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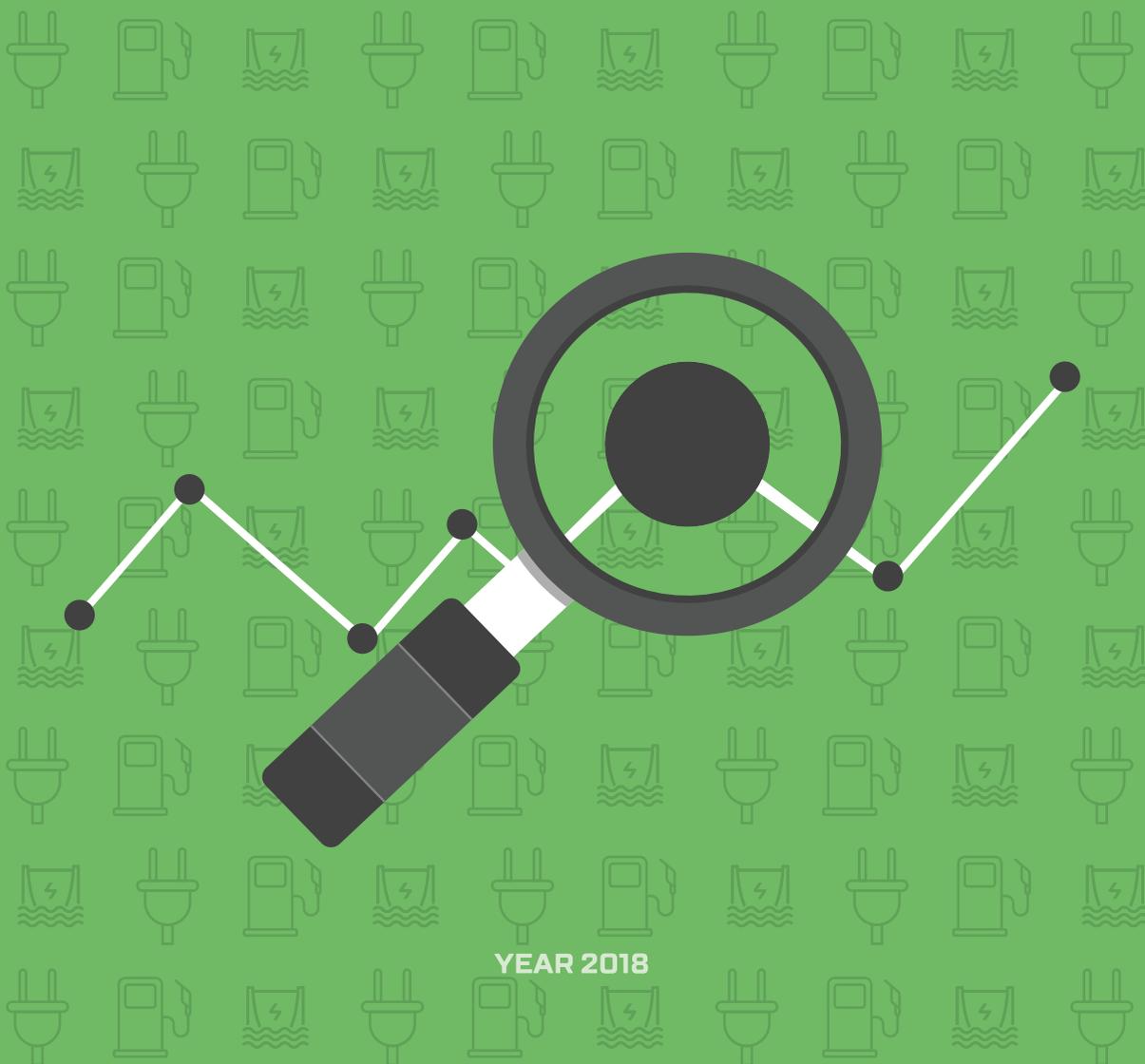


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# ANALYSIS OF THE ENERGY REGULATORY COMMISSION'S PERFORMANCE



YEAR 2018



**ANALYSIS OF THE ENERGY  
REGULATORY COMMISSION'S  
PERFORMANCE**

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## 1. INTRODUCTION

Energy market regulation aims to guarantee reliable and quality supply of energy to consumers, environmental and consumer protection, and to ensure competition on energy and energy fuel markets. In addition, energy market regulation should provide a balance between consumers and companies providing services in the energy sector, level playing field for market participants, competitiveness and competition among companies, as well as regulation or minimization of market monopoly. This regulation is deemed necessary due to the importance of market sectors regulated by the Energy Regulatory Commission, such as electricity and water, i.e. due to their daily use by all citizens in the society.

The check-and-balance mechanism, which is best reflected in the work of regulatory and supervisory bodies, represents an essential characteristic of any democratic system and provides quality control aimed to protect the public interest. Hence, the energy regulatory authority should be in position to take decisions on all relevant regulatory matters related to the internal energy market falling within its competences in order to ensure functional market and overall independence from other public or private interests.

