



Permitting and Approval Processes for Gas Infrastructure Projects

Case Study by ARMENIA
Public Services Regulatory Commission



ERRA Gaseous Fuels Markets and Economic Regulation Committee (GF COM) Meeting

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Permitting and Approval Processes for Gas Infrastructure Projects



- **One of the means of state regulation in the gas supply system in RA is the approvement by the regulator of investment programs submitted by licensees for the purpose of fully or partially including or rejecting the investments in future tariffs.**
- **By the resolution of PSRC RA N180 dated 19.05.2021 the procedure of coordinating of investment programs with the PSRC RA was approved and this procedure establishes the procedure for coordinating with the Commission those investment programs within the framework of which investments made under public-private partnership transactions, tariff calculation methodologies approved by the Commission, or license terms are subject to subsequent full or partial inclusion in the tariff set for the licensed person.**
- **From a regulatory perspective, investments in the gas supply system are considered investments aimed at increasing, replacing, modernizing or restoring useful and usable assets necessary for the implementation of licensed activities.**

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- The investment program submitted to the PSRC by a licensee in the gas supply system must be aimed at solving one or more of the following problems:
- improving service provision or service quality indicators,
- reducing technological and commercial losses or consumption for own needs,
- restoring or replacing worn-out assets with new ones,
- increasing the level of safety and reliability,
- implementing measures aimed at environmental protection,
- introducing modern effective technologies, fulfilling the requirements of legal acts of state bodies,
- implementing measures aimed at ensuring perspective development programs for the sector,
- implementing other necessary measures aimed at increasing the efficiency of licensed activities.



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Investment programs submitted by a licensee in the gas supply system for approval by the Commission must include:

- **the purpose and main directions of the investment program,**
- **justifications for the need to make investments in each of the main directions,**
- **an assessment of the volume of investments in each of the main directions,**
- **the implementation schedule and expected results,**
- **sources and conditions of financing the program.**

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- The PSRC shall begin the process of examining the investment program of the licensee in the gas supply system from the date of its receipt and:
- Within 30 working days, it shall submit its comments and suggestions on the investment program to the licensee in a corresponding letter or,
- Within 60 working days, it shall make a decision on granting full or partial consent to the investment program or on rejecting it.
- After considering the comments and suggestions submitted by the PSRC, the licensee may resubmit the revised version of the program for approval by the PSRC. In case of not accepting the comments and suggestions of the PSRC, the licensee shall present its explanations and justifications.
- Within 30 working days after receiving the revised version of the investment program, the PSRC shall make a decision on granting full or partial consent to the investment program or on rejecting it.

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- If necessary, the PSRC is authorized to determine the conditions for its implementation or the priority directions and requirements for its implementation by a decision on granting consent to the investment program.
- In case of the need to make changes to the investment programs agreed with the PSRC, the licensee shall apply to the PSRC, submitting relevant documents substantiating the need to make changes to the investment program. The PSRC shall make a relevant decision on the proposed changes in accordance with the same procedure and within the same time limits.
- In the case of targeted investment programs implemented with grants, international organizations under the guarantee of the Government of the Republic of Armenia, as well as with credit funds provided from the state budget of the Republic of Armenia, their maintenance and repayment costs shall be included in the calculation of the tariff set for the licensee, on which the PSRC shall adopt a relevant decision.

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- After the approval of investment programs in the gas supply system, control and monitoring of the investments made are no less important.
- To achieve the above-mentioned goal, the PSRC has also established a procedure for submitting a report to the PSRC on investments made by licensed entities implementing investment programs agreed with it.
- Reports are submitted in accordance with the established forms, quarterly, by the 10th of the second month following the reporting quarter, and the 4th quarter and annual report by May 10 of the following year.
- Based on the submitted reports, monitoring and analysis of investments made in the gas supply system is carried out.

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- The purpose of monitoring investment activities is to determine the useful and usable volume of investments subject to inclusion in tariff calculations, to assess the effectiveness of investments, and in this context to identify and remove the volume of ineffective and unfounded investments, based on the principle of including fair and justified investments in these calculations.
- Monitoring investment activities is carried out by PSRC employees. If necessary, monitoring is also carried out through visits to the premises of licensed persons. Independent experts may be involved in the monitoring process.

Country's Framework



Investment programs submitted by a licensee in the gas supply system for approval by the Commission must include:

- the purpose and main directions of the investment program,
- justifications for the need to make investments in each of the main directions,
- an assessment of the volume of investments in each of the main directions,
- the implementation schedule and expected results,
- sources and conditions of financing the program.

