

Based on Article 11-g, paragraph 1, line 5 from the Energy Law (“Official Gazette of the Republic of Macedonia” no. 47/97, 40/99, 98/00, 94/02, 38/03 and 40/05), the Energy Regulatory Commission of the Republic of Macedonia, on the session held on 1st November, has adopted the following:

TARIFF SYSTEM ON NATURAL GAS SALE FOR CAPTIVE CONSUMERS

I. GENERAL PROVISIONS

Article 1

(1) The present Tariff System shall stipulate tariff elements and the price setting method for natural gas sale to captive consumers directly connected to the natural gas transmission system and to captive consumers directly connected to the natural gas distribution system.

(2) Companies performing natural gas supply for captive consumers shall be obliged to provide the captive consumers with natural gas quantities under sales price set in compliance with the present Tariff System.

Article 2

Terms used in the present Tariff System shall have the same meaning as the one provided in the Energy Law, while other terms used in the present Tariff System shall have the following meaning:

“natural gas transmission system user” – shall be any captive or eligible consumers directly connected to the natural gas transmission system, as well as natural gas traders supplying natural gas to these consumers;

“natural gas transmission company” – shall be any company holding the license on natural gas transmission and natural gas transmission system operation;

“natural gas distribution company” – shall be any company holding the license on natural gas distribution, natural gas distribution system operation and supply for captive consumers connected to the natural gas distribution system;

“natural gas captive consumer” – shall be any consumer directly connected to the natural gas transmission system, or to the natural gas distribution system and purchasing natural gas at stipulated tariff rates;

“natural gas supplier for captive consumers directly connected to the natural gas transmission system” – shall be any natural gas trader holding a license on natural gas supply for captive consumers directly connected to the natural gas transmission system;

“natural gas” – shall be the mixture of carbohydrates, whose main component shall be gas methane obtained from the soil in natural condition or together with liquid carbohydrates;

“normal cube meter (nm³)”- shall be the measuring unit for natural gas quantities contained in volume of 1m³, under an absolute pressure of 1.01325 bar and temperature of 20 C⁰ (293.15 K⁰);

“low calorific power” – shall be the quantity of heat released by complete combustion of 1 nm³ natural gas, where the water content as a combustion product remains in gaseous stage;

“gas delivery/receipt point” – shall be the place where natural gas is delivered to the consumer and shall be located on the exit point of MRS’ metering devices for consumers;

“basic low calorific power” – shall be the defined low calorific value of 33500 κJ, which represents the basis for calculating natural gas price;

“gas pressure”- shall be the difference between the absolute and atmospheric pressure;

“day” –shall be the time period of 24 continuous hours, calculated from 8.00 am on any calendar day until 8.00 am the next calendar day;

“month” – shall be the time period from 8.00 am on the first day of the calendar month until 8.00 am on the first day of the next calendar month;

“quarter” – shall be the time period of 3 months, starting from 8.00 am on the first day of the year, where:

- the first quarter shall be calculated from 8.00 am on the first day of the calendar month January until 8.00 am on the first day of calendar month April;
- the second quarter shall be calculated from 8.00 am on the first day of calendar month April until 8.00 am on the first day of calendar month July;
- the third quarter shall be calculated from 8.00 am on the first day of calendar month July until 8.00 am on the first day of calendar month October;
- the fourth quarter shall be calculated from 8.00 am on the first day of calendar month October until 8.00 am on the first day calendar month January in the next year;

“year” – shall be the time period calculated from 8.00 am on the first day of the calendar year until 8.00 am on the first day of the next calendar year;

“meter/regulation station (MRS)” – shall be the place when the delivering party shall meter the quantity of natural gas delivered and shall regulate the pressure thereof to the level required by the consumer;

“natural gas purchase contract”- shall be the contract that governs natural gas purchase/sales relations between natural gas exporters and natural gas traders, or natural gas exporters or traders and eligible consumers;

“natural gas access and transmission contract “- shall be the contract that governs the natural gas transmission relations between the natural gas transmission and transmission system operation company and the natural gas supplier for captive consumers directly connected to the natural gas transmission system, as well as the contract between the natural gas transmission and transmission system operation company and natural gas traders or eligible consumers directly connected to the natural gas transmission system;

“natural gas supply contract “- shall be the contract that governs the natural gas supply relations, i.e., the contract that determines natural gas quantities and delivery dynamics and other conditions agreed between the natural gas supplier and consumers.

Article 3

The Tariff System shall aim at providing quality natural gas supply for captive consumers, encouraging rational consumption and cost-effective supply for natural gas captive consumers.

II. PRICE-SETTING FOR NATURAL GAS SALES TO CAPTIVE CONSUMERS DIRECTLY CONNECTED TO THE NATURAL GAS TRANSMISSION SYSTEM

Article 4

Natural gas sales price for captive consumers directly connected to the natural gas transmission system should cover the costs for natural gas purchase and the service costs of the natural gas supply company for these consumers, and shall be comprised of:

- natural gas purchase price, and
- natural gas supply price for captive consumers directly connected to the natural gas transmission system.

