



INNOVATIVE APPROACH TO MANAGING OF ENERGY PRICING ИННОВАЦИОННЫЕ ПОДХОДЫ К УПРАВЛЕНИЮ ЦЕНООБРАЗОВАНИЕМ НА ЭНЕРГОРЕСУРСЫ

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Abstract. *This paper deals with the management of energy pricing processes. The article involves innovative approach to managing of these processes considering the current situation in the consumed market. These innovative approach especially concerns the countries with low goods prices and low income of the population. Considering opportunities of the inside consumed market allows to keep the competitive own Industry and welfare of own populations. This paper offers the way to reconciliation of interests consumers and energy companies.*

Эта статья посвящена управлению процессами ценообразования на энергию. В статье используется инновационный подход к управлению этими процессами с учетом текущей ситуации на потребляемом рынке. Этот инновационный подход особенно касается стран с низкими ценами на товары и низкими доходами населения. Рассмотрение возможностей внутреннего рынка потребителей позволяет сохранить конкурентоспособную собственную индустрию и благосостояние собственного населения. Эта статья предлагает способ согласования интересов потребителей и энергетических компаний.

Key words: *innovation, management, energy. - инновации, управление, энергия*

Introduction

Meeting the needs of all members of society is one of the most important goals of each state. In order to adequately and fairly distribute financial flows, each country regulates the prices in these areas where market relations can not do it in a natural way because a monopoly position of one of the parties to these relationships. Such relationships with monopolist in the energy industry a particularly significant impact on all members of society.

State regulation of financial relations between energy consumers and their suppliers should be to take into account not only the cost of energy resources, but also the ability of consumers to pay the bills for their consumption. In spite of the monopoly position of energy companies and companies that provide energy supplies to consumers, market relations exist in this field not only within the industry but also in relations with consumers. Fair level of prices in this final market is determined by the level of ability of painless payments for the consumers.

The establishment of such energy prices for which consumers will have competitive products and the population will have a decent standard of living is the fulfillment of one of the main missions entrusted to state authorities.

In countries with low product prices and low population's incomes, the main emphasis in setting energy tariffs should be not only the needs of energy company, but also ability to pay bills by consumers. Old primitive approaches to setting prices under the rule "costs +" can already harm the industry, service enterprises and cause impoverishment of own people.



Main part

Many civilized countries provide state support for the most vulnerable citizen to pay for housing ensuring the right for all citizens to reside in civilized housing. However this applies to 5% of the total population [1]. The rest of the able-worked members of the community are working and able to pay bills for supplied energy resources and provide a decent life for their family.

In cases when the number of members of a society (families) requiring of state support is significantly higher than 5%, it means that working members of society can not earn enough money to pay for energy supplies and this is a serious economical problem for this country, which will entail political problems.

Such situation in the state indicates that financial flows are distributed incorrectly. It means either the level of wages is too low or the prices for services of the monopolists established above the opportunities of the consumer market.

Also, if the number of members of society(families) which need of state support for payment of utilities is so big, the fair question appears: are they unemployed citizens because if these person work , why they can not earn for payment of utilities? Also if 20-30% population can not earn money for payment of utilities, it means that these payments are strongly burdensome for else minimum 10-15% population.

Table 1.

Natural gas costs for population: rating of European countries [5].

Place	Country	The amount of natural gas in m3 available for the average monthly salary of residence in 2018	Natural gas price in \$ for 1000m3
1	Luxembourg	8392	478
2	Kazakhstan	7440	56
3	Russia	6357	95
4	Liechtenstein	5982	992
5	Great Britain	5598	576
6	Belgium	4104	662
7	Germany	3923	732
8	Ireland	3530	780
9	Austria	3576	839
10	Netherland	3495	979
11	Denmark	3280	1050
12	Belarus	3178	125
13	France	3161	835



14	Sweden	2419	1351
15	Estonia	2357	495
16	Turkey	2333	293
17	Greece	2222	672
18	Croatia	2049	439
19	Italy	1953	1049
20	Spain	1946	1039
21	Slovenia	1895	638
22	Hungary	1696	438
23	Romania	1662	371
24	Lithuania	1629	475
25	Poland	1588	530
26	Slovakia	1580	534
27	Latvia	1577	471
28	Czech Republic	1455	680
29	Bosnia and Herzegovina	1375	369
30	Portugal	1314	959
31	Serbia	1299	407
32	Bulgaria	1255	450
33	Ukraine	987	266,3
34	Moldova	749	372.9
	Average	2867	602,8

Of course, energy industry is very important area for each society and in the case setting energy prices according to the opportunities of consumer's market, this industry will need governmental support. In this case it will be public investments from the State Budget where other members of society pay taxes, but not the own money of monopolist received also from the state budget through state support for population for payment too high energy prices. So, establishment of energy prices according to opportunities of consumer market and providing direct support to the energy industry is more economically fair way to resolve such a difficult situation in the society.

