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Regulatory and Energy Assistance

CASE STUDY

SWITCHING SUPPLIERS

presented by

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USAID/BiH REAP

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SWITCHING SUPPLIERS

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ERGEG V. CEER



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EREG V. CEER

- **EREG** was established by the European Commission in 2003 as its official advisory body.
- **CEER** is a voluntary body created by the national regulators and acts as a preparation body for **EREG**.
- As a voluntary body, **CEER** does not have the same level of influence on EU policy as **EREG**.
- Even so, the two parties work closely together, with **CEER** conduct research, subsequently used by **EREG**.



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ERGEG V. CEER

- **ERGEG and CEER overlap each other's functions significantly, with the same membership and Officers.**
 - They operate together on working groups.
 - They share a website.
- **ACER (Agency for the Cooperation of Energy Regulators) has formed in Ljubljana.**
 - It will adopt individual regulatory decisions in specific areas that **ERGEG** is not allowed to do.



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SWITCHING GENERAL PRINCIPLES



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SWITCHING – TYPES

- 1. Tariff Customer to Default Supplier**
- 2. Tariff Customer to a Supplier on becoming eligible**
- 3. Default Supplier to a third party supplier (supplier)**
- 4. Supplier to a Default Supplier**
- 5. One Supplier to another**
- 6. Supplier to Supplier of Last Resort**
- 7. Supplier of Last Resort to a supplier**
- 8. Supplier of Last Resort to Default Supplier**
- 9. Customer move-in or move-out**



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ERGEG RECOMMENDED SWITCHING PRACTICES

- **Need for clearly defined roles and responsibilities for market actors**
 - **The supplier should be the single point of contact for customers to initiate a switch**
 - **DSO generally acts as data information hub and a market facilitator given primary access to customer data**
- **No switching fees**
 - **Costs related to enabling an efficient market, including switching process, should be spread to all customers through DSO tariff**
- **No termination fees for non-fixed term contracts**
- **Regulators should ensure standardized switching procedures of short duration**



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SWITCHING PRACTICES - ERGEG

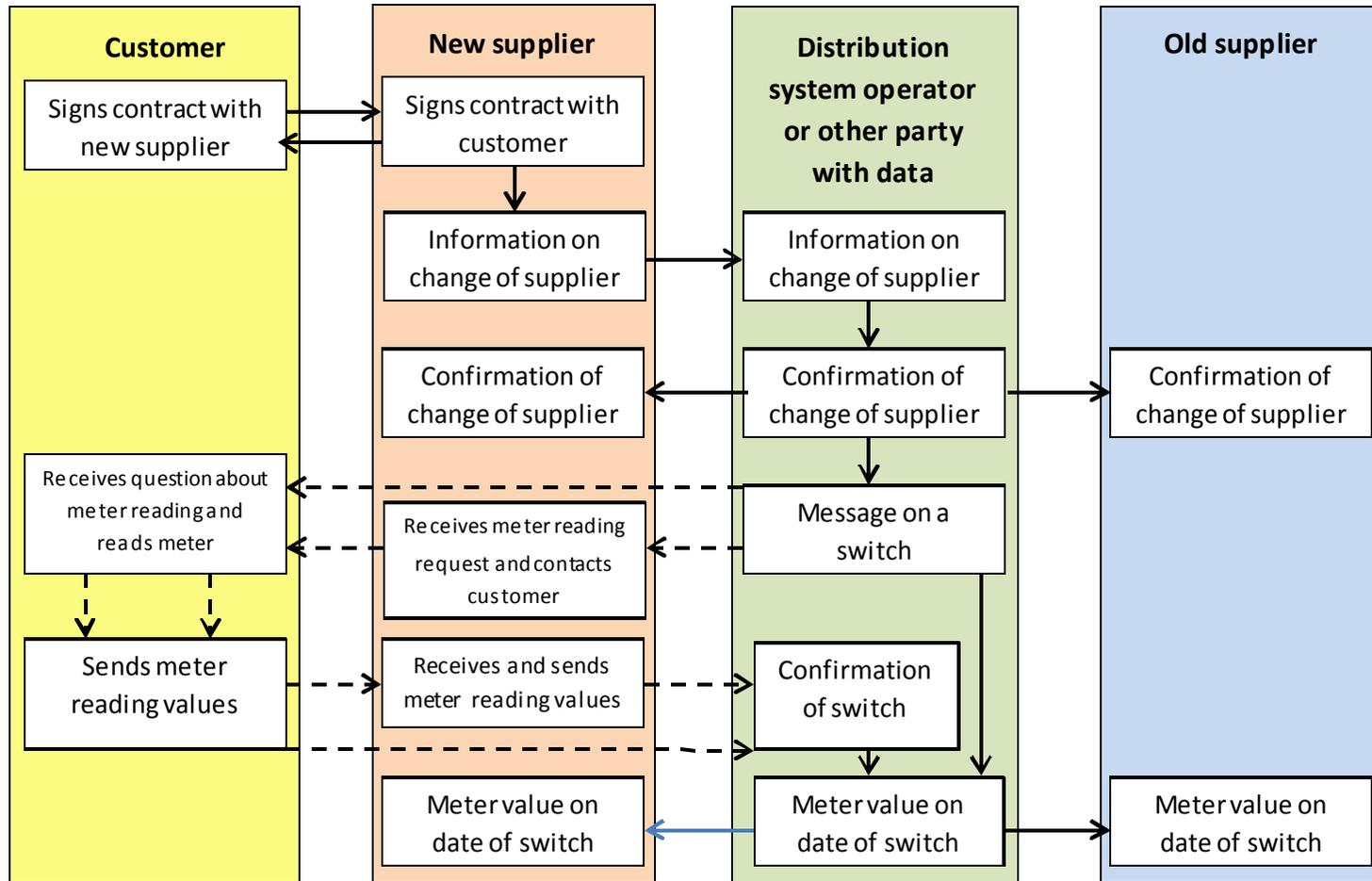
- **Meters should be read in conjunction with the switch**
 - Load profile system in place for customers without hourly meters
- **Need for electronic exchange of data via standardized electronic format between the DSO, the new and the old suppliers**
 - Permits automatic, cost-efficient, timely and reliable data exchange.
 - Standardization could either be achieved based on voluntary agreement in the industry or through legal obligation
 - DSO should not be able to charge suppliers for this information





