

First Annual Meeting of CAREC Members Electricity Regulators Forum (CMERF)

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«Reducing commercial losses,
increasing bill collection»

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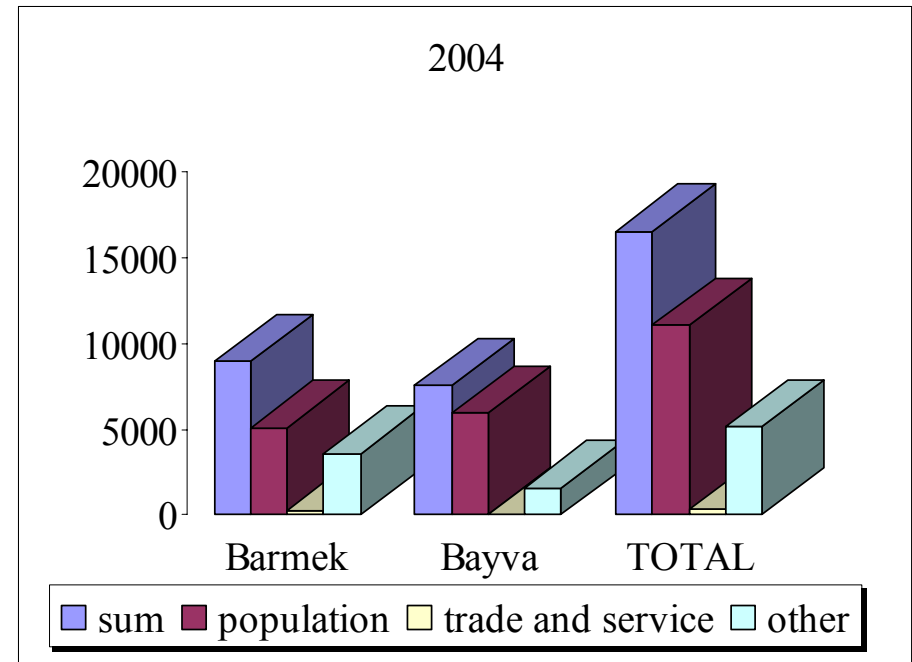
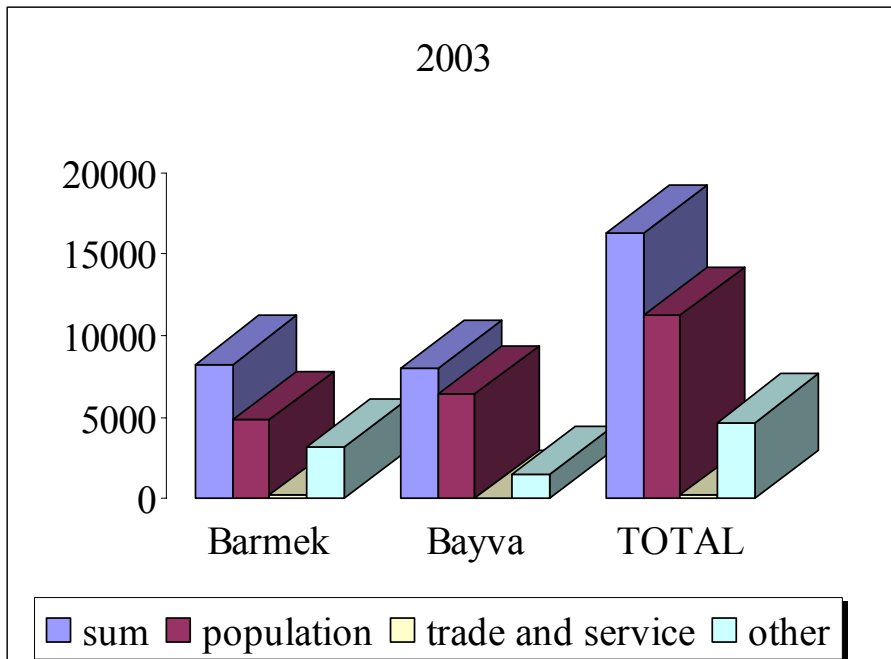
Azerbaijan Republic

Ministry of Industry and Energy

Tariff by consumer group

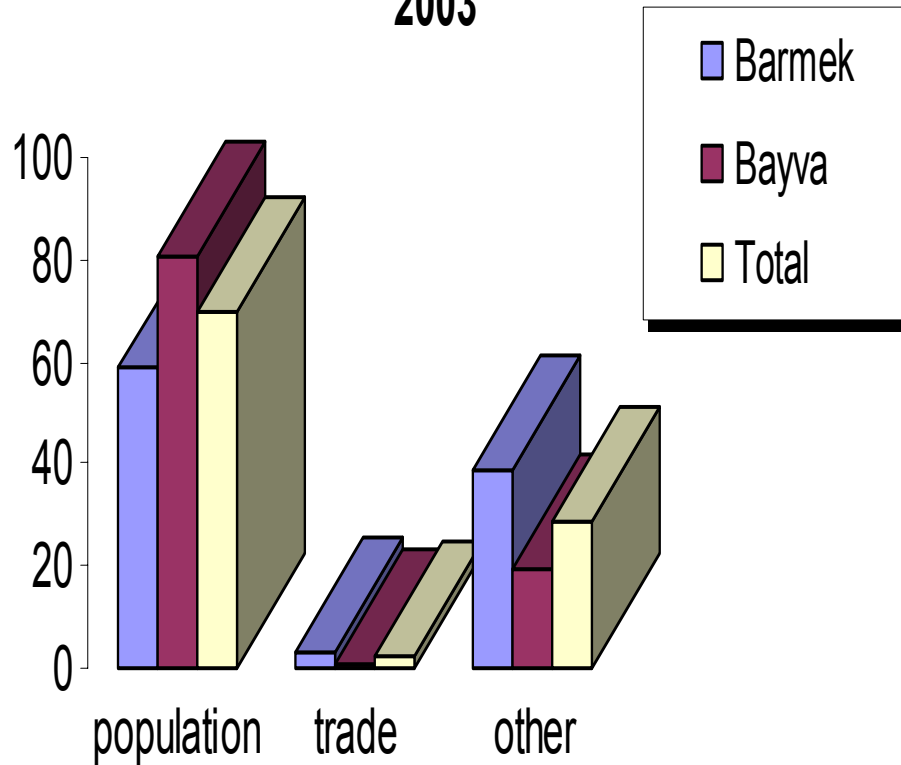
	AZM	\$ USD
Wholesale	83.8	0.0174
Population	96	0.02
Trade and service	295.0	0.06
Other consumers	153.4	0.03

