

Turkey Amends Calculation Method for Retail Energy Sale Prices

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Turkey has amended procedures and principles for calculating electricity retail prices. The nature of costs taken into account when calculating the retail sale price have changed, as well as the uncontrolled operating costs which occur during retail sale activities.

The Amendment Communiqué on Regulatory Communiqué Regarding Retail Energy Sale Price ("**Amendment Communiqué**") was published in Official Gazette number 29939 on 5 January 2017, entering into effect on the same date.

Electricity retail prices are determined based on the costs which supply companies incur in carrying out energy sale activities for consumers, subject to regulation. The following costs will now also be considered when determining electricity retail prices:

- Operating costs for invoicing and customer services, as well as retail sale services.
- All costs incurred in order to continue activity and active energy expenditures.

Operating costs subject to regulation refers to operating costs taken as the basis for determining the maximum limit for retail sale revenues. These are classified into three groups: Fixed, Variable and Uncontrolled.

The following are deemed to be uncontrolled operating costs. However, the Amendment Communiqué makes changes to these categories:

- Depreciation expenses which occurred due to financial regulations with respect for investments made since 1 January 2016. From 5 January 2017, a condition has been added that these must not exceed 10% of fixed operating costs.
- Amounts calculated by multiplying the cost of sold commercial goods of commissioned supply company by the average of the respective company's collection risk and the country's collection risk, with respect to provisions for doubtful commercial receivables. From 5 January 2017, a condition has been added that the country's collection risk average in this context cannot exceed 1%. Any part exceeding 1% will not be considered during the calculation.

The "net sales revenue" has been defined as the amount re-calculated "after deduction of Electricity and Gas Consumption Tax, energy sales made in organized wholesale market, intragroup sales for balance and subvention amounts received from the total sale revenue.

The term "collection risk" has been defined as the ratio of the amount of the relevant supplier's doubtful commercial receivables (minus receivables which are not related to the commercial receivables) to net sales ratio.

The formula has also been amended for calculating amount and energy supply cost undertaken.

Please see this [link](#) for full text of Amendment Communiqué (only available in Turkish).

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