Towards new distribution tariffs in Ukraine

Energy Transparency Week

Kyiv, 10 October 2018

Peter Pozsgai
<table>
<thead>
<tr>
<th>Площа</th>
<th>Кількість мешканців</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Нарахування за тарифом (без лічильника)**

**Борг:**

**Увага! Не використовуйте для оплати ксерокопії**

- Свідчення з технічних питань: 495-04-04, з питань розрахунку та відсутності підтвердження майбутнього року [www.energy.kyivgaz.ua](http://www.energy.kyivgaz.ua)
The EU4ENERGY Programme

Support for Improvement of Methodology for Gas Distribution Grid Tariffs in Ukraine
The EU4ENERGY Programme

EU4Energy Governance Countries

- EU4Energy Governance Countries
- EU4Energy Governance Offices
- Energy Community Contracting Parties
- Energy Community Observers
- European Union

Support for Improvement of Methodology for Gas Distribution Grid Tariffs in Ukraine
Specific Objectives

Preparation and adoption of the relevant legislation
- Energy efficiency, Electricity, Gas, Energy Related Environment, Oil

Regional Dimension
- Key Regional Energy Infrastructure projects

Greater technical, institutional and administrative capacity in beneficiary institutions
- Working Groups to follow up on reforms

Improvement of the institutional framework of the entire policy cycle and increase in the pace of adoption
- High Level Policy Talks

Support for Improvement of Methodology for Gas Distribution Grid Tariffs in Ukraine
The current methodology

- Currently in force: NEURC Resolution No. 236 (25.02.2016.)
- ECS comments on the temporary methodology:
  - Users should have separate information on the distribution and gas costs on their bills;
  - Cost elements to be flexible enough to cover all core activities;
  - Clearer provisions for the determination of profit in the AR are needed (based on value of RAB and using WACC?);
  - Combination of booked/used capacity + energy based element recommended.
Project objectives

1. **Improved methodology** for the determination of tariffs for natural gas distribution → technical assistance to NEURC in developing an improved methodology compliant with provisions of Directive 2009/73/EC and aligned with national legislation;

2. **Excel based model** illustrating its application i.e. the model shall allow for calculation of final distribution tariffs in line with the methodology;

3. **Identify** legal and **technical obstacles** for implementation of proposed draft methodology and recommend **actions** towards their removal.

*In cooperation with NEURC*
Main elements of the future methodology

1. Rules for calculation of the **allowed revenue** for distribution service;
2. Definition of **tariff elements** for which the tariffs shall be calculated;
3. Rules for **allocation of allowed revenue** to tariff elements;
4. Rules for **calculation and application** of final distribution tariffs and distribution charges;
5. Rules for **data collection** by NEURC and data submission by DSOs;
6. Rules for **reconciliation / adjustment of revenue** across the regulatory periods.
Issues to consider in the future methodology

• Technical **characteristics of the distribution networks** in Ukraine (e.g. length, pressure, age) and metering opportunities for DSOs;

• Typical distribution **network use** i.e. behavior of network users (continuity, peaks, categories of users etc.);

• Status of accounting **unbundling** (eligible & non-eligible costs);

• **Efficiency of costs** for providing distribution service, including levels of distribution losses;

• **Investment needs** of DSOs in Ukraine

• Definition of key **regulatory principles** (regulatory period, tariff period, incentive mechanism, profit sharing)
Working method

Screening the current legislations & methodology;

Examining financial data (costs, net book value of assets, amortization, depreciation, planned investments) and technical data (consumer categories, load profiles etc.);

Developing the proposed methodology, excel tool and action plan;

Finalization, approval and communication to NEURC (end 2018).
Thank you for your attention!

www.energy-community.org/regionalinitiatives/EU4Energy.html

Peter Pozsgai
Gas Expert

Phone +43 (0)1 535 2222-273
Mobile +43 (0)664 883 685 38
Email peter.pozsgai@energy-community.org
Web www.energy-community.org