

Pursuant to Article 21 paragraph 5 of the Law on Energy ("Official Gazette of Montenegro", No. 28/10 and 6/13), the Government of Montenegro at its session dated 23 January 2014 adopted the

DECREE

ON INCENTIVE FEES TO ENCOURAGE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND COGENERATION

("Official Gazette of Montenegro", Number 8/14)

Article 1

This Decree regulates the method of determining the amount of compensation to encourage the production of electricity from renewable resources and co-generation (hereinafter: compensation) and the allocation of funds collected from fees, as well as the method of more precise calculation of the proportionate/balanced share between electricity suppliers and the eligible buyer – self-supplier in the purchase of electricity from privileged producers.

Meaning of Terms

Article 2

The terms used herein shall have the following meaning:

- 1) *Privileged producer* means a producer who uses renewable energy resources or waste, or who in a single production plant produces both electric energy and heat for long-distance heating and/or cooling or for industrial use, in accordance with environmental regulations, and who acquired the status of a privileged producer of electric energy;
- 2) *Incentive price* means the price paid to a privileged electricity producer from plants using renewable energy resources and co-generation plants on the basis of contracts on the purchase of electricity and the regulation governing the tariff system for determining incentive prices for electric energy from renewable energy sources and co-generation;
- 3) *Amount of compensation* means a supplement to the price of electricity for all buyers/customers and is expressed in c€/kWh;
- 4) *Eligible buyer – self-supplier* means an eligible buyer who buys electricity in his own name and for his own account, possesses his own takeover and dispatch site and has balancing responsibility.

Funds of the Incentive Fees

Article 3

The funds generated from the incentive fees shall be used for payment of electric energy to the privileged power producers at incentive prices, in addition to the funds collected from customers from the sale of the same amount of electricity at the prices of electricity for supply, in accordance with the contract on electricity supply.

The funds generated from incentive fees referred to in paragraph 1 of this Article shall also be used for covering expenses incurred by suppliers and eligible buyers – self-suppliers due to imbalance caused by privileged electricity producers.

Calculation of the Total Incentive Fee

Article 4

The total incentive fee paid by the end-consumers of electric energy as a supplement to the price of electric energy shall be calculated by multiplying the amount of the incentive fee with the measured consumption of active electric energy realized by the consumer during the measurement period.

The amount of the incentive fee shall be determined annually by the authority competent for energy affairs(hereinafter: the Ministry).

The amount of the incentive fee referred to in paragraph 2 of this Article shall be published by the Ministry in the „Official Gazette of Montenegro“ by 15 January of the year for which the incentive fee is determined.

The electricity supplier shall be obliged to indicate the amount of the total incentive fee referred to in paragraph 1 of this Article as a separate item in the bill delivered to the consumer for the electricity supplied.

Method of Determination of the Amount of the Incentive Fee

Article 5

The amount of the incentive fee shall be determined as the quotient of the total required annual revenue from the incentive fee and the total annual net consumption of electricity in Montenegro planned in the energy balance.

The total required annual revenue from incentive fees (P)shall be determined according to the following formula:

$$P = k \cdot (T_{pc} + T_b - P_{rc} - \Delta)$$

wherein:

T_{pc} – stands for the planned annual expenses of all suppliers and eligible buyers – self-suppliers for the purchase of electricity from privileged producers, through market operators, at incentive prices;

T_b – stands for the planned annual expenses of all suppliers and eligible buyers – self-suppliers due to imbalance caused by privileged producers;

P_{rc} – stands for the planned annual revenue of all suppliers and eligible buyers – self-suppliers for the sale of electricity, purchased from privileged producers, to buyers at prices of electricity for supply excluding the part of the regulated price for covering costs of transmission, distribution, public supplier and market operator.

Δ – the difference between the supplier's total generated revenue and total incurred expenses on the grounds of purchase of electricity from privileged producers during the preceding 12 months.

k – reserve ratio.

Planned Revenues and Expenses

Article 6

The planned annual expenses of suppliers and eligible buyers – self-suppliers for the purchase of electricity from privileged producers, through market operators, at incentive prices referred to in Article 5 paragraph 2 of this Decree shall be determined as the sum of products of the planned electricity production and the relevant incentive prices of the privileged producers classified according to group of plants.

