



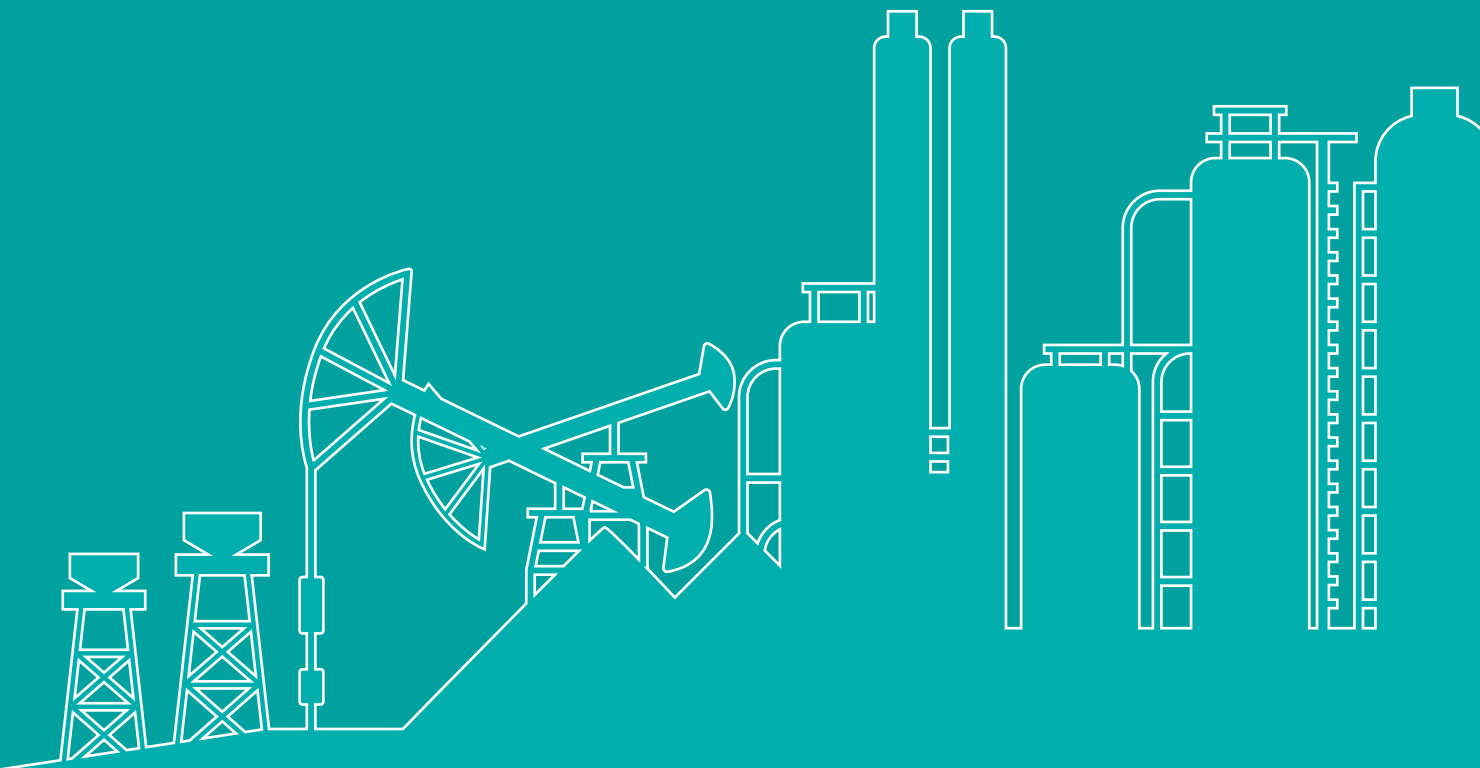
**USAID**  
FROM THE AMERICAN PEOPLE



# ENERGY TRANSPARENCY INDEX

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2018





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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	3
INTRODUCTION .....	5
METHODOLOGY .....	7
ANALYSIS BY CATEGORIES .....	11
1. Development and publication of balances and statistics .....	11
2. Functioning of natural monopolies .....	11
3. Transparency of supply markets .....	13
4. Security of supply .....	14
5. Information on consumption .....	15
6. Achieving goals of sustainable development.....	17
7. Financial and other corporate reporting.....	18
8. Transparency of public and regulatory authorities .....	19

# EXECUTIVE SUMMARY

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The Energy Transparency Index is developed to assess the actual status of information availability in the sector and to diagnose gaps.

The main “beneficiaries” of transparency in the energy sector are the final consumers, as their awareness directly affects the ability to protect their rights. A strong interest exists among businesses, including investors who seek better conditions for working in a competitive environment. The Index will be interesting to public officials whose goal is improving regulations in terms of information disclosure, and foreign partners who will obtain understanding of energy policy in Ukraine.

The Index covers 287 indicators grouped into 8 categories and based on specific requirements of European and national legislation, as well as best global practices. The assessment was conducted solely on the basis of processing data from open sources and is focused on three components: energy markets performance, information on consumption, and cross-sectoral categories that shape the framework conditions in these markets.

The final score of Ukraine – 43 of 100 possible – indicates the insufficient transparency. Information gaps discovered in the course of the assessment and various deficiencies in providing information are the basis for specific recommendations, which are presented at the end of each section of the Index.

Particular attention should be paid to reforms in the gas and electricity sector, as the liberalization of these markets should provide better conditions for transparency both for natural monopolies (system operators) and for players in the wholesale and retail markets. Other important areas of improvement include corporate reporting, particularly non-financial reporting, information on payments and quasi-fiscal transactions, as well as greater transparency of government activities in the design and implementation of energy policy.

