

ENERGY AND WATER SERVICES REGULATORY COMMISSION  
OF THE REPUBLIC OF NORTH MACEDONIA



# RECENT DEVELOPMENTS

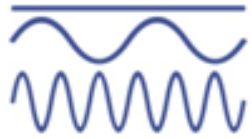
**NATASHA VELJANOVSKA**  
**Member of ERC**

51<sup>th</sup> ECRB Meeting

13 April 2022, 10:00-17:00

RAE premises – Athens, Piraeus 132 and virtual





# ENERGY AND WATER SERVICES REGULATORY COMMISSION OF THE REPUBLIC OF NORTH MACEDONIA



- The Financial Plan of ERC for 2022 was submitted to the Parliament of the Republic of North Macedonia for approval. The proposed fee of 0.0522% for 2022 is 18.36% higher compared to the fee of 0.0441% for 2021, approved by the Assembly of the Republic of Northern Macedonia.
- The plan is to have 5 new employments in 2022.
- New Law on Communal Waste introducing new authorizations for ERC in setting the tariff for determining the municipal waste management service.

# SECONDARY LEGISLATION

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- From the period of 30<sup>th</sup> of November 2021 ERC until 13<sup>th</sup> of April 2021 approved:
  - ✓ Rules amending the Electricity Balancing Rules approved by ERC on 20<sup>th</sup> of December 2021;
  - ✓ Rules amending the Rules on Electricity Procurement for Covering the Losses in the Electricity Transmission System, approved by ERC on 21<sup>st</sup> of December 2021;
  - ✓ Tariff System amending the Tariff System on Natural Gas Transmission and Organization and Management of the Natural Gas Market, adopted by ERC on 23<sup>rd</sup> of December 2021;
  - ✓ Electricity Transmission Grid Code, approved by ERC on 29<sup>th</sup> of December 2021;
  - ✓ Tariff System amending the Tariff System on Electricity Sale to Consumers Supplied by the Universal Supplier and the Supplier in Last Resort, adopted by ERC on 29<sup>th</sup> of December 2021;
  - ✓ Rules amending Electricity Market Rules, approved by ERC on 30<sup>th</sup> of December 2021;
  - ✓ Tariff system amending the Tariff system for sale of thermal energy for heating, adopted by ERC on 27<sup>th</sup> of January 2022;
  - ✓ Rules amending the Rules for supply of thermal energy for heating, adopted by ERC on 21<sup>st</sup> of February 2022;
  - ✓ Rules amending the Rules for purchase of electricity for the universal supplier, adopted by ERC on 14<sup>th</sup> of March 2022;
  - ✓ Rulebooks amending the Rulebook for determining the highest retail prices of certain oil derivatives and fuels for transport, adopted by ERC in March 2022.
  
- Issuing decisions on electricity tariffs, natural gas tariffs, tariffs for thermal energy for heating and oil prices;
- Issuing, changing and extension of the resolutions for temporary status of preferential producers with feed-in tariffs,
- Issuing resolutions on complaints,
- Setting the water services tariffs.

