

Quick Response Request

Submitted by: the Standing Conference of Towns and Municipalities (in the remaining of this document referenced as SKGO)

Date: April 2010

Subject: Fees associated with street lighting.

Background: The Serbian municipalities are in charge of street lighting and they pay substantial amounts from their budgets to local energy distribution companies for the used electricity. A number of Serbian municipalities have expressed interest to introduce individual, or group, charge for the service of street lighting and are looking for the way to do it. In this context, SKGO asked support from NALAS in respect to the legal conditions, municipal regulation and ordinances, technique of charging and financial effect of such a measure.

1. Summary of Results*

NALAS contacted its member associations and asked them to share with their Serbian colleagues the best practices, as well as existing normative acts and regulations on the street lighting in the municipalities. A total of 8 associations responded and submitted a considerable number of excerpts from laws and municipal regulations concerning the street lighting.

The country	Is there a practice of charging the end users for the street lightening in your country?	If yes, please describe it shortly.
Bulgaria	No	The service is covered from the municipal budget.
Croatia	Yes	In Croatia, public lighting is being financed from communal taxes paid by citizens in every local community according to the provision act of local assembly (city, municipality) and figures as maintenance of regular functioning.
Kosovo	No	The service is covered from the municipal budget
Macedonia	Yes	In Macedonia, according to the legislation, the street lighting (as a service) should be compensated with communal tax for street lighting that is regulated by the Law on communal taxes.
Moldova	No	The service is covered from the municipal budget
Montenegro	No	The service is covered from the municipal budget.
Republic of Srpska	No	The service is covered from the municipal budget.
Romania	No	The service is covered from the municipal budget. There are two models of management of the street lighting service: direct and delegated management.

* For more details please follow the links in the table or see the detailed information in the next chapter.

2. Analytical/Detailed Information

From the gathered responses it can be concluded that the practice to charge the end users for the service of street lighting is not so spread among the NALAS members. In most of the countries responding to the request, the situation is pretty much similar with the situation described by SKGO in its application: municipalities are in charge for providing street lighting and cover the expenses for providing this service directly from their municipal budgets. In Romania, for example, there are two models of management of the street lighting service: direct and delegated management. However, in both cases the municipalities pay for the service provision. Improving the energy efficiency of the provided street lighting service is one of the priorities and solutions for those municipalities that due to the national legal framework don't have possibility to charge the end users.

Only two countries, Macedonia and Croatia have established mechanisms for charging the end users.

In Macedonia, according to the legislation, the street lighting (as a service) should be compensated with communal tax for street lighting that is regulated by the Law on communal taxes. With this, each household and private entity benefitting from the service of street lighting should pay a tax that is collected (again by law) with the monthly electrical energy invoice – bill for spent electricity distributed to each household and private entity by the distribution company. The fixed amount of collected communal tax (paid by households and private entities) is then transferred to the municipalities. The latter law regulates the amount of fixed communal tax per household and additional tariffs for private entities.

In Croatia, public lighting is being financed from communal taxes paid by citizens in every local community according to the provision act of local assembly (city, municipality) and figures as maintenance of regular functioning. Considering the price, the public lighting in Croatia belongs to a special tariff model known as "yellow model", which includes street lighting and traffic lighting (generally in the tariff system, energy customers are grouped according to voltage level and consumption category). The level of consumption and the price according to it is being calculated and the bill is sent to the city or municipality administration to be paid. The current price is 58 lipa (approx. 8 Eurocents) plus VAT under the contract with supplier, or 65 lipa (approx 9 Eurocents) plus VAT without the special contract, all for the so called eligible customer (povlašteni kupac). Citizens are paying communal tax on monthly basis, and communal fee with building permits.

The Country	The answer
Montenegro	Situation in Montenegro regarding the public lightening expenditures is similar like in Serbia. Electricity bills for public lightening are being paid by the municipalities which are end users.
Kosovo	In Kosovo, municipalities are responsible for the maintenance and payment of electric power consumed for street lightning at the region that a respective municipality covers, whereas dealing with regional cases then the maintenance and payment of consumed energy is done by the Ministry of Transport. The measure of electricity spent for street lightning within a municipality is performed by a specific measure, therefore there exists a measure of energy consuming within a territory of a municipality for public lightning. This means that the end users and local companies are not charged for the expenses on energy consumption on lightning. Municipalities' initiatives and investments in this phase are in lightning