Structure of demand of electricity (in (in billion kwh)

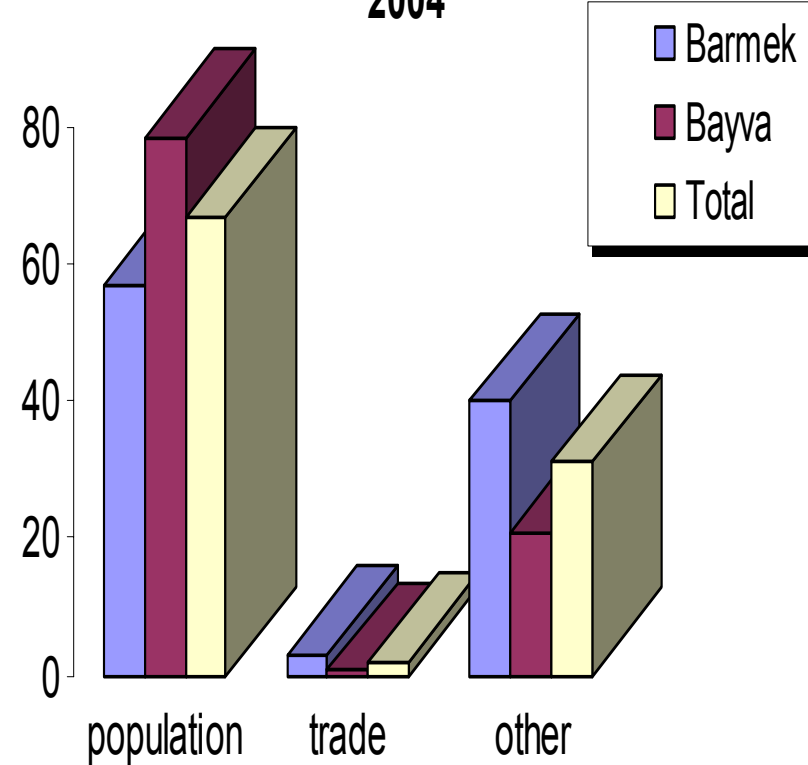


Structure of demand in percent (%)

2003



2004



Level of payment in percent (%)

	2003				2004			
Distribution companies	Total	Population	Trade and sevice	Others	Total	Population	Trade and sevice	Others
Barmek	54.6	25.0	100.5	77.3	60.7	30.0	93.8	83.8
Bayva	35.5	18.6	83.0	80.2	43.5	24.8	89.7	86.5
TOTAL	45.8	21.4	100.1	78.1	53.3	27.2	92.9	84.6

Degree of technical loss in the distribution of electricity from 2002 to 2004

In percent (%)

Networks	2202			2003			2004		
	norm	real	±	norm	real	±	norm	real	±
«Barmek Azerbaijan»	15.24	20.1	+4.66	16	16.7	+0.7	15	15.3	+0.3
«Bayva-Energy»	16	16.6	+0.6	16	17.7	+1.7	15	16.1	+1.1
General		18.35			17.21			15.71	

General problems of electricity sector in Azerbaijan

- Unsuitable design of most of generators and electricity transmission lines
- Weakness in market regulation
- Tariffs not suitable to market demand
- Low capacity to pay by majority of consumers
- Lack of electricity meters by majority of consumers
- Irrational or inefficient use of electricity

Proposed measures to cut down losses

A. Long-term

- 1. Ensure optimal relations of government and market control in production, transmission, distribution, and use of electricity**
- 2. Create legal, economic, and technical environment conducive for establishing wholesale and retail electricity market**
- 3. Ensure market competition**
- 4. Apply tariffs:**
 - Cover all costs**
 - Prevent cross-subsidy**
 - Set tariff differentials between day time and night time**

B. Short-term perspective

- 1. Provide all consumers with modern equipment for accurate metering of electricity consumption**
- 2. Create and implement progressive rules in production, transmission, and distribution of electricity**
- 3. Develop technologies for increasing efficiency and cutting down cost of production, transmission, and distribution of electricity**
- 4. Apply *SCADA* system in dispatch control**
- 5. Recognizing projects that use alternative and rehabilitated energy sources**

Rules of using electricity

(2 February 2005)

These rules regulate relations among the players in electricity market:

- government electricity company
- supply companies
- independent power producers
- consumers

Rules of using electricity energy

- Technical conditions for connecting electricity equipment to the network
- Allowing use of electricity equipment
- Terms and conditions for using electricity
- Rationalize boundaries of electricity networks
- Government control of electricity equipment
- Installation and use of electricity meters
- Billing for using (active and reactive) electricity
- Responsibility of consumers and conditions for stopping electricity supply
- Responsibility of supply companies
- Responsibility of government electricity company
- Mutual relations with independent consumers