



PUBLIC
UTILITIES
COMMISSION

15

YEARS OF DEVELOPMENT AND SUPERVISION
OF THE REGULATORY ENVIRONMENT

District heating system regulation and particularities, Latvian case

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Types of regulated public services in the heat sector



- Production of thermal energy
 - Transmission and distribution of thermal energy
 - Trade of thermal energy to energy users
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Types of authorisation

- Licensing – transmission & distribution
- Registration – production and sales

On March 31, 2016:

209 companies - registered in the Thermal Energy Producers' Register
80 companies - registered in the Thermal Energy Traders' Register

73 companies - licensed to provide heat transmission and distribution services.

Tariff calculation procedure



- The procedure how public utilities tariffs are calculated and set is determined by the tariff calculation methodology that is developed and approved by the Regulator.
 - The tariff calculation methodology is based on the principle to base tariffs only on those costs that are necessary for efficient provision of services.
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Types of tariffs

- Thermal energy generation tariffs
- Thermal energy transmission and distribution tariffs
- Thermal energy trade tariffs

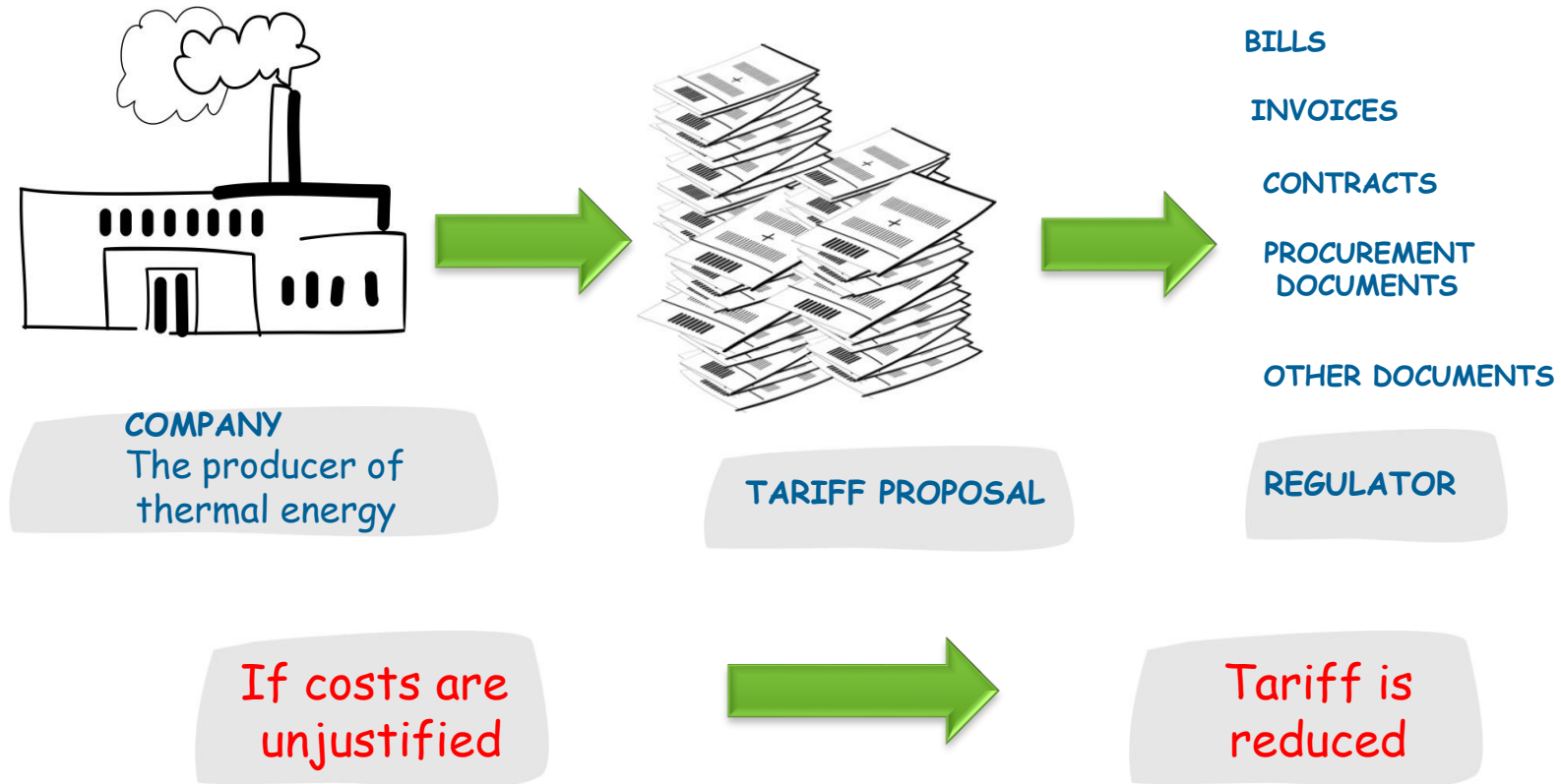
The sum of the above mentioned tariffs forms the final thermal energy tariff and is used for billing the customers – users of thermal energy.

