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National
Association of
Regulatory
Utility
Commissioners

Budget process for the Lithuanian and Latvian regulators

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Center for
Energy and Natural Resources

- Lithuanian NCC (energy regulator) is funded from the State budget
- there is a separate line in the national budget
- salaries of the staff are regulated by the Civil service law (categories, classes, titles, salary level)
- salaries of the Commissioners are regulated by another law
- other expenses are modest and approved by benchmarking with similar state agencies

The process

- NCC presents it's plan for the next year to the Ministry of Finance
- MoF may propose to reduce some budget spendings
- the draft National budget is approved by the Cabinet of Ministers and presented to the Parliament
- the draft is discussed at various committees in the Parliament and NCC may ask for the revision of the allocations for it
- after the Parliament approves it, the National budget becomes a law but sometimes may be revised after a half a year

- NCC several times came with the proposal to revise the legislation by introducing an independent budget
- the idea was supported by various international institutions
- there was a precedent: the Communications Regulatory Authority has an independent budget
- the Government did not want to grant more independence to the NCC
- public opinion was against it also (NCC may increase tariffs of the regulated utilities to get a higher budget)

Funding of the Latvian PUC

- Latvian Public Utilities Commission (multi-regulator) is financed from payments made by the regulated enterprises
- the annual rate of such payments shall not exceed 0.2% of the net turnover of the public utilities in regulated services in the preceding financial year
- according to the Law on the regulators the Cabinet of Ministers annually sets the rate of fees for regulation of public utilities concerning each type of public utilities
- usually the rate of fees for each type of regulated public utilities is set at 0.2% of net turnover of the regulated services in the previous year
- in the railway sector this fee for the public railway infrastructure services to cargo carriers is 0.1%

Budget process in Latvia

- Decision of the Latvian Cabinet of Ministers from December 29, 2004 defines the rules of payments to the Regulator's budget
- all regulated companies pay 0.2% of their previous year turnover
- if regulated company has several regulated activities the total payment should not exceed 0.2%
- payments should be made in 4 equal parts until January 10, April 10, July 10 and October 10
- every year until January 30 the sum paid by the regulated companies is adjusted with the real turnover adjustment