



# **Upcoming Events and Recent Developments at SERC**

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Sept. 1, 2004, marks the fifth anniversary of the establishment of the State Energy Regulatory Commission (SERC).

In that period the Commission has strengthened its position as an independent, specialized and standing regulatory body.



## **Extra Powers of SERC under the Energy Law**

- ✓ follows a public hearing procedure with stakeholders to develop general administrative acts, as well as to discuss other issues of public importance for the energy sector development.
- ✓ announces publicly the policy followed and the practice established in the implementation of its acts, as well as the grounds for the amendment thereof.
- ✓ cooperates with persons that represent and protect consumers' interests.



## **SERC Activities from an International and Regional Perspective**

- ✓ Preparation of the country for accession to the regional Balkan energy market and EU internal energy market
- ✓ Strengthening of the Commission as an operational regulatory body within EU standards and structures under the conditions of energy sector restructuring
- ✓ Bringing the existing primary and secondary legislation in compliance with the requirements of the EU directives



## EU Directives

They formulate the common rules for the internal electricity and natural gas market with the aim to:

- improve efficiency
- lower prices
- achieve higher service standards
- increase competitiveness
- implement measures to ensure equal conditions for generation
- lower market influence related risks
- establish non-discriminatory transmission and distribution tariffs through network access
- protect customers' rights



## **International Forums, Contracts and Agreements**

- Athens Memorandum of Understanding: establishment of an electricity market in South East Europe and its integration into the EU internal electricity market
- European Gas Regulatory Forum – Madrid:
  - access and gas transmission between the EU Member States
  - technical and economic issues, not covered by the European Gas Directive
- UCPE Rules/ ETSO Agreements
- Bilateral/multilateral commercial contracts and agreements



# DEVELOPMENTS AT THE STATE ENERGY REGULATORY COMMISSION

After the entry into force of the Energy Law on December 13, 2003, SERC developed and published the following regulatory and sub-regulatory acts :



# STATE ENERGY REGULATORY COMMISSION

**Ordinance on licensing the activities in the energy sector /June 26, 2004/** determines the terms and procedure for issuing licenses for:

- electricity and heat generation
- transmission of electricity, heat and natural gas
- transit of natural gas
- distribution of electricity and natural gas
- natural gas storage
- public provision of electricity and natural gas
- public supply with electricity and natural gas
- electricity trade
- organizing an electricity market





## **SERC Ordinances and Instructions for regulating and setting the prices for electricity, heat and natural gas**

### ➤ **The Ordinances** determine:

- the methods for regulating the prices
- the rules for their formation
- the ways to compensate stranded costs
- the costs arising of public service obligations

### ➤ **The Instructions** determine:

- the way for setting the prices in the respective regulatory periods
- the type, format and contents of the information needed



## **Sept THE COMMISSION HAS ADOPTED BY A DECISION:**

### **Rules for trading with electricity, which regulate:**

- trading under freely negotiated prices
- transition from trading under regulated prices to trading under freely negotiated prices and vice versa
- conditions for participation and operation of the balancing market
- methodology for setting the prices of balancing energy

### **Rules for natural gas trading, determining the following:**

- procedure for administrating natural gas transactions
- procedure and terms for organizing the balance of the natural gas market





## **Rules for access to transmission and distribution electricity and natural gas networks, determining the following:**

- terms and procedure for access to transmission and distribution networks
  - conditions to be met by the persons, who have the right to conclude electricity contracts under free negotiated prices
  - stages for electricity and natural gas market opening
- “The methodology for provided access price setting”** on the part of directly connected consumers of the licensed gas distribution companies.





## **Rules for measuring electricity quantity, including the following:**

- principles, ways and places of measurement
- requirements for the measurement precision and checks on the measurement systems
- creation, maintenance and access to the measurement system database
- rights and obligations of the parties, related to the electricity transactions





## Rules for electricity system management

Defining the following:

- the obligations of all participants, related to the overall energy system operation
- the relationships of the electricity transmission enterprise with external (foreign) partners

### **Main objectives:**

- guaranteed and quality supply of energy to the consumer
- effective transmission network development
- ensured reliability and quality operation of the energy system





## Electricity distribution networks management rules

Regulating the rights and obligations of the distribution enterprise, the operator of the electricity distribution network and the incorporated persons with regard to:

- network planning and development
- planning and managing the operation mode of the distribution network
- procedures for mandatory data and information exchange





**Methodology for setting the prices of the transmission or distribution enterprise for provided access by consumers through their own installations or devices to other consumers for the purpose of transformation and transmission of:**

- electricity
- heat
- natural gas

**Tariff for the fees, collected by SERC under the Energy Act, to ensure the Commission financial independence as a regulator**





## Quality indicators

- of the electricity supply
- of the heat supply
- of the gas supply

### **Regulating:**

- target values for continuous supply and trade service quality
- summarized quality evaluation coefficients for service price adjustment

The concrete indicators and the period to achieve their target values are specified for each licensee as conditions of the respective license.