The planned expenses incurred by suppliers and eligible buyers – self-suppliers due to an imbalance caused by privileged producers referred to in Article 5 paragraph 2 of this Decree shall be determined as the product of the planned total annual production by privileged producers and the unit-based annual balancing expenses of suppliers and eligible buyers – self-suppliers.

The unit-based annual balancing expenses of suppliers and eligible buyers – self-suppliers shall be determined as the ratio of the total annual expenses of balancing that a supplier incurred in relation to a transmission system operator during the preceding 12 months and the total amount of electricity that a supplier sold to end-consumers, i.e. eligible buyer – self-supplier took over to meet his own needs during the same period.

The planned annual revenue of suppliers from the sale of electricity purchased from privileged producers as referred to in Article 5 paragraph 2 of this Decree shall be determined as the product of the supplier's average price of electricity (excluding the part of the regulated price for covering costs of transmission, distribution, public supplier and market operator) and the planned total annual production of the privileged producers.

The difference between the total generated revenue and the total incurred expenses of the suppliers on the grounds of purchase of electricity from privileged producers during the preceding 12 months referred to in Article 5 paragraph 2 of this Decree shall be determined in compliance with Article 8 of this Decree.

The reserve financial resources used by the supplier for regular discharge of obligations towards the market operator shall be determined by the reserve ratio value of 1,01.

Data Submission

Article 7

Suppliers and eligible buyers – self-suppliers shall submit by the end of November of the current year to the Ministry data on the following:

1) total electricity sold to buyers, as well as electricity taken over by eligible buyers – self-suppliers during the preceding 12 months;

2) total financial invoices sent to buyers for sold electricity during the preceding 12 months, according to prices under the contract for energy supply, without the part relating to costs of transmission, distribution, supply and market operator;

3) total electricity purchased through the agency of the market operator, during the preceding 12 months from all privileged producers classified according to group of plants;

4) total amounts invoiced to the market operator during the preceding 12 months by privileged producers classified according to group of plants, for sold electricity;

5) total financial resources invoiced by the market operator to suppliers and eligible buyers – self-suppliers for balancing during the preceding 12 months.

Generated Revenues and Expenses

Article 8

The total generated revenue by suppliers from energy taken over from privileged producers during the preceding 12 months referred to in Article 5 paragraph 2 of this Decree shall be determined as the sum of generated revenues based on the price under the contract for energy supply and the revenue based on the incentive fee.

The generated revenue based on the price determined in the energy supply contract shall be determined as the product of the total electricity purchased from privileged producers through a market operator referred to in Article 7 subsection 3 and the quotient of the total financial resources invoiced to buyers referred to in Article 7 subsection 2 and the total volume of electricity sold to buyers referred to in Article 7 subsection 1 of this Decree.

The revenue generated from incentive fees shall be determined as the product of the defined amount of the incentive fee and the total electricity sold to buyers referred to in Article 7 subsection 1 of this Decree.

The total incurred expenses of suppliers and eligible buyers – self-suppliers for electricity taken over from privileged producers during the preceding 12 months shall be determined as the sum of expenses based on incentive prices for purchased electricity referred to in Article 7 subsection 4 of this Decree and expenses due to imbalance caused by privileged producers.

The total incurred expenses of suppliers and eligible buyers – self-suppliers based on imbalances caused by privileged producers shall be determined as the product of the total amount of electricity purchased from privileged producers referred to in Article 7 subsection 5 and the total amount of electricity sold to buyers referred to in Article 7 subsection 1 of this Decree.

Estimation of Energy Production by Privileged Producers

Article 9

The Ministry shall perform an estimation of expected energy production by all privileged producers classified according to group of plants, based on data referred to in Article 7 subsection 3 of this Decree and available information on new energy plants which can be expected to obtain the status of privileged producer during the year for which the amount of incentive fee is determined.

The estimation of expected expenses incurred by suppliers and eligible buyers – self-suppliers for the purchase of electricity from privileged producers at incentive prices shall be based on the annual adjustment of incentive purchase prices due to inflation in accordance with the regulation governing the tariff system for determining incentive prices of electricity from renewable energy sources and cogeneration.

Contract on the Purchase of the Proportionate Share and Safeguarding of Collection

Article 10

The electricity supplier and eligible buyer – self-supplier shall enter a contract with the market operator on the purchase of the proportionate share of electricity produced in the plants of privileged producers.

The contract referred to in paragraph 1 of this Article shall regulate in particular the mutual rights and obligations between the supplier and eligible buyer – self-supplier and the market operator with regard to guarantees for safeguarding the collection for delivered electricity.