The main principles of heat tariff calculation methodology



- Maximum allowed profitability 10%, if efficiency criteria are met
 - Encourages heat loss reduction
 - Promotes fuller capacity utilization
 - Introduced cost reduction benefit component
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How tariff proposals are evaluated?



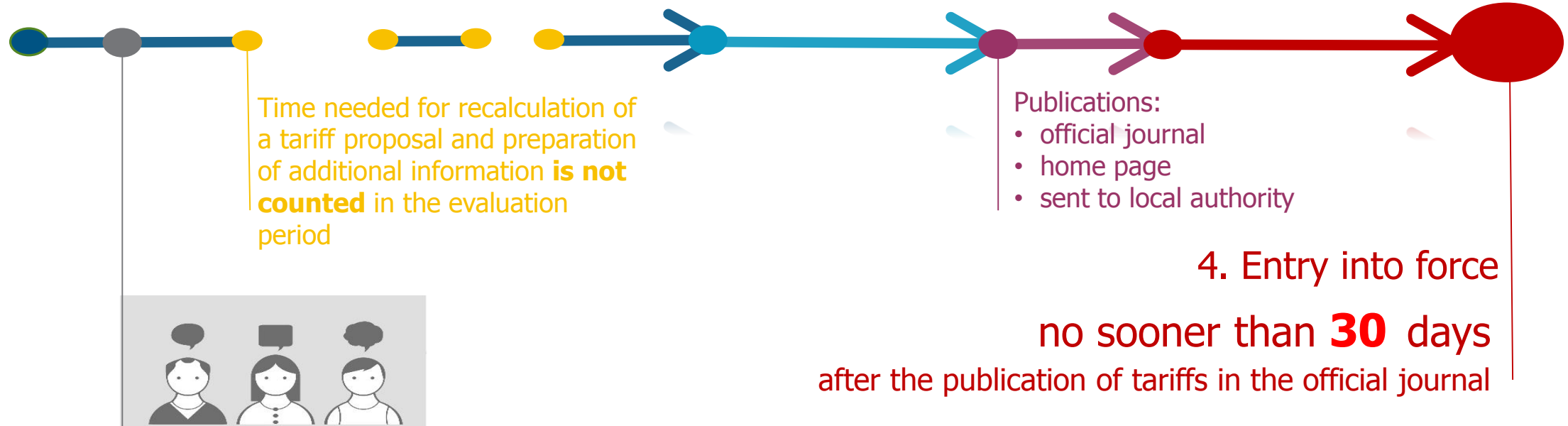
Evaluation of a tariff proposal



1. Evaluation
no more than **90** days

2. Decision making
no more than **30** days

3. Publication
within **10** days



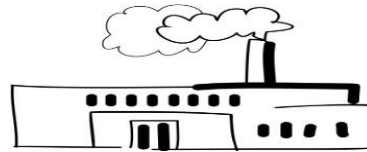
Regulator organises a public hearing

Additional suggestions on the tariff proposal may be submitted within 20 days since the publication of information on the tariff proposal or during the public hearing

