

Determination of normative indicators of electricity losses for the regulatory period

Elmar Gulaliyev

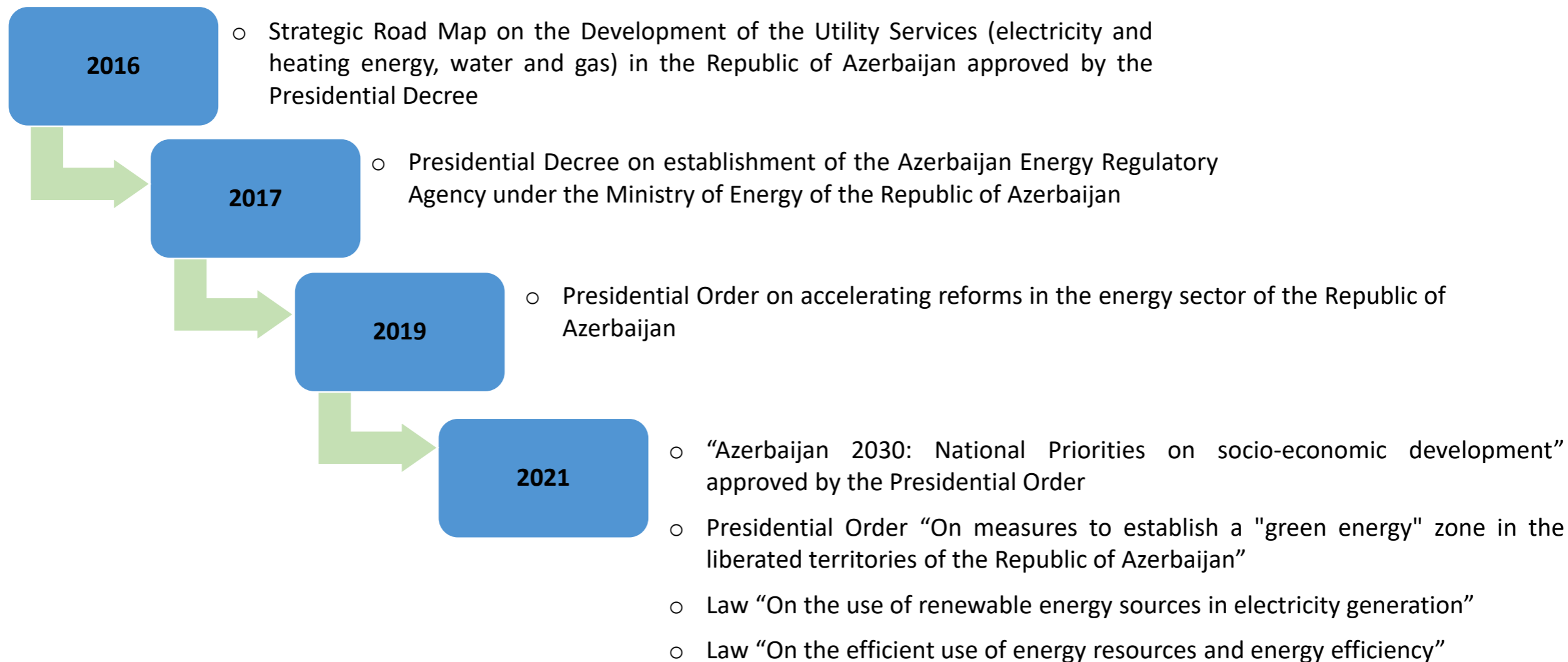
Senior specialist | Strategic Planning and Innovations Division

elmar.gulaliyev@regulator.gov.az

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Reforms in the electricity sector



Acceleration of Reforms in the Energy Sector

- Law “On the use of renewable energy sources in electricity generation” № 339-VIQ, dtd. 31.05.2021

- Law “On the efficient use of energy resources and energy efficiency” № 359-VIQ, dtd. 09.07.2021

- New draft of the law “On Energy”

- New draft of the law “On Electricity”

- Draft law “On Regulator in Energy and Public Utility Services”

- New draft of the law “On Gas Supply”

A new stage of reforms in the energy sector



Presidential Order № 3378 dtd. 22.07.2022 on approving the “Socio-economic development strategy for 2022-2026 of the Republic of Azerbaijan”

