

*9<sup>th</sup> Workshop of energy regulatory bodies*

***RECENT UPDATES IN ENERGY SPHERE IN ARMENIA:  
REGULATION vs PROTECTION OF VULNERABLE  
CUSTOMERS***

***Mariam Momjyan:***

***Armenia***

***Head of tariff division of tariff policy  
department of PSRC RA***

## OVERVIEW OF CURRENT SITUATION

Armenia is in a process of energy sector reforms aimed at

- ▶ liberalising the electricity market and
- ▶ promoting great system efficiency and
- ▶ interregional trade.

The law of RA on Energy and Action Plan for Liberalisation of the Power Market of the Republic of Armenia identifies actions to be implemented in the period from 2018-2022. This includes developing legislative and regulatory framework, and making operational and structural changes required to establish an competitive electricity market.

## Goals and Benefits of Transformation to Competitive Model of Wholesale Electricity Market of RA

The free competitive market provides:

- Transparent and competitive conditions for market activity,
- Attraction for private investments,
- Opportunity for fair hourly pricing in the market,
- Reducing costs on case if market participants correctly forecast production/consumption volumes,
- Hourly trading between market participants,
- Fair distribution of financial responsibility among market participants,
- Trading in competitive electricity regional markets.

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For mentioned goals the new Energy Law has been already adopted as the key legislation regulating the energy sector and aimed to accommodate the establishment of a competitive electricity market.

Taking into account the requirements of new law by Resolutions of PSRC on 25<sup>th</sup> December of 2019 following documents were adopted:

- ▶ Wholesale market rules,
- ▶ Retail market rules,
- ▶ Transmission network (grid) code,
- ▶ Distribution network code,
- ▶ Typical forms of contracts for wholesale and retail markets.

All these documents will enter into force on 1st February 2022.

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**New rules define main principles of acting and trading in wholesale and retail electricity market and responsibilities for participants of this market.**

**This means new challenges for protecting customers.**

*The aim of consumer protection in energy sector in the current legislative term is providing available energy resources for all consumers, including, in particular, “vulnerable” consumers.*

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*Law on energy of RA sets definition of vulnerable customer as following:*

Vulnerable consumer-a residential subscriber who has received the status of a vulnerable consumer in accordance with the procedure established by the Government of the Republic of Armenia, taking into account the fact that he/she is socially insecure or has a special status.

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A critical part of supporting vulnerable customers - is tariff.

According Law on energy of RA one of main principles of state policy in energy sector is protection of the interests of vulnerable consumers as well as ensuring the protection of the rights of consumers and licensed entities in the field of energy and balancing the interests.

*At the same time Law on energy gives opportunity to set lower tariffs for vulnerable customers based on following principle of forming the tariffs, according which tariffs for end-users can be differentiated by the volume of consumption, the ordered capacity, the season of the year, hours of the day, the connection conditions, the types of services, as well as the fact that customers are vulnerable consumers.*

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- ▶ Vulnerable consumers have the right to use supplied electricity and natural gas exclusively to meet household needs.
- ▶ Electricity supply to vulnerable is provided only by a guaranteed supplier.
- ▶ For purposes of social assistance, the authorized body of the Government of the Republic of Armenia in accordance with the procedure established by the Government of the Republic of Armenia shall provide information to the Commission to set special tariffs for electricity and natural gas supply for vulnerable consumers, as well as to licensed persons supplying electricity and natural gas to vulnerable consumers for accounting and registration purposes.



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*Taking into account above mentioned by proposal of Government of RA in 2016 for 1-st time from 1th of January law tariffs for electricity and gas for vulnerable customers have been set.*

Currently, tariffs for electricity for following customer group of population are set:

- ✓ Population with monthly consumption up to 400 kWh
  - Daily tariff-44.98 AMD/kWh (7.7 Euro cent/kWh)*
  - Night tariff-34.98 AMD/kWh (6.09 Euro cent/kWh)*
- Population with monthly consumption over 400 kWh
  - Daily tariff-47.98 AMD/kWh (7.22 Euro cent/kWh)*
  - Night tariff-37.98 AMD/kWh (5.61 Euro cent/kWh)*
- Vulnerable customers
  - Daily tariff-29.99 AMD/kWh (4.81 Euro cent/kWh)*
  - Night tariff-19.99 AMD/kWh (3.2 Euro cent/kWh)*

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Tariffs for gas for following customer group of population are set:

✓ Population:

*with monthly consumption up to 10000cubm-139 AMD/cubm (22.3 Euro cent/cubm)*

*with monthly consumption over 10000cubm:*

*For each consumption up to 10000cubm-139 AMD/cubm (22.3 Euro cent/cubm)*

*For each consumption over 10000cubm-255.91 USD/thousand cum (209.7 Euro/thousand cum)*

➤ Vulnerable customers: for consumption:

*Up to 600 cubm-100 AMD/cubm (16 Euro cent/cubm)*

*Over 600 cubm-139 AMD/cubm (22.3 Euro cent/cubm)*

## *Conclusion*

*Energy reforms in Armenia are currently focusing on developing legal and regulatory frameworks for the development of energy markets. Market liberalization will lead to making customers more sensitive.*

*These changes will bring necessity to take measures for protecting vulnerable customers more effective. But as Public services regulatory commission has no function of social policy, Commission has to work in close line with Government of RA.*

*Beside setting low tariffs by resolution of PSRC RA on approving rules of the electricity supply and use new consumption systems of socially vulnerable families to be connected to the electricity network without charging the connection fee.*

Thank you

[mmomjyan@psrc.am](mailto:mmomjyan@psrc.am)