



National  
Association of  
Regulatory  
Utility  
Commissioners



**USAID**  
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## **National Association of Regulatory Utility Commissioners' Energy Regulatory Partnership Program**

**The Energy Agency of the Republic of Serbia  
and**

**The Pennsylvania Public Utility Commission**

[www.narucpartnerships.org](http://www.narucpartnerships.org)

**Introductory Partnership Activity**

***FINAL AGENDA***

***(October 26, 2007)***

Sponsored by:

U.S. Agency for International Development (USAID) and  
National Association of Regulatory Utility Commissioners (NARUC)

**Pennsylvania Public Utility Commission (PA PUC)**

And

**Energy Agency of the Republic of Serbia (AERS)**

October 29 – November 2, 2007

Belgrade, Serbia

## **List of Participants**

### **Serbia**

**Energy Agency of the Republic of Serbia**  
<http://www.aers.org.yu> (Serbian and English)

<http://www.erranet.org/AboutUs/Members/Profiles/Serbia>

Honorable Ljubo Mačić, President  
Honorable Prof. Miomir Jakšić, PhD,  
Commissioner  
Honorable Aca Marković, PhD,  
Commissioner  
Honorable Mirjana Simić, Commissioner  
Honorable Predrag Makar, Commissioner  
Mr. Petar Maksimović, Secretary General  
Ms. Ljiljana Hadžibabić, Head of Technical  
Department  
Dr. Gordan Tanić, Head of Economic  
Department  
Mr. Dušan Daković, Manager of Public  
Relations  
Mr. Mladen Petronijević, Senior Expert for  
Economics  
Mr. Nebojša Despotović, Senior Expert for  
Economics  
Mr. Nikola Radovanović, Senior Legal Expert  
Ms. Branka Tubin, Senior Expert for Natural  
Gas  
Ms. Dejana Milovanović, Expert for Natural  
Gas  
Mr. Aca Vučković, Senior Expert for  
Electricity  
Mr. Nenad Stefanović, Senior Expert for  
Electricity  
Ms. Jasmina Trhulj, Expert for Electricity

**USAID Mission/Belgrade representatives**

**US Embassy/Belgrade representatives**

### **United States**

**Pennsylvania Public Utility Commission**  
<http://www.puc.state.pa.us>

Honorable Wendell F. Holland, Chairman  
Mr. Paul Metro, Chief Engineer of Gas Safety  
Ms. Erin Laudenslager, Fixed Utility Financial  
Analyst

**Organization of PJM States, Inc.**  
<http://www.opsi.us>

Dr. Rajnish Barua, Executive Director

**National Association of Regulatory Utility  
Commissioners (NARUC)**  
<http://www.naruc.org>

Ms. Erin Skootsky, Director of International  
Programs  
(international mobile: +1-703-589 6733)

## **Objective**

This is an introductory exchange in a series of partnership activities designed as a vehicle for the exchange of experience and information between AERS and Pennsylvania PUC with the goal of improving regulatory practices, capacity-building measures, and fostering sustainable relationships between the two partnering institutions. The purpose of these synergies is to create a framework through which a specific U.S. public utility commission works with an individual energy regulatory authority in developing its institutional and technical capacities in market-based regulation. This partnership activity will focus on price regulation and tariff setting in electricity and natural gas sectors, regional electricity markets, quality of supply, electricity sector restructuring and network unbundling, regulatory and industry practices in reducing losses, accounting systems, monitoring, and service quality.

## **AERS and PA PUC Partnership**

October 29 – November 3, 2007

Belgrade, Serbia

## **Program Agenda**

### **Friday, October 26**

16:10 Chairman Holland arrives in Belgrade (LH # 3402 from Munich)

### **Saturday, October 27**

11:50 and 12:20 PA PUC delegation (Delta # 8467 from Paris and United Airlines # 8804 from Munich)

Transfer to hotel:

Hyatt Regency Belgrade

Milentija Popovica 5,

Belgrade, Serbia 11070

Tel: +381 11 301 1234

Fax: +381 11 311 2234

Email: [belgrade.regency@hyattintl.com](mailto:belgrade.regency@hyattintl.com)

URL: <http://belgrade.regency.hyatt.com/hyatt/hotels/>

Free evening

### **Sunday, October 28**

Breakfast at hotel

12:05 NARUC Staff (Ms. Erin Skootsky) arrives in Belgrade (United Airlines #8804 from Munich)