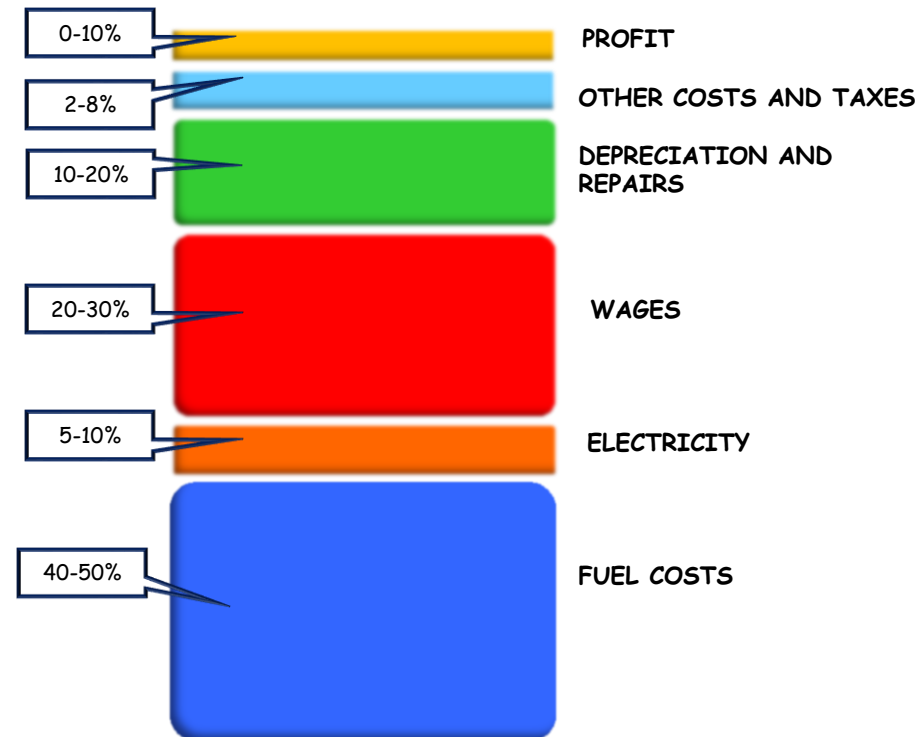
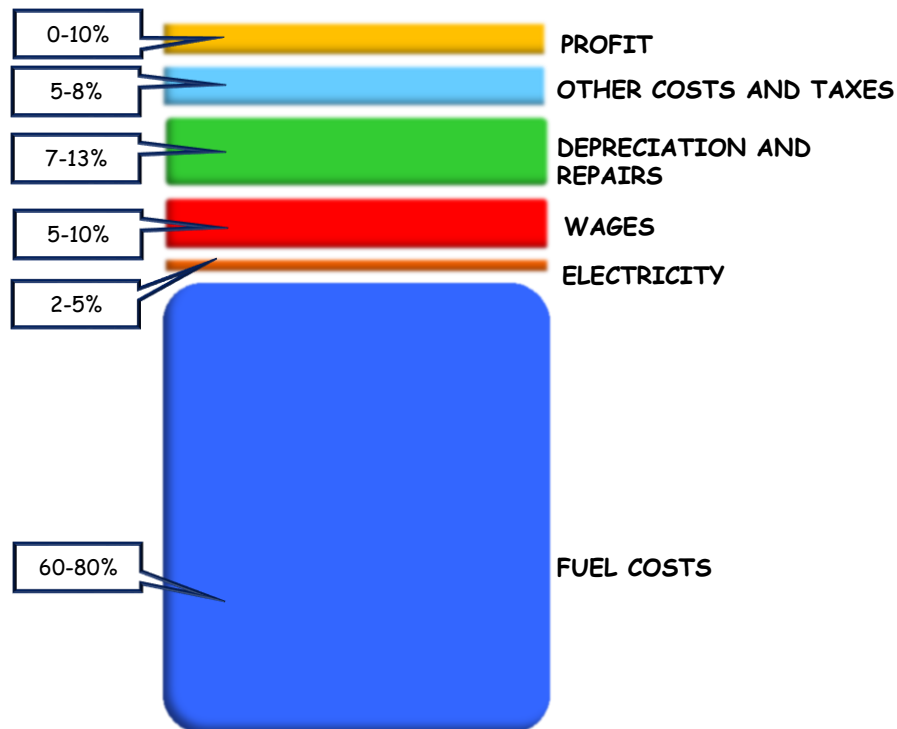
What kind of costs are included in thermal energy tariffs?