Strategy contains specific steps to achieve the goals set for each priority

1

Sustainable growing competitive economy

2

A society based on dynamic, inclusive and social justice

3

A place of competitive human capital and modern innovations

4

Great return to the liberated territories

5

Clean environment and "green growth" country

Existing structure of the electricity market



AZERENERGY OJSC

GENERATION (IPP)

GENERATION

TRANSMISSION DISPATCH (Import – Export)



AZERISHIG

DISTRIBUTION

SUPPLY

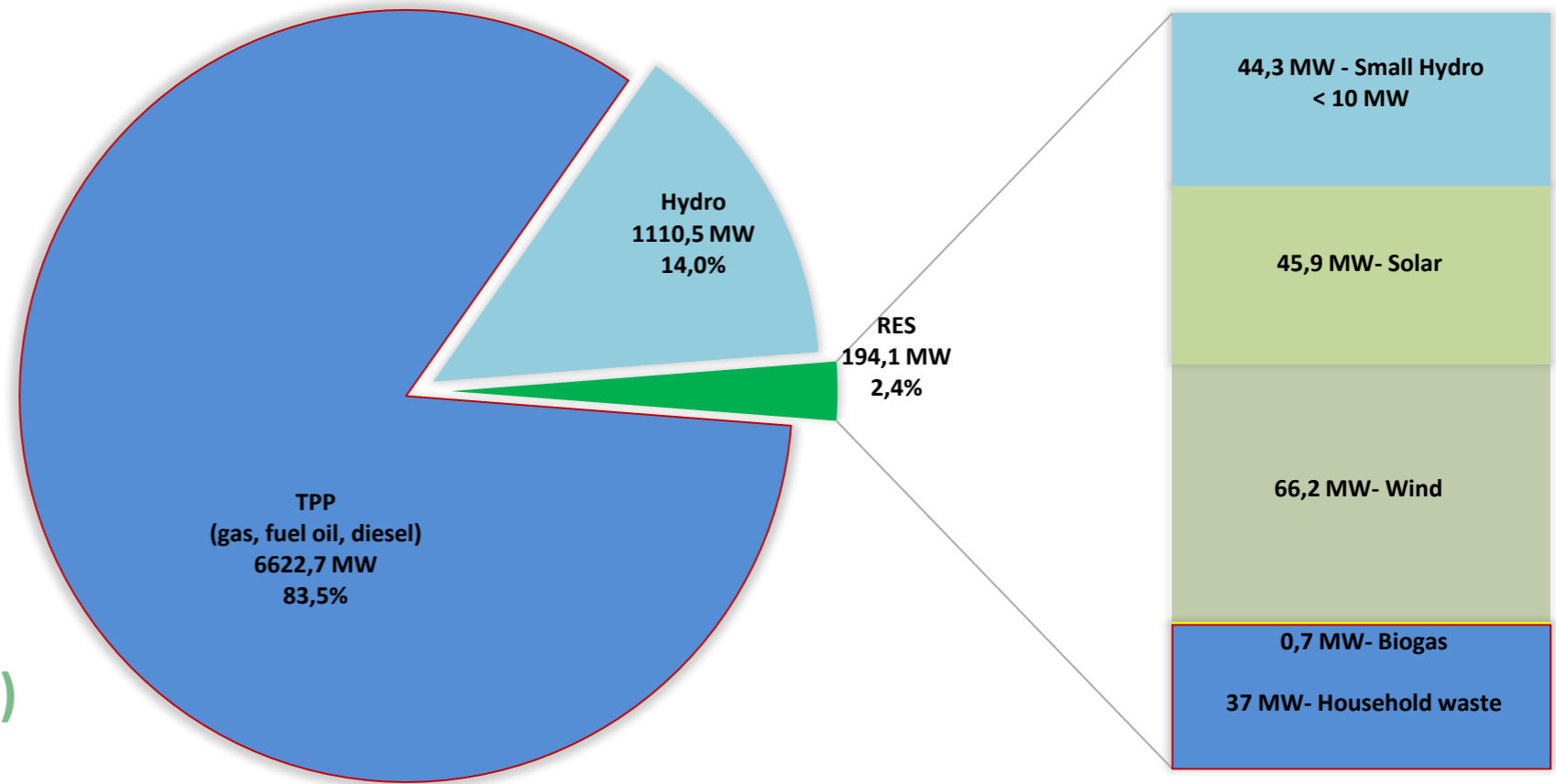
CONSUMERS

Installed capacities

GREEN TARGETS

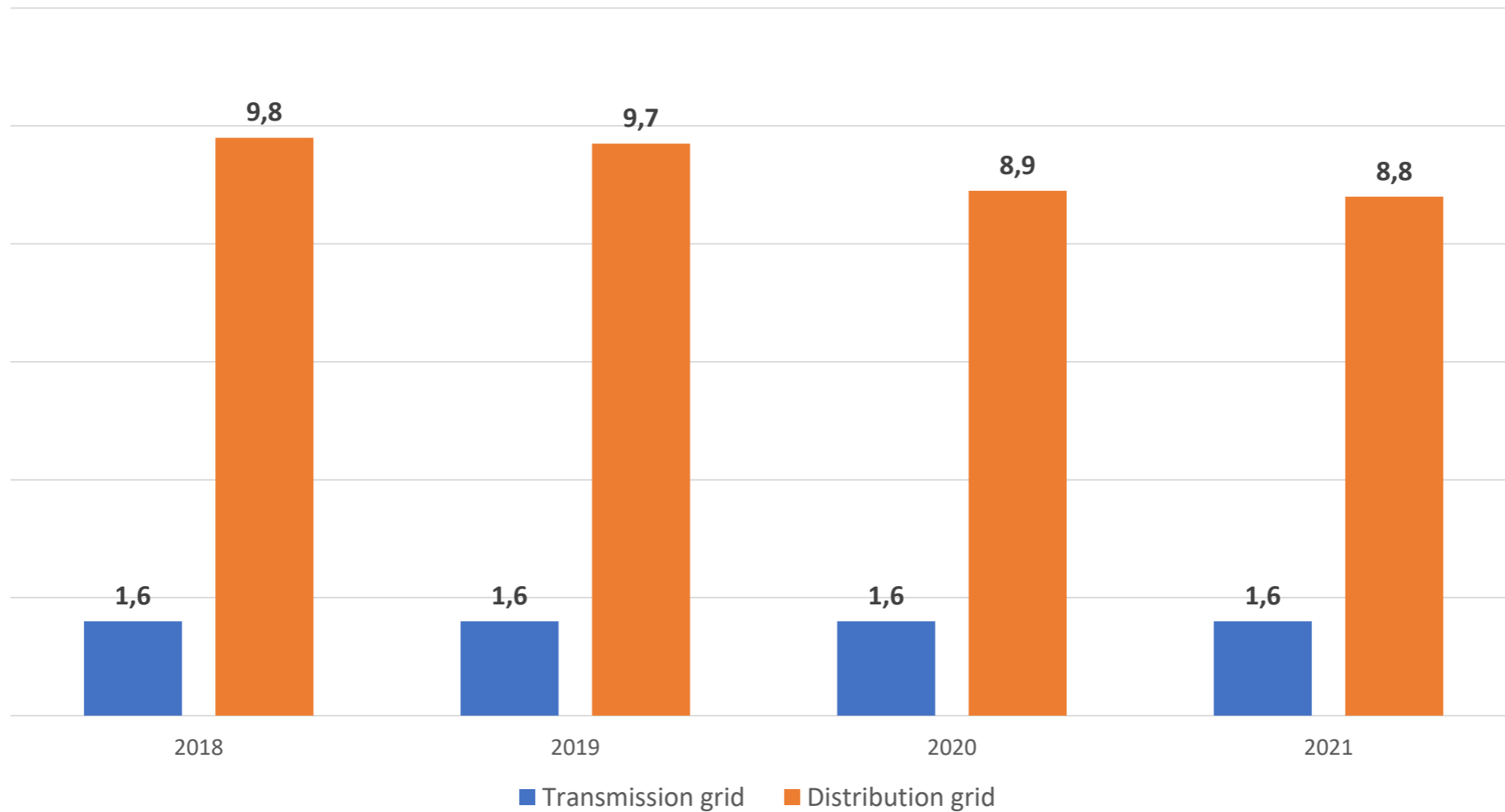


Share of RES ↑ 30 % (by 2030)



Greenhouse gas emissions ↓ 40 % (by 2050)

Electricity losses for 2018-2021 (%)



Process of preparation of draft rules

Developed within the II phase of the EBRD project on “Support for the functioning of the newly established Energy Regulatory Agency in the Republic of Azerbaijan”



