



National
Association of
Regulatory
Utility
Commissioners



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NARUC/ERRA Training in Energy Regulation and Tariff Development
November 5 - 8, 2007
Pristina, UNMIK/Kosovo

Co-Hosted by the
National Association of Regulatory Utility Commissioners (NARUC)
Energy Regulators Regional Association (ERRA)

Sponsored by
U.S. Agency for International Development (USAID) Mission in Pristina, UNMIK/Kosovo

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Agenda

Course Director:

Dr. Vidmantas Jankauskas, Former Chairman of the National Control Commission for Prices and Energy, Lithuania

Course Instructors:

1. Dr. Peter Kaderjak, Director of Regional Center for Energy Policy Research (REKK), Hungary
2. Mr. Csaba Kovacs, Hungarian Energy Office, Hungary
3. Mr. Joseph Witmer, Assistant Counsel, Law Bureau, Pennsylvania Public Utility Commission
4. Mr. Rudi Hakvoort, Partner, D-Cision B.V., The Netherlands
5. Dr. Besnik Bislimi, Professor, American University in Kosovo, UNMIK/Kosovo

Monday, November 5: Energy sector reform and introduction to public utility regulation

Target Audience: Energy Regulatory Office (ERO), Ministry of Energy and Mines, Members of Government and Assembly, utility industry (KEK and KOSTT), consumer groups, civic society, media reporting on energy issues.

<i>Morning</i>		
08:15 – 09:00	Participants	Registration
09:00 – 09:15	Dr. Ali Hamiti, Chairman, Energy Regulatory Office, UNMIK/Kosovo	Welcoming remarks
09:15 – 09:30	Dr. Michael Farbman Mission Director, USAID Mission in UNMIK/Kosovo	Welcoming remarks
09:30 – 09:45	Mr. J. Michael Trainor Senior Energy Advisor, USAID Mission in UNMIK/Kosovo	Purpose of training program Role of USAID UNMIK/Kosovo Mission in energy sector reform
09:45 – 10:15	Dr. Vidmantas Jankauskas	Role of regulatory process in energy sector reform
10:15 – 10:30		Q&A
10:30 – 11:15	Dr. Besnik Bislimi, AUK Faculty	Fundamentals of welfare economics and implications for energy regulation
<i>Coffee break: 11:15 – 11:30</i>		
11:30 – 12:45	Dr. Vidmantas Jankauskas and	Key characteristics of regulatory commissions (Autonomy-Authority-

12:45 – 13:15	Mr. Joseph Witmer	<p><i>Accountability-Ability)</i></p> <ul style="list-style-type: none"> - Roles, functions and institutional setting of regulatory commissions. Alternative operational schemes and assessment. International benchmarks of structures and status of European regulatory institutions. - Regulatory independence from direct influence by the industry and political process. - Political impact of regulatory decisions (tariffs). - Decision-making independence and financial autonomy. - Case study: How to build an independent regulator (practical implications) <p>Q & A</p>
<p><i>Lunch break: 13:15 – 14:30</i></p> <p><i>Afternoon</i></p>		
14:30 – 14:45 14:45 – 15:00 15:00 – 15:15 15:15 – 15:30 15:30 – 16:00	<p>ERO Representative</p> <p>KEK Representative</p> <p>KOSTT Representative</p> <p><u>Roundtable respondent:</u> Mr. Joseph Witmer</p>	<p><i>Issues and challenges in UNMIK/Kosovo's energy sector (ex. Energy legislation, regulatory framework, authority, tariffs, monitoring, service quality, markets, etc.)</i></p> <p>Open discussion following regulatory and industry problems; priority issues raised by participants</p>
<p><i>Coffee break: 16:00 – 16:15</i></p>		
16:15 – 17:15	Mr. Rudi Hakvoort	<p><i>Recent EU energy policy developments</i></p> <ul style="list-style-type: none"> - EU energy policy legislation and developments: drivers and directions - Security of supply, competition, role of regulator and industry - Cost analysis of security of supply and

17:15 – 17:30		competition - Regional benefits to Kosovo Q & A
17:30 – 17:45	Wrap-up discussion of day themes Moderator: Dr. Vidmantas Jankauskas	

