

INSTITUTIONAL ENVIRONMENT FUNCTIONING OF GAS DISTRIBUTION NETWORKS IN THE REGIONS OF UKRAINE: MONITORING AND INCENTIVES



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Abstract. This article monitors various types of institutions that influence the institutionalization of regional gas distribution networks. It was found that the institutional environment is formed as a result of direct and indirect influence of internal and external factors exogenous and endogenous. The scientific basis and convictions of scientists and researchers on the "institutional environment" are systematized. Institutes and institutions with the further direction of their functional influence on the activity of gas distribution enterprises are analyzed. It is proved that the developed institutional environment groups the range of necessary institutions, coordinating them. This process causes a chain effect on the internal business processes of gas distribution networks, increasing the international image of the Ukrainian gas transportation system, quality energy services, approximation of the European base to Ukrainian realities. Examining the global trends of institutionalization of energy markets, the need for further deepening of infrastructure components and further redistribution of regulatory powers to regional governments was noted. In general, in summary, it should be understood that the purpose of the institutional approach is to monitor and stimulate the activities of regional gas distribution companies and institutions that regulate it. We propose to understand the institutional environment of gas distribution networks – purposeful activities and influence of entities on the functioning of gas distribution companies in the region through internal and external factors that synthesize and intertwine legal, political, scientific, economic, social, cultural, and other institutions. However, further institutional support for the transformation of the energy services market in Ukraine and the regions in the direction of improving energy efficiency and energy security is designed to move further in light of global trends in institutionalization to deepen and further infrastructural elements of redistribution of regulatory powers to regional authorities.

Keywords: *institutional environment, energy resources, monitoring, regional policy, regional gas distribution networks, infrastructure provision.*

Introduction

Problem statement and its significance. Achieving the set goals and implemented tools of long-term management of regional energy systems is largely dependent on the development of the institutional environment is a necessary condition for effective management, basic functionality and at the same time the object of regulation of strategically important areas of the region. In essence, the operation of gas distribution companies in the region is the essence of development institutions with generalized rules of conduct and interaction, the implementation of which creates opportunities and provides long-term regional regulation, as well as the place of operating entities within territorial and social borders.

Objectively natural regional development should be considered an effective institutional environment, which is a regulator of transformational shifts in network economic systems aimed at forming and consolidating stable and reliably competitive principles.

Analysis of recent publications and research. Researcher Grechko A. "Considers" the institutional environment as a complex unity of formal and informal institutions that play a key role in shaping positive economic development, and its quality and degree of compliance with institutional change in the country are largely determined by the role of the state in the economy.

According to her, it is the institutions and their participants that set the conditions for the behavior and business activity of the entire regional group.

A. Melnyk covered the preconditions for the need to clarify the essential characteristics of the formation of the system of institutional foundations for the development of the national economy in her research (Pavlov, 2018).

Institutional components of national energy security were studied in the works of Ya. Zhalil (Yerlimov, 2007).

The need to develop effective institutional factors for the development of the energy services market within Ukraine was proposed for consideration by M. Fedirko, P. Mykytyuk (Strishenets', 2017, Strishenets', Pavlov, 2017). Researcher O. Pavlova (Strishenets', Pavlov, 2016) studied the principles of the institutional environment as an effective and strategic direction of innovative development of gas distribution companies (Strishenets', Pavlov, 2016). However, despite the wide range of researchers, unfortunately, the elucidation of the reasons for the institutional dependence of gas distribution companies on the way to a competitive natural gas distribution market has not yet been properly elucidated and needs to be addressed.

Apart from monopolization and legislative imbalance, the Ukrainian energy market has insufficient experience in implementing energy efficiency policy, mainly due to the unfavorable and outdated institutional environment. The popularity and effectiveness of the latter are associated with the prevailing and most promising ideology of combining the technological base with the social functionality of the existence of regional systems.

Researcher T. Zhelyuk focuses on the institutional and economic principles of building a national market for energy services as a mechanism for achieving the highest possible levels of energy efficiency. At the same time, the institutional environment is

understood to mean: the essence of legal, economic, civil, and other institutions of different system-forming levels, the main goal of which should be to build the institutional and economic environment necessary for the energy services market to achieve a certain balance (Tkachuk, 2017).