SWITCHING SUPPLIERS

Supplier as Customer's Single Point of Contact





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SWITCHING PRACTICES - CEER

CEER Guidelines of Good Practice 1-24-12

Electricity and Gas Retail Market Design, with a Focus on Supplier Switching and Billing. Ref: C11-RMF-39-03

- **Go further than the ERGEG recommendations**
- **Supplier-centric model: supplier should be the first point of contact for switching, billing and moving in or moving out.**
 - **Note: 11 out of 22 respondents: supplier main point of contact.**



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SWITCHING PRACTICES - CEER

- **Need regulated framework for meter value management:**
 - **standardized data format,**
 - **timetables for data exchange, and**
 - **a minimum set of information.**
 - **European standards enable interoperability.**
 - **Note: 14 respondents have a regulated framework and 2 do not.**



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SWITCHING PRACTICES - CEER

- Switch executed quickly, within 24 hours and in any case within 3 weeks.
 - Note: 2 respondents switch within one week, 5 in two weeks (of these, only one has smart metering), 7 have a period of one month and in 6, 1-2 months.
- Supplier switch should be possible any day of the week.
 - Switching process should not be delayed due to the fact that the switch can only take place on a specific day of the week or month.



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SWITCHING PRACTICES - CEER

- No market actor should be able to stop an initiated switch [block] except for limited cases foreseen in the regulatory framework.
 - DSO as a neutral market facilitator should carry out a switch without delay or discrimination.
 - If the data submitted to the DSO is lacking or wrong, the DSO can technically reject the switch. However, the DSO as a neutral facilitator should speed up the process or correct the data.



- **Information to switch clearly defined:**
 - name,
 - address,
 - organization (VAT) number,
 - meter value
 - and metering point ID no.

