



Current Situation in Tariff Monitoring, Development and Approval

**National Agency for Energy
Regulation**

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Purpose of Monitoring

- 1) Monitoring compliance with the conditions prescribed in the license
- 2) Collection of economic and technical information necessary for:
 - - surveillance, analysis, determination and approval of tariffs regulated by ANRE;
 - - analysis of economic and financial situation of enterprises;
 - - analysis of procurements and sales;
 - - analysis of revenues and costs;
 - - monitoring losses of electricity and gas in the transmission and distribution networks;
 - - development of energy market;
 - - protection of consumers rights



Monitoring is based on:

- Laws of the Republic of Moldova on Electricity and on Natural Gas
- Laws on Accounting
- National Accounting Standards
- Systems of sector accounting, approved by ANRE
- Conditions of licenses issued
- Single system of reporting, approved by ANRE



Monitoring and Analysis – basis for natural monopoly regulation

Purpose:

- ❖ Provide ANRE, consumers and stakeholders with the necessary information
- ❖ Create a single reporting system (single framework and forms) to be submitted to ANRE by regulated energy and gas enterprises

Represent:

- ❖ Reports on activity represent a *system of independent indicators*, which characterize the activity of energy and gas enterprises within a timeframe of administration;
- ❖ Indicators from reports are reflected combination of comparative and reliable data on economic, financial and technical condition of enterprises
- ❖ ***Data necessary for the evaluation*** of activity results and technical and financial analysis of companies.



Reporting Systems

- Reporting systems are developed by ANRE for:
- License holders in the electricity and heat production sector;
- License holders in the electricity distribution sector;
- License holders of the transmission network and system operator;
- License holders from natural gas sector.



Contents:


License holders submit the following reports to ANRE:


1. **Financial Report** *of the company, developed according to standard forms, approved by the Ministry of Finance and includes:*
 - ❖ **Balance sheet;**
 - A. Part I active
 - *Long-term assets*
 - *Current assets*
 - B. Part II passive
 - *Equity*
 - *Long-term debts*
 - *Short-term debts*



2. *Report on financial results*

- *Net sales*
- *Cost of sales*
- *Gross profit*
- *Other revenues*
- *Company's costs*
- *Result from other activities – operational, investment, financial, etc.*
- *Net profit*

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3. *Report on capital flows*
- *Owned and additional capital*
 - *Reserves*
 - *Retained earnings*
 - *Secondary (auxiliary) capital*

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- 4. *Report on revenues and costs separately for basic activity (regulated) and other unregulated activities, which contains:*
 - ❖ *Revenues from operational and non-operational activity*
 - ❖ *Consumptions and costs, which contain:*
 - ✓ *Cost of sales*
 - ✓ *Commercial costs*
 - ✓ *General and administrative costs*
 - ✓ *Other operational and non-operational costs*
 - ✓ *Income tax costs*



Detailed Information

Aspects of basic activity

- Procurements of energy sources separately per month and per supplier (quantity, price, energy losses in transmission networks, transmission market)
- Energy, gas sales per month, depending on electricity networks voltage, pressure level and category of consumers
- Consumed natural gas, energy and payments collected from consumers
- Information on economic and technical indicators in electricity and heat production

Other aspects of activity (technical condition of equipment, network extension, number of consumers and interruptions in energy supply, consumer complaints)



Types of Reports

- ***Annual (detailed)***
- ***Quarterly*** contains financial report, report on company's revenues and costs, information on company's activity subject to permanent monitoring
- ***Monthly*** contains only information regarding procurement of energy resources, supplies (sales) and payment collection
- ***Activity Reports*** are developed on basis of accounting and operational data of companies. Accounting must strictly comply with the National Accounting Standards and provisions of Regulatory Accounting System, approved by ANRE. Requirements for quality and reliability of certain indices not covered by the accounts are the same as for accounting data.



Method of Tariff Determination, Adjustment and Application

- *Term of adjustment* – annually after the presentation of the financial report for the preceding year and materials necessary for tariff adjustment
- *Special adjustment* – during the year, provided there are objective factors beyond control and that can lead to a 3% and higher deviation relative to the cost established in the tariff
- *Financial deviations* – a tool meant to reduce the frequency of tariff adjustments (in subsequent tariffs reimbursed to consumers, where positive, or, reimbursed by consumers to company, where negative)
- **Initiators of tariff adjustment** – official request of company or initiative of relevant public authority



Tariff adjustment Activities in 2010

- **Modification, twice in 2010, of tariffs for natural gas supplied by companies of JSC “Moldovagaz”**
- **Main factors:** - price increase, as of January 1, 2010, for natural gas procured from SAD “Gazprom” from 199,18 USD/1000m³ to 232,77 USD/1000m³, as of April 1, 2010 – from 232,77 USD/1000m³ to 248,77 USD / 1000m³; national currency exchange rate fluctuations (from 12,3 lei/USD to 12,5 lei/USD); accumulation of financial losses, generated by the time lag from the beginning of the year until the entry into force of previous tariffs.
- **Modification of tariffs for electricity and heat production**
- **Modification of tariffs for heat supplied to end consumers**
- **Main factor** – increase in tariffs for natural gas supplied to CHPs and power stations.