The principle of good governance, which is based on transparency, accountability and independent decision-making by the regulatory authority, is precondition for quality services and competitive prices on the energy markets. In 2002, adoption of the Law on Amending the Energy Law<sup>1</sup> resulted in transfer of regulatory competences in the field of setting energy and energy fuel prices to the Energy Regulatory Commission, but the overall energy policy remained within competences of the Ministry of Economy.

In the capacity of candidate country for EU membership, the Republic of Macedonia has signed the Energy Community Treaty, thereby assuming obligations to align its national legislation with the EU *acquis* (*acquis communautaire*) in the fields of energy, environmental protection, competition and renewable energy. This study/analysis represents an attempt to provide an overview of the Energy Regulatory Commission's track record, to check the extent to which this regulatory body complies with its competences, and to provide recommendations aimed at greater independence and expanded competences, in order to ensure competitiveness of the Macedonian energy and energy fuel market that could be easily integrated with the bigger market in Europe.

<sup>1</sup> "Official Gazette of the Republic of Macedonia" no. 94/2002 (out of effect)

## 2. METHODOLOGY AND STRUCTURE

Main goal of this analysis is to answer the question: **“Whether and to what extent ERC performs its tasks of independent regulatory and supervisory body in the Republic of Macedonia?”** In that, the analysis will attempt to answer two sub-questions, as follows: 1) Whether and to what extent ERC successfully performs its law-stipulated competences? and 2) To what extent is ERC independent, transparent and accountable for its performance? Accordingly, this document is organized in two parts.

Starting from the fact that the expert public in the Republic of Macedonia is insufficiently engaged in assessing ERC’s performance, especially in regard to matters that comprise the focus of this analysis, the first part of this document is descriptive and attempts to answer the question **“What are ERC’s law-stipulated competences and does it perform them successfully?”** In particular, **this part of the document includes an analysis of ERC’s legal framework and the national legislation’s alignment with the third energy package.** Here, we provide an overview of the Energy Law and the legal framework governing ERC’s work, mission, competences, organizational structure, etc. In order to obtain comprehensive image about current state-of-affairs on energy and energy fuel markets, we analysed the national legislation’s alignment with the third energy package on the basis of Country Reports for the Republic of Macedonia published by the Energy Community Secretariat, and conducted a field survey by means of semi-structured interviews in duration of 30 minutes with senior staff members of the Energy Regulatory Commission and relevant experts with long-standing experience in the energy sector.

The second part of this document is centred on the question **“Is ERC effective, independent, transparent and accountable in its performance?”** In that, the analysis started with submission of 16 information requests pursuant to the instrument for free access to public information. After receipt of ERC’s responses, we analysed minutes from preparatory sessions and public consultations held in the course of 2016, and covered several current issues in the energy sector, such as: introduction of cheap in-day tariff and market liberalization. Transparency and accountability of this regulatory body was assessed by analysis of ERC’s financial operations (annual plans and reports) and oversight of their implementation. In the second part of this document, we also provide comprehensive analysis of ERC’s website.<sup>2</sup> The methodology approach applied to development of this study/analysis included organization of three focus groups in the period 16<sup>th</sup> to 19<sup>th</sup> May 2017, as well as public survey conducted in the period 2<sup>nd</sup> to 23<sup>rd</sup> March 2018 on representative sample comprised of 1,043 respondents. Finally, on the basis of relevant findings from interviews and focus group discussions, the project team drafted recommendations aimed to improve performance of the Energy Regulatory Commission.

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<sup>2</sup> ERC’s official website: <http://www.erc.org.mk/>



prices and tariff systems of all companies participating in the regulated market. In the capacity of independent regulatory body, ERC should protect and promote rights of energy consumers and energy system end-users.

Cloud: Conclusions from focus group discussions: Knowledge about ERC's work

“ I don't see any reason why I should have knowledge about the work performed by the Energy Regulatory Commission. ”  
**[Zaneta, 55 years, Skopje]**

“ I think ERC is highly dependent on the government, although it should be independent [body] ”  
**[Irina, 33 years, Skopje]**

