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# Regulatory and Energy Assistance

## CASE STUDY WORKSHOP

# GAP ANALYSIS, CONT. 2

Vlašić, BiH, December 5-6, 2012

## USAID/BIH REAP

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# **Gap Analysis Workshop Day 2**

**Vlašić, BiH  
December 6, 2012**

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- **Contracts**
- Under EU Directive, customers have rights to supply contract that specifies key elements of service
- The contract should clearly inform the customer about the methodology used to calculate the costs of energy consumption
- Customer should only need to sign 1 or 2 contracts to receive electricity service (supply and network access – which ideally is concluded by the supplier)



- **Contracts**
- **Contracts should not contain burdensome provisions designed to stop a switch**
  - **For example, EU Directive recommends prohibiting use of “exclusivity clauses” that prevent customer from selecting a different supplier in large non-household contracts**
  - **Even disputes over contract terms should be dealt with in contract law forum and not prevent switch**
    - **E.g., nonpayment for past services addressed through court or collection action**



## **Contracts** *(cont'd)*

- **Pro forma or standardized contract, approved by the regulator, simplifies and streamlines switching process (clear expectations)**
  - **Focuses parties on negotiable elements, e.g., price, quantity, location, and duration**
- **Can have different form contracts for different customer categories (small customers have short, easy to read contracts; large customers often have more complicated issues)**



## Contracts – BiH

- **Depending on circumstances, customers in BiH must sign from 1 to 3 contracts**
  - **FERC: 2-3 (supply contract and usage contract, plus connection contract if new connection or increased capacity)**
  - **RSERC and SERC: 1-3 (supply contract only, supply plus access contract, plus connection contract if new connection or increased capacity)**



## **Contracts** *(cont'd)*

- **Contents of supply and access contracts are regulated**
- **Suppliers and distributors must publish their standardized contracts (the non-negotiable terms) on their websites**
- **Customers can change consumption amounts with notice**



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## General Assessment



- **In many areas, State and Entity laws and rules contain basic requirements to perform competitive market functions**
- **Many of the processes, contracts, and responsibilities are spread over several rules (e.g., the General Conditions of Supply, the Eligible Customer Rules, the Rules on Connection, and Licensing Rules)**
- **Difficult for market participants to quickly determine their rights and obligations.**



**Regulators could do much to clarify and simplify the processes for customers and suppliers in BiH by proactively engaging in:**

➤ **Public education and awareness efforts**

- Attention to websites (Update! Include English versions where possible!)
- Development of guidance documents
- EC Consumer Checklist

➤ **Monitoring and enforcement of licensee activities**

- Examine licensees' websites and public representations (marketing)
- Carefully consider allegations in complaints
- Enforce regulations through reasonable penalties for noncompliance



## **SPECIFIC RECOMMENDATIONS**

- ***Our terminology in Gap Analysis:***
  - **Compliant**
    - Rules are consistent with best practice documents and similarly treated in each jurisdiction
  - **Partially (or generally or mostly) compliant**
    - Rules are either ambiguous, inconsistent between jurisdictions, too general, or omit some aspect of the issue
  - **Noncompliant**
    - Rules are either missing or inconsistent between jurisdictions, or contrary to EU best practices



## Retail Supplier Licensing

- **Licensing Rules are compliant (and harmonized) on:**
  - **Responsibility for issuing licenses (regulator)**
  - **Guidelines (list of contents) for applications, and forms**
  - **Application fees**
  - **Stages in the application process**
    - Confirmation of receipt of completed application
    - Procedure to request additional documents
    - Criteria to assess application (financial and technical; maps and customers)
    - Notice to public of proceeding and at least some ability for public to participate (but also some limits)
    - Processes for license extension or renewal, amendment, or transfer



## Retail Supplier Licensing

- **Licensing Rules are compliant (and harmonized) on:**
  - **Criteria for issuance of license and also grounds for refusal**
  - **Providing non-discriminatory access**
  - **Clear standards for license revocation**
  - **Obligation of supplier to serve as SOLR**



## Retail Supplier Licensing

- There are gaps (ambiguities, omissions, or inconsistencies) with regard to:
  - **Difference between supply and trade activities – what is it?**
    - Not clear if these terms have the same meaning in each jurisdiction
- Rules are not compliant concerning:
  - **Fact that system operator can hold supply license**
    - Yes, this is transition period – what is the plan for the next phase?
  - **Timeframe for processing of license**
    - Consider adding language to limit time within which decision must be made (e.g., “no later than 45 days from completed application”)



## Customer Switching

- **Rules are generally compliant on:**
  - **Clarity of market roles**
  - **Responsibility for metering and when performed as part of the switch**
  - **Customer's right to nondiscriminatory access to network and penalties for improper refusal**
  - **Ability of system operator to limit access only for lack of capacity/technical and operational reasons**
    - **Need to ensure through monitoring and enforcement that “technical limits” are not used as excuse to discriminate**



