

AD-HOC TECHNICAL ASSISTANCE PROJECT

AHEF No. TJ 63

Project Title

Methodology for electricity tariff calculation for different activities

Country (s) Tajikistan

Timescale for implementation

Beneficiary(s)

Open State Joint Stock Holding Company “**Barki Tojik**”

Main and specific objectives

The **overall objective** of the assignment is to assist «Barki Tojik (BT)» in preparing the necessary tariff methodology for electricity generation, transmission and distribution based on the best EU practices. The **specific objectives** of the assignment are (1) to analyse the existing regulations and rules in the country concerning electricity pricing and restructuring of the monopoly in the electricity sector; (2) to review the relevant EU and NIS practices with respect to the methodology for tariffs' calculation for electricity generation, transmission and distribution (3) to prepare recommendations for Tajikistan regarding the principles for electricity tariffs calculation for different activities.

Results achieved

The **overall conclusion** arrived at by the SEMISE experts were that the existing legislative background and present tariff calculation is inadequate to support the Government's policy objectives of reform in the electricity sector. There is no single recommended method for setting tariffs among EU Member countries. The salient feature of tariff calculation for a vertically integrated monopoly such as BT is the existence of a regulatory authority which is empowered to regulate the company's tariffs in a manner that delivers cost savings and efficiency improvements. There are sets of principles that are applied according to the particular technical, legal and regulatory basis of the particular country. It is necessary to distinguish between tariff setting, tariff-calculation and tariff methodology. In the case of BT, there does not appear to be a clearly defined set of objectives or principles under which tariff setting may take place. Indeed much of the information needed for tariff setting seems not available nor are accounts functionally unbundled. The SEMISE experts stressed that the methodology of tariff setting refers not so much to the nuts and bolts of tariff calculation but rather to the overall economic framework for delivering improved efficiencies and reducing costs at BT. In conclusion, transition to cost-reflective tariffs needs to be underpinned by an effective regulatory regime whose function in the first instance is to eliminate waste and inflated costs with BT through an agreed, transparent and effective tariff methodology and regulatory review.

Useful information/ relevant documents

Annex 1 contains detailed information about the ANNEX 1 Regulatory Strategies and Methods in the EU Annex 2 contains detailed information about EU tariff methodologies. Information about the project may be obtained from the representative of the BT and/or the country coordinator

Contact for further information

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