- **Rationale: If contract terms violated (such as fixed term or debts), any dispute between customer and supplier processed within the legal framework of contractual law.**



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SWITCHING PRACTICES - CEER

- **[ERGEG suggests there may be a reasonable fee for withdrawing from contracts with fixed terms.]**
- **Note: in 9 respondents it is not possible for a market actor to stop a switch; in 8 the DSO or old supplier can.**



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SWITCHING SUPPLIERS

- **Ofgem example on blocking:**

Existing supplier may “block” transfer in certain limited circumstances, including

- **if the current contract is for a defined term that has not yet expired, or**
- **if outstanding charges (over 28 days from payment demand) are due from the customer**



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SWITCHING SUPPLIERS – UK

- **The UK largely relies on competition to produce streamlined customer transfer procedures**
- **Suppliers are responsible for developing the systems and processes to transfer customers**
 - **Nonetheless, Ofgem Standard Supply License Conditions provide:**
 - **Supplier will complete any supply transfer within 21 days**
 - **Supplier must not charge customer for costs associated with carrying out a supply transfer**
 - **Supplier must comply with reasonable requests from another supplier to implement a transfer**



USAID SWITCHING SUPPLIERS - NORDREG

- **Timetable for switch should be as short as possible on any day of the week. Three weeks should be the max**
- **Households or small business customers contact only the new chosen supplier**
- **Data exchange between the participants:**
 - **Should be only one data format in use**
 - **Common minimum set of information points in messages between suppliers and DSO to identify (i) the customer, (ii) the contract, and (iii) installation address.**



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SWITCHING SUPPLIERS - NORDREG

Steps

- 1. New supplier sends message on supplier switch to DSO as soon as new contract made (minimum 14 days before start of supply)**
- 2. DSO confirms within 3 days**
- 3. DSO message to old supplier no later than 3 days before the switch date**
- 4. Cancellation from the new supplier to the DSO no later than 4 days before switch date.**



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SWITCHING SUPPLIERS - NORDREG

- **Metering**
 - **Meter reading should be done on the day of the switch, but may be read +/- 5 working days from the switch**
 - **Estimated metering values should be allowed only in limited situations**
 - **DSO should send meter reading to old and new suppliers at the latest 10 working days after the switch**



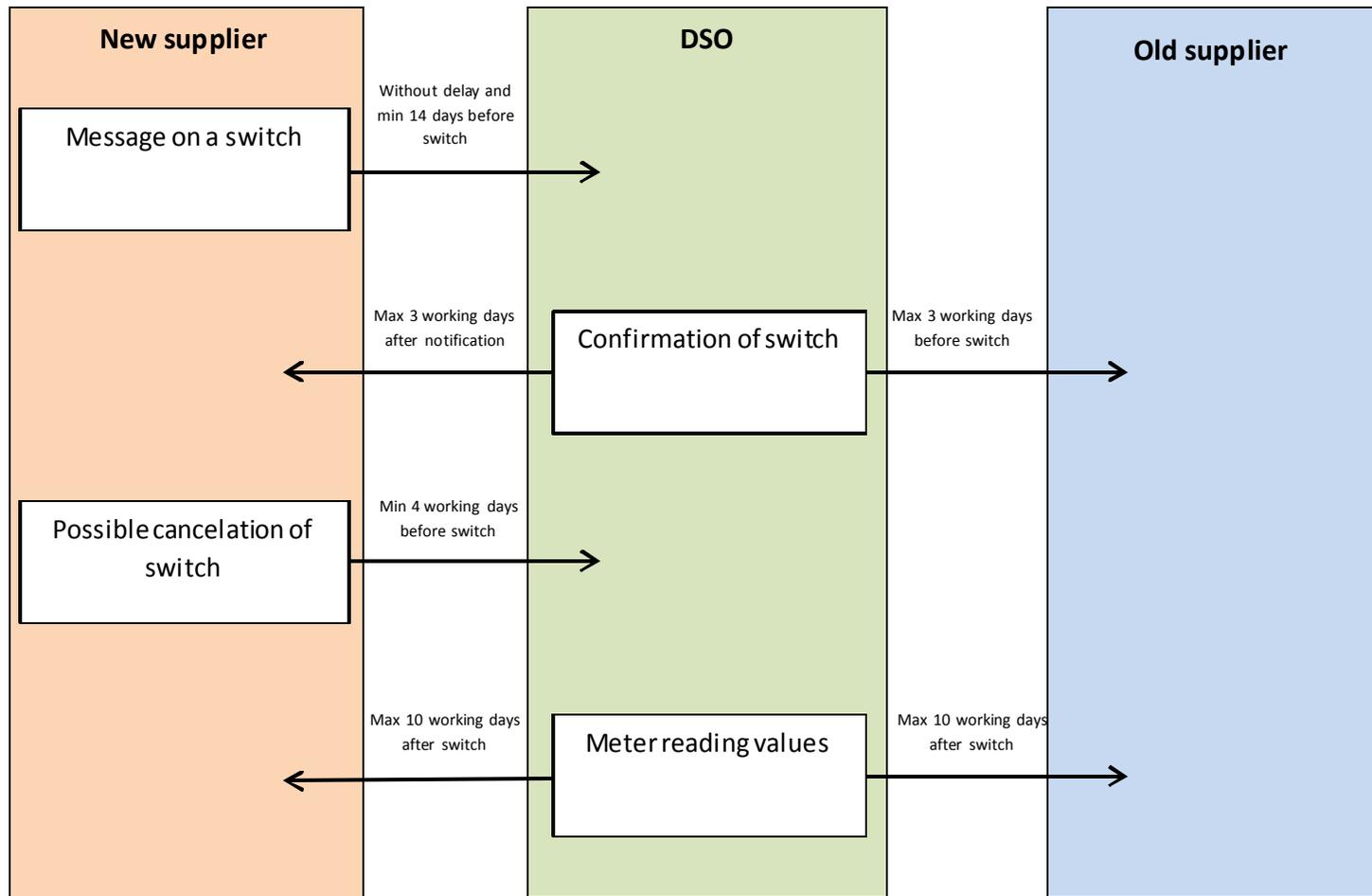
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SWITCHING SUPPLIERS - NORDREG