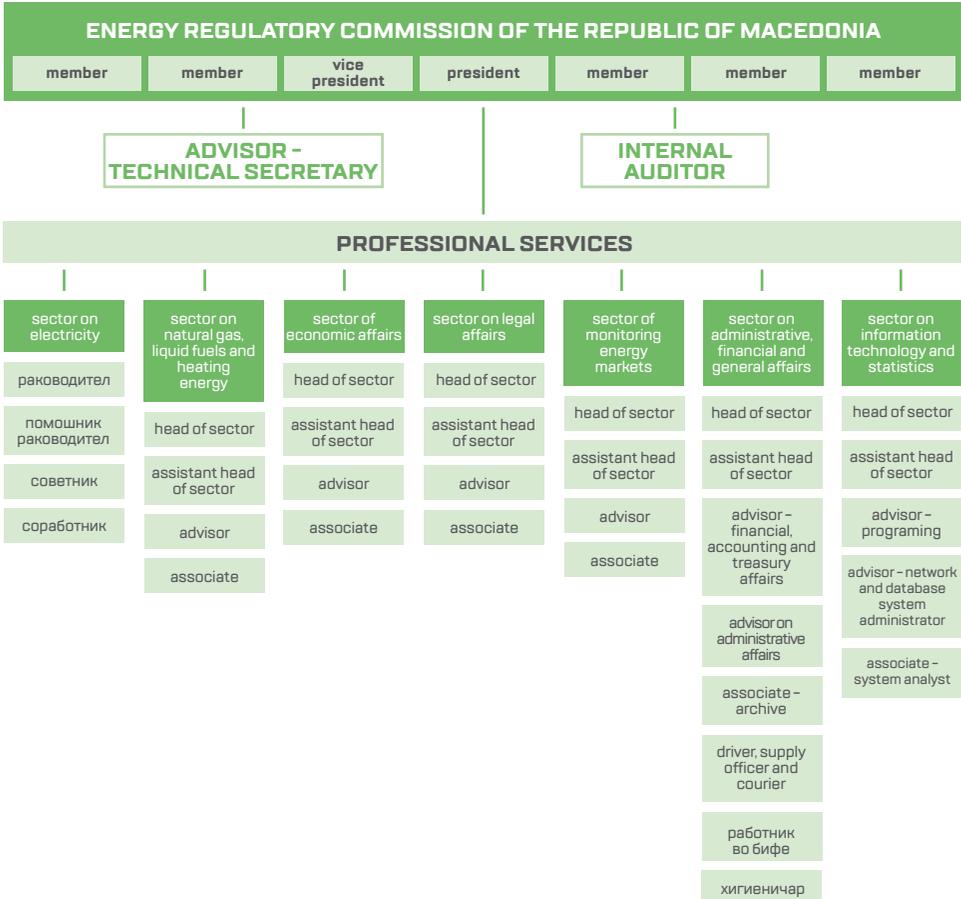
“ Well, I thought about [setting of energy fuel prices, a/n] and could say that electricity is monopoly and they could do whatever they want. There is no electricity stock marker, and I think this sector operates as public-private partnership ”  
**[Marika, 45 years, Struga]**

### 3.3 Organizational Setup

Energy Regulatory Commission is comprised of seven members (commissioners), one of which acts as Commission President. On proposal from the Government of the Republic of Macedonia, ERC President and Members are appointed and dismissed by the Parliament of the Republic of Macedonia. The public office of ERC Member is performed professionally and independently and is not compatible with performance of any other public office or political party office or job position. The term of office for ERC Members is set in duration of five years, whereby commissioners cannot be elected to this office for more than two consecutive terms of office.

Internal organization and job systematization at ERC is regulated by separate rulebook which establishes organization units, temporary and standing work groups, as well the total number of employees per sector, i.e. professional service.

Figure no.1: *Organogram of the Energy Regulatory Commission*<sup>4</sup>



Current composition of the Energy Regulatory Commission<sup>5</sup> is as follows:

- Dimitar Petrov**, bachelor degree in electricity engineering. He was appointed ERC President under five-year term of office on 15<sup>th</sup> June 2009 and was reappointed for second term of office as ERC President on 2<sup>nd</sup> November 2015.
- Kushtrim Ramadani, MA**, bachelor degree in mechanical engineering. He was appointed ERC Vice President under five-year term of office on 24<sup>th</sup> December 2012.
- Vidan Kulevski**, bachelor degree in electricity engineering. He was appointed ERC Member under five-year term of office on 16<sup>th</sup> November 2009 and was reappointed for second term of office on 2<sup>nd</sup> November 2015.
- Svetlana Janevska**, bachelor degree in economy. She was appointed ERC Mem-

<sup>4</sup> Source: ERC's website, available at: <http://www.erc.org.mk/pages.aspx?id=80>, [last retrieved on 27.3.2018]

<sup>5</sup> ERC composition and structure, available at: <http://www.erc.org.mk/pages.aspx?id=2>

ber under five-year term of office on 29<sup>th</sup> February 2008 and was reappointed for second term of office on 19<sup>th</sup> February 2014.

5. **Pance Orcev**, bachelor degree in technology engineering. He was appointed ERC Member under five-year term of office on 25<sup>th</sup> December 2017.
6. **Enver Eljmazi**, bachelor degree in law. He was appointed ERC Member under five-year term of office on 17<sup>th</sup> October 2016.

ERC's current composition includes one disputable aspect which is seen in the fact that this regulatory body operates with six instead of seven commissioners as stipulated by the law. ERC's previous composition (valid by 25<sup>th</sup> December 2017<sup>6</sup>) was also marred by several disputable aspects. First, at its last session in 2016 prior to dissolution in the wake of the general elections, the Parliament appointed two new members to ERC, those being: Dejan Boshkovski MA and Enver Eljmazi, perceived as an act of "*boarding the last train*". Second, appointment of Dejan Boshkovski as ERC Member is contrary to Article 17, paragraph 3 of the Energy Law, because he came from the position of general manager at ELEM (Power Plants of Macedonia). Third, the term of office for Elena Markova Velinova, who was ERC Member under the previous composition, has expired in February 2016. Hence, in the absence of decision that would establish termination of her public office, it seems that, over a period of almost two years, ERC has worked and has adopted decisions with a commissioner whose term of office had expired. Such failure in terms of timely appointment of new ERC Members is due to the inactivity on the part of the Government and the Parliament of the Republic of Macedonia, which in compliance with their respective law-stipulated competences are obliged to propose (government) and approve or disapprove appointment of nominated members (parliament).