# ELECTRICITY CRISIS (1/3)

- Small consumers and households benefit from the universal service obligation of the universal supplier EVN HOME which is a privately owned company. ERC sets the prices for the universal supplier. However, the universal supplier is not highly exposed to the wholesale electricity prices since most of the electricity offered by the universal supplier derives from the largest domestic electricity producer, a state-owned company (JSC ESM) that is obliged to offer electricity on tenders opened by the universal supplier in a percentage set in the Energy Law, which gradually decreases from 'at least 80% of the total annual needs of the universal supplier in 2019' to 'at least 30% of the total annual needs of the universal supplier in 2025'. If the prices of the largest electricity producer are the lowest, the universal supplier shall conclude a power purchase agreement. The remaining electricity needed, but not covered by the largest electricity producer, is purchased by the universal supplier from other traders, suppliers, or producers.
- Industrial consumers and other consumers that do not fall into the category of small consumers that are supplied under market prices, are significantly exposed and directly impacted. Furthermore, some of the suppliers were faced with termination of their bilateral agreements for purchase of electricity from their foreign traders, as well with changes of prices, previously set in their bilateral agreements, initiated by their foreign traders. These circumstances had large impact on the consumers of such suppliers. For instance, some of the consumers were left without a supplier, in most cases, with a very short cancellation period offered by their supplier and had to go back to the universal supplier or supplier of last resort (with price 1,5\*HUPX day a head). Other consumers received new offers with increased prices, although their purchase agreements with fixed term tariff were still in force i.e. the contract period has not ended.
- The balancing market was also highly impacted by the wholesale electricity prices. The balancing price is set in accordance with the methodology for setting the balancing price regulated in the Electricity Balancing Rules. The Balance Service Providers (BSPs) submit offers on the auctions performed by the TSO (JSC MEPSO). At some point the balancing prices were lower than the market prices due to the lack of correlation with market prices. Under such conditions, few market participants did not close their position in the market and supplied their customers, on short term or continuously, through imbalances, utilising therefore all the balancing capacity available to the TSO in continuation for 24 hours. This brought hydro-accumulation at the historically lowest level. Also, TSO (JSC MEPSO) received several warnings from ENTSO-E.

# ELECTRICITY CRISIS (2/3)

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- On 30<sup>th</sup> of October 2021 the Government of North Macedonia issued new Decree determining the criteria and conditions for declaration of crisis in the electricity sector. The Ministry of Economy established a Commission for monitoring the situation in the electricity supply which constantly monitors the situation with the electricity supply in the country.
- On 2<sup>nd</sup> of November 2021 the Government of North Macedonia declared a state of electricity crisis effective until 9 December 2021. The state of electricity crisis was declared due to electricity shortages on the domestic market, caused by occasional outages of major production facilities, lack of coal for production of electricity, and the inability to prevent possible outages with reserves in the electricity production. The decision provided funds in the amount of four billion MKD from the Budget and made payment on the earmarked account of AD ESM Skopje in state ownership, with the obligation AD ESM to submit a monthly report on the expenditure of these funds to the Government and the Ministry of Finance. According to the decision, AD ESM can use these funds exclusively for procurement of additional quantities of electricity, reserves of active power and energy for balancing.
- The Assembly of the Republic of North Macedonia at a session held on 9<sup>th</sup> of December 2021, adopted a Decision to continue the state of crisis in the electricity supply throughout the country with a duration of 6 months, which means, until June 9, 2022.
- From December 2021 until now several Decisions have been adopted by the Government approving financial means for dealing with electricity supply crisis.
- On 20<sup>th</sup> of January 2022, the Government adopted a Decision on approving financial resources for dealing with the state of crisis in the electricity supply in the amount of MKD 615 million provide funds for additional quantities of energy and fuel oil from TPP Negotino.
- On 30<sup>th</sup> of January 2022, the Government adopted a Decision on approving financial resources for dealing with the state of crisis in the electricity supply, in the amount of MKD 53 million for providing additional quantities of electricity from AD TE-TO.
- From January 2022 until 15 April several Decisions have been adopted by the Government according to which JSC TE-TO is obliged to generate electricity of 160 MW every day of the week, and the generated electricity to be purchased by JSC ESM at a price not higher than EUR 190 per megawatt hour. This last Decision is valid until 15<sup>th</sup> of April 2022. For the implementation of these decisions JSC ESM and JSC TE-TO concluded contracts.

# ELECTRICITY CRISIS (3/3)

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- On 25<sup>th</sup> of November 2021 the Government of North Macedonia gave its consent to the JSC ESM to activate TPP Negotino with operation for temporary additional production of electricity in conditions of electricity crisis.
- The Government agreed to conclude an agreement for business and technical cooperation between JSC ESM and JSC TPP Negotino for the supply of fuel oil and electricity production, in the period December 2021 - April 2022, with the possibility of further cooperation if there is a need.
- According to this agreement, which regulates the rights and obligations of both parties, JSC ESM procures the necessary amount of fuel oil for the operation of TPP Negotino and take over the entire electricity produced.
- The produced electricity in TPP Negotino, JSC ESM used it in part for the universal supplier for the needs of supply of households and small consumers in cases of shortages, and part it was offered for the needs of JSC MEPSO for electricity losses.
- This decision enabled strengthening of the domestic electricity system and increase of the domestic production of electricity. TPP Negotino, which was a cold reserve for 12 years, will be put into operation with a total available production capacity of 180MW. The TPP Negotino was built in 1978 and last operated in 2009.