All the assessments and links can be found in a separate spreadsheet published with the Index on DiXi Group website (<http://dixigroup.org/eng>).

## Assessment by categories





### TOTAL SCORE

43 D-

Insufficient transparency

1. Balances and statistics	50	<div><div></div></div>
2. Natural monopolies	43	<div><div></div></div>
3. Supply markets	38	<div><div></div></div>
4. Security of supply	47	<div><div></div></div>
5. Consumption	47	<div><div></div></div>
6. Sustainable development	53	<div><div></div></div>
7. Corporate reporting	20	<div><div></div></div>
8. Public authorities	36	<div><div></div></div>

## Assessment by sectors

	 Gas	 Electricity	 Oil and Oil Products	 Heat
	52	41	31	47
1. Balances and statistics	48	42	58	75
2. Natural monopolies	53	37	21	11
3. Supply markets	42	32	25	72
4. Security of supply	68	38	22	N/A
5. Consumption	48	55	N/A	30
Number of indicators	84	82	14	17

# INTRODUCTION

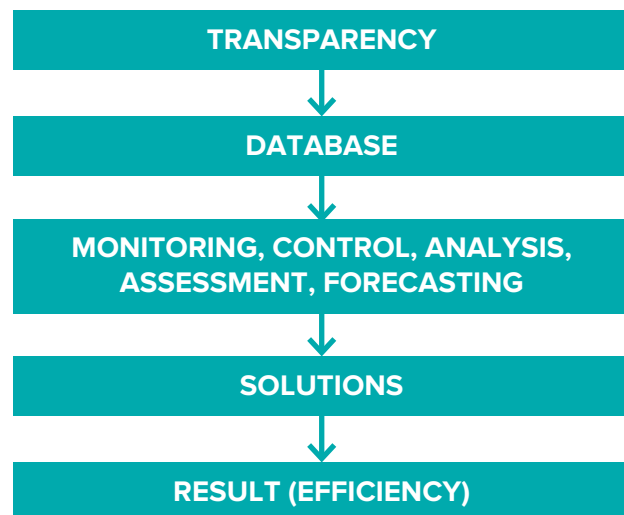
The Energy Transparency Index, on the one hand, is a **final product** that provides an integrated assessment of the information disclosure in the country's energy sector and its components, and on the other hand, a **universal tool** that allows in-depth analysis with breakdown into categories, criteria and certain markets, as well as tracking changes – both in time and in comparison with other countries.

The Index provides a quantitative assessment and characterizes the possibility and ease of obtaining relevant, up-to-date, complete information on the functioning and development of the energy sector, certain markets and processes in value chain by various stakeholders (consumers, companies, potential investors, foreign partners, public authorities, and media).

## What is the Index purpose?

The purpose of the Index is to promote higher transparency of energy sector. Transparency implies the environment, in which actual and potential stakeholders will be able to receive the information they need, analyze it, adjust their behavior, increase their own efficiency and efficiency of the energy sector as a whole.

The Index provides both a generalized assessment of the level of transparency of energy sector and a detailed information base for the analysis of its components. Information gaps identified in the process of the Index development and various deficiencies in information disclosure are basis for developing recommendations aimed at increasing openness of the sector, which is an important condition for improving its efficiency.



## For whom is the Index developed?

The main beneficiaries of the energy sector transparency are the **consumers**. Better awareness allows consumers to act more rationally, minimizing own costs and maximizing usefulness. Consumers will have better opportunities to protect their interests through the mechanisms of monitoring and public control over the activities of energy companies and public authorities. Consumers' behavior will gradually become more responsive to relevant market signals, and their awareness of the alternatives and opportunities for optimizing energy consumption, present in the market, will contribute to the goals of sustainable development.

For **energy companies**, transparency will create better incentives for fair competition, systemic innovations in manufacturing and commercial fields, cost optimization, higher quality and reliability of energy supply. New and potential energy market participants, as well as banks and other financial institutions, will get better opportunities to understand its peculiarities and operating framework, analyze information and make decisions on entering the market, on investing, and on developing an effective corporate policy.

**Public authorities** are given relevant recommendations aimed at improving regulations in terms of information disclosure by market participants. Assessing the energy sector transparency will encourage public authorities to increase transparency of their own activities and eliminate bottlenecks that may lead to discriminatory practices and unjustified preferences that distort conditions of fair market competition and create corruption risks.

**International partners** will have better opportunities for understanding the national energy sector policy, the effectiveness of its implementation, Ukraine's compliance with its obligations under the Association Agreement with the EU, the Treaty establishing the Energy Community, and other agreements.

# METHODOLOGY

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The methodology for the Index development is based on the statistical method of multidimensional weighted average used to assess complex categories, phenomena and systems. It has **three main dimensions**, in terms of which transparency is assessed:

- ▣ basic commodity markets (*gas, electricity, oil products, heat*);
- ▣ categories of markets performance (*competition, activity of natural monopolies, state regulation, prices and tariffs, financial flows, quality, reliability and security of supply, energy efficiency, environmental issues*);
- ▣ transparency criteria (*availability and accessibility of information, its completeness, relevance, regularity of updating and storage, usability*).

Most categories are assessed in terms of sectors (commodity markets), but some are cross-sectoral. At the same time, if necessary, the assessment of cross-sectoral categories can be transformed into sectoral ones and vice versa. E.g., it is possible to disaggregate the Index, build sub-indices and carry out an analysis of transparency in the terms of certain energy markets, categories or criteria of transparency.

## Indicators

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The Index in the current edition covers 287 indicators, which are grouped into 8 categories. Indicators are based on specific parameters that are defined by:

- ▣ requirements of the national legislation on information disclosure;
- ▣ requirements of the European legislation on information disclosure (including the Third Energy Package);
- ▣ best foreign or national practices on information disclosure.

