

NEW DRAFT TARIFFS LEGISLATION

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Authors: **Dr. Cem Çağatay Orak and Nigar Özbek**

The Energy Market Regulatory Authority (“EMRA”) has prepared and published three draft pieces of legislation regarding the tariffs and has made them available for public comments until 31 October 2017.

- 1) **Draft Regulation Amending the Electricity Market Tariffs Regulation** proposes two amendments to the Electricity Market Tariffs Regulation¹ (the “Current Tariffs Regulation”):
 - (i) Grid investment expenses, which currently cannot be reflected to the tariffs in accordance with Article 6 of the Current Tariffs Regulation, will also be taken into account for tariff calculations.
 - (ii) Temporary Article 2 of the Current Tariffs Regulation, which provides that last resort supply tariffs (the “LR Tariff”) will not be implemented until the cross-subsidy implementation terminates², will be annulled. As a result, it seems that the LR Tariffs may still be implemented before the termination of cross-subsidy implementation, and EMRA has already prepared a draft communiqué, as explained in item 2 below, regarding the LR Tariffs.
- 2) **Draft Last Resort Supply Tariffs Communiqué** (the “Draft LR Communiqué”) has been prepared in line with the provisions of the Current Tariffs Regulation. The Current Tariffs Regulations empowers EMRA to regulate LR Tariffs (after the termination of cross-subsidy implementation as stated above), and with the Draft LR Communiqué EMRA provides that:
 - (i) the LR Tariff to be applied to the Low Consumption Consumers (as defined in the Current Tariffs Regulation) will be equal to the retail sale tariffs applicable to the non-eligible consumers³;
 - (ii) the LR Tariff to be applied to the High Consumption Consumers (as defined in the Current Tariffs Regulation) will be determined by EMRA, and cannot be lower than the retail sale tariffs;
 - (iii) the additional income earned as a result of the LR Tariff to be applied to the High Consumption Consumers will be reflected to the tariffs, if EMRA deems suitable;

¹ Published in the Official Gazette No. 29453; dated 22 August 2015.

² According to the Electricity Market Law No. 6446, published in the Official Gazette No. 28603; dated 30 March 2013, the cross-subsidy will no longer be applicable after 31 December 2020. However, the Council of Ministers has the authority to extend this period up to 5 (five) years.

³ Eligible consumer limit for the year 2017 is 2,400 kWh.

- (iv) the distribution companies will be responsible for tracking the consumption amounts of the eligible consumers so as to decide the Low and High Consumption Consumers; and
- (v) the Draft LR Communiqué will be applied as of 1 April 2018 for the consumers who become a High Consumption Consumer before 2018.

3) The Draft Communiqué Amending the Retail Energy Sale Prices Communiqué (the “Draft Amending Retail Sale Communiqué”) proposes to amend the calculation formulae of the Energy Supply Cost regulated under Article 17 of the Retail Energy Sale Prices Communiqué⁴ (the “Current Retail Sale Communiqué”). Under the Current Retail Sale Communiqué, “the outstanding YEKDEM amount⁵ ($\Omega 1$)” is a component in the formula of “Other Expenses Amount (DGT)” which is a component in the Energy Supply Cost (as defined in the Retail Energy Sale Prices Communiqué) formula. The Draft Amending Retail Sale Communiqué proposes to add $\Omega 1$ directly to the formula of the Energy Supply Cost instead, and by this way it will be multiplied with “1+Gross Profit Margin”. Although this is not clearly stated, based on the current gross profit margin, it seems that the proposed amendment increases the Energy Supply Cost amount.

Çakmak Avukatlık Ortaklığı

Piyade Sokak, No. 18
C Blok, Kat:3, 06550
Çankaya, Ankara - Turkey

T +90 312 442 4680

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⁴ Published in the Official Gazette No. 29578; dated 30 December 2015.

⁵ The outstanding YEKDEM amount to be reflected to the consumers for the backward period starting 3 (three) months before the relevant retail sale period together with the interest amount.