

Tariff Design and Allocation of Allowed Revenues to Customer Categories

Roundtable input by Azerbaijan
Vusal Sattarov
Azerbaijan Energy Regulatory Agency



Consumer Groups

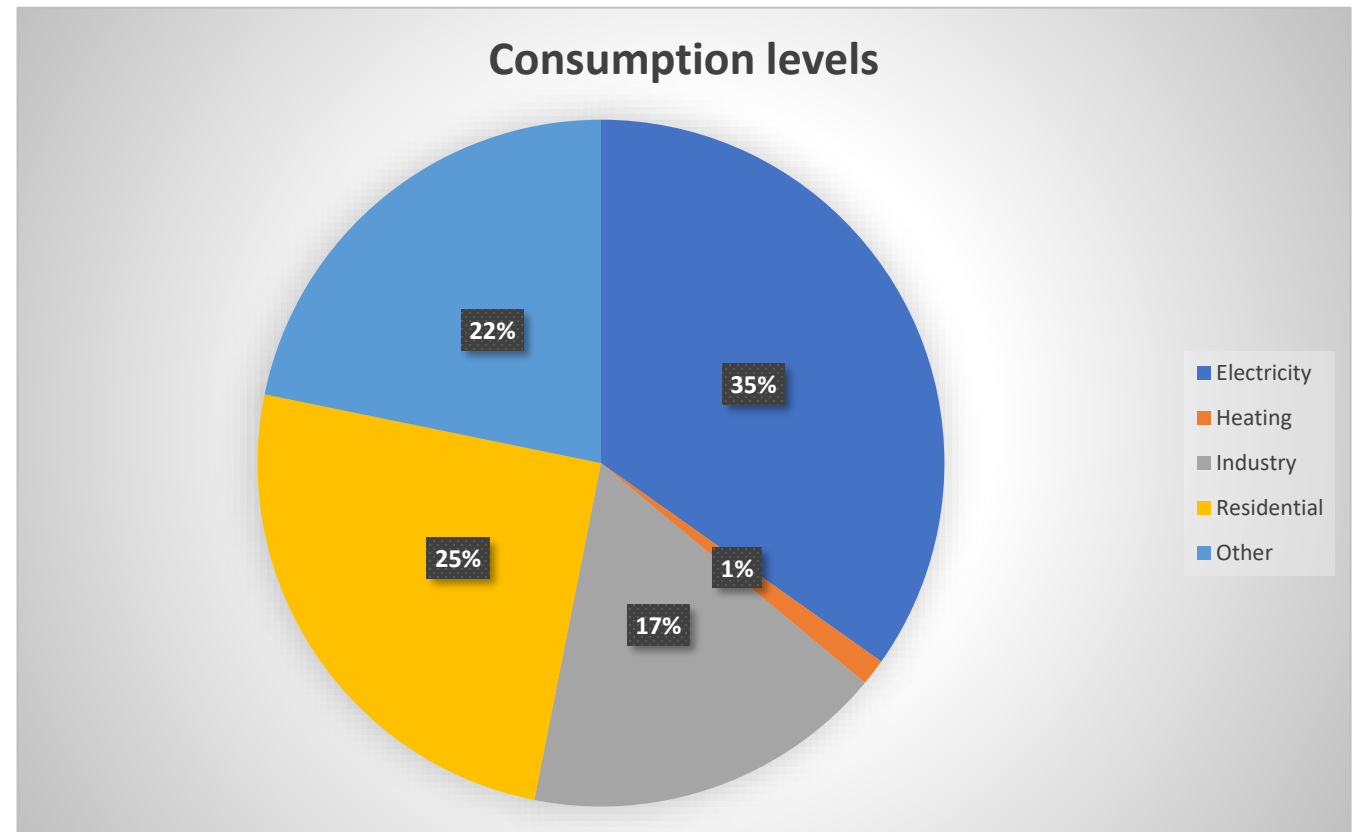
No	Services	Tariffs (USD per 1000 m ³ , incl.VAT)
1	Natural gas processing	3.2
2	Transportation of natural gas	3.1
3	Injection of natural gas to underground reservoir	4.9
4	Extraction of natural gas from underground reservoir	4.9
4	Purchase of natural gas from the producers	52.9
5	Wholesale of natural gas to the gas distributors	69.4

1 USD = 1.70 AZN

No	Services	Tariffs (USD per 1000 m ³ , incl.VAT)
6	Retail tariffs	
6.1.	Households	
6.1.1.	annual consumption up to 1200 m ³ (including 1200 m ³)	70.6
6.1.2.	annual consumption between 1200 - 2500 m ³	117.6
6.1.3.	annual consumption more than 2500 m ³	147.1
6.2.	Non-household	
6.2.1.	For the purpose of supplying gas to the central heating systems and gas filling stations selling compressed natural gas (CNG)	97.1
6.2.2.	For the production of methanol and urea products	117.6
6.2.3.	For the industrial and agricultural areas	129.4
6.2.4.	Other areas	147.1
7	For the purpose of electricity production within the country (provided that the monthly consumption is not less than 10 million m ³)	97.1

Consumption amount levels

Sectoral categories	mln m3	%
Electricity	5,414	34.8
Heating	193.4	1.2
Industry	2,654	17.1
Residential	3,904.6	25.1
Other	3,389.4	21.8



Pressure levels

- *Low pressure gas pipelines (under 0.005 MPa)*
- *Medium pressure gas pipelines (0.005-0.3 MPa)*
- *II category high pressure gas pipelines (0.3-0.6 MPa)*
- *I category high pressure gas pipelines (0.6-1.2 MPa)*
- *Liquefied hydrocarbon gas (0.6-1.6 MPa)*

Tariff Design & Cost Allocation

In Azerbaijan tariffs are regulated by Tariff Council and there is no publicly announced methodology for tariff calculation.

*By the support of EBRD, draft of tariff methodology are prepared by AERA and presented to Cabinet of Ministers. This methodology is at agreement stage. The main principle of cost allocation is cost plus method. All costs are included at calculations and additional capital cost ($RAB * WACC$) added to allowed revenue.*



**THANK YOU
FOR YOUR ATTENTION!**

Vusal.sattarov@regulator.gov.az