- **Role of the Supplier in Scandinavia – Obligation to Supply:**
 - **Denmark and Norway:** The general role for suppliers is to supply electricity to the various end users, ranging from small household to large industrial customers.
 - **Finland:** In every distribution network area, there is one electricity supplier with an obligation to supply electricity to customers with demand of no more than up to 100 MWh.
 - **Sweden:** Electricity Law states that an electricity consumer who does not have a supplier has a supplier nominated by the holder of the network concession with an obligation to serve that customer.



SWITCHING SUPPLIERS





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SWITCHING BIH

RS SWITCHING

Issue	Document	Articles/Item	Responsible Party	Note
Enrollment of customer by supplier	Rule on Eligible Customers	Art. 15(1) and (2) application and authorization	Eligible Customer	<u>Gap</u> : No regulatory provisions on marketing practices.
-Marketing practices				
-Required disclosures to customer	Rule on Eligible Customers	Art. 12(2)(d)-(g)		
Cancellation of existing contract	Rule on Eligible Customers	Art. 15(3) and (4)	Eligible Customer Existing Supplier DSO	<u>Gap</u> : EC must regulate pending financial obligations with the previous supplier. If not, how does the switch get cancelled, if at all?
Notification to DSO	Rule on Eligible Customers	Art. 15(7) and (8)	New Supplier	
DSO Final Confirmation of switch	Rule on Eligible Customers	Art. 15(9)	DSO	Note: this provision provides that the DSO approves the application or informs the EC on necessary modifications. <u>Gap</u> : No provision for final DSO confirmation of switch XX days before implementation of new supply arrangements, particularly if there is an objection from the previous supplier.

RS SWITCHING

Issue	Document	Articles/Item	Responsible Party	Note
Objection by existing supplier	Rule on Eligible Customers	Art. 16	Existing Supplier	<u>Gap</u> : No definition of grounds for objection (e.g., unpaid amounts owed, fixed term contract).
Cancellation of switch				<u>Gap</u> : Nothing provided on cancellation of the switch
Customer meter read	General Conditions of Supply Rule on Eligible Customers	Art. 53 Cessation of the contract on Supply Art. 81 Reading of Metering Devices Art. 15(13)	DSO DSO DSO	Reads the meter on day of commencement of new contract. <u>Gap</u> : no confirmation of the switch.
Communication by supplier of info to DSO , ISO, BRP, Transco	Rule on Eligible Customers	Art. 15(15) to DSO	Supplier	<u>Gap</u> : No electronic, standardized messaging requirements.

FBIH SWITCHING

Issue	Document	Articles/Item	Responsible Party	Note
Enrollment of customer by supplier -Marketing practices -Required disclosures to customer				<u>Gap</u> : There are no FERC provisions applicable to this process issue.
Cancellation of existing contract	General Conditions of Supply	Art. 37 (Termination of Contract)	Customer, Supplier, DSO	Lists reasons for contract termination but nothing more. <u>Gap</u> : There are no FERC provisions applicable to this process issue.
Notification to DSO				<u>Gap</u> : There are no FERC provisions applicable to this process issue.
DSO Final Confirmation of switch				<u>Gap</u> : There are no FERC provisions applicable to this process issue.
Objection by existing supplier				<u>Gap</u> : There are no FERC provisions applicable to this process issue.
Cancellation of switch				<u>Gap</u> : There are no FERC provisions applicable to this process issue.