### 3.4 Legal Framework and Alignment with the EU Acquis

Energy Law is a systemic law that provides basis for adoption of several bylaws that closely regulate the energy sector and the energy and energy fuel markets in Macedonia. In particular, the law covers all important areas of the national energy policy, including all energy sources, market regulation, energy transmission and distribution. Inter alia, this law introduces new regulatory framework aimed at liberalization of electricity and natural gas markets. Other legislative acts relevant for this sector include the Law on Concessions and Public Private Partnerships, Law on Protection of Competition, Law on Construction Works and Law on Environment.

Energy Regulatory Commission plays a key role in regulation of energy markets, by adopting and approving secondary legislation, introducing tariff systems, etc. On the account of the important role and voluminous competences entrusted to ERC, it is important to have insights into official documents that stipulate its internal organization, capacity, competences, and its method of operation, i.e. performance.

<sup>6</sup> Decision published in the "Official Gazette of the Republic of Macedonia" no. 190/2017 from 25.12.2017.



not members of ERC can be discretionally removed from these sessions by the relevant official who has convened them, provided the former interrupts the work underway and hinders reputation of the commission.

President of the Energy Regulatory Commission is responsible to ensure publicity of work performed by this regulatory body. The public is notified about ERC's work and performance by means of press-releases published on its official website and in mass media, while commissioners or ERC's professional services are also allowed to publicly present data and positions on behalf of the regulatory body, upon previous authorization from ERC President.

ERC's Code of Conduct regulates rights and obligations of commissioners and employees at ERC, including the method of conduct and operation at this commission. According to this code, all employees must adhere to ethical and moral principles established therein.

### 3.6 International Cooperation and Networking

ERC is a full-fledged member of the Energy Community Regulatory Board (ECRB), and the Energy Regulators Regional Association (ERRA), and it is participant, but only as observer, in the Council of European Energy Regulators (CEER). At the same time, the Energy Regulatory Commission is a full-fledged member of the European Water Regulators (WAREG).

## 4. MACEDONIAN LEGISLATION AND THE THIRD ENERGY PACKAGE

### 4.1 What is the Third Energy Package?

The third energy package is a set of rules adopted by the European Union and aimed to additionally strengthen functioning of electricity and natural gas markets. In particular, it anticipates unbundling of energy and natural gas generation, transmission and supply. The unbundling process should prevent relevant network or grid operators to favour their companies, i.e. prevent them to perform energy generation and supply at the same time.

### 4.2 What is the Energy Community?

Energy Community is an international organization with participation of EU member-states, as well as neighbouring countries,<sup>7</sup> intended to create a pan-European energy market. In that regard, efforts of the Energy Community to lead the process on creating a continental energy market on the territory of Europe started with the Athens Treaty (Greece) signed in 2005. By signing this treaty, which entered into

<sup>7</sup> Republic of Macedonia, Kosovo, Albania, Serbia, Bosnia and Herzegovina, Montenegro, Georgia, Moldavia and Ukraine have the status of contracting parties, while Norway, Turkey and Armenia have the status of observers.

Available at: <https://www.energy-community.org/aboutus/whoweare.html>

effect in 2006, the main goal of the Energy Community is to create legislation, i.e. binding legal framework for member-states and countries from Southeast Europe and from the region of the Black Sea. By means of its efforts to introduce binding legislation on the energy market, the Energy Community strives towards acceptance and application of internal rules and principles governing the EU energy market by its neighbouring countries in SEE and in the region of the Black Sea. In that regard, attainment of its mission is based on five key processes<sup>8</sup>:

- **establish stable regulatory and market framework** capable of attracting investment power generation and networks;
- **create an integrated energy market** allowing for cross-border energy trade and integration with the EU market;
- **enhance the security of supply** to ensure stable and continuous energy supply that is essential for economic development and social stability;
- **improve the environment situation** in relation with energy supply in the region and foster the use of renewable energy and energy efficiency;
- **develop competition at regional level** and exploit economies of scale.

In the recent period, the Energy Community has established several platforms by means of which it pursues its mission, one of which includes monitoring of energy markets in the Western Balkans.

#### 4.2.1 What do Energy Community Reports Say?

Energy Community monitors implementation of the EU energy policy by publishing reports on progress achieved in the relevant field. The energy policy is part of the so-called *acquis communautaire*.<sup>9</sup> Having in mind all this, reforms related to energy market regulation are part of the EU accession process and are subject of Energy Community's monitoring reports.<sup>10</sup>

As regards the electricity market, findings from the last two reports could be summarized in the following points:

- implementation of reforms to ensure independence of national regulatory authorities on the basis of previously defined indicators, not excluding expansion of regulatory authorities' competences and their independence, which will be guaranteed by implementation of the third energy package;
- major shortfall is identified in the lack of neutral committee for selection of Commission Members, as well as the obligation for all members to have certificates for psychological and business integrity;
- no progress is observed in elimination of legal and contractual barriers for

<sup>8</sup> Official website of the Energy Community, available at: <https://www.energy-community.org/aboutus/whoweare.html>

<sup>9</sup> *Acquis communautaire* is the accumulated EU law, legislation and decisions of the European Court of Justice and all decisions that govern EU institutions.