Article 5

(1) Natural gas sales price for captive consumers directly connected to the natural gas transmission system shall be expressed in MKD/nm³ and shall be calculated according to the following formula:

$$C_{tp} = C_k * K + R_t + T$$

Where:

- C_{tp} - natural gas sales price for captive consumers connected to the transmission grid (MKD/ nm³);

- C_k** - corrected natural gas purchase price according to the low calorific power (USD/nm³);
- K** - average exchange rate of USD in the Republic of Macedonia, expressed as the average value of average exchange rates of USD in the last month of the previous accounting period, announced by foreign currency supporting banks, and determined by the National Bank of the Republic of Macedonia;
- R_t** - natural gas supply price for captive consumers directly connected to the natural gas transmission system, set in compliance with the Rulebook on the method and conditions for natural gas price regulation (MKD/nm³);
- T** - taxes and other fees stipulated by law;

(2) The corrected natural gas purchase price shall be set according to the following formula:

$$C_k = \frac{C_o * H_d}{33500}$$

Where:

- C_o** - natural gas purchase price (USD/ nm³);
- C_k** - corrected natural gas purchase price according to the low calorific power (USD/nm³);
- H_d** - low calorific power of delivered gas (kJ/ nm³);

(3) The correction of the natural gas purchase price referred to in paragraph 2 of this article according to the calorific power of delivered natural gas, as well as the relevant settlement shall be performed in a manner and procedure stipulated in the Purchase Contract for Imported Natural Gas (hereinafter: Purchase Contract).

(4) The natural gas purchase price referred to in paragraph 2 of this article shall be the price for 1nm³ natural gas, calculated according to the conditions and criteria set in Natural Gas Purchase Contract and based on the basic low calorific power of 33500 kJ/nm³.

Article 6

(1) Natural gas sales price shall be set periodically, in compliance with the purchase contracts.

(2) Upon changes of natural gas purchase price, holders of the license on natural gas supply for captive consumers directly connected to the natural gas transmission system shall be obliged to submit the Energy Regulatory Commission of the Republic of Macedonia application on sales price alteration containing the proposed new price.

(3) The application on sales price alteration can be submitted on the grounds of purchase price change, which is a result of the change of the

arithmetic mean of the average exchange rates for USD (in the previous calendar month from the date/month of the last application) in the Republic of Macedonia by $\pm 2\%$, according to which the applicable purchase price was set.

(4) The application on sales price alteration due to the purchase price change referred to in paragraph 2 of this article shall be submitted to the Energy Regulatory Commission at least 7 days prior to the expiration of the previous accounting period (quarter), and the applicant must list the reasons for the price alteration and submit documents required for the justification of the price change.

(5) The Energy Regulatory Commission shall be obliged – within a period of 7 days from the receipt of the application referred to paragraph 4 of this article – to adopt a decision on the rate of the new natural gas sales price and to publish the same in the “Official Gazette of the Republic of Macedonia”

(6) The decision referred to in paragraph 5 of this article, despite the natural gas sales price, shall also indicate the structure thereof, i.e.:

- natural gas purchase price and the average exchange rate for USD in the Republic of Macedonia, which is the basis for setting the purchase price;
- the supply price for captive consumers connected to the natural gas transmission system; and
- the VAT amount.

Article 7

(1) Metering, i.e., reading meters on natural gas quantities delivered in the previous calendar month shall be performed on the first day of the next calendar month at the MRS in the presence of authorized representatives from the supplier for captive consumers directly connected to the natural gas transmission system, captive consumers directly connected to the natural gas transmission system and from the transmission system operator, i.e., the natural gas transmission company, for which they shall sign minutes.

(2) Read metered natural gas quantities referred to in paragraph 1 of this article shall be rounded to an integer.

Article 8

(1) In compliance with the Tariff System on natural gas transmission, captive consumers directly connected to the natural gas transmission system shall be obliged to pay the transmission service charge for the natural gas quantities transmitted via the system (N_{pr}), i.e., the total charge to be paid by the captive consumer directly connected to the natural gas transmission system shall amount to:

$$N_{tpvk} = N_{tpq} + N_{pr}$$

Where:

N_{tpvk} - total charge for natural gas quantities delivered and transmitted (MKD);

- N_{tpq} - charge for natural gas quantities delivered (MKD); and
 N_{pr} - charge for natural gas quantities transmitted (MKD);

(2) The charge for transmission of natural gas quantities referred to in paragraph 1 of this article shall be calculated and collected by the supplier for captive consumers directly connected to the natural gas transmission system in compliance with the Tariff System on natural gas transmission and shall be governed by special contract or as part of the access and transmission contract signed between the natural gas transmission and transmission system operation company and the supplier for captive consumers directly connected to the natural gas transmission system.