	<p>efficiency system, LED systems that will save a considerable amount of budget addressed for public lightning. At this moment a Pilot Project in the Municipality of Stimlje for installation of public lightning system with Photovoltaic Solar Panels System is in the implementation phase.</p>
Macedonia	<p>1. The Macedonian municipalities are obliged to provide the service of street lightning to the citizens according to the Law on communal activities/utilities. , In general, in Macedonia, the production, transfer and distribution of electricity is provided by three sectorial divided companies. For better understanding: The production and transfer of electricity is still provided by State owned public enterprises (large companies) while the distribution is owned by private company.</p> <p>2. According to the legislation, the street lightning (as a service) should be compensated by COMMUNAL TAX FOR STREET LIGHNING that is regulated by the Law on communal taxes. By this, each household and private entity receiving the service of street lightning should pay the tax that is accumulated (again by law) with the monthly invoice – bill for spent electricity distributed to each household and private entity by the DISTRIBUTION COMPANY. The fixed amount of collected communal tax (paid by households and private entity with the bill) is then transferred to the municipalities. The later law regulates the amount of fixed communal tax per household and additional tariffs for private entities. This is the system.</p> <p>3. In the period behind, the communal tax for street lightning had a social function, and was leveled not to be a burden for the citizens and to provide sufficient amount of collected financial assets for maintaining, development and spreading the street lightning network but also to cover the costs for spent electricity on a monthly bases. As the market prices for each segment grew significantly (the electricity, the maintenance, construction of new street light utilities etc.), the collected amount was insufficient for the purpose it was collected for, and created huge debts for the municipalities towards the distribution company since the collected communal tax was even less than the amount of a monthly bill invoiced for spent street lightning electricity. The debts became so huge, as some of the municipalities suddenly got blocked accounts due to court execution of debts. The accumulated amounts of debts made the municipalities unable to provide other crucial services, since some of them owed even 10's of millions of Euros to the distribution company accumulated for years behind.</p> <p>4. ZELS had to react immediately, especially since, all of a sudden, many municipalities were jeopardized to fall into insolvency and bankruptcy. Finally, ZELS created the proposal based on real expenditure calculations, lobbied and changed the Law on communal taxes and increased the amount of communal tax, sufficiently enough to cover the costs for purchased electricity, maintenance and development of the system.</p>
Moldova	<p>The national legislation of the Republic of Moldova applied to offer the quick response:</p> <ol style="list-style-type: none"> 1. Law on local public administration № 436-XVI of 28.12.2006; 2. Law on energy № 1525-XIII of 19.02.1998; 3. Law on road fund № 720-XIII of 02.02.1996; 4. Law of roads № 509-XIII of 22.06.1995;

5. Government Decision on approval of Regulation regarding the manner of performance and payment of housing services, utilities for housing, metering flats and conditions of their disconnection from/reconnection to heating systems and water supply № 191 of 19.02.2002;
6. Government Decision on approval of Regulation of National Agency for Energy Regulation (NAER) № 1511 of 31.12.2008;
7. NAER Regulation on approval of Methodology calculation of tariffs for energy supplied to consumers № 256 of 10.08.2007.

Description of street lighting service in the Republic of Moldova through legal framework

Local public administration in Republic of Moldova activates on basis of principles of financial autonomy, therefore according to art. 3 of Law on local public administration, local government authorities have autonomy of decision, organizational and financial management, have the right of initiative in all matters of local administration of public affairs, and exercised under the law, authority within the territory administered.

To ensure local autonomy, local government authorities develop, approve and manage independently budgets of administrative territorial units, having the right to implement local taxes and to determine their amount in legal terms. For example Chisinau municipal budget awards allocations for repairing and maintenance of development objectives, which are meant including for electricity spent on street lighting and maintenance of public street lighting.

According to Law on energy of the Republic of Moldova, the investment funds for energy efficiency and development are constituted inclusively out of local public authorities' budget.

Law on energy № 1525-XIII of 19.02.1998 also establishes at art. 8 that National Agency for Energy Regulation is empowered to establish and approve the methodologies of calculation and application of tariffs for energy. Therefore this state structure has the univocal and direct right to settle the tariffs for energy for all groups of consumers, including for local public authorities. National Agency for Energy Regulation is entitled to survey the activity of licensees in providing energy and their abidance to the tariffs established by the Agency.

Legislation of the Republic of Moldova establishes legal, organizational and financial bases of constitution and functioning of road fund. Art. 1 of the Law on road fund of the Republic of Moldova stipulates that the fund is meant for collection of certain amounts of financial resources designed to maintain the functional state of national and local roads.