Energy sector transparency categories are detailed by sets of specific indicators (lowest level of the Index decomposition) which are assessed.

The **sociological assessment of energy transparency** by households, as well as expert and business communities' representatives, which was carried out through a representative poll and in-depth interviews, is a separate initiative. Its results complement the Index in terms of perception of the energy sector transparency by the public and market participants.

## Data sources

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The assessment of energy transparency takes place exclusively on the basis of processing data from open sources. The main sources are official websites of energy companies and public authorities, as well as open source databases administered by them.



## Timeframe

The Index assesses the transparency of the country's energy sector on annual basis. Most of the data to be assessed relate to a particular reporting period (annual, quarterly, monthly), under which information should be published by companies or government authorities. Some data represent the availability of information on a certain day (e.g., as determined by law) or at the time of the assessment. The Index for 2017 is formed in 2018, so the transparency is assessed for the relevant reporting period of 2017, but some datasets are considered as of the moment of assessment in 2018.

## Quantitative assessment

The transparency of the country's energy sector is measured in scores on a scale from 0 (complete non-transparency) to 100 (absolute transparency). The assessment of each of the indicators is based on the following five criteria:

▣ **Availability and accessibility of information.**

Provides for availability of information in open sources with free access. If information is available, but difficult to access – on paid basis or requiring a special mode of access, the transparency assessment for this criterion is partially reduced. The need for simple authorization to obtain data is not considered to be a significant barrier of access to information.

▣ **Completeness of information.**

Provides for presenting information in full, which gives its consumer comprehensive data on a given indicator, and excludes the need to search for other / additional sources. The completeness of the information disclosure is often due to legally established requirements regarding the content of information to be disclosed by companies, public authorities, etc.

▣ **Relevance of information.**

Provides for the availability of up-to-date information for the last reporting period or for a specified publication period. The period for making the information public is also usually determined by legislation.

▣ **Regularity of updating and storing information.**

Provides for timely update of information and availability of archives for previous reporting periods. Frequency of disclosure and the duration of storing certain types of information are often determined by the relevant legislation.

▣ **Usability.** Provides for the publication of information in a convenient machine-readable format or in several formats ensuring ease of use, including processing, of text or spreadsheets.

Each indicator is assessed by five transparency criteria and can get an overall score from 0 to 4 based on its relevance, partial compliance or non-compliance with these criteria. In addition, the values vary from 4 - absolute transparency, which implies full compliance of the indicator with all defined criteria ("information freely available in full, regularly updated, archived and is easy to use"), and 0 means complete non-transparency, that is, the absence of any relevant information by the indicator.

The assessment of the indicator under a separate transparency criterion is usually discrete [0; 0.5; 1]. In particular, 0 means the indicator does not meet a certain criterion, and 1 means the full compliance. In case of partial compliance, the value 0.5 is set. Under the criterion of relevance, the assessment is binary [0; 1], which means either absence or availability of information for the last reporting period. In the case of an indicator assessment based on a sample of energy companies, its assessment based on a certain transparency criterion is calculated as a simple arithmetic mean for a given sample.

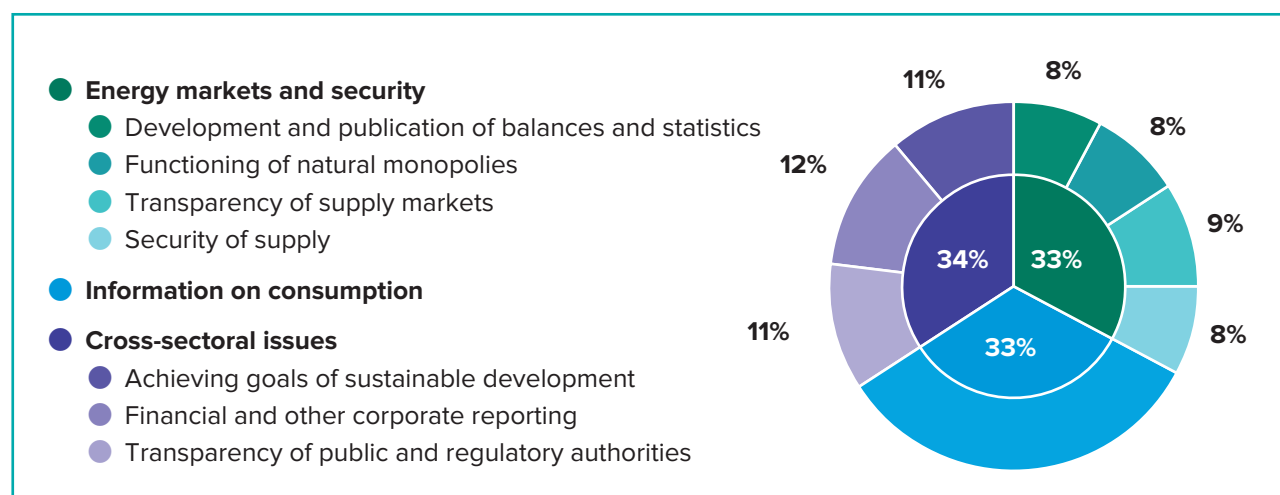
To obtain a general assessment of transparency for each certain indicator, the following formula is used:

$$Ti = (C_a + C_r + C_u + C_i) \cdot C_c,$$

where  $Ti$  - general assessment of the indicator;  $C_a$  - assessment under the criterion for the availability and accessibility of information;  $C_r$  - assessment under the criterion of relevance of information;  $C_u$  - assessment under the criterion of the regularity of updating and storing information;  $C_i$  - assessment under the criterion of usability;  $C_c$  - assessment under the criterion of completeness of the information.