In the conditions of Soviet long-term formation of infrastructural maintenance, there was a stability of existence of a gas-distributing branch of the country. However, this practice and the way in which the dominant state property was coordinated, which was inherent in the command-and-control system, caused considerable difficulties in setting the regulator's optimal prices for gas services, which could encourage gas distributors to restore production functions. Subsequently, the transformation of the Ukrainian economic system affected the institutional modernization of changes in the values of the regional environment, which explained the area of their existence or incompatibility with other institutions and institutions. Investigating the change of values as a result of the transition from public to private ownership in the country, the scientist R. Yukhimets believes to understand the result of the influence of endogenous and exogenous factors. Endogenous are caused by internal changes in social beliefs and hypotheses of the nation, while exogenous factors are manifested in the external

influence on the adaptation of the internal environment to external innovation. An important feature that determines the effectiveness of exogenous factors on the internal environment and its ability to adapt to specific state conditions. An effective impetus for existing adaptations is innovation, resulting in a combination of new combinations of technologies and organizations. However, these combinations are able to be implemented within a given institutional environment of regional structures.

The formation of the objectives of the article is to study the monitoring of the institutional environment and the features of the gas distribution networks of the region

Presentation of the main material of the study. J. Commons rightly emphasizes the understanding of institutions, who expresses the following opinion that "the Institute is a collective action to control, liberate and expand individual action" (Ushchanovsky, Kostin, 2016).

However, the expediency of the existence of certain institutions is explained primarily by the values that formed the basis of their creation. Therefore, public or regional governance from a political and economic point of view is the engine of structural change in regional gas markets, influencing further energy policy priorities.

Researcher O. Lyakhovets distinguishes between a favorable institutional environment and an unfavorable one. The latter, in particular, the author includes: "development of autocratic institutions, obtaining power by a small group of people", at the same time, a favorable environment focused on socially positive effects, compliance with the law, limited opportunism in the formation of contractual conditions, access to social insurance (National Renewable Energy Action Plan for the period up to 2020).

A promising direction in the development of gas distribution networks in the region is the rapid change of the institutional environment. The dynamism of macroeconomic and microeconomic processes contributes to the emergence of a specific relationship between different participants in all sectors of the economy, including gas distribution networks as well.

The variability of internal and external conditions of the gas distribution company with an underdeveloped management

component involves the search for objectively necessary tools, methods, ways, and norms of common views and approaches of business participants in the relevant institutional environment. Noting that it should be noted that business entities operate in accordance with their field of activity institutional environment, which has a direct impact on their decision-making through institutional pressure (Plyatsko, 2017).

In our opinion, the institutional environment of gas distribution companies is considered to be special, which covers a significant range of stakeholders and special institutional components (Hrebeshkov, 2010).

Gas distribution companies are a kind of intermediary structures that provide gas resources within the region and are affected by internal and external factors. External factors of influence should include:

- socio-economic situation and the level of competitive relations in the region;
- normative-legal and established forms of interrelations between the subjects of the regional gas distribution network;
- influence on strategic decision-making by gas distribution networks of regional and state authorities;
- political views and redistribution of spheres of influence due to the privatization of networks.

We suggest including internal factors:

- feature of intra-industry management structure; changes in consumer demand of individuals and legal entities;
- the level of application of innovation and technological achievements by gas distribution companies;
- functioning of the consulting and information network of customer service.

The main institutions that serve the gas distribution networks of the region include direct and reverse institutions. The institutions of direct action should include:

The Ministry of Energy and Coal Industry, which provides activities within the Resolution of the Cabinet of Ministers of Ukraine of April 6, 2015 N 382/2011 and is almost the only executive body whose functioning is provided by the Cabinet of Ministers of Ukraine. In addition, the Ministry is the most important institutional center that approves and implements the state policy in the oil and gas, electricity, nuclear, coal, and peat industries and areas of fuel and energy complexes

(Pavlova, Pavlov, Yakymchuk & oth., 2020; Paliychuk, 2016).

Another important regulatory body of direct action, which enshrines regulations and laws and directs public policy in the direction of intensifying the activities of gas distribution companies is the National Commission for Regulation of Energy and Utilities (Pavlov, Pavlova, 2019).

The functions of this authorized body should include: regulating the activities of natural monopolies, oil and gas and energy industries, the formation of an effective institutional environment. About the natural monopoly, it should be noted that this is due to this effect, which creates a competitive situation regardless of the form of ownership of the enterprise. Therefore, with an effective and developed institutional environment, there is a high probability of reducing contradictions and lack of sufficient information between the participants in the region's gas distribution by streamlining their relations and strengthening direct and feedback: "state-gas distribution company-consumer" and vice versa.

The formation of an adaptive and colorful institutional circle is possible under the conditions of deepening the privatization processes of gas distribution and gas transmission companies with the increasing attraction of investment resources. However, the economic and political regional and state will is in full swing to achieve this (Linchevs'ka, 2014).