## Customer Switching

- **Rules are generally compliant on:**
  - **Limited ability of existing supplier to object to switch**
    - But could provide that unpaid financial obligations and other contractual terms can be addressed in another appropriate forum
  - **No fee for switching**
  - **Single point of contact to initiate switch**



## Customer Switching

- **Rules are partially compliant and confusing, on:**
  - **Switching process**
    - Single point of contact envisioned but not clear which responsibilities are handled by supplier
      - RSERC : customer must authorize supplier as agent for DSO
    - Ability to switch in event of price change (FERC)
- **Rules are not compliant on:**
  - **Timing of switch**
    - Process can take over 2 months (and even 3 months)
    - Restrictions on when switch can occur unnecessary
  - **(And one more time....) DSO is not neutral party**



## Sharing of Information

- **Rules are generally compliant on:**
  - **Regulators' ability to access information from market participants (via license conditions)**
  - **Customers' ability to access information about consumption, prices, suppliers**
    - Rules require DSOs and suppliers to provide adequate information to customers in various ways (bills, website, via contract)
    - Standard contracts must be on suppliers and DSO's websites
    - Suppliers must give customers 30 days' notice of price changes
  - **Exchange of information between supplier and DSO after customer requests switch**



## Sharing of Information

- **Rules are inconsistent on:**
  - **Requirement that suppliers publish prices (FERC, yes; RSERC, no)**
    - **RSERC: supplier must inform customer of pricing changes, but no publishing requirement**
  - **Regulatory monitoring of supplier price and marketing information (FERC, yes; RSERC, no)**
    - **Regulators need to ensure trustworthiness of information**



## Sharing of Information

- Rules are vague on suppliers' access to DSO information before switch
  - DSO not required to provide information to supplier before switching
  - Not clear how supplier requests and receives information from DSO
- Rules do not provide for:
  - Metered data exchange format
    - But do recognize need for market participants to develop data exchange methods in requiring “mutual relations” contracts



## Default Supplier/SOLR

- **Rules are generally compliant on:**
  - **Clear roles and responsibilities for default (public) supplier and SOLR**
  - **Clear conditions for accessing default supplier and SOLR**
  - **Pricing for SOLR service that reflects added cost of being on stand-by**
  - **Notification by DSO to SOLR of addition of customer (DSO handling the switch so no interruption of service)**
  - **Clear time restrictions on use of SOLR (FERC, 60 days; RSERC, 2 months, SERC (Brčko), 30 days)**



## Default Supplier/SOLR

- **Rules are not clear on:**
  - **How DS and SOLR will be appointed after transition period (currently incumbent DSO)**
- **Rules are noncompliant on**
  - **Restrictions on ability to switch and return to public supplier**
    - **FERC and RSERC limit ability to use public supplier to once per year**
    - **RSERC's notice requirements to go from competitive to public supplier (2 months) and to leave public supplier (40 days) are excessive**



## Metering

- **Rules are compliant with regard to:**
  - **System operators are the responsible parties for technical function**
    - Installing, inspecting, repairing, maintaining, operating, and reading
    - Maintaining register of meters (database of metering points, ID numbers, customer contact, technical information)
    - Keeping and archiving meter data
  - **Frequency of meter reading (monthly)**
- **Rules are not clear on process for aggregating and validating the data, communicating data to system users**
  - **Transmission Grid Code has more detail on this**



## Billing and Collection

- **Rules are generally compliant with regard to:**
  - **Content of bills**
    - Actual consumption, unit price
    - Dispute resolution methods
    - Suppliers' fuel mix and environmental impact
  - **RSERC and SERC ( Brčko) specify information in bill contents; FERC requires billing policies on suppliers' websites instead**
  - **Customer payment options**
  - **Frequency of billing (typically one month)**



## Billing and Collection

- **Rules are partially or not compliant on:**
  - **Mandatory combined billing**
  - **Supplier as single point of contact/billing and collecting party**
    - **Supplier responsible for billing and collection in one part of General Conditions, but language is not clear that bills include network charge**
    - **Contracts on access or network usage between DSO and customer can include billing arrangements**
    - **DSO also bills and collects for unauthorized consumption**
    - **Not clear how DSO collects from supplier**
    - **Not clear how supplier collects from DSO for unauthorized consumption**
  - **Customer choice on frequency of billing (though appears can agree by contract)**



## Contracts

- **Rules are compliant on:**
  - **Small number of contracts that must be signed by customers (1-3)**
  - **Information provided to customer in advance of contract signing**
  - **Regulatory oversight of DSO and supply contract contents (terms outlined in rule; contracts filed with regulator)**



## Contracts

- Rules are partially or not compliant on:
  - Circumstances under which contracts may be cancelled (not provided or too broad)
    - Cannot escape contract simply on written request (unless negotiated contract allows it, which is unusual)
    - Rules and regulated standard contracts typically require some notice period which can be waived by non-terminating party
  - No notice to customer of impending expiration of contract



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