## Aggregation of assessments

Given the large size of the array of indicators used to assess transparency, they are considered to be of equal weight. Therefore, for the aggregation of sub-indices by categories, a simple arithmetic average from the assessment of indicators that make up a certain category is used. To calculate the integral value of the Index, weighting coefficients of the categories, by which their assessments are aggregated, are used.



## Interpretation of assessments

For better presentation of the results, all the assessments of the indicators, categories, and integral score of the Index were converted into a 100-point scale. Their interpretation is performed under the following scale:

Scores	Rating	Characteristic
95 – 100	A+	Absolute transparency
90 – 95	A	Transparent energy
85 – 90	A-	
80 – 85	B+	
75 – 80	B	Moderate transparency
70 – 75	B-	
65 – 70	C+	
60 – 65	C	Average transparency
55 – 60	C-	
50 – 55	D+	
45 – 50	D	Insufficient transparency
40 – 45	D-	
Up to 40	F	
		Non-transparent energy

## Limitations

The Index cannot assess the energy sector transparency in real time, since its formation is associated with the processing of large amounts of information for the reporting period (as a rule, the one preceding the period, during which the assessment is carried out).

While forming the Index, a whole array of energy companies and government authorities cannot be analyzed, therefore, assessment by certain categories is based on a representative sample formed given the relevance, market share and ownership type (state-owned and major private companies).

While constructing the Index, the assessment of transparency is given in the context of a large array of indicators, some of which might be not relevant for one or another energy market (in this case, their assessment for a specific market is not provided) or require a specific approach to the assessment.

For creating the Index, the primary attention is paid to the national markets of gas, electricity and oil products; with regard to heat markets that are local, most of the Index categories and indicators are not applicable, so the assessment of this segment is more of experimental kind.

## Sampling

### The category “Functioning of Natural Monopolies”:

- ▣ transmission system operators in electricity, gas, oil/oil products;
- ▣ distribution system operators in gas (5 companies from 5 largest cities in Ukraine);
- ▣ distribution system operators in electricity (5 companies from 5 largest cities in Ukraine);
- ▣ system operators in heat supply (5 main companies from 5 largest cities in Ukraine).

### Subcategory “Availability of Information on Number and Offers of Suppliers”:

- ▣ top 5 players in the wholesale gas market;
- ▣ wholesale electricity market operator;
- ▣ gas suppliers under PSO (5 companies from 5 largest cities in Ukraine);
- ▣ electricity suppliers at regulated tariff (5 companies from 5 largest cities of Ukraine);
- ▣ top 5 oil products retail operators;

- ▣ heat suppliers (5 main companies from 5 largest cities in Ukraine).

### Subcategory “Price Statistics and Price Monitoring”:

- ▣ the sample for the subcategory “Availability of Information on Number and Offers of Suppliers”, with largest producers of electricity additionally included.

### Subcategories “Financial and Corporate Reporting of Public Interest Entities”, “Management and Transparency of Public Interest Entities”:

- ▣ top 20 energy companies in the top 100 largest taxpayers and/or classified as public interest entities (in accordance with the legislation on accounting and financial reporting), and evenly representing all elements of the value chain (extraction, generation, transmission, distribution, supply).

### Subcategory “Fiscal Transparency of Extractive Companies”:

- ▣ top 15 companies in terms of volume of production of energy resources - oil, gas, coal, uranium ore.

### Subcategory “Fiscal Policy”:

- ▣ indicators “Information on Payment of Taxes (Disaggregated by Types of Payments and Entities)”, “Budget Expenditures for Energy Sector and Reports on Their Implementation”, “Data on State Aid Systems”, “Quasi-Fiscal Operations” – responsible public authorities.

### Subcategory “Decision Making System”:

- ▣ Relevant public authorities, which per se are responsible for policymaking and regulation in energy markets.

# ANALYSIS BY CATEGORIES

## SECTORAL PART

### 1. Development and Publication of Balances and Statistics

The indicators of this category are formed on the basis of the requirements of European legislation and best practices of the formation and publication of energy statistics by types of energy resources, which are defined by **Regulation (EC) No. 1099/2008 on energy statistics**.

One of the main reasons for a rather low rating is the lack of relevant 2017 information for 6 of 9 indicators on the website of the State Statistics Service. This mainly concerns annual product balances of energy resources (coal, gas, electricity, heat energy, oil and oil products). According to the criterion of relevance, the average rating of transparency in this category is 33 (F).

#### TOTAL SCORE

50 D+

Insufficient transparency

Second, we noted the low level of completeness of information disclosure on monthly product balances of coal, gas, oil and oil products. As a rule, there is no information on monthly extraction/production volumes, volumes and structure of foreign trade in energy resources, gas losses during distribution, and oil losses during processing. The completeness under this group of indicators varies from 20 to 40 (F). In addition, the monthly balance statistics on electricity, with no information at all, is a significant gap. The general assessment of the completeness of disclosure in this category is 64 (C).

At the same time, the average estimates under the availability and accessibility criteria, the regularity of updating and storing, and the usability are rather high – 89 (A-).

#### Recommendations

- ▣ drafting methodological provisions on the formation of monthly product balances of energy resources (coal, gas, electricity, oil and oil products, heat energy) on the basis of requirements of **Regulation (EC) No. 1099/2008 on energy statistics** by the State Statistics Service;
- ▣ facilitating the publication of relevant information of the State Statistics Service on annual product balances of energy resources.