FBIH SWITCHING

Issue	Document	Articles/Item	Responsible Party	Note
Customer meter read				<u>Gap</u> : There are no FERC provisions applicable to this process issue.
Communication by supplier of info to DSO ISO BRP Transco	Rule on Obtaining Eligible Customer Status	Art. 14(2)	Transco or DSO	Will submit to new and old supply service providers, BRP and ISO data on metered quantities and status of metering devices on the date of effectiveness of the new supply service contract. <u>Gap</u> : Supplier is not required to communicate with any of the DSO, ISO, BRP or Transco



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SWITCHING SUPPLIER OF LAST RESORT AND DEFAULT SUPPLIER



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Switching – SOLR and Def. Supplier

- **Process for switching to Supplier of Last Resort and Default Supplier are generally the same, except:**
 - **A customer moves to the Default Supplier when the customer is passive and**
 - **does not actively choose a supplier when the market opens or in other circumstances**
 - **moves in and does not choose a supplier**
 - **A customer is assigned to a Supplier of Last Resort when its supplier fails.**
 - **In both cases, the customer is not involved in the switch.**



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SWITCHING – SOLR AND DEF. SUPPLIER

Ofgem Example

- **Same principles apply – SOLR/ Default Supplier become point of contact with customer and arranges for transfer of account with DSO, TSO as applicable**
- **The SOLR/Default Supplier in conjunction with other industry parties (e.g., network operators) decide the best way to transfer customers to its portfolio**





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SWITCHING - SOLR

Ofgem Example cont'd

- **Within a reasonable period of time after appointment, the SOLR and Default Supplier send a notice to its new customers indicating:**
 - **The failed supplier is no longer supplying them and the SOLR is their supplier from the date of appointment**
 - **They may switch to another supplier if they wish to**
 - **The charges payable and how those charges are determined**





Ofgem Example (*cont.*)

- **The SOLR/ Default Supplier take reasonable steps to ensure that actual or estimated meter readings are secured to enable acceptable and timely billing of customers**
- **SOLR appointment cannot last longer than six months**
 - **Thereafter, SOLR remains default supplier for any customers that have not selected alternative, but the rates change to the SOLR supplier's normal rates**



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BIH SWITCHING SUPPLIER OF LAST RESORT AND DEFAULT SUPPLIER

RS Default Supplier/SOLR

Issue	Document	Articles/Item	Responsible Party	Note
Switch from Tariff Supplier to Default Supplier	Rule on Eligible Customers	Art. 6(2) Transitional Period Art. 7(2) After Transitional Period	??	<u>Gap</u> : No process described on shift from tariff customer to public supplier customer either during Transitional Period or, for small and household customers, after the Transitional Period
Switch from eligible supplier to SOLR	Rule on Eligible Customers	Art. 18(2)-(6)	DSO Eligible Customer	<u>Gap</u> : This provision relies on notice from the failing(failed) supplier: <ul style="list-style-type: none"> - What if there is <i>no</i> advance notice? - With no organized, liquid market, how will the SOLR be assured of getting supply on short notice? - How will the Eligible Customer even know that the supplier is failing <u>Gap</u> : No provision of detailed process (communication flow) with or without advanced notice.

RS Default Supplier/SOLR

Issue	Document	Articles/Item	Responsible Party	Note
Switch SOLR to Default Supplier	Eligible Customer Rule	Art. 18(7) Re: Art. 17(1)(a_	Eligible Customer	<p><u>Gap:</u> There is no provision of detailed process on how customers move to the public supplier (SOLR function). What communications by whom to whom when?</p> <p><u>Gap:</u> Eligible Customer is not entitled to SOLR if lost contract because of failure to pay. Discriminatory? After two months of SOLR, if eligible customer has not contracted with a new supplier, supply is terminated. Why is there no exception for small and household customers? Where is PSO and universal service of Article 7(2)?</p> <p><u>Note:</u> The time period for switching supplier is 40 days, which means that the above-referenced customer must have a supplier within two weeks of beginning SOLR service.</p>