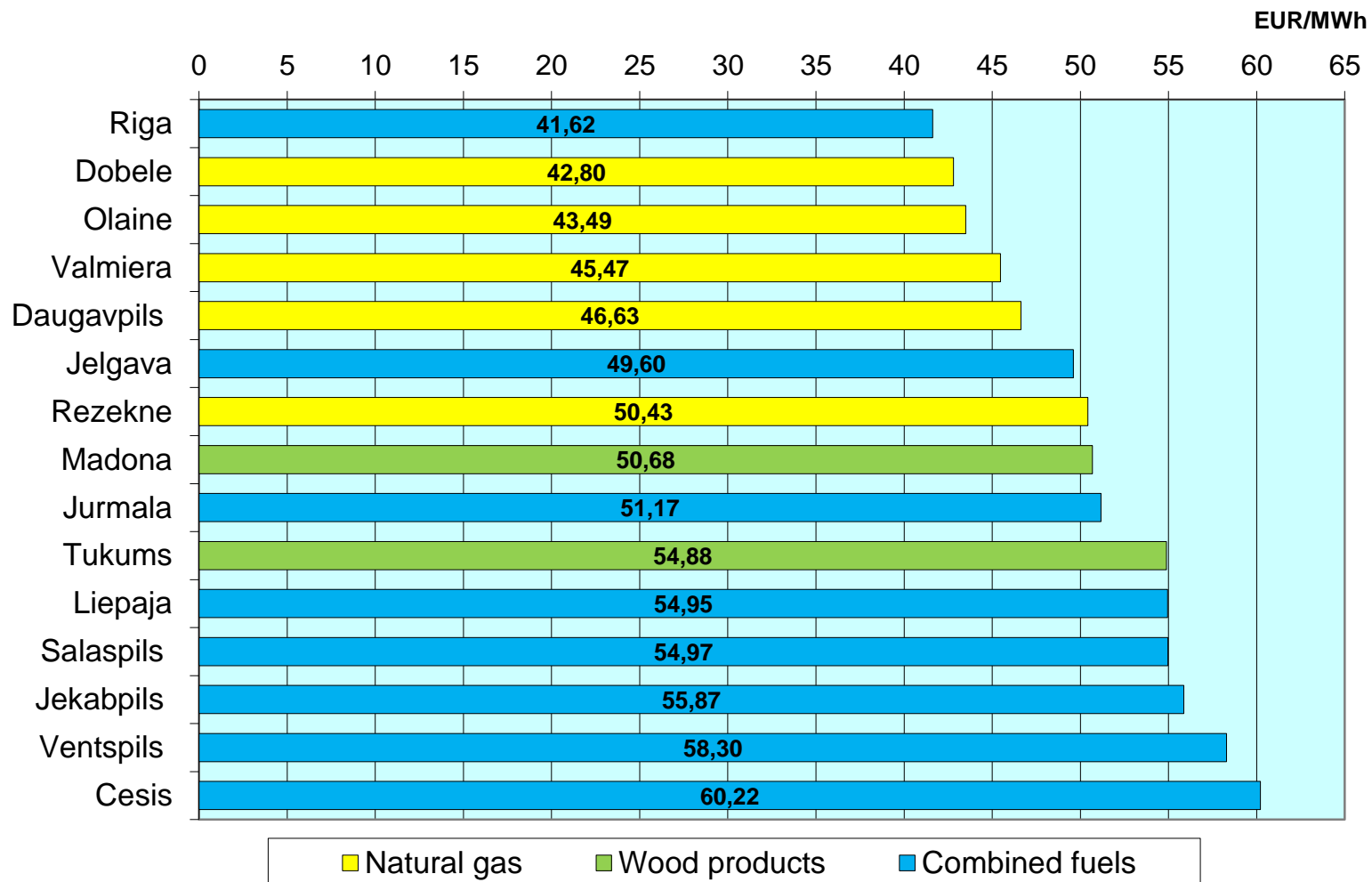
NATURAL GAS



WOODCHIPS, FIREWOOD



Thermal energy final tariffs in April, 2016, EUR/MWh



Natural gas sector: free trade from April 2017



The setting of tariffs will be changed



Amendments in the methodology are necessary



THANK YOU!

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