Individual activities and acclimation  
(Group activities can be arranged based on interest)  
Free evening

### **Monday, October 29**

Breakfast at hotel

#### **Sessions on Commission organization, regulatory and legal functions, relationships with other state and federal agencies**

08:00 Participants depart hotel lobby, transfer to AERS  
(Terazije 5/V, 11000 Belgrade, Tel: +381-11-3033 829; Fax: +381-11-3225 780)

08:30 **Welcome Remarks**  
*President Ljubo Mačić, AERS*  
*Chairman Wendell F. Holland, PA PUC*

#### **Introduction of AERS Commissioners and Staff Introduction of Pennsylvania Delegation**

09:00 **Overview of AERS**  
*Mr. Nikola Radovanović, Senior Legal Expert, AERS*

- Legal framework and energy legislation
- Extent and scope of AERS' regulatory authority
- Organizational structure, distribution of staff and responsibilities
- Relationship with other government agencies (Parliament and executive branch)

09:45 **Regulatory Overview of PA PUC: Structure, functions and working relationships**  
*Chairman Wendell F. Holland, PA PUC*

- Statutory issues including energy legislation, regulatory authorities and functions
- Organizational, structural and staffing issues
- Processing and flow of information into the commission. Subordination between the commissioners and the specialized administration/departments
- Transparency in the commission's activity, including
  - Methodology and practice of holding sessions, open and closed sessions;
  - Decision-making procedure, voting, announcement of decisions;
  - Decision-making process in practice (collegiality, accountability, relations)
  - Confidentiality levels of information discussed during open sessions;
  - Submission of information to third parties;
- Working relationships with other state agencies and stakeholders

10:45 Coffee break

- 11:00      **Key regulatory issues confronting AERS**  
*Mr. Petar Maksimović, Secretary General, AERS*
- Regulatory developments (price regulation, market and network issues, appeals, licensing)
  - Agency funding
- 12:00      Group lunch
- 13:15      **Key regulatory issues confronting PA PUC**  
*Chairman Wendell F. Holland, PA PUC*
- Regulatory developments
  - Agency funding
  - Energy and Natural gas: Privatization and Investment in distribution network
  - Transmission infrastructure
  - Cross-border issues
  - Energy Community and REM; Market opening; Security of supply
- 14:15      **Energy Resources and Security of Supply in Serbia: Energy Balances and Infrastructure Development**  
*Ms. Ljiljana Hadžibabić, Head of Technical Department, AERS*
1. Generation infrastructure expansion: Progress and challenges
  2. Transmission infrastructure expansion: Progress and challenges
  3. Delivery infrastructure expansion: Progress and challenges
    - Site profiles (installed capacity, fuel source)
    - Approval (licensing and permitting) process
    - Integration into existing grid
    - Regulatory, policy, legal, technical considerations
  4. Energy Community and REM; Market opening; Security of supply
- 15:15      Coffee break
- 15:30      **How are the Pennsylvania Commission and the Federal Government addressing the issue of security of supply in short-, mid-, and long-term?**
- Federal proposals on Transmission Infrastructure Investments
- Chairman Wendell F. Holland, PA PUC*  
*Dr. Rajnish Barua, Executive Director, OPSI*
- 16:30      **Discussion on day themes**  
Roundtable discussion

17:00 Adjourn

Welcoming dinner (Time and venue TBD)

## **Tuesday, October 30**

Breakfast at hotel

### **Sessions on Regulatory developments in natural gas distribution and storage**

08:00 Participants depart hotel lobby, transfer to AERS

#### **08:30 Overview of Natural Gas Sector Development and Regulation in Serbia**

*Ms. Branka Tubin, Senior Expert for Natural Gas, AERS*

*Mr. Mladen Petronijević, Senior Expert for Economics, AERS*

- Natural gas market legislation
- Production, transportation, distribution, storage
- Privatization and Investment in distribution network
- Third party access, market opening
- Cross-border issues
- Methodologies: distribution, supply
- Issues and challenges

#### **09:30 Structure of Natural Gas Market Sector in the United States**

*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*

- Overview of United States Gas Regulatory and Pipeline System
- State and Federal regulatory considerations
- Production, transportation, distribution, storage
- Third party access, market opening
- Methodologies: distribution, supply
- Issues and challenges