Evaluation Procedures



Main directions of investment activity monitoring:

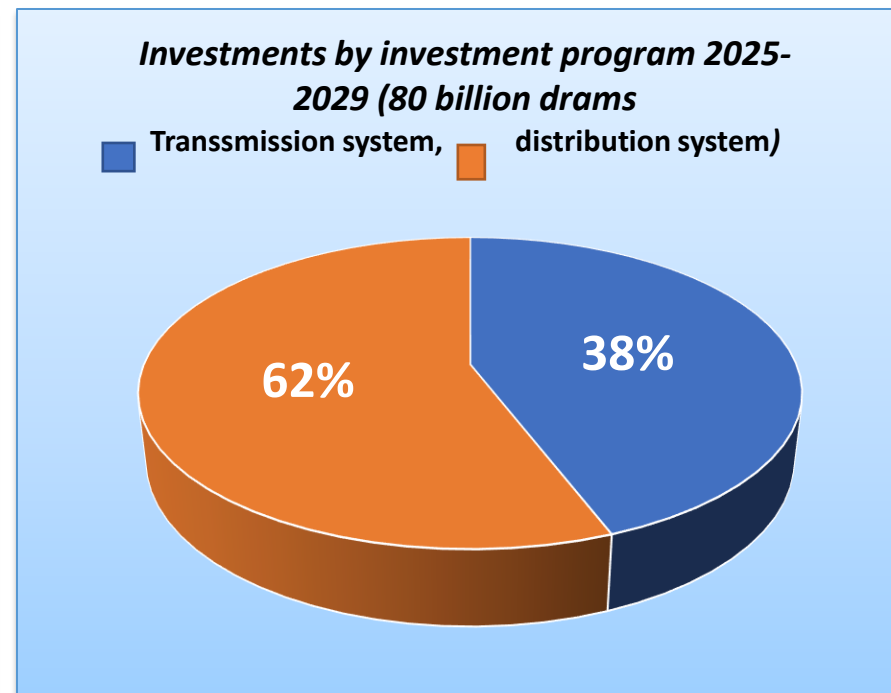
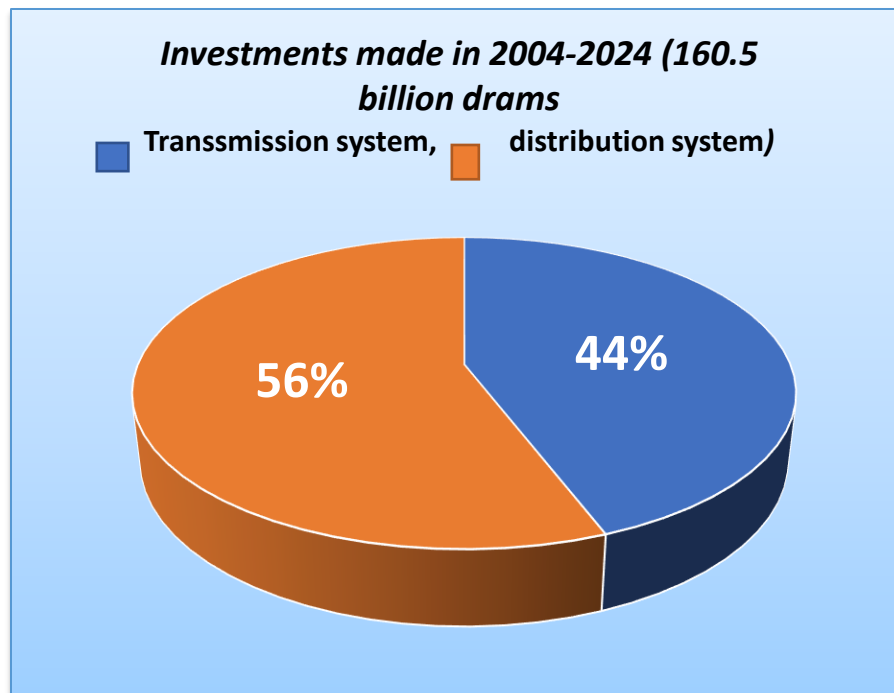
- Assessment of the market values of the work performed, services provided and goods supplied for the implementation of investments and comparison with the values presented in the reports.
- Assessment of the effectiveness of the work performed, services provided and goods supplied through the study and comparison of design and estimate documents, executive acts and contracts.
- Determination of the volume of investments not participating in the licensed activity (not yet participating), in particular, the following are assessed:
 - Investments not used (or not yet used) for the purpose of the licensed activity,
 - Investments agreed upon in the investment program, as a result of the implementation of which the results envisaged by the investment program were not ensured.



- Examination of the reliability of reports submitted to the PSRC on actually implemented investments by comparing them with other information submitted to the PSRC, as well as by examining the initial investment documents on a sample basis.
- Determination and examination of the volumes of investments not agreed with the PSRC under the investment program and exceeding the agreed volume, within the framework of which the volumes of investments agreed with the investment program in each direction (sub-direction) and the volumes of investments actually implemented are compared after the reductions made during the monitoring.
- Examination of the justifications for the need to implement investments exceeding the agreed investment volumes in urgent cases and determination of the volume to be included in the tariff.