# ELECTRICITY TARIFFS

- As a result of the situation with the electricity prices increase in the wholesale markets in the region and beyond, and based on the requests from regulated energy companies, on 30<sup>th</sup> of December 2021, ERC adopted decisions for changing prices and tariffs, determined on June 30<sup>th</sup>, 2021, and valid from 1<sup>st</sup> of January 2022.
- ERC adopted the Tariff System amending the Tariff System on Electricity Sale to consumers supplied by the universal supplier and the supplier in last resort abolishing the daily off peak tariff for the period between 14:00 to 16:00 for the category of consumers referring to households („Official Gazette of the Republic of North Macedonia” no. 301/21)

Approved electricity prices and tariffs, in accordance with ERC's decisions

Description	from 01.01.2022 (MKD/kWh)	from 01.07.2021 (MKD/kWh)	from 01.08.2020 (den/kWh)	Percentage change (%)		
	1	2	3	4=1/2	5=1/3	6=2/3
Transmission tariff of JSC MEPSO	0,3409	0,2754	0,1952	23,78	76,64	41,09
Tariff for electricity market organization and management of MEMO LLCSP	0,0080	0,0080	0,0081	0	-9,88	-9,88
Distribution tariff of Elektrodistribucija LLCSP Skopje	2,1325	1,5192	1,5393	40,37	38,54	-9,87
Average supply price for households and small consumers (EVN HOME LLC)	6,0450	5,4165	4,9233	11,60	22,78	10,02
Distribution tariff of JSC ESM, Energetika branch office	0,2754	0,2754	0,1895	0	45,33	45,33

# VULNERABLE CONSUMERS

- In December 2021, the Government adopted the Program for protection of vulnerable energy consumers for 2022. According to this Program, a vulnerable consumer is a household:
  1. that uses guaranteed minimum assistance and realizes cash assistance to cover part of the costs for energy consumption in the household in accordance with Article 42 of the Law on Social Protection and the Elderly pursuant to Article 7 of the Law on Social Security of the Elderly; and
  2. which regular monthly income in the household does not exceed the net income of MKD 30.000.00 (hereinafter low-income citizens) such as:
    - single citizen up to MKD15.194.00;
    - household with two members up to MKD18.000.00;
    - household with three members up to MKD21.000.00;
    - household with four members up to MKD25.000.00;and
    - household with five members and more up to MKD30.000.00.
- According to this program, citizens with low income receive financial support by reducing the monthly bill for consumed electricity in the amount of MKD600.00 per month, or MKD800.00 per month, depending on the number of household members. Financial support is granted to monthly level per user for a period of 12 months. The procedure for realization of the financial support is implemented by the Ministry of Economy, for which a Public Call was launched in January, which states the conditions and the necessary documentation for application. For the implementation of the activities for realization of the financial support, five commissions have been formed from the ranks of the employees in the Ministry. These commissions, for the citizens who have submitted proper and complete documentation, propose to the Minister of Economy to issue a decision for obtaining financial support. The Ministry of Economy submits the data from the decisions in electronic form to the universal electricity supplier on a monthly basis for all beneficiaries of financial support, on the basis of which the universal supplier will reduce the monthly electricity bill for those who have been granted financial assistance. For the implementation of this Program, in the State Budget for 2022, funds in the amount of MKD60.000.000,00 (EUR980.000) have been provided and as of 09.02.2022, the Ministry of Economy has received more than 6.500 applications from households seeking financial support.



# NATURAL GAS TARIFFS

- On 30<sup>th</sup> of December 2021, ERC adopted decisions for natural gas tariffs valid from 1<sup>st</sup> of January 2022.

