



National  
Association of  
Regulatory  
Utility  
Commissioners



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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)

*Third Partnership Activity*

**AGENDA**  
*(September 11, 2008)*

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)**

September 15-19, 2008  
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*  
Ms. Dragana Josimović, *Head of Legal Department*  
Dr. Gordan Tanić, *Head of Economic Department*  
Mr. Aleksandar Popadić, *Senior Expert for Natural Gas*  
Ms. Dejana Milovanović, *Expert for Natural Gas*  
Ms. Dijana Unković, *Senior Expert for Electricity*  
Mr. Mladen Petronijević, *Senior Expert for Economics*  
Mr. Nikola Radovanović, *Senior Legal Expert*  
Mr. Nenad Stefanović, *Senior Expert for Electricity*  
Ms. Jasmina Trhulj, *Expert for Electricity*  
Mr. Dušan Daković, *Manager of Public Relations*

### **United States**

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

Mr. Kirk House, *Legal Counsel – Office of Special Assistants*  
Mr. Darrren Gill, *Electric Reliability Supervisor*  
Ms. Kimberly Barrow, *Legal Counsel to the Commissioner*  
Ms. Holly Frymoyer, *Consumer Services Policy Supervisor*

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

Mr. Matthew Gardner, *Program Officer*

### **USAID/Serbia and Montenegro**

Mr. James Stein, *Director, Economic Growth Office*

### **US Embassy/Serbia**

Ms. Tomika Konditi, *Economic Section*

## **Objective**

The Third 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. Through the partnership framework, both agencies improve their institutional and technical capacities in market-based regulation. This partnership activity will focus on transmission and distribution network connections, pricing of connections, protection of vulnerable consumers, connections and charges for renewable energy, rate case simulation for gas companies, price regulations for gas storage, natural gas market, transport capacity allocation, and other timely issues.

## **AERS and PA PUC Partnership**

September 15-19, 2008

Belgrade, Serbia

## **Program Agenda**

### **Saturday, September 13**

11:50am Matt Gardner arrival  
Flight information: Flight Air France #2988

3:15pm PA PUC arrival  
Flight information: Lufthansa German Flight #3406  
Transfer to hotel: Hotel Balkan

### **Sunday, September 14**

Breakfast at hotel

Acclimation Day

### **Monday, September 15**

Breakfast at hotel

## **Sessions on Natural Gas Market Developments and Price Regulations for Natural Gas Storage**

08:45 Depart hotel, Transfer to AERS

09:00 Welcome Remarks and Introductions  
*AERS* - President Ljubo Mačić  
*PA PUC* – Mr. H. Kirk House, *Lead Counsel – Office of Special Assistants*

- 09:15      **Recent Energy Sector Development in Serbia and AERS responsibilities**  
*AERS - Ms. Ljiljana Hadžibabić, Head of Technical Department*
- 09:45      **News from the Pennsylvania PUC and Energy Sector**  
*PA PUC – Mr. H. Kirk House, Lead Counsel – Office of Special Assistants*
- 10:15      **Overview of Natural Gas Market Development in Serbia**  
*AERS -- Ms. Dragana Josimović, Head of Legal Department*  
*Mr. Mladen Petronijević, Senior Expert for Economics*  
*Ms. Dejana Milovanovic, Expert for Natural Gas*
- Status of the natural gas legislation and regulations
  - Production, Transportation, Storage, and Distribution
  - Compliance with Energy Community natural gas directives
    - 3<sup>rd</sup> party access and market opening
  - Methodology for transportation, distribution, and supply
  - Issues and Challenges in natural gas regulations including social tariffs
- 11:00      Coffee Break
- 11:15      **The Natural Gas Market in the United States**  
*PA PUC – Darren Gill, Supervisor – Conservation, Economics and Energy Planning*
- Overview of United States gas regulatory system, trends and directions
  - Market design
  - Market structure
  - The process of restructuring – framework, implementation process, lessons learned, comparative practices from surrounding states
- 12:15      **The Natural Gas Market in Pennsylvania**  
*PA PUC - H. Kirk House, Lead Counsel – Office of Special Assistants*
- Market-related state legislation in Pennsylvania
  - Market participants and facilitators
  - Services and products including social tariffs for vulnerable consumers
  - Balancing market (balancing rules, balancing responsibility, treatment of unbalances)
  - Financial derivatives
  - Interruptible Supply
- 13:15      Group Lunch
- 14:45      **Issues and Topics of Natural Gas Storage**  
*AERS - Ms. Dejana Milovanović, Expert for Natural Gas*
- Regulatory framework
  - Price regulations
  - Licensing Process for storage operators and users