# STATE ENERGY REGULATORY COMMISSION

## PRICE REGULATION

**Decision № II-010/06.30.2004** - electricity prices:

- in case of a sale, accomplished by producers to the public supplier
- for a sale from HPP with capacity lower than 10 MW
- for electricity transmission through the distribution networks
- at which the public supplier sells to the public providers
- in case of a sale among public providers

**Decision № II-011/06.30.2004** - price of active electricity, used by the population for household purposes

**Decision № II-09/06.30.2004** - natural gas prices:

- in case of a sale by the transmission enterprise to consumers, connected to the gas transmission and gas distribution networks
- in case of a sale by the gas distribution companies



## **Ordinances under the Energy Act, developed by MEER with SERC experts' participation**

1. “Ordinance on technical exploitation of electricity power plants and networks”
2. “Ordinance on the terms and procedure for the activity of the electricity system’s and electricity distribution networks’ operators, as well as of the operational duty staff at the electricity sites and at the electricity installations of the consumers”
3. “Ordinance on the procedure for restrictive regime introduction, temporary termination or limitation of the generation or the electricity, heat and natural gas supply”
4. “Ordinance on the heat supply”





# STATE ENERGY REGULATORY COMMISSION

5. “Ordinance on setting the quantity of electrical energy, generated through a combined production cycle”
6. “Ordinance on the issuing of origin certificates for electricity, generated by HPP and/or by a combined production cycle, issuing and trading with green certificates”
7. “Ordinance on fuel reserves”
8. “Ordinance on connecting producers and consumers of electricity to the transmission and distribution networks”
9. “Ordinance on the activity of the operators of the gas transmission and gas distribution networks”
10. “Ordinance on the connection to the gas transmission and gas distribution networks”



## LICENSES

SERC has granted 122 licenses and 12 permits for the following activities in the energy sector:

- electricity generation - 12
- heat generation - 15
- electricity and heat generation - 20
- electricity transmission – 1
- heat transmission – 24
- natural gas transmission – 1
- electricity distribution – 9 (8 new under EA)
- natural gas distribution - 38
- natural gas storage - 1
- transit transmission of natural gas - 1



## SERC PENDING ACTIVITIES

Granting licenses for:

- electricity transmission
- organization of the electricity market
- trade with electricity
- natural gas transmission
- transit transmission of natural gas
- natural gas storage
- natural gas distribution
- public supply with natural gas
- new licenses of the privatized companies



**Under “Ordinance for issuing origin certificates for electricity, generated by HPP and/or using combined production cycle, issuing an trade with green certificates”, SERC has been issuing since:**

- Jan.01.2005 - origin certificates for electricity, generated from renewable energy sources and/or through a combined production cycle
- July 07.2006 - green certificates, trade with them and control on the fulfilment of the production obligation
- Jan.01.2005 - SERC will be also assigned water sector regulatory functions



## CONTROL FUNCTIONS OF THE COMMISSION

Periodical and extraordinary checks of the energy enterprises on the observation of the license terms. A total of 17 checks were conducted in 2004, as follows:

- “Electrical Energy” 5 planned and 4 extraordinary checks
- “Heat Energy” – 1 planned and 1 extraordinary checks
- “Gas Supply” - 6 planned checks.

A total of 271 complaints and signals were considered last year.

Out of them:

- 93 in “Electrical Energy” Directorate
- 158 in “Heat Energy” Directorate
- 20 in “Gas Supply” Directorate



## FROM AN INTERNATIONAL PERSPECTIVE SERC WILL CONTINUE

- Cooperation with the US Association of Regulatory Commissions (NARUC) and US Agency for International Development (USAID):
- Implementation of partnership program between SERC and the Public Utility Commission of New Jersey, USA
- Active membership in the Regional Association of the Energy Regulatory Bodies from Central and eastern Europe and OIS (EPPA), as well as in the standing committees, adhering to it.
- Participation in the preparation of the Republic of Bulgaria for EU accession





**THANK YOU FOR YOUR  
ATTENTION**

**Prof. Eng. Konstantin Shushulov, D.Sc.  
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