<sup>10</sup> <https://www.energy-community.org/documents/reports.html>

establishment of organized electricity market with at least one neighbouring country;

- no progress is observed in terms of ERC's application for obtaining the status of observer at the Agency for Cooperation of Energy Regulators. This obligation will be complied with after enactment of the new Energy Law (aligned with the third energy package), and after performance of relevant monitoring and issuance of positive opinion from the Energy Community Secretariat.

As regards reports on natural gas markets, the following remarks were duly noted:

- the natural gas transmission operator GAMA needs to be unbundled from the private company Makpetrol;<sup>11</sup>
- the natural gas network and market rules are not fully aligned.

In general, the Energy Community's recommendations concern alignment of the national legislation with the third energy package, which is still not implemented and according to which ERC should not set the price of electricity sold by ELEM to EVN. In that, delayed implementation of the third energy package arises from its direct collision with the Energy Law.

Here it should be noted that the natural gas market in Macedonia is fully liberalized since 1<sup>st</sup> January 2015.

#### 4.3 Electricity and Natural Gas Market Liberalization

According to the Action Plan on Electricity Market Liberalization, this procedure should have been completed by the end of 2014. However, amendments to the Energy Law from October 2014 established new deadlines for market opening, thereby postponing market liberalization for a period of five years. The rationale provided for this decision concerned the price shock that would have been caused by market liberalization, meaning that households would pay higher electricity prices by 17% to 20%.<sup>12</sup>

The new dynamics established for electricity market liberalization is given below:<sup>13</sup>

- 1 July 2016: companies marked by total electricity consumption above 1,000 MW/h in 2015 will become eligible consumers;
- 1 July 2017: companies marked by total electricity consumption above 500 MW/h in 2016 will become eligible consumers;
- 1 July 2018: consumers marked by total electricity consumption above 100 MW/h in 2017 will become eligible consumers;
- 1 July 2019: consumers marked by total electricity consumption above 25 MW/h in

<sup>11</sup> Energy Community Secretariat's Report: The State of Gas Market Integration in the Energy Community, available at: <https://www.energy-community.org/documents/reports.html> [last retrieved on 14.11.2017]

<sup>12</sup> <http://republika.mk/325266>

<sup>13</sup> Article 197 of the Energy Law (Amendments to the Energy Law published in "Official Gazette of the Republic of Macedonia" no. 151 from 15.10.2014)



Cloud: Conclusions from focus group discussions: All eyes on the state

In general, citizens are not satisfied with market conditions and energy and energy fuel prices. In that, they directly indicate the state (government) as the main culprit thereof, having in mind that the state should ensure these conditions and should protect citizens' interests. Negative perceptions about the sales of the Electricity Economy Macedonia (ESM) are still dominant in the public. In general, citizens believe that this type of enterprises should remain in state ownership.

“

*The state should pursue left-oriented policies and protect citizens by ensuring adequate market conditions. It should exert influence at times of crisis. When these companies are state-owned, they can institute measures aimed to protect poor consumers, for example. Private companies are only interested in making profits.”*

**(Mile, 40 years, Strumica)**

“

*The government should secure these conditions, but not by selling what is state-owned. Private companies establish energy prices on their own. Monopoly companies should remain in state ownership. New companies should be opened for electricity import and export.”*

**(Ivan, 35 years, Skopje)**

#### 4.3.1 Cheap Electricity and the Elections

At its regular session held on 24<sup>th</sup> August 2017, ERC adopted changes to the Tariff System on Electricity Sales to Households and Small Consumers. Although according to the Energy Law ERC is responsible for setting energy and energy fuel prices under relevant tariff systems, this decision was broadly perceived as being determined by the government agenda, i.e. it implied realization of particular pre-election promise.

By middle of July 2017, the government announced that it is heavily engaged in calculating financial implications from restoration of cheap in-day electricity tariff.<sup>17</sup> This announcement made by the government raised several questions: 1) Is cheap tariff in compliance with rules of the EU and the Energy Community Secretariat? and 2) Does the government have the right to propose changes to energy prices and tariffs?

As regards the first question, the Energy Community Secretariat claims that “restoration of cheap electricity tariff could be done only as an exemption, provided that it is well argued and time-bound, while costs incurred by implementation of cheap electricity tariff should be covered from the state budget”.<sup>18</sup> After its talks with

<sup>17</sup> <http://vecer.mk/ekonomija/od-oktomvri-se-vrakja-evtinata-struja-preku-den>

<sup>18</sup> <http://tera.mk/eez-preporachuva-evtina-dnevna-tarifa-na-strujata-samo-za-sotsijalnite-semejstva/>

the government, the Energy Community Secretariat changed its position and agreed to restoration of cheap in-day electricity tariff.<sup>19</sup>

As regards the second question, there is no explicit rule that prohibits governments to propose such changes, but according to the principle of power sharing the executive branch of government must not interfere in work of independent regulatory bodies. Nevertheless, in late July 2017, the government proposed ERC, together with EVN, MEPSO and the Ministry of Economy, to develop the plan on implementation of cheap electricity tariff.