- Types of storage facilities
- Issues and challenges

- 15:30      **Price Regulations for Natural Gas Storage**  
*PA PUC – Darren Gill, Supervisor – Conservation, Economics and Energy Planning*
- Objectives
  - Details of calculation of allowed revenues
  - Determination of WACC
  - Cost allocation (capacity, injection, withdrawal)
  - Use of historical data
  - Price calculation
    - tariffs for vulnerable consumers
  - Regulatory period
  - Tolerance bands/penalties
  - Pricing of balancing services
  - Interruptible services
- 16:30      Round Table – Issues and Challenges in the Natural Gas Sector
- 17:00      Meetings conclude for the day
- 20:00      Opening of the Belgrade International Theatre Festival

## **Tuesday, September 16**

Breakfast at hotel

### **Sessions on Rate Case Simulation in Natural Gas**

- 08:45      Depart Hotel
- 09:00      **Visit to the old Serbian Royal Court**
- 11:00      **Introduction of Rate Case Simulation for a Serbian Natural gas Distribution Company**  
*PA PUC – Kim Barrow, Legal Counsel to Commissioner*
- Overview of company data (timeline of requests, data collection formats/templates)
  - Setting up the process for a rate case
  - Reviewing and validating submitted data
  - Requirements before beginning rate case litigation
- 13:00      Lunch
- 14:30      **Rate Case Simulation (Continued)**  
*PA PUC – Mr. H. Kirk House*  
 Mr. Darren Gill, *Supervisor – Conservation, Economics and Energy Planning*

Ms. Kim Barrow, *Legal Counsel to Commissioner*

- Algorithm for price approving process
- Criteria for approval of costs (OPEX, Depreciation, RAB and Asset Valuation, WACC)
- Determination and treatment of losses
- Treatment of non-payment

15:45        **Rate Case Analysis**

16:30        **Roundtable Discussion on the Day issues and Rate Case process**

17:00        Meetings conclude for the day

Free afternoon and evening

### **Wednesday, September 17**

Breakfast at hotel

### **Sessions on Transmission and Distribution (T&D) Technical Rules & T&D Connections to Networks, Protection of Vulnerable Customers**

08:45        Depart Hotel

09:00        **T&D Connections to Networks in the Gas Sector**

*AERS* - Mr. Aleksandar Popadić, *Senior Expert for Natural Gas*  
Mr. Mladen Petronijević, *Senior Expert for Economics*  
Ms. Dragana Josimović, *Head of Legal Department*

- Status of T & D network codes
- Costs and technical parameters for connecting new customers to the existing distribution network
- Extension of existing distribution – costs, entry points
- Pricing structure

09:45        **T&D Connections to Networks in Pennsylvania**

*PA PUC* – Mr. H. Kirk House, *Lead Counsel – Office of Special Assistants*  
Ms. Kim Barrow, *Legal Counsel to Commissioner*

- Objectives
- Role of the regulator in setting/ approving/ monitoring connection charges
- Deep vs. shallow pricing
- Calculation of connection charges
- Demarkation points

10:45        Coffee Break

11:00        **T&D Technical Rules**

*PA PUC – Darren Gill, H. Kirk House, Kim Barrow*

- Transport network code
- Distribution network code (if any);
- Technical rules for connection to networks
- Flow and pressure regulation
- Procedures in crisis situations
- TPA

12:00 Lunch

13:30 **Protection of Vulnerable Customers in Serbia**  
*AERS - Ms. Dijana Unković, Senior Expert for Electricity*

- Current situation in electricity and gas sector
- Objectives
- Non-payment
- Legal background
- Methods of vulnerable customer protection – model is under preparation
- Social benefit programs
- Identification of vulnerable customers
- Results achieved
- Customer service

