



Tariff Model and Regulatory Incentives in the **Republic of Moldova**

Chișinău, March 2015

Legal Framework



- *Energy Law No.1525 of 1998*
- *Electricity Law No. 123 of 2009*
- *Natural Gas Law, No. 124 of 2009*
- *Law on public service of water supply and sewage No. 303 of 2013*
- *Law on heat and promotion of cogeneration*
- *Tariff Methodologies*

According to *Energy Law, Natural gas Law, Electricity Law* :

The **AGENCY**:

- ✓ Drafts and approves Methodologies for the calculation and application of regulated tariffs according to the established procedure, for certain periods of time. (5 years)
- ✓ Approves regulated tariffs, calculated accordance with the approved methodologies;
- ✓ Supervises and monitors the observance by licensees of principle of necessary and justifiable costs when calculating tariffs for regulated activities.
- ✓ Costs considered as non-necessary and justifiable are not taken into consideration when approving tariffs.

ANRE currently approves tariffs:



- (I) Natural gas tariffs:
 - (a) transmission tariffs; (c) for supply at regulated tariffs;
 - (b) distribution tariffs; (d) for supply to final consumers;
- (II) Tariffs:
 - (a) for electricity and heat produced by cogeneration power plants;
 - (b) for electricity generated from renewable energy sources;
- (III) Tariffs for electricity:
 - (a) transmission tariffs; (c) electricity supply at regulated tariffs;
 - (b) distribution tariffs; (d) the final tariffs for electricity supplied to final consumers;
- (IV) Tariffs for public services of heat supply through district heating systems.
 - (V) *Tariffs for public water supply and sewage*
 - in case it was mandated by the local councils.
 - based on the request of the operator, in case the tariffs were not approved by local councils, within the time prescribed by the law;
 - under the conditions of agreements or contracts with international financial institutions, ratified or approved by the Parliament, Government or local councils.
- Agency **examines** and **gives the opinion** on the approved level of tariffs for public water supply and sewage determined by the operator in accordance with procedures approved by the Agency, and submits them for approval to the local councils;

General Principles of tariff policy in RM :

- Ensuring reliable supply to energy customers at minimal costs
- Principle of **maximum efficiency at minimum costs** for performing regulated activities on the non-competitive market;
- Principle of **necessary and justified costs** when calculating and approving tariffs for regulated activities.
- The tariffs are approved by ANRE according to the approved Methodologies.
- ✓ **Cost-based;**
- ✓ **Transparent;**
- ✓ **Non-discriminatory;**
- ✓ **Predictable.**
- ✓ **Proportionality** between the interests of entrepreneurs and customers.
- ✓ Opportunities for investors to recover their investments and expenses plus a profit.

The tariff methodologies provide for:

- ✓ the costs and expenses which are included in the calculation of tariffs;
- ✓ the formulas for calculating the tariff components and for determining of tariffs for natural gas, electricity and district heating supplied to consumers;
- ✓ the methods for calculation of return on investments;
- ✓ the method of tariffs determination, application and approval;
- ✓ the method of tariff adjustment for the validity period of these methodologies.

The main factors influencing the tariffs:

- **The cost of imported energy** resources (electricity, natural gas);
- **The exchange rate** of the national currency against the US dollar;
- **The costs** necessary for production, transportation and distribution of electricity and natural gas;
- **Volumes** of natural gas, electricity and heat produced and supplied to consumers;
- **Depreciation of fixed assets;**
- **Tariff deviations;**
- **The Rate of return** is determined according to the cost of supplied electricity/ natural gas or by the method of weighted average cost of capital (for regulated activities).

Measures to support low income consumers

- ***The subsidies from the state budget are not allocated to the regulated enterprises from the energy sector.***
- According to the Electricity Law and Natural gas Law the low income consumers may receive compensations for electricity, natural gas from the state budget. Such compensations are not paid to the suppliers of electricity or natural gas but are paid by the local authorities directly to those final consumers which are established by local public authorities as vulnerable ones.



Thank you for your Attention!