### 2. Functioning of Natural Monopolies

The assessment in this category is based on specific requirements for transmission system operators, and in part for distribution system operators, in gas and electricity – as defined in the provisions of the basic **Directive 2009/72/EC and Directive 2009/73/EC** of the Third Energy Package and the relevant regulations on system access (**Regulation (EC) No.714/2009, Regulation (EC) No.715/2009**), as well as specific ones (e.g. **Regulation No. 984/2013 and Regulation No. 312/2014 on harmonized networks codes on gas**

#### TOTAL SCORE

43 D-

Insufficient transparency

**market, Regulation (EC) No. 543/2013 on submission and publication of data in electricity markets**). The relevant requirements are partially or fully reflected in the framework Gas Market Law, Electricity Market Law, and by-laws - network codes, licensing conditions. As regards system access and information on the independence of operators, regulatory acts of both the EU and Ukraine form the basis.

**Distribution of scores by subcategories:**

Subcategory	Score	Rating	Characteristic
Rules of operators' performance and services	40	D-	Insufficient transparency
Information on independence of operators	7	F	Non-transparent energy
Information on system development and connection rules	51	D+	Insufficient transparency
Tariff setting transparency	59	C-	Average transparency

Given the strictly structured requirements for the publication of data to be met by gas and electricity transmission system operators, this section of the Index contains the largest number of indicators (106).

As shown by the analysis, the openness of operators directly depends on the development of the regulatory framework, which is being prepared in the process of market reform, and the degree of liberalization of particular market. In Ukraine, more information is available in the gas sector than in the electricity market, as the new model of the latter should start working only in mid 2019 at the earliest.

E.g., on the website of gas TSO – Ukrtransgaz – there is detailed information on contracted and available capacity, but only for certain cross-border points, and not all points in the system. The information in terms of storage facilities is provided more comprehensively. At the same time, the daily gas balancing system is not launched yet; there is no data on short-term services of the TSO, and no information on the use of payments for balancing.

Regarding the operator of the United Energy System of Ukraine – Ukrenergo – it publishes actual data on the electricity transmission infrastructure, information on its inaccessibility, as well as forecasted and offered capacity. At the same time, in the part of generation, there are no forecasts of electricity generation and inaccessibility of certain units – only data on actual output. Given that at the time of assessment the NEURC did not adopt any procedures for congestion management and capacity allocation for new market structure, the TSO could not also draw up a report on the actual use of revenues from the provision of these services.

It should be noted that an important role is played by the transparency platforms of the European networks of transmission system operators for gas (ENTSO-G) and electricity (ENTSO-E), which provide unified data, bringing it in line with standards of publication by other operators, and allow export in the open data format.

Regarding distribution system operators, both regional gas companies (oblgazy) and regional energy companies (oblenergo) publish drafts and (partially) actual plans for networks development (and/or investment programs, if provided, but not in a very useful format). However, certain operators do not publish relevant performance reports, and those that publish do it in an inconvenient form.

The indicators on the publication of terms of services' provision, including rules and tariffs, in particular the methodologies for their calculation, were highly appreciated in both markets. The lowest scores are recorded in the part that relates to operators' independence. In particular, both Ukrtransgaz and Ukrenergo did not disclose compliance programs, as required by licensing conditions, and reports on their implementation. In the distribution segment, such programs and reports are available only in the gas market, but they are rather formal in content.

The Index has assessed operators of both oil pipelines and oil product pipelines as well as heat networks (by sampling), but with fewer indicators through the lack of such structured requirements. As indicated by the assessment, very little data are available on the use of oil pipeline capacities compared to the situation in the gas sector, and only a part of heating system operators publishes drafts and approved investment programs, as well as reports on their implementation.

**Recommendations**

- ▶ accelerating the liberalization of markets, including improvement of the regulatory framework by the NEURC on the basis of EU regulations on harmonized network codes;
- ▶ launch of daily balancing in the gas market, control by the NEURC over the publication by the TSO of all relevant data defined by Regulation (EC) No. 715/2009 and European network codes;
- ▶ Implementation of the NEURC Regulation adopted in pursuance of Regulation (EC) No. 543/2013 on submission and publication of data in electricity markets;

- ▣ development and approval of compliance programs for gas and electricity TSOs, as well as electricity DSOs;
- ▣ encouraging operators to create online tools to calculate tariffs for available services and to check the available capacity.

### 3. Transparency of Supply Markets

#### TOTAL SCORE

38 **F**

#### Non-transparent energy

The indicators for this category are mainly based on the transparency requirements contained in **Directive 2009/72/EC and Directive 2009/73/EC** on common rules for electricity and natural gas markets, which

are part of the EU-Ukraine Association Agreement obligations. The best practices of ACER and CEER in monitoring and analyzing the functioning of these energy markets were also taken into account.

#### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Terms of market entry and exit	72	B-	Moderate transparency
Market concentration and competition level	33	F	Non-transparent energy
Number and offers of suppliers	37	F	Non-transparent energy
System of price statistics collection and publication	4	F	Non-transparent energy
Regulated pricing	61	C	Average transparency
Market monitoring of price margins	13	F	Non-transparent energy
Supplier switching	66	C+	Average transparency

A rather low level of transparency in this category is caused by the large number of information gaps (12 out of 35 indicators), with no official information on available:

- ▣ structural indicators of competition for the wholesale and retail markets of oil products;
- ▣ services for comparing suppliers' offers (price comparison tools) in retail gas and electricity markets;
- ▣ reporting on average weighted annual prices for natural gas and electricity for households and non-household consumers (with a breakdown into groups by volume of consumption), price structure (energy component; network component and its sub-components; taxes, fees and their sub-components), and corresponding volumes and shares of consumption by groups;
- ▣ reporting on average weighted semi-annual electricity prices for households and non-household customers (with a breakdown into groups by volume of consumption): prices excluding all taxes and fees; prices excluding VAT; prices including all taxes and fees;
- ▣ price margins (mark-ups) in gas and oil products retail markets.

