

ENERGY REGULATORY COMMISSION
OF THE REPUBLIC OF MACEDONIA

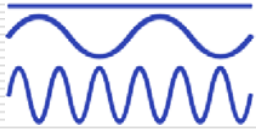


ERC's DECISION- MAKING PROCEDURE

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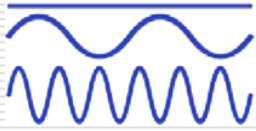
October 13, 2006
Montpelier, Vermont



Requirements by law regarding price decisions taken by the Commission

The Energy Regulatory Commission with the regulation of price setting of certain types of energy and regulated services shall regulate the setting, approval and control of the prices of regulated generation for tariff customers, transmission, distribution and supply for tariff customers, with:

- electricity
- natural gas
- oil and oil derivatives and
- thermal and geothermal energy

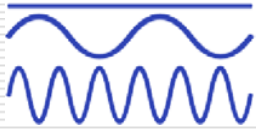


Requirements by law regarding price decisions taken by the Commission (cont.)

The legal and physical persons are obliged to respect the prices for energy approved by the Regulatory Commission

Regulation for price setting as to certain types of energy and regulated services shall take into account:

- ❑ Balancing the interests of energy entities and customers
- ❑ Protecting consumers against monopolistic prices
- ❑ Creating incentives for efficient operation of regulated energy entities

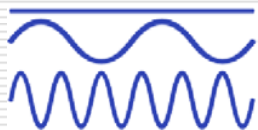


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- ❑ Creating incentives for the development of a competitive market for activities in the energy sector, where conditions permit
 - ❑ Avoidance of cross-subsidization between individual groups of customers and, for entities that perform licensed and unlicensed activities, between licensed and un-licensed activities
 - ❑ Ensuring non-discriminatory treatment of similarly situated energy sector entities and customers; and
 - ❑ Employing objective criteria and transparent methods

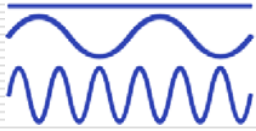
In approving tariff regulations, the Regulatory Commission shall allow licensees the opportunity to recover their cost of providing regulated services



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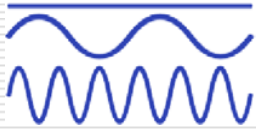
METHOD AND PROCEDURE FOR APPLYING FOR APPROVAL AND CONTROL OF THE PRICE



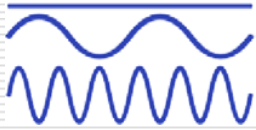
ENERGY REGULATORY COMMISSION
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The company performing regulated activity shall apply to the Regulatory Commission for approval of the price and revenue according to the Rulebooks on the method and conditions for regulating electricity prices, central heating prices, natural gas prices and geothermal energy prices

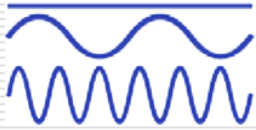


The application shall be submitted by the company manager or director following prior consent from the governing body



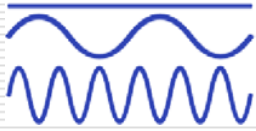
Content of the application

- ❑ Decision for entry in the Trade Register with all Annexes and the original Statute of the company or a notary verified photocopy
- ❑ Financial reports with all Annexes in accordance with the requirements of International Accounting Standards, reviewed by an certified auditor
- ❑ Financial and accounting information prepared in accordance with Annex 4, constituent part of the Rulebooks



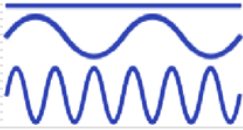
Content of the application (cont.)

- Technical and economic data, including monthly reports on sales and expenditure, as well as all other information related to the regulation of prices
- Information about consumer groups, including the number of consumers, electricity sales, revenue and information about collection
- A plan about constructing new facilities, reconstructing and revitalising existing facilities in the course of the regulated period
- Other data considered pertinent for the company, as supplements to the application or upon request of the Regulator Commission



Securing authenticity of the data

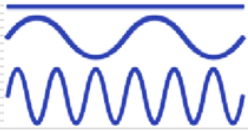
The responsible person of the company signs a Declaration for the authenticity of the submitted data by the company in a form fortified by the Commission, in accordance to the Annex 5 of the Rulebooks



Time framework of the procedure

The company shall submit the application to the Regulatory Commission within 90 days prior to the end of the current year, if the application concerns a change of the price for the following year

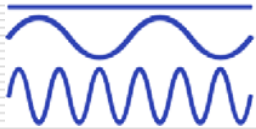
The procedure for approval and control of the price starts on the day of receipt of the application in the archive of the Regulatory Commission



Time framework of the procedure (cont.)