Tuesday, November 6: Tariff setting and price regulation

Target Audience: ERO, KEK, KOSTT

<i>Morning</i>		
09:00 – 10:15	Mr. Csaba Kovacs	<i>The process and basic steps in setting regulated tariffs: an overview</i> - Emphasis on proper cost accounting on which to set regulated tariffs - Utility finances and accounting issues - Chart of Accounts (review of template)
10:15 – 10:30		Q & A
<i>Coffee break: 10:30 – 10:45</i>		
10:45 – 12:00	Mr. Csaba Kovacs	<i>Revenue requirement</i>
12:00 – 12:15		Q&A
<i>Lunch break: 12:15 – 13:30</i>		
<i>Afternoon</i>		
13:30 – 14:45	Dr. Vidmantas Jankauskas Mr. Csaba Kovacs Mr. Joseph Witmer	<i>Issues in regulated rate setting: Cost of capital, fuel, and depreciation</i> <i>Pricing policies and distortions to various consumer groups</i>
14:45 – 15:00		Q&A
<i>Coffee break: 15:00 – 15:30</i>		
15:30 – 17:00	Moderated group exercise: Mr. Csaba Kovacs and	<u>Group exercise:</u> <i>Rate setting</i>

	Mr. Joseph Witmer	<i>(Processing a fictitious rate filing through tariff methodology, incorporating network losses, demand forecast, price regulation, feed-in tariffs)</i>
19:00 – 21:00		Group Dinner (by invitation only)

Wednesday, November 7: Price regulation (continued); Electricity markets, restructuring and regional market initiatives

Target Audience: ERO, KEK, KOSTT

<i>Morning</i>		
08:45 – 10:00	Dr. Peter Kaderjak	<i>Key issues in applying incentive price regulation</i>
10:00 – 10:15		Q&A
<i>Coffee break: 10:15 – 10:30</i>		
10:30 – 11:30	Dr. Peter Kaderjak	<i>Case study: Experience with price cap regulation in Hungary</i>
11:30 – 11:45		Q & A
11:45 – 13:00	<u>Moderated group exercise:</u> Dr. Peter Kaderjak and Dr. Vidmantas Jankauskas	<u>Exercise:</u> <i>Electricity exchange game</i> <i>Discussion of problem areas and regional capacity constraints</i>
<i>Lunch break: 13:00 – 14:15</i>		
<i>Afternoon</i>		
14:15 – 15:30	Dr. Peter Kaderjak	<i>Restructuring, reform, market liberalization and convergence</i> - Review of SEE market model and regional cooperation (with emphasis on EU requirements) - Procedural and practical arrangements in market design

15:30 – 15:45		Q &A
<i>Coffee break: 15:45 – 16:00</i>		
16:00 – 17:15	Dr. Vidmantas Jankauskas and Mr. Joseph Witmer	<i>Unbundling v. Vertical integration in the electricity sector: Key aspects, issues and policy guidelines</i>
17:15 – 17:30		Q & A

Thursday, November 8: Tariff setting; Service quality regulation; Public service obligations; Affordability; Social considerations in regulation

Target Audience: ERO, KEK, KOSTT

<i>Morning</i>		
08:45 – 09:30	Dr. Vidmantas Jankauskas	<i>Case study: From costs to regulated prices - electricity, gas and district heating in the Baltics</i>
09:30 – 09:45		Q &A
09:45 – 10:30	Mr. Joseph Witmer	<i>Overview of service quality regulation</i>
10:30 – 10:45		Q & A
<i>Coffee break: 10:45 – 11:00</i>		
11:00 – 12:00	Dr. Vidmantas Jankauskas	<i>Affordability of cost covering utility tariffs</i> - Financial sustainability of utility operations by applying cost-reflective tariffs (consumers should not be protected by prices that do not cover utility costs)
12:00 – 12:15		Q & A
<i>Lunch break: 12:15 – 13:30</i>		
<i>Afternoon</i>		
13:30 – 14:15	Mr. Joseph Witmer	<i>Non-payment and social support</i>

14:15 – 14:30		<i>schemes for low-income customers</i> Q & A
14:30 – 15:15	Dr. Vidmantas Jankauskas and Mr. Joseph Witmer	<i>Universal service obligations in liberalized markets</i> - Some consequences of private participation in the energy sector - Customer protection in restructured market environment - Supplier of last resort
15:15 – 15:30		Q & A
<i>Coffee break: 15:30 – 15:45</i>		
15:45 – 16:15	Wrap-up discussion: Emerging regulatory and industry issues in Southeast Europe Moderator: Dr. Vidmantas Jankauskas	
16:15 – 17:15	Course Director	<i>Course Evaluations (written) and Suggestions for improvement</i> <i>Final comments and farewell</i>