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<sup>19</sup> <https://skopjeinfo.mk/kje-ima-li-evtina-dnevna-struja>

# PART II.

## 5. TRANSPARENCY AND ACCOUNTABILITY

### 5.1 Legal Framework on Accountability and Transparency

Transparency and accountability are underlying principles for all democratic institutions. In the case of ERC, transparency and accountability as basic principles are enlisted in the Energy Law, as well as in ERC's Rules of Procedures, although there are no separate provisions that govern practical exercise of these principles.

In this specific case, having in mind that ERC regulates energy and energy fuel markets, these two principles primarily concern the commission's transparency, but they are equally important and applicable to companies participating in relevant energy markets.

As regards transparency of ERC, this principle is referred under Article 23, paragraph 2 of the Energy Law, which reads: *"For the purpose of securing efficient performance of its competences related to the operation of energy markets, the Energy Regulatory Commission shall monitor in particular: operation of energy markets, in order to secure their promotion, as well as in order to secure non-discrimination, effective competition, transparency and efficient operation of markets"*. In addition, all regulations adopted by ERC are based on the principle of transparency,<sup>20</sup> as well as the rules for market regulation.<sup>21</sup>

ERC is held accountable for its performance before the citizens, although it formally provides account before the Parliament of the Republic of Macedonia. According to this obligation:

- by 31st March in the current year, ERC presents the Parliament with its annual operation report for the previous year, including a financial report;
- by 1st October in the current year, ERC presents the Parliament with its proposed financial plan for the next calendar year for approval.

On the other hand, the Parliament of the Republic of Macedonia takes the decision on setting the rate for catchment fees collected by ERC from companies participating in the energy market.

<sup>20</sup> Article 24, paragraph 4 of the Energy Law: "Regulations referred under paragraphs (1), (2), and (3) of this article shall be based on the principles of objectivity, transparency and non-discrimination, and they shall provide [...]".

<sup>21</sup> Article 27 of the Energy Law: "Energy Regulatory Commission shall adopt the Electricity Market Code and the Natural Gas Market Code, based on the principles of transparency and non-discrimination of electricity and natural gas market users."



After organization of relevant preparatory session, ERC President schedules the regular session. At these sessions, ERC members are presented with summarized proposals based on the opinions obtained during the relevant preparatory session and other opinions and analyses received in written, and they end with commissioners voting “for” or “against”.<sup>24</sup> According to Article 32 of the Energy Law, ERC’s regular sessions are public. Only manner in which publicity is secured around important issues are interested parties invited by ERC to attend preparatory sessions. Hence, it can be concluded that provisions from the Energy Law are only formally enforced, with narrow interpretation of the principle of publicity for ERC’s sessions.

As regards public consultations, Article 8 from ERC’s Rules of Procedure stipulates that: “*Energy Regulatory Commission shall take decision for organization of public consultations upon proposed acts. The decision referred under paragraph 1 of this article shall determine the manner in which the public consultations will be organized, as well as the entities that will be provided the relevant proposed act. Notification on the public consultations may be published on official website of the Energy Regulatory Commission and/or in mass media. Remarks, proposals and opinions shall be submitted to the Energy Regulatory Commission’s archive or via electronic mail within a deadline set forth in the notification referred under paragraph 3 of this article*”. Although time, topic and venue of public consultations can be published on ERC’s website, no notifications have been uploaded for any of the public consultations held in the course of 2016. In order to increase its transparency, ERC needs to publish the date, venue and time of its public consultations, preparatory and regular sessions.

### 5.3 Website as Transparency Instrument

ERC’s website is organized into two sections. The first section hosts information per energy type and includes relevant secondary legislation, decisions on setting prices and tariffs, and market regulations. The second section hosts information related to ERC work and features annual reports, public relations, prices, licenses, monitoring and dispute resolution. In that, all subsections include relevant information, except for the subsection dedicated to reports, which does not host any information, analysis or report. Namely, it is anticipated for this section to host relevant reports and analyses that will be uploaded after full implementation of the new software system for market monitoring that was implemented in the last two years. In addition to ERC’s annual operation report, reports and analyses published under this section will allow the broader public access to detailed information, data, trends and movements observed in shorter time periods [quarterly, semi-annual] for all energy markets in the Republic of Macedonia. Inter alia, that would contribute to greater understanding and trust among energy market participants and consumers. Publication of the first set of reports and analyses is planned to start in the course of 2018.

ERC’s website hosts rulebooks for all energy markets, as well as regular updates on

<sup>24</sup> Article 14 of ERC’s Rules of Procedure stipulate that: “After completion of the preparatory session, and based on discussions and conclusions enlisted in relevant minutes, as well as based on opinions submitted in written by interested parties and analyses developed, responsible officers at the professional service shall present the Energy Regulatory Commission with proposed acts related to matters being discussed, after which the ERC President adopts a decision to schedule regular session of the Energy Regulatory Commission.”







