

Pursuant to Article 15, paragraph 1, item 2. of the Energy Law (Official Gazette of the Republic of Serbia, No. 84/04) and Article 12 of the Statute of the Energy Agency of the Republic of Serbia (Official Gazette of the Republic of Serbia, No. 52/05),

The Council of the Energy Agency of the Republic of Serbia, at the Council Session held on December 16, 2008, passed the following

## **DECISION**

### **on Amendments to the Decision on Establishing the Natural Gas Pricing Methodology for Tariff Customers**

*(This Decision was published in the Official Gazette of the Republic of Serbia No. 116/2008 on December 22, 2008)*

1. In the Decision Establishing the Natural Gas Pricing Methodology for Tariff Customers (Official Gazette of the Republic of Serbia, No. 68/06 and 18/07), in the Natural Gas Pricing Methodology for Tariff Customers, Section II – METHODOLOGY APPROACH, paragraph 1, the word:” service” is replaced with:” natural gas”.

2. In Section III. TERMS AND DEFINITIONS, after paragraph 2 a new paragraph 3 is added which reads:

“When calculations are done according to formulae defined in this methodology, all values expressed in percentages shall be divided by 100.”

3. In Section IV – SETTING MAXIMUM ALLOWED REVENUE after the paragraph 2 a new paragraph 3 is added and reads:

“Cost justification shall be assessed on the basis of the nature of a particular cost by analyzing the reasons for which it was incurred, the quantity, and the prices driving a particular cost, and by benchmarking data on costs of energy entities in the previous period and costs of energy entities conducting the same energy activity in the country and the region.”

4. The Section IV.1. **Common operating costs and assets** is amended and reads as follows:

#### **“IV. 1. Common operating costs, assets and depreciation costs**

Common operating costs are operating costs that enable an energy entity performing two or more energy activities, or an extra non-energy activity, to operate as a whole, but which cannot be directly linked to any specific location of cost.

Common assets are assets of an energy entity that are necessary for an energy entity conducting two or several energy entities or an extra non-energy activity, to function, and which cannot be directly allocated to any specific activity (intangible investments, except goodwill, immovables, plant, and equipment).

Common depreciation costs are depreciation costs of common assets incurred to enable an energy entity conducting two or several energy activities or an extra non-energy activity, to function, and which cannot be directly linked to any specific location of cost.

Common operating costs, assets and depreciation costs are allocated to an energy activity for which maximum allowed revenue is set in accordance with this methodology (wholesale or retail supply), and to other energy and non-energy activities, based on transparent rules (formulae) specified in line with accounting standards and objective criteria.”

5. In Subsection IV.2. **Wholesale Supply**, in Subsection IV.2.1. *Operating Expenditure*, paragraph 1, at the end of item 3) the word:” and” is deleted and a new item 4) is added, which reads:

“part of reservations for contributions and other staff benefits, paid during the regulatory period”  
Item 4) becomes now item 5).

Paragraph 2 is deleted.

In Subsection IV. 2.2. *Depreciation Costs*, paragraph 2 is amended and reads as follows:

“Depreciation costs comprise costs of depreciation of existing assets at the beginning of the regulatory period and costs of depreciation of new assets to be put into service during the regulatory period.”

In Subsection IV. 2.3. *Costs of Procuring Natural Gas for Supply to Tariff Customers*, paragraph 1 is amended and reads as follows:

“The costs of procuring natural gas on account of supplying tariff customers are equal to weighted average purchase prices formed on the basis of natural gas purchase contracts multiplied by the forecasted quantity of natural gas to be procured on an annual basis on account of supplying tariff customers.”

Subsection IV. 2.5. *Correction Factor* is amended to read:

„IV. 2.5. Correction Factor

The correction factor shall be a (monetary) value whereby the maximum allowed revenue for the regulatory period (t) is decreased or increased by the difference between the actual revenue according to the annual financial report of the energy entity for t-2 regulatory period and the justified revenue for t-2 regulatory period calculated in accordance with this Methodology on the basis of the actual energy parameters and the value of justified costs incurred in the t-2 regulatory period or in previous regulatory periods for which adjustments were not made.

The correction factor is calculated according to the formula below:

$$CF_t = (JR_{t-2} - AR_{t-2}) * (1 + CPI_{t-2})$$

Where:

t = regulatory period,

CF<sub>t</sub> = correction factor over period t (dinars),

JR<sub>t-2</sub> = justified revenue associated with conducting the energy activity over period t-2 and calculated in line with this Methodology on the basis of actual energy parameters and values of justified costs (dinars);

AR<sub>t-2</sub> = actual revenue associated with conducting the energy activity over period t-2 (dinars),

CPI<sub>t-2</sub> = consumer price index in the Republic of Serbia in the period t-2 in line with data published by the relevant statistics office (in %).

In the case mentioned under paragraphs 1 and 2 of this subsection, the correction factor shall not apply to the calculation of the maximum allowed revenue for the first two regulatory periods.

In case the energy entity has data on actual energy parameters and financial reports for t-1 regulatory period at the time the price act proposal is submitted, the correction factor calculation shall be based on data from the t-1 regulatory period or earlier regulatory periods for which correction was not done. In this case, the correction element is not applied to the maximum allowed revenue calculation for the first regulatory period.

In case regulated prices are not implemented at the beginning of the first regulatory period, the correction factor shall be calculated only for the part of the first regulatory period with implemented regulated prices, provided that the energy entity has the financial report for the part of the first regulatory period with regulated prices implemented. Where the energy entity does not have the financial report for the first part of the regulatory period with implemented regulated prices, the actual revenue is calculated for the part of the first regulatory period during which the regulated prices were not implemented, by applying regulated prices.

The first regulatory period in the context of this subsection is the calendar year during which, in line with the Energy law, implemented natural gas prices for tariff customers of a particular energy entity (regulated prices) are determined following the method set in this Methodology.“

6. In Section IV.3. **Wholesale supply**, Subsections IV.3.1. *Operating Expenditure* and IV.3.2. *Depreciation Costs* are deleted.

Subsections IV. 3.3. *Procurement Costs of Natural Gas* and IV. 3.4. *Charge for the Accounts Receivable Collection Risk* become now Subsections IV.3.1. and IV.3.2.

Subsection IV.3.5. which becomes IV.3.3. is amended as follows:

#### “IV. 3.3. *Meaning of other Formula Elements*

The meanings of other formula elements included in the calculation of the maximum allowed revenue of the retail supplier are identical with the meanings defined in this methodology in the part specifying the maximum allowed revenue of the wholesale supplier, whereas values that relate to the retail supply activity are used in the calculation.”

7. In Section VI. REGULATORY PERIOD, at the end of paragraph 2 the full stop is deleted and the following wording is added:

“(calendar) year. Documentation and data based on which the maximum allowed revenue of the energy entity is calculated, shall be submitted to the Energy Agency of the Republic of Serbia, as a rule, 45 days before submission of the price act proposal for opinion.”

8. This decision shall be published in the Official Gazette of the Republic of Serbia and shall apply as of January 1, 2009.

No. 703/2008-D-I/7

Belgrade, December 16, 2008

**The Council of the Energy Agency of the Republic of Serbia**

Council President  
Ljubo Macic