Description	2022	2021	2020	2022/2021 (%)	2021/2020 (%)
Average tariff for the transmission and operation of with the natural gas transmission system of JSC GA-MA (MKD/nm <sup>3</sup> )	1,1565	1,2800	1,3641	-9,65%	6,17%
Tariff for the natural gas distribution service in DTIDZ (MKD/nm <sup>3</sup> )	2,5791	2,4992	2,6603	3,19%	-6,06%
Tariff for the natural gas distribution service in the natural gas distribution system of PE Strumica Gas - Strumica (MKD/nm <sup>3</sup> )	2,95	2,870	2,870	2,79%	0,00
Tariff for the natural gas distribution service in the natural gas distribution system of PE Kumanovo Gas - Kumanovo (MKD/nm <sup>3</sup> )	3,00	3,00	3,00	0,00	0,00

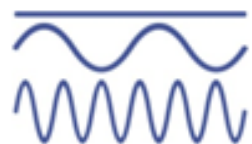
# THERMAL ENERGY CRISIS

- On 14<sup>th</sup> of January 2022 the Government adopted the Decree on the criteria and conditions for declaring state of crisis in cases of weather and natural disasters, accidents and disorders of the heat market, the manner of heat supply in state of crisis, the measures taken in case of crisis, as well as the rights and obligations of the license holders for performing activities on the heat market.
- The Minister of Economy, as a competent Minister in the field of energy, in accordance with the Decree established a Commission for Monitoring the Situation with Heat Supply with Decision No.12-266/3 of 17<sup>th</sup> of January 2022.
- The Commission based on the submitted analyzes from Article 5 paragraph (1) of the Decree, assesses the situation with the heat supply in the country.
- The Commission submitted to the Minister of Economy Information on risk assessment of the crisis situation in the heat supply, due to the situation on the heat market. On 17<sup>th</sup> of January 2022 the Government adopted a Decision on the existence of state of crisis in the heat supply for a period of 30 days.
- On 31<sup>st</sup> of January ERC adopted Decisions amending the Decisions on tariffs and prices of the thermal energy for heating.
- The Assembly of the Republic of North Macedonia at a session held on 16<sup>th</sup> of February 2022, adopted a Decision to continue the state of crisis in the heat supply throughout the country until 30<sup>th</sup> of April 2022.
- On 6<sup>th</sup> of March 2022 the Government issued changes of the Decree in order to cover the difference of the thermal energy price for the households.
- On 9<sup>th</sup> of March 2022 the Government issued Decision for financial support for the price difference for consumed thermal energy for heating for the households. The financial support is carried by the JSC ESM from the State Budget for 2022. Contacts for cooperation have been signed between JSC ESM and the suppliers of thermal energy (Balkan Energy, Skopje Sever JSC and Subsidiary Energetika Skopje).

# OIL CRISIS

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- ERC issued several changes of the Rulebook for determining the highest retail prices of certain oil derivatives and fuels for transport.
- ERC issues Decision of prices of oil derivatives every Monday.
- As an exception to Article 6 of this Rulebook in conditions of increase or decrease of the stock exchange prices of oil derivatives and/or the exchange rate of the US dollar against the Denar, which will cause an increase or decrease greater than or equal to 2.00 denars/liter for motor gasoline, diesel fuel and fuel oil, i.e. 0.300 denars/kg of fuel oil, in relation to the respective prices determined in the last decision for determining the highest retail prices of certain oil derivatives and fuels for transport, ERC issues decision on new highest retail prices of certain oil derivatives and transport fuels.
- The day of application of the new highest retail prices is from 00:01 on the next day from the day of entering into force of the decision for determining the highest retail prices of certain oil derivatives and fuels for transport.
- When the conditions referred to in paragraph (1) are met, the quotations published on Platt's European Markets for the last five days shall be used for determining the average daily stock exchange price of the oil derivative Fob Medi, for the i-day of the accounting period.



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# THANK YOU FOR YOUR ATTENTION!



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