On February 1, 2011, an important event for Ukraine took place in connection with Ukraine's accession to the European Energy Community, which became a guarantee of long-term financial stability of the energy sector and improvement of the national investment climate. This process has influenced the increase in the activity of regional energy markets through the implementation of legal and contractual principles.

At the same time, the National Commission for Regulation of Energy and Utilities is the institutional coordinating body that, together with the Secretariat of the Energy Community, regulates the international activities of the European Union in the field of electricity and gas.

In the context of the Energy Community, the executive and legislative functions are performed by the following institutions: the

Council of the EU, the European Parliament, and the European Commission. Special institutions in the field of energy security of international cooperation are international financial organizations, which include the following. The United Nations (United Nations), which has united the interests of 193 countries in the context of the 70 cities of the General Assembly on the new goals of human development by 2030. With 27 major vectors. The set goals include the integration policy of economic growth under conditions of social stability and rational use of nature (National Renewable Energy Action Plan for the period up to 2020).

The European Union, as an international institution through international regulation, influences the restructuring of the European Energy Community centers with strategic plans and programs for employment growth, development of educational and scientific platforms, environmental and energy efficiency of economic processes, increasing the impact of orderliness and current and potential EU members (Strishenets', 2017; Strishenets', Pavlov, 2017).

In this sense, the transformation of the energy services market in Ukraine in the European scenario has a significant impact on Directive 2012/27 / EU, which sets out the main energy priorities and objectives of energy security in the participating countries (Dz'oba, 2014).

The President of Ukraine, the Verkhovna Rada of Ukraine, the National Security and Defense Council of Ukraine, the Cabinet of Ministers of Ukraine, the Ministry of Energy of the Coal Industry, the Ministry of Economic Development and Trade, and central state executive branches with special status are national institutions for monitoring and ensuring energy security standards.

Each of these institutions forms an indirect influence on the functioning of the regional gas distribution market. In particular:

- The President of Ukraine has formed powers for integrated macroeconomic development of the country, including strategies for socio-economic growth through several relevant orders and directives, the formation of sectoral and sectoral working groups to prepare and implement development projects, including gas distribution networks;
- The Verkhovna Rada of Ukraine in the context of the Constitution of Ukraine fully

the importance of legislatively formulates and determines the legal spectrum and approximation of the development of energy efficiency and the level of compliance with energy security and gas distribution markets;

- The National Security and Defense Council of Ukraine coordinates and monitors the implementation and observance of economic and energy security based on the current geopolitical situation (Paliychuk, 2016). Other central institutions within their powers implement the legal framework within the acts and concepts of development of the resident of Ukraine, the Cabinet of Ministers of Ukraine;
- local authorities are responsible for developing and implementing a regional strategy for energy efficiency and energy security in the context of national interests.

In particular, an effective document that will increase the effectiveness of the institutional platform of regional gas markets was the President's Order "On the National Action Plan on Energy Efficiency until 2020" (Kupchak, Pavlova, Pavlov & Lahodiyenk, 2010).

The main priorities according to this document concern the energy-saving rate of 9% relative to the average domestic consumption by 2020, which is 6.5 million tons. oil equivalent, at the same time by reducing energy consumption by 5%. Achieving these goals is possible in 4 aspects of final consumption. These include the household sector, the services sector, as well as industry and transport. In addition, it is proposed to apply several measures: promoting investment attraction of innovative solutions in thermal modernization of residential buildings and construction of energy-saving buildings; adaptation to European realities of fuel technologies, implementation of energy efficiency of buildings, formation of energy audit, and energy management system. Approval of norms on the energy efficiency of buildings and equipment, the launch of an energy labeling system for electrical equipment for household needs, maximum metering of consumption, formation of thermal energy, the introduction of metering of energy consumption in the communal sphere.

Conclusions

In general, summarizing the above material, it should be understood that the purpose of the institutional approach is to monitor and stimulate the activities of regional gas distribution companies and institutions that regulate it. We propose to understand the institutional environment of gas distribution networks – purposeful activities and influence of entities on the functioning of gas distribution companies in the region through internal and external factors that synthesize and intertwine legal, political, scientific, economic, social, cultural, and other institutions (Hrebeshkov, 2010).

However, further institutional support for the transformation of the energy services market in Ukraine and the regions in the direction of improving energy efficiency and energy security is designed to move further in light of global trends in institutionalization to deepen and further infrastructural elements of redistribution of regulatory powers to regional authorities.

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