In turn, part of the listed information can be published under conditions of functioning of fully liberalized gas and electricity markets, with a sufficient level of competition for the end consumer, including households, and the minimal, if not absent, price regulation.

The indicators for the registries of participants in gas (18) and electricity (16) markets, which should be formed on the basis of **Regulation (EC) No. 1227/2011 on wholesale energy market integrity and transparency (REMIT)**, received a low degree of transparency. Currently, the NEURC maintains four different registries of business entities, with the information being scattered and incomplete.

The subcategory "System of Price Statistics Collection and Publication", with indicators formed on the basis of requirements of **Regulation (EC) No. 2016/1952 on European statistics on natural gas and electricity prices**, turned out to be the least transparent. At the same time, in order to comply with this Regulation, the State Statistics Service has approved the Methodological Provisions on the Organization of State Statistical Monitoring of Prices for Natural Gas and Electricity Supplied to Consumers (Order of 01.10.2018 No. 199), therefore, further improvement of transparency is expected in this area.



## Recommendations

- ▶ creation of registries of participants in wholesale gas and electricity markets by the NEURC on the basis of requirements of **Regulation (EC) No. 1227/2011 on wholesale energy market integrity and transparency (REMIT)**;
- ▶ publishing the results of monitoring of wholesale and retail oil products markets (monthly, quarterly and annual structural indicators of competition) by the AMCU;
- ▶ creation by the NEURC, at least in test mode, of price comparison tools in the gas market on the basis of best European practice (with the launch of a new model of the electricity market – for suppliers in the electricity market as well);
- ▶ implementation and publication of price margins as the results of monitoring retail prices for natural gas (NEURC) and oil products (AMCU).

## 4. Security of Supply

The indicators of this category are based on best practices of European regulation, such as **Directive 2009/119/EC on the creation of minimum oil and oil products reserves**, and provisions of the basic Directive 2009/72/EC and Directive 2009/73/EC of the Third Energy Package, as well as the relevant acts of national legislation regulating the issues of energy security, in particular the framework **Gas Market Law and Electricity Market Law**.

### TOTAL SCORE

**47 D**
**Insufficient transparency**

The relatively low level of transparency in this category is caused by the lack of reports on the security of electricity supply, on compliance with the standards of conduct for natural gas suppliers, on the plan for energy system protection, and on the registry of oil and oil products reserves.

### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Data on stocks/reserves	45	D	Insufficient transparency
Rules for security of supply	66	C+	Average transparency
Reports on security of supply	31	F	Non-transparent energy

Despite the availability of rules for security of gas and electricity supply, regular reports on the security of supply monitoring are made only in the gas sector, which is explained by the earlier adoption of the relevant regulatory framework. In general, the transparency rating in the “Rules for Security of

Supply” category is 66 (C+).

At the same time, for those indicators where the information is available, their inadequate completeness, regularity of disclosure, and usability are recorded.

## Recommendations

- ▶ implementation of the requirements of **Directive 2009/119/EC**, in particular the development and publication by the State Agency of Reserve of the oil and oil products reserves registry after the approval of the relevant legislative framework and the start of forming the reserves;
- ▶ development and application by the transmission system operator (Ukrenergo) of the Energy System Protection Plan, as well as contributing to drawing up of monitoring reports on the security of electricity supply;
- ▶ provision of information on generation adequacy reports and on reserves of oil and oil products in a more complete form and a more usable format;
- ▶ initiating publication by the Ministry of Energy and Coal Industry of the generalized report on the application by gas market entities of measures to comply with the standards of conduct;
- ▶ compliance by the Ministry of Energy and Coal Industry with the regularity of updating the National Action Plan and Security of Supply Rules in the gas sector.

## 5. Information on Consumption

The indicators for this category are based on the requirements of European legislation, in particular **Directive 2012/27/EC on energy efficiency**, and the framework **Directive 2009/72/EC and Directive 2009/73/EC** of the Third Energy Package, as well as the relevant acts of the national legislation regulating issues of consumption and metering, in particular the framework **Gas Market Law, Electricity Market Law**, as well as **special acts such as the Law On Ensuring Commercial Gas Metering, On the Peculiarities of Access to Information in the Area of Electricity, Natural Gas, Heat Supply**.

The lack of proper implementation of the EU energy legislation became a significant negative factor influencing a number of indicators. Zero scores for data on smart metering systems, as well as heat consumption metering at the level of individual households became examples.

### TOTAL SCORE

47 **D**

Insufficient transparency

However, general information on the structure of prices and tariffs for final energy products, contextual information related to average levels of prices and tariffs in other markets – with assessment of the subcategory “General Information for Consumers” at 67 (C+) – is characterized by a significant availability.

High ratings were also given to information related to social protection systems, including informing about housing subsidies, the system of their accrual and use. It is also important to note that some assessments in the subcategory “Availability of Information and Services for the Enforcement of Consumers Rights” noted recent monitoring and reporting systems that have not yet been able to deliver results, and the next assessment is likely to lead to the improvement of many results.

### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Metering levels	25	F	Non-transparent energy
General information for consumers	67	C+	Average transparency
Consumption parameters of an individual consumer	N/A	N/A	N/A
Availability of information and services for the enforcement of consumers rights	80	B+	Moderate transparency

Regarding information disclosure by suppliers on actual consumption by individual households, the authors of the Index initiated 9 indicators but could not assess them due to limited access to relevant data in the sample of suppliers. In fact, for verification, it is necessary to have access to not only the forms of billing documents, but also the actual received payments and data provided by suppliers in user e-accounts.