The financial resources of the road fund are composed, inclusively from taxes collection in compliance with Fiscal Code of the Republic of Moldova.

One of them is the road tax paid by persons using vehicles and the other one is the tax for territory planning, paid according to art. 290 of the Fiscal Code, by physical persons and legal entities registered as entrepreneurs and

disposing of a taxable base.

Those taxes, nevertheless, are not enough to cover the expenses for street lighting due to the fact that management of streets involves additional expenses for road repair, maintenance, besides street lighting.

The expenses for services of territory planning include the expenses for street lighting. But unfortunately the allocated amounts of financial resources are not sufficient to cover the needs for street lighting. This fact is therefore leading to an inappropriate and insufficient number of streets benefiting of proper lighting and safe circulation for pedestrians and drivers.

The legislation of the Republic of Moldova currently provides no charge for end users (consumers) regarding costs for street lighting, as demonstrated by Government Decision № 191 of 19.02.2002. The mentioned Decision states that "the payment for technical maintenance and repair of dwelling unit shall not include the following costs for maintenance works of dwelling units, which are funded from local budgets: street and neighborhood lighting.

Law of roads, contrary to constitutional provisions, doesn't divide roads into public property roads (property owned by the state and territorial-administrative units) and private property roads, but expressly provides that roads are divided into state roads and private roads. From this regulatory perspective, all roads, including local and streets, except private roads, are the properties of the state. Given that the Law on the Government provides in Art. 12, paragraph (a) that the functions of the state proprietor are exercised by the Government by Parliament assignment, it means that "the administration, maintenance and repair of local roads and streets by local government authorities" may be exercised by local public authorities only as in delegated competence and therefore it must be covered entirely by the state budget through special purpose transfers

The General department of public transportation and communication is being awarded every year, especially for the expenses meant for street lighting, a certain amount of financial resources.

Considering the fact that the above mentioned amount of financial resources is not enough to pay for the electricity expenses for street lighting, there are cases when law enforcement agencies tend to block the bank accounts of municipalities and therefore stop the financial activities and development of relationships between municipalities and state authorities, consumers, suppliers and just common people.

Nearly 40% of the infrastructure expenses compose the expenses for public lighting, which include maintenance and lighting of streets.

Due to the fact that street lighting is lacking the acquisition of new technologies of lighting and the light is very weak, it also makes it difficult to perform the repair of streets during night time.

Therefore, unfortunately the situation in Republic of Moldova is similar to the one in Serbia. The Chisinau Municipality has subordinated a municipal enterprise that is responsible for maintenance of municipal street lighting network. This activity is financed from the municipal budget and the municipal enterprise must cope with the amount stipulated in the budget. For this reason the achieved results are not the expected ones.

	<p>Conclusions and potential solutions</p> <p>As solutions on this topic may be:</p> <ol style="list-style-type: none"> 1. Public-private partnerships, if the municipality is willing to outsource this service; 2. Introduction of a charge for additional services for businesses and citizens (such as charge for sanitation services) but this depends on regulatory laws and on cooperation of municipalities with authority on energy regulation and electricity suppliers. 3. We believe that one of the measures that would improve the situation in this area would be granting the rights to local public authorities to set taxes or inclusion in the Fiscal Code of special taxes, and accumulated incomes to be intended exclusively for the construction, maintenance and repair of local roads and streets. 4. Congress of the Local Authorities from Moldova is interested in this subject and expresses interest in finding out about the outcome of this problem being solved.
Romania	<p>Public lighting system, exclusively for providing public lighting services, is part of the technical infrastructure of municipal administrative-territorial units. These, in accordance with Community Public Utility Services Law No. 51/2006, belong to public property and are being highlighted and inventoried in the real estate cadastres of the administrative-territorial units.</p> <p>If the local government authorities intend to develop public lighting service using the existing infrastructure of the electricity distribution, the distribution system owner is required to accept the requested utilization, in accordance with the framework-contract.</p> <p>The establishment, organization, coordination, monitoring and control of the public lighting service operation within the administrative-territorial units and the establishment, development, modernization, administration and operation of public lighting systems are in the local authorities' exclusive jurisdiction.</p> <p>The following aspects are in the exclusive jurisdiction of local councils, General Council of Bucharest or the community development associations, as appropriate:</p> <ul style="list-style-type: none"> - the preparation and approval of local strategies for public lighting service development - the preparation and approval of the investment programs for the related technical infrastructure development and modernization - the preparation and approval of the service own rules, of the management criteria <p>Administrative-territorial units may associate among themselves in order to establish, achieve and operate the public lighting service and its related</p>

infrastructure in the name of common interest, as stipulated by Law no. 51/2006:

- 1) The management of public lighting service is achieved through the following ways:
 - direct management;
 - delegated management
- 2) Choosing a form of management of public lighting service is made by the decision of local councils, the General Council of Bucharest or the community development associations, as appropriate.