Article 9

(1) 30 days prior to the end of the current year, the supplier for captive consumers directly connected to the natural gas transmission system shall be obliged to sign natural gas supply contracts with captive consumers directly connected to the transmission system for the next year, that would determine the quantities and delivery dynamics, as well as delivery terms.

(2) 15 days prior to the end of the current year, the supplier for captive consumers directly connected to the natural gas transmission system shall be obliged to sign access and transmission contract for agreed natural gas quantities referred to in paragraph 1 of this article with the natural gas transmission and transmission system operation company.

Article 10

(1) The supplier for captive consumers directly connected to the natural gas transmission system shall be obliged to prepare and submit the consumer the calculation and invoice, separately indicating the charge amounts for:

- natural gas purchase;
- natural gas supply for captive consumers directly connected to the natural gas transmission system;
- natural gas transmission and transmission system operation; and
- Value Added Tax.

III. NATURAL GAS PRICE-SETTING FOR CAPTIVE CONSUMERS CONNECTED TO THE NATURAL GAS DISTRIBUTION SYSTEM

Article 11

Natural gas sales price for captive consumers directly connected to the natural gas distribution system, in cases when the distributor is a captive consumer directly connected to the natural gas transmission system should provide recovery of costs incurred for:

- natural gas purchase from the supplier for captive consumers directly connected to the natural gas transmission system, natural gas transmission and transmission system operation, as well as natural gas supply from the delivery/receipt point in the natural gas distribution system in compliance with the provisions contained in chapter II of the present Tariff System, and
- natural gas distribution and distribution system operation, as well as natural gas supply for captive consumers connected to the natural gas distribution system.

Article 12

Natural gas sales price for captive consumers connected to the natural gas distribution system, in cases when the distributor is eligible consumers connected to the natural gas transmission system should provide recovery of costs incurred for:

- natural gas purchase from traders or from import at own choice, natural gas transmission and transmission system operation to the delivery/receipt point in the natural gas distribution system, and
- natural gas distribution and distribution system operation, as well as supply for captive consumers connected to the natural gas distribution system.

Article 13

Natural gas sales price for captive consumers connected to the distribution system shall be expressed in MKD/nm³ and shall be calculated upon on the expiration of the calendar month according to the following formula:

$$C_{td} = N_{tpvk} / q_{imd} + P_{Dt}$$

Where:

- C_{td}** - natural gas sales price for captive consumers of the distribution grid;
- N_{tpvk}** - charge on natural gas quantities purchased and transmitted, i.e., delivered to the distribution MRS in the course of the previous month;
- q_{imd}** - natural gas quantities delivered to the distribution MRS in the course of the previous month; and
- P_{Dt}** - price for the services distribution, distribution system operation and supply for captive consumers connected to the natural gas distribution system, set in compliance with the Rulebook on the method and conditions for price regulation of natural gas transmission, distribution and supply.

Article 14

30 days prior to the end of the current year, the natural gas distribution company shall be obliged to sign purchase contracts for the next year for the natural gas quantities required to meet the demand of distribution grid's captive consumers.

Article 15

(1) Natural gas sales price for captive consumers connected to the natural gas distribution system shall be set periodically, in compliance with the natural gas purchase contract, i.e., the natural gas supply contract when the distributor is captive consumer.

(2) The distribution company shall be obliged to submit the Energy Regulatory Commission application on sales price alteration indicating the proposed new price when there is change of elements establishing the natural gas sales price, and shall submit documents required for the justification of the change.

(3) Within a period of maximum 7 days from the receipt of the complete application referred to in paragraph 2 of this article, the Energy Regulatory Commission shall be obliged to adopt a decision on the rate of the new natural gas sales price for captive consumers connected to the distribution grid and shall publish it in the "Official Gazette of the Republic of Macedonia".

(4) The decision referred to in paragraph 3 of this article, despite the sales price shall also indicate the structure thereof.

Article 16

(1) Metering, i.e., reading metering devices installed at captive consumers for the natural gas quantities delivered in the previous calendar month shall be performed in the first three days of the next calendar month by authorized persons of the natural gas supplier, and in consumer's presence.

(2) Read metered quantities of natural gas referred to in paragraph 1 of this article shall be rounded to integer.

Article 17

The supplier for captive consumers connected to the natural gas distribution system shall be obliged to prepare and submit the consumer calculations and invoice that will particularly indicate the charges for:

- natural gas purchase;
- natural gas transmission and transmission system operation;
- natural gas distribution, distribution system operation and supply; and
- Value Added Tax.

Article 18

The present Tariff System shall enter into force on the eight day of its publication in the “Official Gazette of the Republic of Macedonia”, while the application thereof shall be initiated on the day when the Decision on setting the price cap for natural gas transmission and transmission system operation adopted in compliance with the Rulebook on the method and conditions for price regulation of natural gas transmission, distribution and supply enters into force.

No. 01-1273/1
Skopje, 1st November 2005

President
Slave Ivanovski