“Rules on determining the normative indicators of electricity losses for the regulatory period”

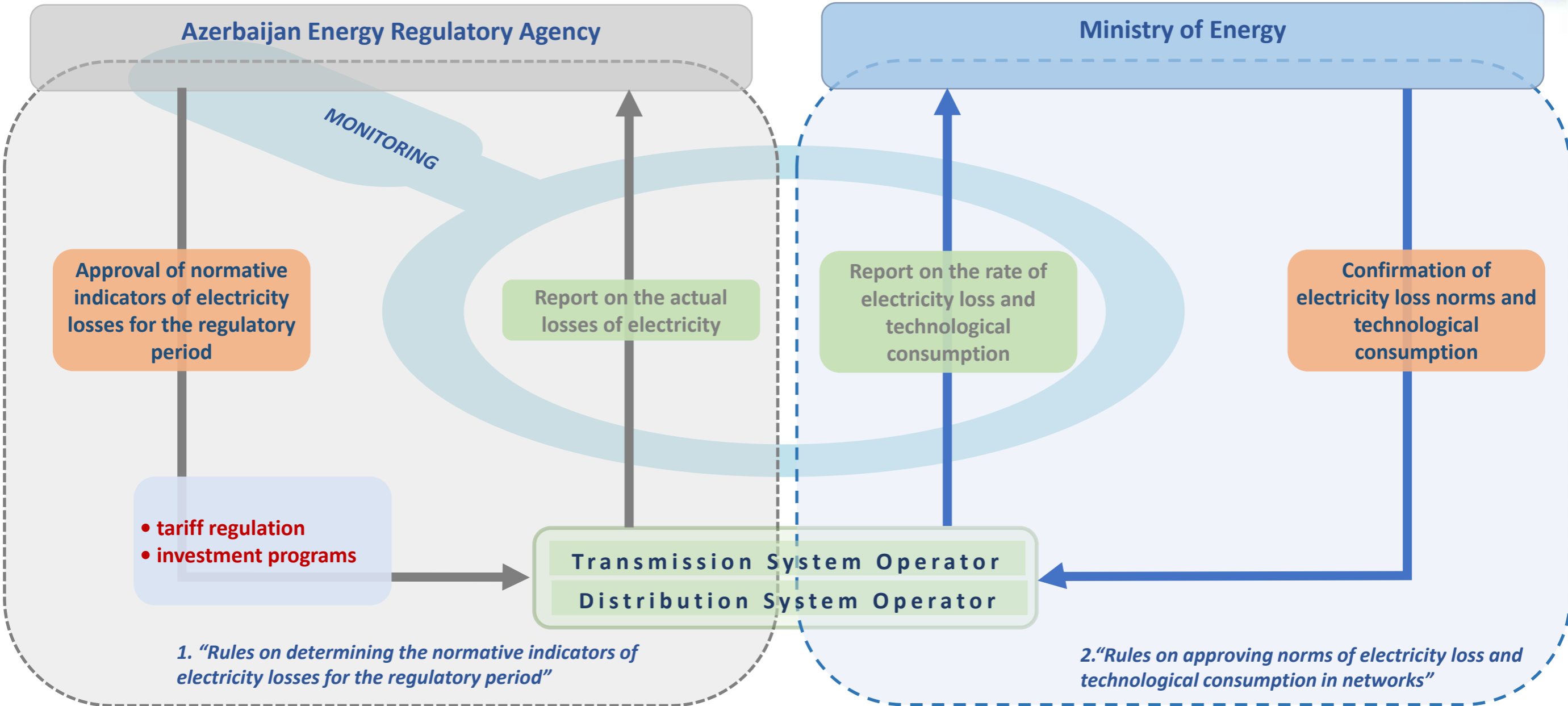


The approach applied in Georgia for the calculation of losses was considered more appropriate in terms of its implementation in the country