Method of Calculating the Proportionate Share of the Electricity Supplier and the Eligible Buyers – Self-Suppliers

Article 11

The contract referred to in Article 10 of this Decree shall also define the obligation of the supplier and the eligible buyer – self-supplier to buy the mandatory minimum share of electricity from renewable energy sources and cogeneration in the total amount of electricity supplied by the supplier to his customers, respectively in the total amount of electricity required by the eligible buyer – self-supplier.

The mandatory minimum monthly share of each supplier and eligible buyer – self-supplier referred to in paragraph 1 of this Article shall be determined on the basis of the share of delivered electricity of that supplier and eligible buyer – self-supplier during the preceding month in the overall electricity delivered to consumers by all suppliers and eligible buyers – self-suppliers.

The mandatory minimum monthly share shall be determined according to the following formula:

$$q_i = \frac{W_i}{\sum_{i=1}^n W_i} * 100 ; \sum_{i=1}^n q_i = 100$$

wherein:

q_i – monthly minimum share of the supplier or eligible buyer – self-supplier i , (%)

W_i – monthly delivered electricity by the supplier or eligible buyer – self-supplier,

n - number of all suppliers and eligible buyers – self-suppliers.

Payment to the Market Operator

Article 12

The taken-over electricity produced in the plants of privileged producers shall be paid by the supplier and eligible buyer – self-supplier to the market operator at the average incentive price defined by the market operator for the preceding month.

The average incentive price referred to in paragraph 1 of this Article shall be defined as the sum of the products of electricity produced in individual plants of privileged producers and relevant incentive prices, divided by the overall electricity produced in all plants of privileged producers during the billing period.

The amount of funds the supplier and eligible buyer – self-supplier pays to the market operator for electricity taken-over from plants of privileged producers, which also includes the incentive fee, shall be determined as the product of the electricity taken over from privileged producers and the average incentive price.

The transmission system operator, i.e. distribution system operator shall submit to the market operator, at the latest by the 15th day of the current month, for the previous month, the data on the overall delivered electricity to consumers, expressed in kWh, for each electricity supplier.

Based on the data referred to in paragraph 4 of this Article, the market operator shall prepare a monthly statement, in which he shall indicate the total amount of resources payable to the market operator by every supplier and eligible buyer – self-supplier.

The market operator shall issue a monthly invoice to every supplier and eligible buyer – self-supplier for payment of electric energy purchased from privileged producers.

Determination of the Difference between the Calculated and the Delivered Electricity

Article 13

At least once in six months, the market operator shall determine the difference between the amount of electricity charged to suppliers and eligible buyers – self-suppliers and the electricity delivered by privileged producers, as a basis for determining the mutual obligations between the market operator on one side and the suppliers and eligible buyers – self-suppliers on the other side.

The amounts of electricity from plants using renewable energy sources and cogeneration delivered by privileged producers shall be proved by guarantees of origin.

The market operator shall prepare by 31 March of the current year an annual statement of accounts and make an allocation of funds collected from suppliers and eligible buyers – self-suppliers in accordance with the taken over and delivered quantities of electricity produced by privileged producers.

Adjustment of the Amount of the Incentive Fee

Article 14

Should a supplier establish that the funds collected from the incentive fee do not suffice to cover the expenses referred in Article 12 paragraph 3 of this Decree, he may submit to the Ministry an initiative for adjustment of the amount of the incentive fee.

Along with the initiative referred to in paragraph 1 of this Article, the supplier shall submit a documented report on the funds collected and disbursed from the incentive fee until the moment of submission of the request, along with an estimation until the end of the current year.

The Ministry shall analyze the validity of the initiative referred to in paragraph 1 of this Article and should it decide that it is justified, it shall adjust the amount of the incentive fee within 15 days as of the day of submission of the initiative.

The amount of incentive fee referred to in paragraph 3 of this Article shall be published by the Ministry in the „Official Gazette of Montenegro“.

Utilization of Remaining Funds

Article 15

Should it be established that the amounts collected are in excess of the amount required to cover the expenses referred to in Article 12 paragraph 3 of this Decree, the supplier shall be obliged to utilize these resources for the same purpose during the subsequent year, while the amount of the incentive fee for the subsequent year shall be reduced depending on the said amount.

Entry into Force

Article 16

This Decree shall enter into force on the eighth day following its publication in the "Official Gazette of Montenegro".