10:30 Coffee break

#### **10:45 Natural Gas Distribution System in Pennsylvania**

*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*

- Regulations governing the development of existing distribution systems
- Regulations governing extensions of new distribution lines
- Pricing structure & rights for customers

11:45 Group lunch

#### **13:00 Regulatory Framework for Natural Gas Storage in Pennsylvania**

*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*

- Legislation and regulatory framework
- Licensing procedures and rules for access (regulated, negotiated) to storage facilities
- Storage facilities: profiles (depleted field, aquifer, salt cavity), system operations, services
- Storage operators: functions, obligations, rights
- Identification of storage system users
- Technical issues in natural gas storage

14:00 **Issues and Topics in Natural Gas Storage**

*Ms. Dejana Milovanović, Expert for Natural Gas, AERS*

- Legislation and regulatory framework
- Licensing procedures
- Storage facilities: storage system operations and services
- Storage operators: functions, obligations, rights
- Storage access: regulated, negotiated
- Q &A

14:30 Coffee break

14:45 **Tariff Development for Natural Gas Storage**

*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*

- Methodology and regulations for determining tariffs in gas storage
- Determining user costs for natural gas storage

15:30 **Technical losses in natural gas transportation, distribution, and storage**

*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*

- Regulatory and utility efforts to reduce technical losses
- Industry and management practices that lead to low losses

16:45 **Technical losses in natural gas transportation, distribution, and storage**

*Ms. Branka Tubin, Senior Expert for Natural Gas, AERS*

- Regulatory and utility efforts to reduce technical losses
- Industry and management practices that lead to low losses

17:30 Adjourn

Free evening

**Wednesday, October 31**

Breakfast at hotel

## **Sessions on Price regulation and tariff setting in power sector**

- 08:00 Participants depart hotel lobby, transfer to the International Press Center
- 08:30 **Overview of price regulation and basic ratemaking process: Perspectives from Pennsylvania**  
*Ms. Erin Laudenslager, Fixed Utility Financial Analyst, PA PUC*
- Objectives and Regulated Sectors
  - Rate making principles
  - Price caps, revenue caps, hybrid models
  - Determining revenue requirements and expenses
  - Utility Plant Used and Useful
  - Rate of Return, Rate Base Determination
  - Test Year and Adjustments
  - Data Collection and Processing, Monitoring
  - Accounting issues
- 09:15 **Features of generation, transmission, distribution and supply tariffs in electricity sector in Serbia**  
*Dr. Gordan Tanić, Head of Economics Department, AERS*  
*Mr. Aca Vučković, Senior Expert for Electricity, AERS*
- 10:00 Coffee break
- 10:15 **The process and basic steps in setting transmission tariffs and connection charges**  
*Ms. Erin Laudenslager, Fixed Utility Financial Analyst, PA PUC*  
*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*
- Emphasis on proper cost accounting as a basis for setting regulated tariffs
  - Transmission methodology and issues
- 11:15 **The process and basic steps in setting distribution tariffs and connection charges**  
*Ms. Erin Laudenslager, Fixed Utility Financial Analyst*  
*Mr. Paul Metro, Chief Engineer of Gas Safety*
- Emphasis on proper cost accounting as a basis for setting regulated tariffs
  - Distribution methodology and issues
- 12:15 Group lunch
- 13:30 **From costs to regulated prices: practical application**  
(Electric case study)  
*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*

- 14:30      **Calculating the revenue requirement in electricity**  
*Ms. Erin Laudenslager, Fixed Utility Financial Analyst, PA PUC*
- Determining the rate of return
  - Ratemaking for electric generation
  - Assessing the value of a utility
- 15:30      Coffee break
- 15:45      **Group exercise: Rate setting**  
Moderated session:  
*Chairman Wendell F. Holland, PA PUC*  
*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*  
*Mr. Paul Metro, Chief Engineer of Gas Safety, PA PUC*  
*Ms. Erin Laudenslager, Fixed Utility Financial Analyst, PA PUC*
- Brief overview of a rate filing process in Pennsylvania
  - Processing a fictitious rate filing through tariff methodology and demonstrating outcomes
  - Discussion on problems and issues in tariff setting encountered by AERS
- 17:00      Adjourn

