

# Serbia: Determining electricity prices, Price that provides short-term and long-term security of supply

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The tariff system significantly affects the extent and manner of electricity use, and is based on the payment of delivered energy in proportion to the system expenses. This means that depending on the place where the users are connected to the system, as well as the level and pattern of electricity consumption. The system cost can be fixed (always exist independently of the amount of energy supplied) and variable (dependent on the amount of supplied electricity), and at the customers' accounts there are also entry fees for measuring location.

In order to determine a fair price, must be taken into account consumption of mixing and voltage level point of connection. Countries in transition have first begun the restructuring process of the subsidiaries companies and the regulation of electricity prices, and the privatization of some reconstructed enterprises. The restructuring process of a single power enterprise is realized looking at the direction of energy production to the final consumer supply. Two most common methods in the world market are applied at the determination of regulated electricity prices: Cost Plus and Priced -based regulation. Cost plus method is simpler so it is applied in most transition countries.

It is applied also in our country in the form of accounts "maximum approved revenue". The methodology for determining allowable costs is based on the control mechanism of the electricity prices by the regulation method of Cost plus (Method for determining allowable or recognized costs). This method determines the maximum income amount to public supplier for the regulatory period, or for a period of one year. This means that determines the electricity price which provides coverage of eligible operating costs and an appropriate return on investment. This price provides short-term and long-term security of supply.

Source; Serbia Energy