Status of natural gas legislation and regulation

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- Legal framework
- Compliance with Energy Community Directives on natural gas
- AERS Competences
- Organization of natural gas Sector

Legal framework

- International
  (multilateral and bilateral agreements)
- EU Legislation
  (applicable in EU and domestic territory).
- Domestic legislation
  (laws, by-laws, rules)

International Legislation

signed by EU, and other non-EU members in the Region, including Republic of Serbia
Acquis communautaire
Directive 2003/55/EC on internal market in natural gas

Ministerial Council Decisions

Directive 2004/67/EC concerning measures to safeguard security of natural gas supply
Regulation (EC) No 1775/2005 on conditions of access to the natural gas transmission networks

International Legislation

Treaty establishing the energy Community (2006)
Timetable for implementation

- Relevant EU legislation concerning environment (by 31 December 2011 and 2017), competition and renewables (on the entry into force)
Each Contracting Party must ensure that the eligible customers are:
- from 1 January 2008, all non-household customers
- from January 2015, all customers
**EU Legislation**

Secondary legislation:
- Directives
- Regulations

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**Domestic Legislation**

- Energy Law (OJRS 84/2004)
  - General Conditions on Natural Gas Delivery (2006)
  - By-laws, deriving from the Energy law, which are defining:
    - criteria and conditions for issuing energy permits (2005)
    - minimal requirements for gas-expert personnel (2005)
    - examination procedure for the persons performing technical conduct, maintenance & handling of natural gas facilities for distribution/transportation (2005)
    - conditions of issuing and revoking of licences (2005)

- Law on Public Enterprises and conduct of activities of public interest
- Law on foreign investments
- Company Law
- Concession Law
- Law on pipelines transportation of liquid and gaseous hydrocarbons

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**II Implementation of EU Legislation**

**Directive 2003/55/EC concerning common rules on Systems and Methodologies**


**Illegislation**

- Domestic legislation (through Energy Law and secondary legislation)

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**II Implementation of EU Legislation**

**Energy Law (OJRS 84/2004)**

- General provisions
  - special parts for each energy sector
  - Principles:
    - Reliable and efficient energy production, transmission/transportation and distribution
    - Regular and good quality supply of energy and services
    - Energy efficiency and environmental protection
    - Unbundling of transmission/distribution system operator
    - Unbundling of accounts for each energy activity performed by the same entity
    - Market opening based on equal position of all customers (non-discrimination) and effective competition
    - Development of renewables
    - Energy policy objectives on balance development of all energy-related activities
    - Independent Regulatory authority - AERS

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**II Implementation of EU Legislation**

**Energy Law (OJRS 84/2004)**

- Established AERS as regulatory body
- AERS is a legal entity functionally independent from any state entity, and it gained sui generis position within the system via:
  - Separation from the state administration - AERS is functioning in accordance with the Company Law, and no provisions deriving from the Law on State Administration and Law on Civil Servants is to be applied
  - Separate budget, formed by annual license fees and % of tariffs for access to system
  - AERS' budget excluded from the State Treasury
  - AERS' Financial plan approved by National Assembly
III AERS’ Competencies

According to the Energy Law, AERS is to:

1) formulate Draft Tariffs for calculating electricity and natural gas for tariff customers and Tariffs for access and usage of trans/distrib systems & storage and other services (approved by the Government)
2) set Methodologies for determination of Tariff elements for calculation of electricity and natural gas prices for tariff customers, including the heat produced in combined processes
3) set criteria for determination of costs of access to trans/distr. system

4) approves Market and Grid Codes
5) sets the eligibility threshold
6) verifies, upon request, the status of eligible customer
7) act as dispute resolution authority on appeals, when request for access to trans/distribution/storage or transit is denied or decision is not delivered by relevant operator.
8) issue licenses

9) issues opinions on calculated costs for TPA, determined by SO, prior Governmental approval
10) issues opinions on prices of electricity and natural gas, determined by supplier, prior Governmental approval
11) ex ante approval of Electricity Market Code, drafted by the Market Operator
12) ex ante approval of Transport and Distribution Grid Codes for transport of electricity, crude oil, and natural gas and distribution of electricity, oil derivates and natural gas

III AERS’ Regional Competencies

According to the Treaty establishing Energy Community, AERS is represented in two out of five institutions of Energy Community:

Energy Community Regulatory Board Fora (Athens and Maribor)

IV Organization of Natural Gas Sector

Before 2005. – one Public Company JP NIS
In July 2005. Government of the Republic of Serbia made decision on establishing:
- two public companies (JP Transnafta and JP Srbijagas)
- one joint stock company (NIS a.d.).
In this way natural gas activities are separated from oil activities and exploration and production of natural gas.
IV Organization of Natural Gas Sector

Activities of Public Interest

- Transportation, distribution, including supply and trade for tariff customers,
- Production, exploration and trade on free market - exceptions,
- Activities of Public Interest have to be monitored by the Government and AERS,
- Performance of such activities is entrusted to:
  - Public Enterprises,
  - Other companies via special contract.
- Prerequisite for performing an energy activity of public interest is to obtain a license by AERS.

Licenses

- For performing concrete energy-related activity.
- Conditions (technical, legal and commercial)
- The energy entities which are not state-owned (public enterprises and joint stock companies), need to be established in accordance with the domestic Company Law – no reciprocity and no mutual recognition of licenses.

So far, AERS issued:
- 2 licenses for gas transportation
- 1 license for operation of the natural gas transportation system
- 29 licenses for gas distribution, operation of distribution and trade for tariffs customers
- 11 licenses for trade on free natural gas market

Thank you for your attention!

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