RS Default Supplier/SOLR

Issue	Document	Articles/Item	Responsible Party	Note
Switch SOLR to Default Supplier cont'd	Eligible Customer Rule	Art. 18(8)	Eligible Customer	<p><u>Gap</u>: No provision of process of how Eligible Customers being supplied by SOLR (because of failure of supplier or loss of supplier's license) moves to Default Supplier.</p> <p><u>Gap</u>: Notice to public supplier (Default Supplier function) is two months (Art. 17(1)(a)). SOLR supply lasts two months.</p>

FBIH Default Supplier/SOLR

Issue	Document	Articles/Item	Responsible Party	Note
Switch from Tariff Supplier to Default Supplier				<u>Gap</u> : Default Supplier not described.
Switch from Third Party supplier to SOLR	Rule on Obtaining Eligible Customer Status	Art. 15	Eligible Customer	If EC does not contract with SOLR independently, has right to contract with SOLR having public service obligation not longer than 30 days. <u>Gap</u> : Administrative switch process not prescribed.
Switch SOLR to Default Supplier				<u>Gap</u> : Default Supplier not described.



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SWITCHING MOVING IN AND MOVING OUT



NordREG: Moving Out

- **Message sending, message content and meter reading should be regulated.**
- **Timetables should be similar to supplier switching.**
- **Supplier/DSO who receives information about the move should notify the other party without delay**
- **DSO sends confirmation message to supplier within 3 working days after receiving notification from supplier**
- **DSO sends message to supplier on final meter reading.**
 - **Preferably, meter read on day of the move, but possible to read +/- 5 working days from the move**
 - **Information sent to supplier within 10 working days after the date of the move**
 - **If not read on day of the move, may send estimate**



NordREG: Moving In

- **Supplier sends message on move to the DSO**
- **DSO sends confirmation within 3 working days**
- **DSO sends message to supplier on meter reading at the moving in date and estimate of customer's annual consumption**
 - **Preferably on day of the move but possible +/- 5 working days from the move**
 - **Information sent to supplier within 10 working days after the date of the move**
 - **If not read on day of the move, may send estimate**



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SWITCHING – CUSTOMER MOVE

ERREG/CEER Moving in and moving out

- **ERREG:** When a customer moves out, a switch should only be recorded if a customer switches to a supplier other than the supplier that is the incumbent in the area of move-in.
- **CEER:**
 - Moving out and moving in requires an information exchange between the suppliers and DSO.
 - Clear rules needed as to which market actor the customer has to be in contact with to initiate the moving process.



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SWITCHING – CUSTOMER MOVE

- **Default process is that a customer is in contact with those parties with whom it has contracted.**
- **Moving in: Customer is in contact with the party with whom it will contract.**
- **In dual contact models, there should also be the possibility for the supplier to inform the DSO about the move on behalf of the customer. Thus, the customer is only in contact with the supplier.**

RS Move in/Move out

Issue	Document	Articles/Item	Responsible Party	Note
Move out	General Conditions of Supply	Art. 53	Customer Supplier DSO	<u>Gap:</u> Moving out owner gives notice to the supplier and settles liability. DSO reads meter. No provision for supplier to be in communication with the DSO. Not clear who tells the DSO to read the meter.
Move in	General Conditions of Supply	Art. 53	New Owner	<u>Gap:</u> Must contract for supply before consuming electricity. No provision for switch to Default Supplier in case new owner does not contract with a supplier. No provision for notice to DSO of new owner.

FBiH Move in/Move out

Issue	Document	Articles/Item	Responsible Party	Note
Move out	General Conditions of Supply	Art. 41	Customer	Submits notice to supplier and DSO. Note: Dual point contracts. Consider.
Move in	General Conditions of Supply	Art. 41	Customer	In same timeframe new owner submits application for supplier and network contracts. <u>Gap</u> : No detailed provision for supplier to be in communication with the DSO. No process for supply by default supplier if new owner fails to contract for supply. Note: Dual point contracts. Consider.



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SWITCHING CONCLUSIONS



CONCLUSIONS

- **Switching (all) processes should be regulated.**
- **Strong trend toward supplier-centric model, especially for switching (and billing).**
- **DSO becomes neutral commercial data center.**
- **Processes should make switching easy for customers.**
- **Should thoroughly think through role of Default Supplier for Eligible Customers.**
- **Diagrams for processes helpful.**



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HVALA!