energy utilities.

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Activities

- Comparative analysis of indicators of the energy utilities.
- Studying the impact of the prices and tariffs on the financial indicators of the utilities and on the energy sector as a whole.
- Analysis and evaluation of the financial condition and financial perspectives of the energy utilities.

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Activities

- Developing the technical and economic criteria for efficiency and economic rationale of the cost elements.
- Organization of a database with statistical information related to the prices of the energy sources.

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Activities

- Studying the experience of other countries in the area of economic regulation.
- Drafting proposals for assessment of specific risk for the energy utilities in relation to the regulated rate of return.

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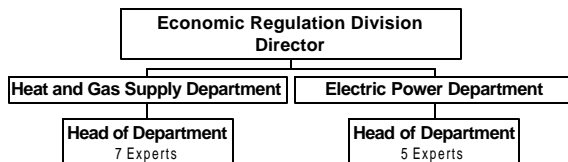
Activities

- Cooperation with the other specialized divisions on economic issues, including analysis of investment projects, business plan assessment.
- Current correspondence in relation to questions posed by enterprises and citizens as regards the structure, level and application of the prices.

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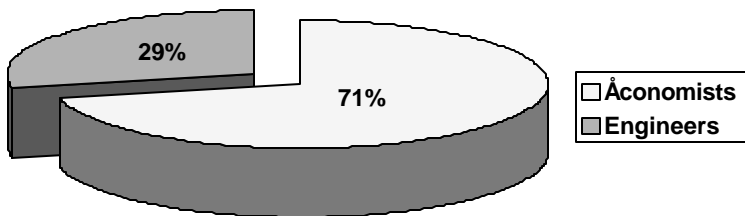
Structure of the Division



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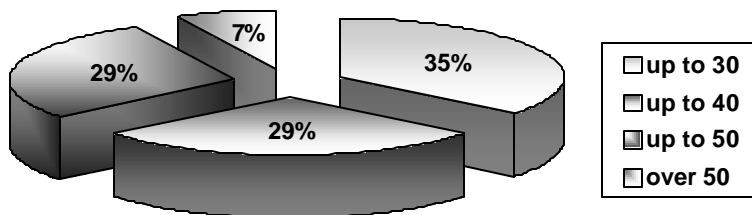
Professional structure of staff



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Structure of staff by age



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RESULTS

- 2002 is the first year in which SERC has applied price regulation.
- We have assessed 66 price proposals of companies.

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RESULTS

Electric energy	Heat energy	Gas supply
1. Prices for producers <ul style="list-style-type: none">• Independent producers;• Producers with combined production of electricity and heat;• Producers using renewable sources 2. Wholesale prices. 3. End-user prices. 4. Connection prices.	1. Prices with hot water as heat carrier. <ul style="list-style-type: none">• Price for energy;• Price for capacity set on the basis of MW heat capacity or cubic meter heated volume. 2. Prices with water steam as heat carrier.	1. Prices of natural gas when sold by the transmission company. 2. Prices of natural gas when sold by the gas distribution companies. 3. Connection prices.

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PROBLEMS

- Transition from administrative setting of the energy prices to standard price regulation.
- Broad scope of the price regulation.
- Changes in the accountancy legislation in Bulgaria and adoption of the International Accounting Standards.

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PROBLEMS

- Entrance of private capital into the energy sector.
- Underdeveloped stock market and difficulties in the investment risk assessment.
- Lack of funds for hiring highly qualified consultants.

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Long-term aims

- Comprehensive covering of the pricing process in the regulated companies and active methodological involvement of division's experts in turning the pricing activities from accounting and technical registration of the expenditure to a part of the energy companies' strategic and operational management.

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Long-term aims

- Developing a price model which allows to deduct gradually the individual component elements from the price for end users until the price of the producer is reached with a maximum transparency and clarity to the consumer.

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Conclusion ...

- We have to learn the hard way – through experience.

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