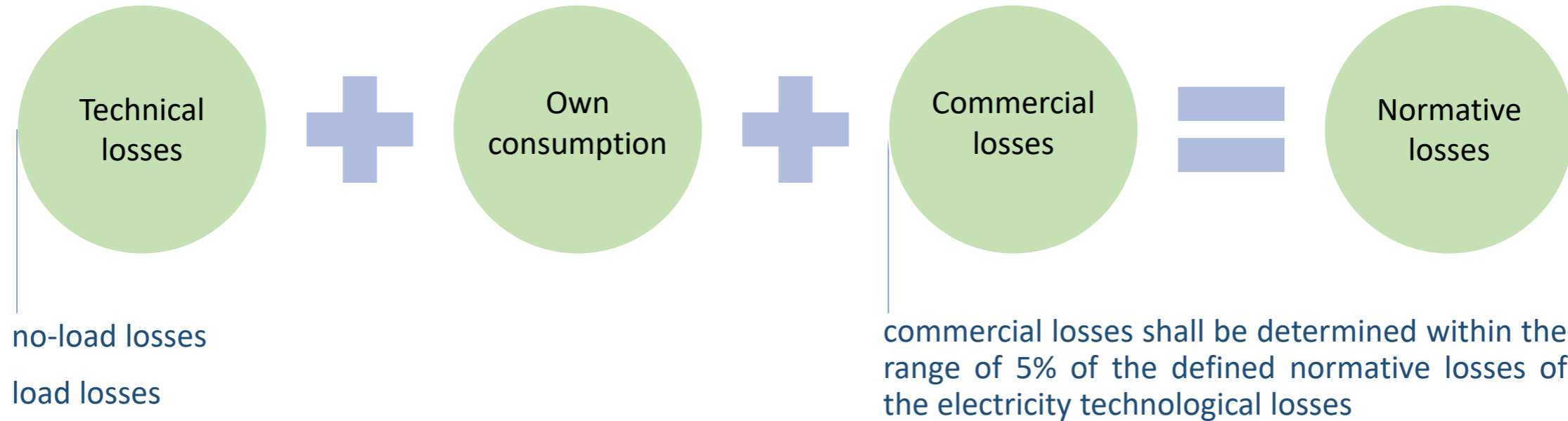


The rules were agreed with the experts involved within the II of the EU4Energy project

Electricity losses BLOCK DIAGRAM



Loss components



If the data on the actual losses in the electricity networks for the previous regulatory period are not available, the amount of the technological losses increased by 5% (maximum allowed commercial losses for the regulatory normative losses) is approved as electricity normative losses

Algorithm of calculating normative electricity losses for the regulatory period



Indicators	Base years of the tariff regulatory period				Current year when calculation of regulatory normative losses for i tariff regulatory period is made	Years of the Tariff Regulatory Period			
	3 years before the base year of the tariff regulation			Base year of the tariff regulation		Year of tariff regulation	3 years after the year of tariff regulation		
	t_{b-3}^i	t_{b-2}^i	t_{b-1}^i	t_b^i	t_0^i	t_r^i	t_{r+1}^i	t_{r+2}^i	t_{r+3}^i
j -year of i -period of tariff regulation- t_j^i , years	2018	2019	2020	2021	2022	2023	2024	2025	2026
Approved normative losses of the electricity technological losses for j years - ΔE_{jn}^i , %	10,0%	10,0%	10,0%	10,0%	10,0%	9,5%	9,4%	9,3%	9,2%
Commercial losses of the electricity for j years - ΔE_{jk}^i , %	2,5%	3,0%	1,9%	1,8%	1,6%	1,6%	1,5%	1,3%	1,1%
Actual losses of the electricity for j base years of i tariff regulatory period - ΔE_{jp}^i , %	12,5%	13,0%	11,9%	11,8%					
Forecasts of the expected actual losses of the electricity for current year in which calculation of regulatory normative losses for i tariff regulatory period is made, ΔE_{0r}^i , %					11,6%				
Average annual trend indicator of actual losses for j base reporting years of i -tariff regulatory period - $\Delta \bar{e}_{jp}^i$, %					-1,9%				
Approved electricity normative losses for j years of i tariff regulatory period - ΔE_r^i , %						11,1%	10,9%	10,6%	10,3%
Average annual loss indicator of electricity losses for i tariff regulatory period - $\Delta \bar{e}_{jp}^i$, %						-3,8%	-2,2%	-2,6%	-2,9%

THANK YOU FOR YOUR ATTENTION

Contact details

Address: «Chinar Plaza» Business Center,
Heydar Aliyev ave.152, AZ1029, Baku, Azerbaijan
Phone: (+994 12) 598-16-53/54/55
Fax: (+994 12) 566 09 40
E-mail: office@regulator.gov.az