Regardless the adopted management form, under the power and their duties according to law, local government authorities retain the right to approve, monitor and control, as appropriate:

- a) The charges base and compliance with the methodology for setting, adjusting or amending them as issued by ANRSC;
- b) The contractual obligations fulfillment by the operators and their activities;
- c) The quality and efficiency of provided service, in accordance with service performance indicators established by law;
- d) The public lighting system administration, operation, preservation and operation maintenance, development and / or upgrading of.

In the case of **direct management**, local public administration authorities or community development organizations, as appropriate, shall assume all duties and responsibilities directly relating to the establishment, organization, funding, coordination, administration, management, operation and provision of public lighting system operation.

Direct management is achieved through defined operators according to Law no. 51/2006.

Operators provide public lighting service according to:

- the *decision to commission service management* adopted by the local government
- the related technical infrastructure
- the license issued by ANRSC

In the case of **delegated management**, local public administration authorities or the community development associations, as appropriate, transfer their duties and responsibilities on the service operation and management to one or more operators due to a "management delegation contract". These operators have the status of companies with public, private or mixed capital.

Subject to management delegating contracts are actual operating activities - management, administration, operation, maintenance, and training, funding activities and infrastructure investments implementation related to public lighting service.

	<p>During the management delegation contract, movable or immovable property owned by public or private domain of administrative-territorial units, used for the service operation, is leased to the operator which was awarded the management delegation contract.</p>
Croatia	<p>1. Legal conditions:</p> <p>Public lighting is under the responsibility of local self-government. According to Utility Services Act, Article 3, (Zakon o kumunalnom gospodarstvu RH, čl.3) every municipality has the right to take care about utility services among which is also the public lighting. Under the term of "public lighting" is the management, maintenance of devices and objects used in lighting and paying for the costs as a result of lighting of public spaces, roads and streets of different kind.</p> <p>2. Municipal regulation:</p> <p>Municipality collects its own revenues (izvorni prihodi) which are: - communal tax (komunalna naknada) - communal fee (komunalna pristojba)</p> <p>Public lighting is being financed from communal taxes payed by citizens in every local community according to the provision act of local assembly (city, municipality) and figure as maintenance of regular functioning. (Projects financed from communal fee as a source of revenue must be planned beforehand and be strictly specified.)</p> <p>3. Technique of charging and financial effect:</p> <p>Considering the price public lighting in Croatia belongs to the special tariff model publicly known as "yellow model" which includes street lighting and traffic lighting (generally in the tariff system, electricity customers are grouped according to voltage level and consumption category). The level of consumption and the price according to it is being calculated and the bill sent to the city or municipality administration to be payed. Current price is 58 lipa plus VAT (1 HRK = 100 lipa, 1 EUR = 7,2 HRK) under the contract with supplier, or 65 lipa plus VAT without the special contract, all for the so called eligible customer (povlašteni kupac).</p> <p>Citizens are paying communal tax per month, and communal fee along with building permit.</p> <p>4. Word of expert</p> <p>Croatian expert in EE for Nalas Mr. Goran Pichler estimates that the electricity price for public lighting in Croatia is reasonable, not high. Eventual high cost of the public lighting in communal tax, whole activity is not the result of unacceptable state involvement with pricing but because of energy waste. Bulbs with mercury (Hg) instead of sodium (Na) are still in use.</p>

	<p>New type of bulbs and candle sticks that save the energy and give better lighting are not being implemented with an excuse that they are too expensive.</p> <p>Environmental Protection and Energy Efficiency Fund should finance that project with 40% and municipalities, cities and counties with 60% (and they do have the money on disposal!). Investment return should happen between 3 and 5 years, says Pichler.</p>
<p>Republik of Srpska</p>	<p>In the Republic of Srpska municipalities are also in charge of street lighting services and the money is allocated from the budget and paid to local electric distribution companies.</p>