Money received as public investment should reflect the increasing of the state share in the property of these companies. The economical laws of civilized countries work so. The market laws work in energy area no matter there is sufficient number of competing suppliers or there is only a monopolist. This market is created by



consumers. Therefore the state regulation of energy prices in this market should take into account the ability of these consumers to pay bills for consumed energy resources.

In my opinion, in order to determine right market energy prices, it needs to use the ratio of energy prices to different product prices or the amount of payment for energy resources to the amount of average population's income. By the comparing these indications in separate groups of consumers with similar ration in the goods, services or population's incomes with similar indication in civilized countries you can understand which energy price's level is possible to use for setting of energy prices for each group of consumers. Regulation of energy prices in such will bring benefits for all members of society. After such regulation of energy prices industry should be competitive and the population shouldn't be worked mainly in order to pay bills for consumed energy.

On the whole, the regulator should only set marginal prices, providing opportunities for maneuvers for energy companies themselves to set additional benefits for individual consumer groups at their own funds. The indicator of market opportunities of the population can be the ratio of energy prices to average wages. Comparison of such ratios in different countries can be oriented towards the living standards of their own population after establishing a certain level of prices. In order to keep the country from the outflow of the able-worked population, this ratio should not be lower than such ratio at least in neighboring countries.

This is a view from the side of consumers for which energy resources is extracted and supplied. They are the most important in this process. Established prices by the rules of respect for the consumer are also a market prices as well as the prices which will be harmless for the consumer's payments. So, the market energy prices are not the prices from foreign energy markets which correspond to relative high incomes consumers. The market energy prices are the prices which correspond to internal conditions in the consumer market.

Now it is possible to return to the considerations of "costs plus the necessary profit" of monopolists. Certainly marketable products at such market prices will not coincide "costs plus". Only now the main regulatory process begins. It will be in the fact that the costs of monopolists will be considered in detail in order to optimize them, and the marketing laws will be applied to the consumers market. Maybe such regulator actions will no longer lead to a situations when the consumers pays for a strange route of energy resources. As well as the huge cross-subsidization of some consumers by others through the state budget will not appear anymore.

The application of marketing laws foe energy pricing will create a system of different tariffs that will meet the different costs of delivery, quality of goods and services. The establishment of marginal prices will create additional opportunities for energy suppliers regarding an individual approach to consumers. It will accordingly create additional requirement for activity of economists who work in this area. In this case, the high salary of these economists in the event of successes their companies will meet their qualifications.

Privatization in this area can play a significant role in the process of optimizing costs. This will allow to reduce the expenditures of the State Budget that are spend to



cover the gap between the possibilities of paying bills for consuming energy resources by consumers and the needs of energy companies.

How? The privatization of state- owned companies and companies with 100% of state owned shares will allow to split the private companies funds from public funds provided by the state in the form of state investments in the event of insolvency of consumers to cover the costs of these companies.

For example, today in Ukraine the commodity product of suppliers of energy resources includes about 30% of the state budget funds which the state spends on granting subsidies to they unable to pay bills.(4). That is the fact, when members of a society who pay the full cost of consumed energy resources, pay additionally also for other members of society payments for energy in the form of payments to the state budget. This magnitude of cross-subsidization through the state budget is pretty significant in this country.

In this situation, a clear distribution of funds that can be paid by consumers of energy resources and money provided by the state to cover the gap between marketable and necessary costs for these companies will start the mechanism of competition for energy companies for their own profits.

In my opinion, if the private interests of managers and owners of these energy companies will be transformed from the use of expenditures in the corruption schemes of strange energy flows into fight for their own dividends it will be possible not only to optimize costs but also to contribute to the self-destruct of corruption in this very attractive for corruption industry..

Conclusions

For countries where there are significant differences between consumers' ability to pay bills for consumed energy resources and the needs for energy companies, the introduction of subsidies for consumers is mainly harmful to the population and to the state as a whole. Consumers receiving, accounts that for exceed their ability to earn and pay do not try to increase their own income by increasing labor productivity, as it is already outside their capabilities, and energy companies, getting everything, they need from the state have not incentive for optimization of their own costs. To create an effective scheme of matching products that consumers pay for without compromising their household and costs of energy companies it is necessary:

1. to adhere to certain proportions between the possibilities of paying bills and the prices of energy for consumers. This proportion should be realistic to payment or encourage consumers to reduce energy consumption by introducing energy saving technologies;

- 2.to privatize power companies in such a way as to move the private interest of their managers and owners in the sphere of receiving their own dividends from activities.

3. to divide the company's own funds and funds from the state budget, which the state provides to cover the difference between the opportunities of the consumer market and the needs of energy companies;

4. setting energy prices it needs to use marketing laws as by regulator as by energy companies.



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