### Recommendations

- ▣ provision of information to consumers of energy products and services in more convenient formats, since a large amount of information is presented in aggregated form and in such documents as the NEURC annual report;
- ▣ accelerating full implementation of the provisions of **Directive 2012/27/EC**, including the collection and publication of data on individual heat energy metering (distribution systems) and smart metering systems;
- ▣ initiation by the NEURC of monitoring of the compliance with legislation on informing consumers about actual consumption volumes and payments on an individual basis, as well as on recommendations on energy saving;
- ▣ implementation by the Cabinet of Ministers and/or representatives of relevant committees of the Verkhovna Rada of the analysis of implementation of the Law On the Peculiarities of Access to Information in the Area of Electricity, Natural Gas, Heat Supply. and initiation of appropriate decisions to eliminate gaps.



# PERCEPTION OF TRANSPARENCY

A sociological poll and in-depth interviews to assess the perception by public and market participants of the level of energy sector transparency was conducted under the USAID Transparent Energy project.

As the results show, only **12%** of respondents note they are fully informed about the energy sector, **50%** - on a general level, **30%** consider their knowledge to be inadequate. Interest in the formation of tariffs (**65%**) and savings when paying utility bills (**52%**), as well as the intention to make sure the tariffs are fair (**51%**) are among the main motivations.

What is more interesting, for **60%** of the respondents the quality of information can be decisive when making choice of supplier, even if prices and services are same. In addition, information about the performance of energy companies is only partially understandable (**41%**) or such, which only specialists do understand (**33%**), and **17%** said they do not have information available.

**76%** of Ukrainians consider it important to have access to more detailed information on the structure of gas, electricity and heating prices. However, only **9%** are ready to pay suppliers more for better informing. Most respondents would like to receive information through utility bills (**55%**), followed by official websites and info boards of the suppliers, their controllers and other staff, as well as local media (**21-23%**). E-accounts and other online systems are mostly chosen by young people (**24%** of respondents aged **25-34**).

Interviewed experts and business community representatives emphasize that the energy sector remains inaccessible and obscure to most household consumers. The average rating of the system of access to information is 3 on a 5-score scale. Among the problems mentioned: the difficulty in finding information; the lack of a clear definition of the status of secrecy (state, commercial, copyright), which makes it possible to avoid publication of data; complicated submission of information; cases of providing false or incomplete information; the influence of "shadow parties".

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*The poll for the USAID Transparent Energy project was conducted by GfK Ukraine from June 9 to July 5, 2018 in all regions of Ukraine with the exception of the Crimea and the occupied territories of Donetsk and Lugansk regions. 3,856 respondents aged 18 and over were polled. The maximum possible sampling error is 1.6%. Also, 13 in-depth interviews were conducted with representatives of expert and business communities. For more details, please see DiXi Group website (<http://dixigroup.org/eng>).*

## CROSS-SECTORAL PART

### 6. Achieving goals of sustainable development

#### TOTAL SCORE

53 D+

Insufficient transparency

First of all, the EU framework legislation on energy efficiency (**Directive 2012/27/EC**), support of renewable energy (**Directive 2009/28/EC**), environmental protection (**Directive 2010/75/EC and Directive 2001/80/EC**), as well as the international legal obligations of Ukraine on combating climate

change and environmental protection (**Directives 2001/42/EC, 2003/4/EC, 2003/35/EC, 2011/92/EC, the Paris Agreement, and the Aarhus Convention**) were the basis for assessing the level of transparency in this category.

#### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Information on energy efficiency policy, energy saving measures and results of its implementation	53	D+	Insufficient transparency
Information and recommendations on energy saving by consumers	52	D+	Insufficient transparency
Information on energy consumption labelling	53	D+	Insufficient transparency
Environmental protection policy and its results	55	C-	Average transparency
Data on emissions	44	D-	Insufficient transparency
Policy on transition to RES and its results	77	B	Moderate transparency
Availability of information on RES support schemes	19	F	Non-transparent energy

The assessment focused on transparency of information in three key areas for sustainable development: climate change and environmental protection, energy efficiency, and transition to renewable generation. The first group of indicators received an average score of 49 (D) due to the actual lack of implementation of proper instruments such as registry of large combustion plants, registry of greenhouse gas emissions, which respectively results in the lack of data, and still inactive reporting systems, such as the implementation of the Paris Agreement. The energy efficiency indicators group received an average score of 52 (D+) and the negative contribution was made by incomplete implementation

of the relevant provisions of the EU legislation: e.g., the lack of a registry of public buildings with heating/cooling systems, and the absence of energy efficiency obligation schemes. In the area of renewable energy, the limited and non-relevant information on RES support schemes received a low score.

A relatively satisfactory score of 77 (B) was attributed to information on the National Renewable Energy Action Plan, but only at the expense of publication of such information by the Energy Community Secretariat.

### Recommendations

- accelerating the implementation of the EU sectoral legislation and improving the quality of such implementation in terms of providing information;
- more complete publication of government reporting documents on the implementation of national energy efficiency and renewable energy action plans, which are provided to the Energy Community Secretariat;

- ▣ finalizing the Strategic Environmental Assessment (SEA) and Environmental Impact Assessments (EIA) electronic databases by the Ministry of Environment and Natural Resources and other responsible authorities in order to improve usability of these tools;
- ▣ regular updating of information on RES support schemes, taking into account amendments in legislation.