Analysis of ERC's revenue, excluding the amount of funds rolled over from previous years, provides the conclusion that in 2017 this regulatory body generated less revenue compared to the previous two years. Namely, 2017 revenue is by 10% lower compared to 2016 revenue figures, and is by 9% lower compared to 2015 revenue figures.

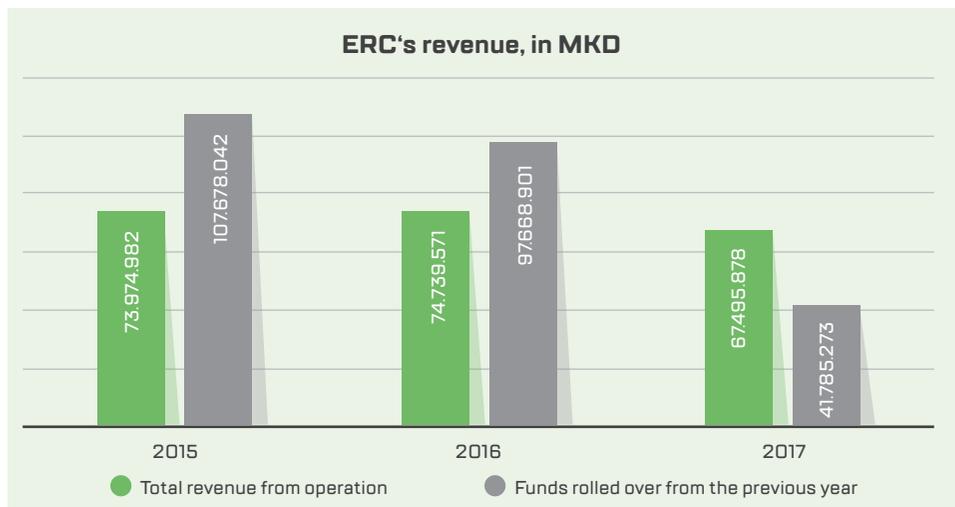


Chart no. 2: ERC's revenue, per year

## 6.2 ERC's Expenditure

In 2017, ERC's total expenditure amounted to 60,310,985 MKD and is by 19.72% lower compared to expenditure planned and anticipated in its financial plan. Such budget decrease is mainly due to the fact that ERC's 2017 Financial Plan was approved as late as November 2017 and therefore this regulatory body was unable to implement all activities and procurements planned, i.e. it was unable to organize and implement anticipated public procurements.

Total amount of expenditure is distributed among four major items, as follows: salaries and salary contributions; material expenditure, services and depreciation; other expenditure; capital and other funds. The biggest expenditure item under ERC's 2017 budget concerns **"salaries and salary contributions"**, amounting to 33,539,282 MKD or 56% of its total budget for 2017. After the media, on several occasions, wrote about salary brackets for employees at ERC, the commission issued a press-release<sup>32</sup> on its website and publicly announced figures on average salary for its employees. According to these data, the basic monthly net salary for ERC President amounts to 97,114 MKD, while the basic monthly net salary for ERC Vice President amounts to 91,276 MKD. Other five commissioners are entitled to monthly net salary in the amount of 88,774 MKD. In addition to the basic salary, ERC Members are entitled to other benefits provided they fulfil relevant conditions, as follows:

<sup>32</sup> ERC's press-release on its financial operations, available at: [http://www.erc.org.mk/odluki/2017.12.15\\_Soopstenie%20za%20trosoci%20na%20RKE.pdf](http://www.erc.org.mk/odluki/2017.12.15_Soopstenie%20za%20trosoci%20na%20RKE.pdf)



regulatory body spent less funds compared to relevant expenditure figures for the previous two years. In that, ERC's operation costs in 2017 are by 12% lower compared to 2016 expenditure figures, and by 3.5% lower compared to 2015 expenditure figures.

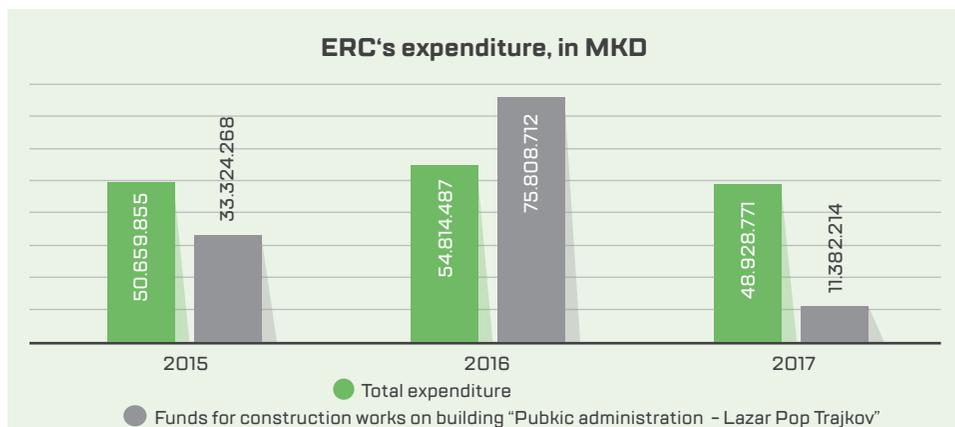


Chart no. 4: ERC's expenditure, per year

## 7. FOCUS GROUPS ON ENERGY POLICY AND PUBLIC SURVEY ON CITIZEN'S KNOWLEDGE ABOUT ERC

### 7.1 Focus Groups

As part of this research, we organized focus groups discussions aimed to map citizens' opinions about the energy policy in Macedonia. In addition, we attempted to inquire about citizens' knowledge in relation to work performed by the Energy Regulatory Commission, policies it can impact and shape and their satisfaction with ERC's performance.

