



Public-Private agreements and collaboration programs in gas sector in RA

Roundtable input by *Armenia*

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Republic of Armenia



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Gas system of Armenia



- "Gazprom Armenia" CJSC carries out the importation of natural gas, operational technological regulation of the system, distribution and sale of natural gas to consumers and production of electricity (capacity).

Gas system of Armenia



About 19,175 km of high, medium and low pressure gas pipelines are in service in the gas distribution system, of which 15,827 km are in operation, of which 74% (11,659 km) are low pressure gas pipelines. In addition, in order to operate the gas distribution system, there are:

- 2638 units of gas control points,
- 8522 units of individual pressure regulators,
- 1433 head measuring nodes,
- 326 electrochemical protection stations.

"Gazprom Armenia" CJSC has about 754 thousand subscribers, of which only the population is about 735 thousand.

Public-private agreement with gas company

- According decision of the Government of the Republic of Armenia 2140-A on ~~23.12.2021~~ about the protocol on making changes to the signed agreement between the RA and RF governments on 02.12.2013 on the sale and purchase of shares of "ArmRusgazprom" CJSC and the terms of further activity, the Armenian side was obliged to ensure the return of the investments made by the Russian company "Gazprom" in the "Hrazdan-5" station and the internal rate of return of 9%, by providing the company with 31.79 million USD per year in the form of a capacity fee within 10 years, starting from 01.02.2022.
- Thus, the "Hrazdan-5" plant of "Gazprom Armenia" CJSC is a plant operating within the framework of a public-private partnership transaction, which, according to the "Energy" law, has electricity (capacity) purchase guarantee within the terms and volume specified by the agreement.

Need for public-private partnership in gas sector

- Due to the large-scale construction carried out in the city of Yerevan in recent years the volumes of gas consumption have increased dramatically and the capacity of the gas distribution stations, gas pipelines of the gas distribution network providing the gas supply is no longer sufficient for connecting new gas consumption systems to the existing gas distribution network, which has caused problems in the gas supply of new consumers in the city of Yerevan, connected to the network.
- In order to solve the problem, by the decision of the Government of the Republic of Armenia No. 970-L of June 16, 2023 new plan was approved to provide the city of Yerevan with new additional gas supply capacities. The project envisages solutions for the construction of 4 bias gas pipelines in 4 main directions, 4 new gas pressure regulation nodes, new gas distribution stations and medium pressure main gas pipelines with a cost of around 20 billion drams (without VAT).

Next steps of collaboration (1)

- By this decision government found solutions for prepayment of amount needed for new investments for new capacities and for these purposes the Public Services Regulatory Commission of RA was proposed to set a connection fee for persons applying for connection to the gas supply network in Yerevan city in the future in order to neutralize the impact of the this project on the tariffs of natural gas sold to consumers and which will at least ensure the return of the money intended for the implementation of the project by reducing them from the calculations of natural gas tariffs sold by the company to consumers during next tariff reviews.

Next steps of collaboration(2)

The RA Public Services Regulatory Commission has developed a draft decision on making amendments to the rules of natural gas supply and use. According to the draft of decision, appropriate connection fees have been established, which are paid by non-domestic consumers and construction firms of buildings and districts, who will be connected to the gas supply network of Yerevan city after January 1, 2025.

Also, the commercial and non-commercial organizations were specified that were exempted from the obligation to pay the mentioned fee, based on the procedures established by the RA government's decision.

Result of PPA and collaboration program



- Opportunity to have a stable price for the import of natural gas from the Russian Federation in the next 10 years: 165 USD/thousand m³ for conditions of lowest calorific value 7,900 kcal/m³ (the price change occurs as a result of the implementation of the actual calorific accounting mechanism),
- As a result of the adoption of the draft decision, it will be possible to implement the project to provide the city of Yerevan with additional new gas supply capacities, neutralizing the further negative impact on tariffs.
- Gas company does not have to find financial resources for that investment program and receive compensation after actual implementation of investment program as it is in usual cases.

Tariffs for end users



		with VAT*
Consumer groups		Tariffs from 01.04.2022
		AMD/thousand cubm USD/thousand cubm
1	Population (excluding socially vulnerable consumers and vulnerable consumers with exceeding amount of consumption of 600 cubic meters of natural gas per year)	143,700.0
2	Tariff for natural gas by 10,000 cubic meters per month consumption	143,700.0
3	Socially vulnerable consumers with consumption up to 600 cubic meters of natural gas per year	100,000.0
4	Greenhouses (For period November 1 to March 31 inclusive) agriculture	233.90
5	Processing companies in agriculture	233.90
7	Tariff for natural gas exceeding 10,000 cubic meters per month consumption	265.81



THANK YOU!

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