## 7. Financial and Other Corporate Reporting

### TOTAL SCORE

22 **F**

#### Non-transparent energy

The indicators for this category are based on the requirements of European legislation such as **Directive 2013/34/EC on annual financial statements, consolidated financial statements and related reports of certain types of undertakings, Directive 2014/95/EC on disclosure of non-financial and diversity information by certain large undertakings and groups and best practices (OECD Principles**

**of Corporate Governance, Extractive Industries Transparency Initiative Standard)**, as well as relevant acts of national legislation regulating issues of financial and other reporting of business entities, in particular the framework Law On Accounting and Financial Reporting in Ukraine and special laws (e.g., **On Amending Certain Legislative Acts of Ukraine on Transparency in Extractive Industries**).

### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Financial reports (annual, quarterly), including consolidated reports	35	F	Non-transparent energy
Independent auditor reports	35	F	
Annual reports	9	F	
Management reports	7	F	
Quasi-fiscal operations	6	F	
Disclosure of non-financial information	21	F	
Disclosure of information on non-core activities	14	F	
Disclosure of information on corporate websites	15	F	
Participation in the Extractive Industries Transparency Initiative	38	F	
Payments to governments reports	0	F	Insufficient transparency
Data on corporate governance	41	D-	

The low level of transparency in this category is caused by low scores for all subcategories, with no exclusions, which do not exceed 41. In part, this result can be explained by the fact that the sample includes both companies in the form of joint stock undertakings with higher disclosure requirements and firms in the form of limited liability companies that do not have similar obligations. At the same time, a low culture of information disclosure in making annual reports public is recorded for most enterprises in the sample.

In fact, there are no management reports and information on covering quasi-fiscal operations available. At the same time, in the segment of extractive companies, the indicator as to payments to governments reports received a zero score – but it is worth noting that these reports will be provided starting from the next year in accordance with the recently adopted legislation.

The indicator “Information Disclosure in Accordance with the Extractive Industries Transparency Initiative Standard” has received the highest assessment. Although with delay, Ukraine annually issues EITI reports detailing payments at the level of companies, and has passed the validation (verification of compliance with the standard) by the EITI International Board. Subcategories related to the disclosure of corporate governance information and final beneficial owners have also received a relatively higher score.

## Recommendations

- ▣ improving the culture of submitting financial and non-financial reporting, their content and regularity, in particular regarding public sector companies;
- ▣ monitoring the submission of reports on payments to governments in accordance with the Law On Ensuring Transparency in Extractive Industries;
- ▣ Development and approval by the Ministry of Finance of the requirements for the management report;
- ▣ Encouraging disclosure of information on quasi-fiscal operations.

## 8. Transparency of Public and Regulatory Authorities

### TOTAL SCORE

36 **F**

Non-transparent energy

The indicators of this category are taking into account the best EU practices on information and analytical support to the legislative and regulatory activities of public authorities, in particular the European Commission's Better Regulation / Law Making guidelines, the provisions of the EU-Ukraine

Association Agreement, the national legislation on fiscal policy (reporting on the use of public funds), the Energy Strategy of Ukraine by 2035, the Paris Agreements, etc.

### Distribution of scores by subcategories:

Subcategory	Score	Rating	Characteristic
Information on payment of taxes (disaggregated by types of payments and entities)	38	F	Non-transparent energy
Budget expenditures for energy sector and reports on their implementation	43	D-	Insufficient transparency
Data on state aid systems	29	F	Non-transparent energy
Quasi-fiscal operations	0	F	
Decision-making and implementation processes	38	F	
Transparency of forming governing bodies	27	F	
Environment for open data	48	D	Insufficient transparency
Monitoring and reporting on the Energy Strategy implementation	0	F	Non-transparent energy
Monitoring and reporting on the Association Agreement implementation	100	A+	Absolute transparency
Monitoring and reporting on achieving indicators of the Sustainable Development Goals (Goal 7 Affordable and Clean Energy) by the energy sector	53	D+	Insufficient transparency

In this part of the Index, the following information gaps were identified:

- ▣ aggregated information on quasi-fiscal operations of enterprises;
- ▣ results of the decisions of competition committees with justification (in cases if appointments to public service are not political);
- ▣ national report on implementation of state energy policy;
- ▣ a report on the results of monitoring the consideration of the provisions of the Energy Strategy of Ukraine by 2035 in the activities of the energy sector players;
- ▣ publicity of the process of reviewing the Energy Strategy of Ukraine by 2035.

In addition to the gaps, the unsatisfactory rating is caused by the low average level of completeness of the information disclosed - 47 (D), poor regularity of updating and storing information - 49 (D), and low usability – 51 (D+).

Information was found to be incomplete under 22 out of 27 indicators. E.g., this relates to the state aid registry, which formally exists, but its content is unsatisfactory given the presence of only local cases. At the same time, there is no separate registry of entities being beneficiaries of the state aid.

Information is frequently disclosed in a form inconvenient for processing, such as scanned non-machine-readable documents. Irregular updating and storage of information in the form of electronic archives has been also discovered under 17 indicators.

Instead, the subcategory “Monitoring and Reporting on the Association Agreement Implementation” (in terms of energy sector) can be classified as the best practice of transparency in the energy sector of Ukraine. The respective information can be described by the formula “freely available, in full, regularly updated, archived and easy to use”.

## Recommendations

- ▶ creation by the Antimonopoly Committee of a detailed registry of the state aid recipients (with amounts of the state aid and classification by types of economic activity) and disclosure by the Ministry of Finance of the aggregated information on quasi-fiscal operations;
- ▶ developing by the Ministry of Energy and Coal Industry of the procedure for monitoring implementation of the Energy Strategy of Ukraine by 2035 and publication of its results;
- ▶ facilitating the development of the environment for collection, processing and publication of information in open data format, as well as specific tools with the use of such data.