



Distribution Network Losses and their management – Case Study session

Case study by Public Services Regulatory Commission of Republic of Armenia

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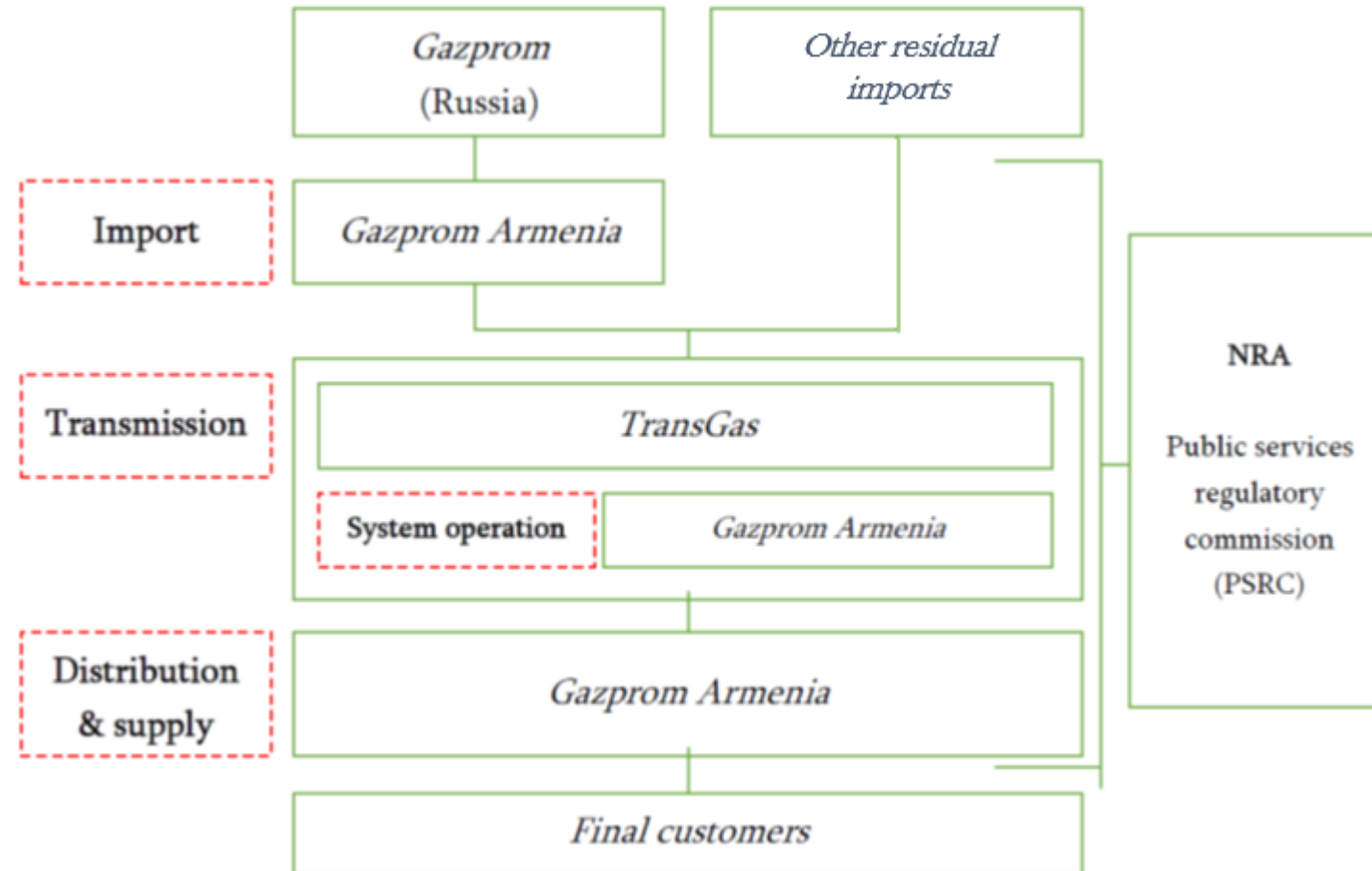
The gas supply system of the Republic of Armenia



There are two companies operating in gas sector of the Republic of Armenia.

- **«GAZPROM ARMENIA» JSC**, which is responsible for
 - ✓ *import of natural gas,*
 - ✓ *system dispatching and distribution,*
 - ✓ *supply,*
- **«TRANSGAZ» LLC**, which is responsible for
 - ✓ *transportation of natural gas;*
 - ✓ *gas injection and disposal of natural gas from storage*

Armenian Gas Sector Structure



Important indicators



- Number of customers in gas sector of RA exceeds 700 000 subscribers.
- Gas supply coverage in Armenia is more than 96%.
- Volume of imported gas to Armenia in 2021 is more than 2.7 billion cubic meter.
- The supply and distributor company has 15 gasification and gas distribution branches, "Engineering Center" branch, 5 subsidiaries and "Hrazdan-5" station (which is one of the large electricity producers of Armenia).
- "Gazprom Armenia" CJSC is one of the largest employers of the Armenia with more than 7000 employees.
- The length of the gas pipeline network of "Gazprom Armenia" CJSC is about 1900 km.

Distribution Network Losses and their management



- There are separate 2 methodologies of calculation of losses in gas sector for transmission network and distribution networks, approved by decisions of Public Services Regulatory Commission of RA.
- Actual distribution network losses for past 3 years are following:

Years	2019	2020	2021
Volume of gas imported to Armenia	2545.4	2595.4	2793.8
Losses in distribution network, million cub m	27.4	31.1	33.1
Losses in distribution network, %	1.076	1.19	1.18

MAIN LEGAL ACTS OF REGULATION IN GAS SECTOR OF ARMENIA are:



- ✓ “Law on Energy” of RA,
- ✓ Resolution of PSRC on approval of licensing procedure, terms of licenses granted to companies,
- ✓ Resolution of PSRC N168A "On Approval of Methodology for Calculation of tariffs in Gas Sector of the Republic of Armenia“
- ✓ Resolutions of PSRC N41A and N97A "On Approval of methodologies for calculation of technological losses of natural gas in the gas transportation and distribution systems”
- ✓ Resolution of PSRC N95A "On Approval of rules of gas supply and use of gas”.

Main tool for incentives to reduce losses in gas sector:



A draft of new methodology of calculation of tariffs in gas sector has developed and now is under discussion. According this methodology an incentive tariff setting method is going to be applied for distribution company for upcoming ten years, which means that 10 year regulatory period is divided into 2 periods of regulation and targets for the end of each periods will be set. One of targets is reduced losses. Whole benefits, received from achieving determined targets earlier than deadline set in methodology, will remain at company.

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