14:15 **Protection of Vulnerable Customers in Pennsylvania**  
*PA PUC – Holly Frymoyer, Consumer Services Policy Supervisor*

- Fuel poverty in the power and natural gas sectors in the US and Pennsylvania
- Objectives
- Competencies of state/ federal institutions (incl. PUC)
- Legal background and regulatory framework for treatment of vulnerable consumers
- Methods of vulnerable customers protection (model is under preparation)
- Social benefit programs
- Identification of vulnerable customers (economic indicators)
- Results achieved
- Customer service

15:30 Coffee Break

15:45 Round Table Discussion

16:30 Meetings conclude for the day

22:00 Welcome Dinner

## **Thursday, September 18**

Breakfast at hotel

### **Sessions on Renewable Resources and Peer Consultations**

08:45 Depart Hotel

09:00 **Issues and Topics on Renewable Resources**

*AERS* - Mr. Petar Maksimović, Secretary General

- Status of compliance with EU Directives on Renewable energy sources
- Regulatory framework incl secondary legislation at AERS
- Profile of renewable energy sources (wind, biomass, solar, geothermal, new hydro)
- Incentivizing renewable energy producers
- Connection of renewable energy to the power grid
- Pricing of renewable energy
- Licensing process for renewable energy producers

09:30 **Renewable Energy Sources**

*PA PUC* – Kim Barrow, *Legal Counsel for the Commissioner*

- Legal status of producers from renewables (authorizations/other procedures for construction)
- Incentives for such producers (subsidies, tax releases, feed-in tariffs, etc.)
- Certification (if existing)
- Connection mechanism and charges (where are they set out?)
- Any specific regime regarding the entry and position on the market.

10:30 Coffee Break

10:45 Roundtable discussion on renewable energy

12:00 **Staff Consultative Sessions**

**(PA PUC and AERS staff are encouraged to continue individual peer mentoring to resolve any remaining issues from the weeklong meetings)**

13:00 Lunch

16:30 Meetings conclude for the day

Afternoon- visit to the Nikola Tesla museum and Faculty of Electrical Engineering

## **Friday, September 20**

Breakfast at hotel

## Sessions on Transport Capacity Allocation, Market Monitoring, and Conclusion of Activity

- 08:45 Depart Hotel
- 09:00 **Transport Capacity Allocation on Interstate Pipelines**  
*AERS - Mr. Aleksandar Popadić, Senior Expert for Natural Gas*  
*Mr. Mladen Petronijević, Senior Expert for Economics*
- Mechanisms for capacity allocation (procedure – participants, deadlines, legal act where it is set out)
  - Physical and financial capacity rights + secondary capacity market (if existing)
  - Price determination
  - Distribution of congestion revenues
  - Monitoring
- 09:30 **Issues and Topics on Market Monitoring**  
*AERS - Ms. Jasmina Trhulj, Expert for Electricity*
- Status of market monitoring
  - Regulatory framework
  - Authority and scope of monitoring activities
  - Technical vs. accounting
  - Non-compliance and penalties
  - Incentives
- 10:00 **Market Monitoring in Pennsylvania**  
*PA PUC – Mr. Darren Gill, Supervisor – Conservation, Economics and Energy Planning*
- Role of the regulator
  - Role of other state and federal authorities (PUC, competition authority, FERC...)
  - Scope of monitoring activities
  - Indicators
  - Requested data, data collection, data validation
  - Corrective actions
  - Market power
- 11:00 Coffee Break
- 11:15 Roundtable discussion on Transport Capacity, Market Monitoring, and/or any remaining topics of interest.
- 13:00 Lunch
- 14:30 Activity Conclusion
- Assessment of AERS' capacity and institutional needs and how PUC can assist in training and regulatory mentoring

-Going Forward: planning future activities

15:30 Meetings conclude

20:00 Farewell Dinner

**Saturday, September 20**

Breakfast at hotel

Departures of US delegation

6:50am PA PUC  
Flight Information: Lufthansa German Flight #3409

8:15am Matthew Gardner  
Flight Information: Air France #1087