The Regulatory Commission shall review the application and adopt a conclusion for establishing the completeness of the application within 20 days from the day of receipt of the application, which it shall deliver to the company

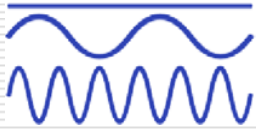
The Regulatory Commission may, prior to the adoption of the conclusion, invite the company to a meeting for additional information and clarifications of the submitted application



Time framework of the procedure (cont.)

If the company does not, within 10 days, act fully in accordance with the requirements contained in the conclusion of paragraph 3 of this Article, the Regulatory Commission shall, within 5 days, adopt a decision denying the application as incomplete

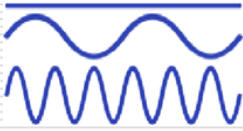
If the application is complete, the Regulatory Commission shall adopt a conclusion for the completeness of the application and begins a procedure of public debate for the application



Time framework of the procedure (cont.)

The Regulatory Commission shall draft the text of the application which will be announced on the website of the Regulatory Commission and,

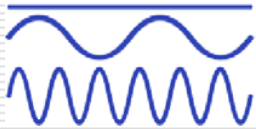
At the expense of the company, shall publish it in at least two daily newspapers, at least one of which shall be published in Macedonian and one published in the language spoken by at least 20% of the citizens who speak an official language other than Macedonian



Time framework of the procedure (cont.)

The Regulatory Commission is obliged to publish the text within 5 days from its establishment, while the period for collecting the opinions and suggestions from interested natural and legal persons cannot be longer than 15 days from the day of publication

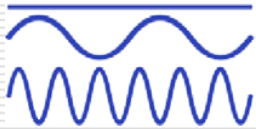
The Regulatory Commission shall, within 10 days from the completion of the collection of opinions of interested natural and legal persons, to carry out an analysis and develop a report on the results from the submitted opinions and suggestions



Time framework of the procedure (cont.)

After preparation of the report, the Regulatory Commission is obliged to summon a preliminary session, which must be held before the expiry of the 60th day from the day of initiation of the procedure, the latest

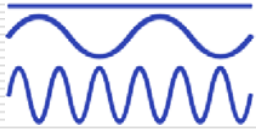
The authorised representatives of interested companies, institutions and organisations shall be summoned to attend and take part in the debate at the preliminary session



Time framework of the procedure (cont.)

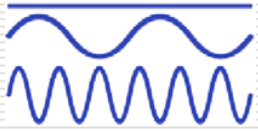
The Regulatory Commission shall hold, no later than 15 days from the completion of the preliminary session, a regular session where it shall adopt a decision upon the application for alteration of the price

The decision adopted on the regular session shall compulsorily be published in the Official Gazette of the Republic of Macedonia, and it will apply from 1 January the following year



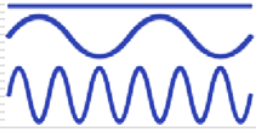
Time framework of the procedure (cont.)

The provisions from the Rules of Order of the Energy Regulatory Commission of the Republic of Macedonia, apply appropriately for the organizing and holding of the preliminary and regular session of the Regulatory Commission



Other circumstances

In the event of circumstances which did not exist at the time of approval of the prices, but have caused a substantial increase or decrease in calculated costs for more than 5% in the previous regulated period, the company is obliged to, within a time period different from the period determined in the regular procedure, apply for an alteration of the price prior to the expiry of the period for which the regulated price has been approved



Other circumstances (cont.)

In the event when a company does not submit an application for a reduction of the price, the Regulatory Commission shall notify the company of the initiation of a procedure for reduction of the price, which must end with an adoption of a decision within a term that may not be longer than 30 days from the day of delivery of the notification. The notification shall designate the terms for taking separate actions in the procedure.

THANK YOU FOR YOUR ATTENTION