- Deviations of up to 20% from the agreed volumes of the investment directions actually implemented during each year from the volumes agreed upon in the long-term (3 years or more) investment program, as a result of which the total volume agreed upon in the long-term investment program of that direction will not change, are considered in the agreed volumes.
- The results of monitoring investment activities are summarized in an analytical report, which also includes the volume of investments subject to tariff compensation.
- The analytical report is submitted to the licensee for their opinion and, if necessary, amended.
- The final version of the analytical report is published on the PSRC website, about which the licensee is also informed.

Investments made in previous years and compensated by tariffs



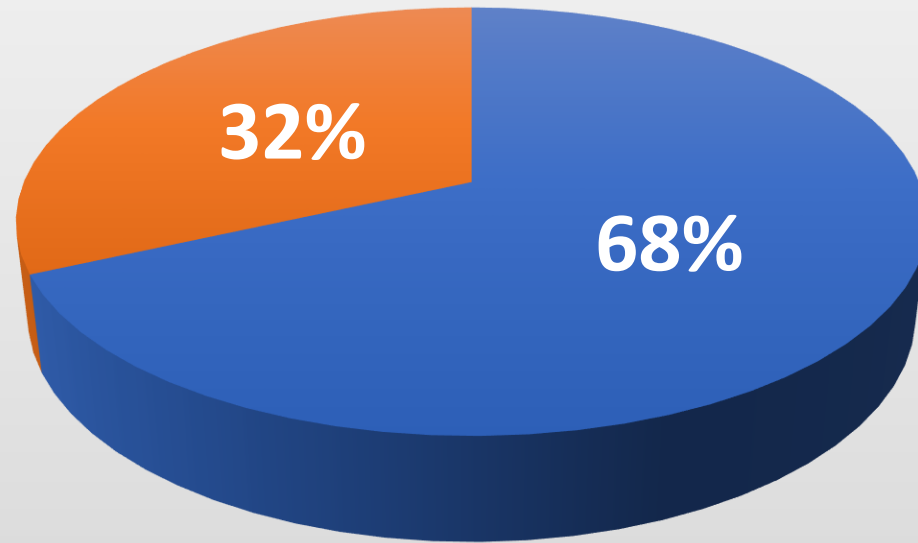
Non-Standard Projects

Investments planned within the framework of the measures of the main scheme of gas supply and gasification of the Republic of Armenia



Investments planned for 10 years

■ Transssmission system, ■ distribution system



Non-Standard Projects



- Due to the large-scale construction carried out in Yerevan in recent years, the volume of gas consumption has increased sharply, and the capacity of the gas distribution stations supplying Yerevan and the gas distribution network providing gas supply is no longer sufficient to connect new gas consumption systems to the existing gas distribution network, which has caused problems with connecting new consumers to the gas supply network in Yerevan. In order to solve the problem, the Government of the Republic of Armenia approved the program to provide Yerevan with additional new gas supply capacities by Resolution No. 970-L of June 16, 2023.
- The program provides for the construction of 4 branch gas pipelines, 4 new gas pressure regulation nodes, new gas distribution stations and medium-pressure main gas supply pipelines in 4 main directions, at a cost of about 20 billion drams (excluding VAT).

Non-Standard Projects (2)



- In order to neutralize the impact of the implementation of the project on natural gas tariffs in the future, a connection fee has been established for persons applying for connection to the gas supply network in Yerevan, which will at least ensure the return of the amount intended for the implementation of the project, reducing it from the calculations of the tariffs for natural gas sold by the company to consumers.
- Taking into account the Resolution of the Government of the Republic of Armenia No. 970-L of June 16, 2023, as well as the aim of improving the gas supply regimes of Yerevan and providing the city with additional new gas supply capacities, the Public Services Regulatory Commission of the Republic of Armenia has established appropriate connection fees, which are paid by non-household applicants and developers of apartment buildings and districts under construction who connect to the gas supply network of Yerevan after January 1, 2025.



Non-Standard Projects (3)

- Non-household applicants and developers of apartment buildings and districts under construction, whose gas consumption system locations are located in Yerevan or are connected to the Yerevan Gas Supply Network, shall pay the Supplier for the improvement of Yerevan gas supply regimes and providing the city with additional new gas supply capacities:
 - 1) for consumption capacity up to 2,000 m³/h-172,700 drams per 1 m³/h, including value added tax,
 - 2) for the part exceeding 2,000 m³/h-100,200 drams per 1 m³/h, including value added tax.



**THANK YOU
FOR YOUR ATTENTION!**

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