

Tariff Setting Methods Best Practice

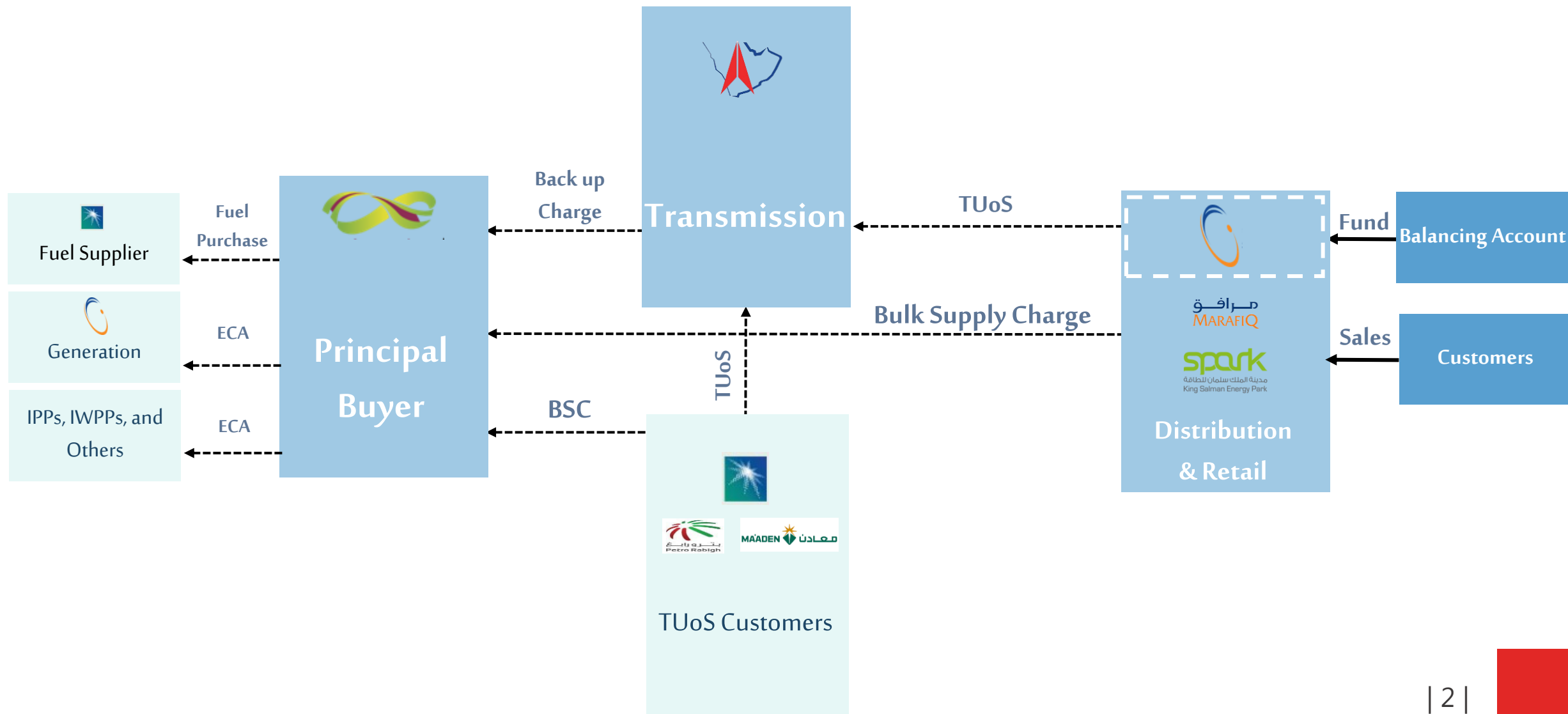
Roundtable Discussion input by Saudi Arabia

Mohammed Bin Jardan

Saudi Electricity Regulatory Authority



Electricity Sector in KSA - 2025



Basic Information on TSO

TSO Operators:

- *How Many Electricity TSO's work in the Country;
One Company (National Grid)*
- *TSO Ownership;
Owned by Saudi Electricity Company (DSO & R)*
- *Tariff Setting Methods (Price Plus, etc).
Revenue Cap*

Basic Information on DSO

DSO Operators:

- *How Many Electricity DSO's work in the Country;*
Three DSO's
- *DSO Ownership and Size (Above & below 100 000 Users);*
 - *Saudi Electricity Company (listed Company) and Above 100,000 Users.*
 - *Marafiq (listed Company) and Below 100,000 Users.*
 - *SPARK (Owned by Aramco) and Below 100,000 Users.*
- *Tariff Setting Methods (Price Plus, etc).*

Revenue Cap

Capex Determination:

- *Rate of Return or Other Method; Return In Investment (WACC)*
- *RAB Determination;*
- *Includes all regulated assets that's USED and USEFUL*
- *Cap on IDC and Capitalization to encourage the Company to be efficient on execution.*

.

Opex Determination:

- *Setting a reference year for each regulatory period.*
- *Applying (output, inflation and efficiency) factors.*
- *Step change and Extraordinary Opex.*

Quality / Output Regulation;

- *In progress to be adopted in upcoming regulatory periods.*

Efficiency Calculated:

- *Base efficiency (3% annually)*

Tariff Setting Principle

- *Length of Regulatory or/and Tariff Period;*
Three years
- *Are Network Tariffs only Variable or also Capacity-based?*
- *TUoS based on Demand.*
- *End user Tariff is Variable + meter reading and maintenance fees (fixed based on meter Capacity)*
- *Network Tariffs Time-variant are available (and in case: Mandatory or Voluntary);*
No Time Variant
- *Network Tariffs are Nation-wide Uniform or Different per each TSO/DSO.*
- *TUoS is Nation-Wide.*
- *DUoS is in development progress.*



**THANK YOU
FOR YOUR ATTENTION!**

majardan@sera.gov.sa