In the period 16th to 19th May 2017, we organized three focus groups in Skopje, Struga and Strumica. The focus group held in Struga was attended by residents from Bitola, Ohrid, Resen and Debar, while the focus group held in Strumica included participants from Valandovo, Kavadarci and Vinica.

All three focus groups included a total of 32 participants from 10 different towns. Participants were divided according to four categories:

- **gender:** 17 women and 15 men;
- **profession:** 12 employed, 11 unemployed, 4 students and 5 pensioners;
- **ethnicity:** 24 Macedonians, 6 Albanians and 2 Roma;
- **age group:** 18-25 years (6 participants); 26-40 years (9 participants); 41-50 years (8 participants); 54-65 years (5 participants) and 65+ years (4 participants).



On the first question **“Have you heard about the Energy Regulatory Commission (ERC)?”**, affirmative answers were provided by only 40.5% of respondents. As many as 55.1% of respondents provided negative answers, i.e. they have not heard about the existence of ERC, while 4.4% of them refused to answer this question.

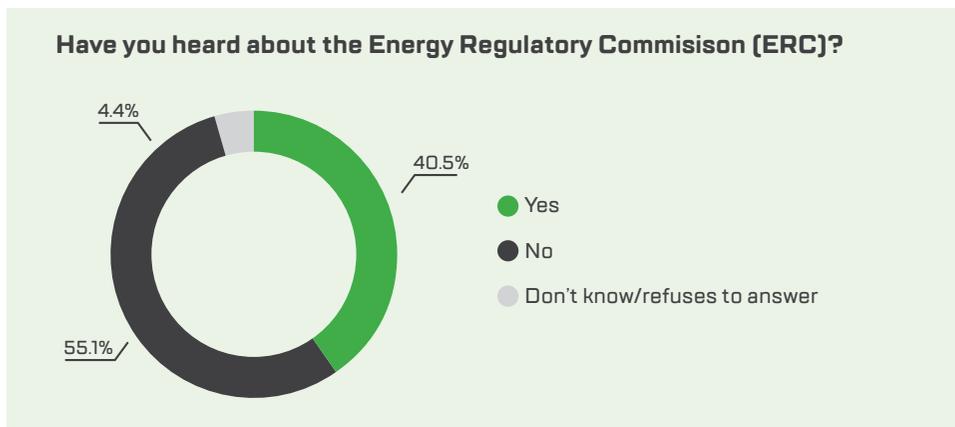


Chart no.6: Citizen's awareness about ERC's existence

Under the **second question** we used four statements to test respondents that are aware of ERC's existence in terms of their knowledge about competences of this regulatory body.

The highest share of them, i.e. 72.7% recognized ERC's competence related to setting electricity prices, followed by the possibility for citizens to submit complaints before ERC in case they are not satisfied with services provided by EVN. 64.5% of respondents believe that ERC is competent to set prices of heating energy, while only 33.6% of them recognized ERC's competence in relation to setting water service prices, which is logical because this competence was entrusted to ERC only several months ago, in early 2018.

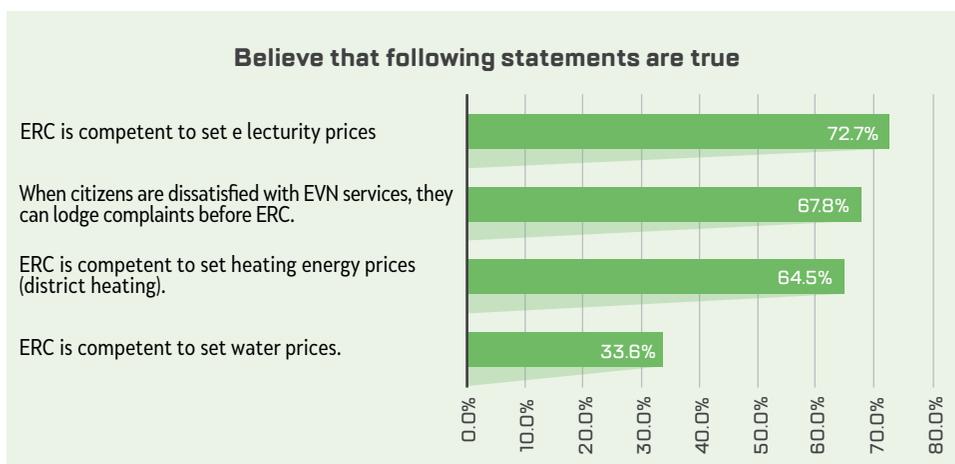


Chart no. 7. ERC competences