Free evening

**Thursday, November 1**

Breakfast at hotel

**Sessions on Electricity markets, restructuring; regional market initiatives; market monitoring**

- 08:00      Participants depart hotel lobby, transfer to the International Press Center
- 08:30      **Restructuring in the electricity sector in Pennsylvania**  
*Chairman Wendell F. Holland, PA PUC*  
*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*
- Key aspects, issues and policy guidelines for vertically integrated and unbundled utilities
  - Process of unbundling of network operations
  - Tariffs in deregulated energy markets
  - Procedural and practical arrangements in market design
    - Market design options
    - Vertical separation and service unbundling (issues of transition such as stranded costs and subsidization)
    - Rationale for subjecting service providers to competition
    - Ownership
    - Ancillary service market and balancing market

- Network access
- Wholesale and retail competition (customer switching)

09:30

**Status of electric industry in Serbia**

*Mr. Petar Maksimović, Secretary General, AERS*

- Major developments
- Vertical integration v. unbundling
- Cross-border issues
- Privatization and investment in electricity sector

10:15

Coffee break

10:30

**Overview of regional electricity market initiatives in the US**

*Chairman Wendell F. Holland, PA PUC*

*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*

- Key characteristics and performance of regional markets
- Regulatory cooperation
- Cross-border trade
- Transmission capacity allocation
- Congestion management and distribution of revenues
- Balancing market

11:30

**Southeast Europe regional electricity market**

*Mr. Nikola Radovanović, Senior Legal Expert, AERS*

*Mr. Nenad Stefanović, Senior Expert for Electricity, AERS*

- Framework: Energy Community Treaty
- Regional cooperation among regulators
- Procedural and practical arrangements
- Key characteristics, participants and market performance
- Role of Serbia in the SEE regional market

12:30

Group lunch

13:45

**Regulatory and market monitoring**

*Chairman Wendell F. Holland, PA PUC*

*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*

- Rationale and objectives of performance monitoring process
- Role of regulator in market monitoring
- Monitoring of licenses, quality of service and competition
- Designing an effective monitoring process: availability of technical and operational data
- Developing Chart of Accounts and Instructions for Licensees in the Electricity Sector

- Regulatory aspects of a uniform accounting information system
- Applicable accountancy laws
- Sub-accounts
- Instructions for each license type
- Reporting timeframes
- Harmonization of data collection processes

14:45 **Availability of Technical and Operational Data**  
*Dr. Gordan Tanić, Head of Technical Department, AERS*

- Standard requirements for utility reporting
- Standardized charts of accounts for technical, operational and financial reporting
- Policies for Information Disclosure and Confidentiality issues

15:45 **Discussion on monitoring; availability of data; key considerations for regulators**

16:00 **Inaugural Partnership MOU signing ceremony**  
**Venue: International Press Center**

Welcoming remarks: Mr. Michael T. Harvey, USAID Mission Director for Serbia and Montenegro

Remarks: President Ljubo Mačić, AERS

Remarks: Chairman Wendell F. Holland, PA PUC

**Official signing of the Partnership MOU**

**Press interviews (TBC)**

Refreshments

*US Embassy/USAID Representatives*

*AERS Representatives*

*PA PUC Representatives*

*NARUC Representative*

*Local Press*

17:00 Adjourn

Farewell dinner (Time and venue TBD)

**Friday, November 2**

Breakfast at hotel

**Sessions on Service quality regulation, institutional and capacity issues**

- 08:30 Participants depart hotel lobby, transfer to the International Press Center
- 09:00 **Monitoring quality of service in Serbia**  
*Ms. Jasmina Trhulj, Electricity Expert, AERS*
- 09:15 **Developing a Framework for Quality of Service Regulation**  
*Chairman Wendell F. Holland, PA PUC*  
*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*
- Role of regulator in service quality regulation
  - Standardized measures, performance standards, benchmarks and audits
  - Supplier of last resort
  - Customer protection and handling of complaints
- 10:15 Coffee break
- 10:30 **Effects of competition on service quality**  
*Chairman Wendell F. Holland, PA PUC*  
*Dr. Rajnish Barua, Executive Director, Organization of PJM States, Inc.*  
*Mr. Paul Metro, Chief Engineer of Gas Safety*
- 11:30 **Identify key issues/areas of interest for future partnership activities**  
Roundtable discussion  
- Discussion of work plan and priority issues
- 13:00 Group lunch

End of meetings

Free evening

**Saturday, November 3**

Breakfast at hotel

Check-out

Departure of PA PUC and NARUC delegation