



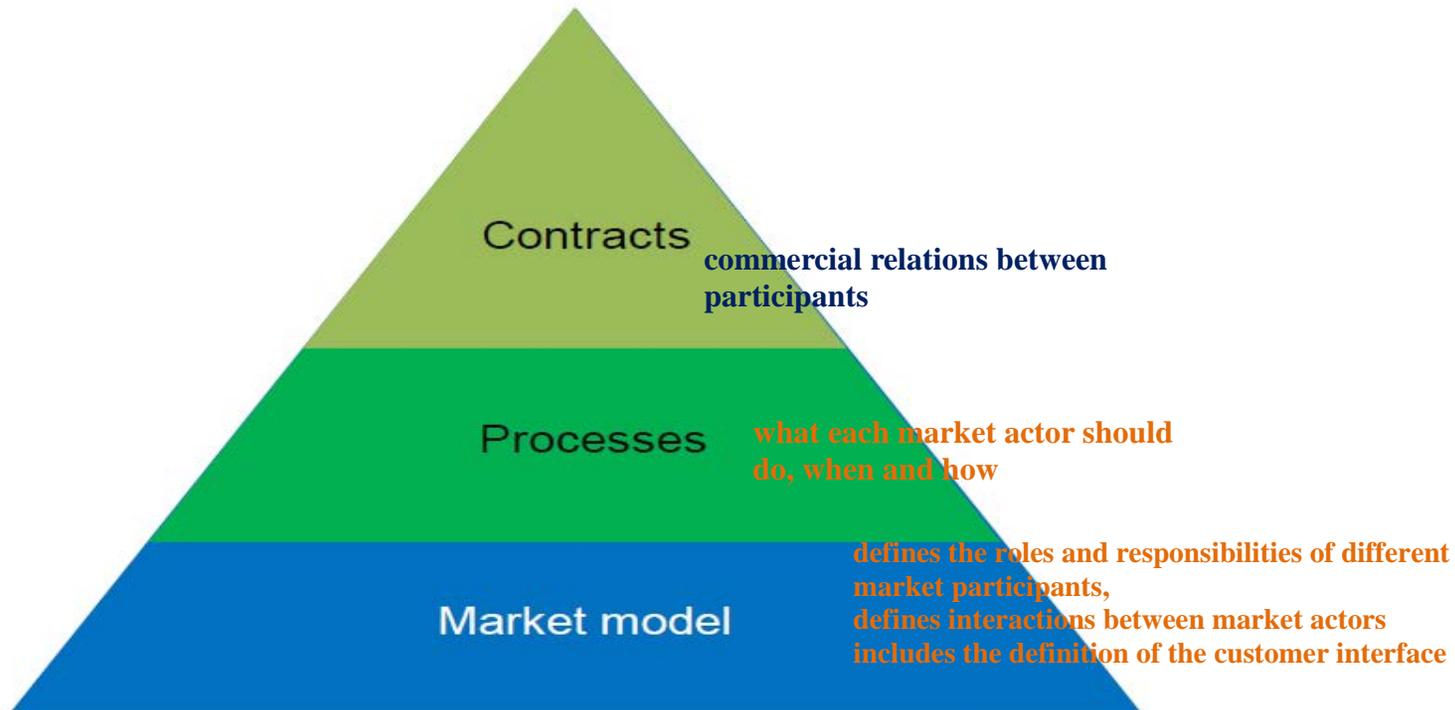
REAP's APPROACH TO THE GAP ANALYSIS AND GENERAL FINDINGS FROM GAP ANALYSES BASED ON THE CASE STUDY¹

Introduction:

Market design structure is presented in the figure below. This means that laws, rules and other related documents which design the market should be structured and written in such way to:

- a. Define roles and responsibilities of different market participants, interactions between them and customers,
- b. Determine what, when and how each market participant perform its role,
- c. Define commercial relations between market participants.

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REAP's approach:

REAP has analyzed whether BiH laws, regulatory rules , EPs' and other available documents (Documents) define and describe Market Model and Processes in regard to the following elements of the market:

- d. Licensing
- e. Operational Planning and Scheduling
- f. Metering
- g. Making and Terminating Contracts

2. When performing the gap analyses, REAP create a set of the following questions to identify eventual gaps:



- a. Regarding Market Model
 - i. Are roles and responsibilities of different market participants defined?
 - 1. Do Documents predict all necessary roles/actors? (List of roles)
 - 2. Do Documents describe responsibilities of each role/actor?
 - ii. Are interactions between market actors defined?
 - 1. Do Documents define who interacts with whom?
 - 2. Do Documents describe what interaction is about?
 - iii. Are customers interface to market participants defined?
 - 1. Do Documents define who customers contact to?
 - 2. Do Documents define what about the contact is?
- b. Regarding Processes
 - i. Are processes described?
 - 1. Do Documents describe process unambiguously?
 - 2. Do Documents determine information flow (Sender/Receiver; time wise)?
 - 3. Do Documents describe communication means?
- c. Regarding Contracts: Contracts will be further analyzed in the next step

REAP's findings:

The basic findings from the Gap Analyses are presented in the following table. Table 1 presents the findings in regard to the Market model while the Table 2 presents the findings in regard to Processes:

Table 1:

Market Model	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts, Single v. Dual Contact and TPA contracts
Necessary roles predicted	Yes	Yes but partially: ISO-DSO roles yes but Supplier's role not. No connection between DSO and Supplier. Access contract only source for DSO but Supplier must know his customer better.	Yes (except Market Operator)	Yes for Wholesale Market. Partially for Retail Market.	Yes
Responsibilities described	Yes	Yes, partially	Yes (except for Market Operator)	Role are not assigned for: <ul style="list-style-type: none"> • Meter data validation • Meter data aggregation & grouping • Profiling of non-incremental meter reading 	Yes
Interaction between actors determined	Yes	Yes, partially	Yes (except for Market Operator)	Interaction between Supplier-DSO-Transco-BRP not defined	Yes, partially. Lack of clarity and processes in single v. dual contact points
Subject of interactions described	Yes	Yes, partially	Yes (except for Market Operator)	No	Yes
Communication with customers	n/a	See M&T Contracts	See M&T Contracts	Yes	Yes, partially. Lack of clarity and

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determined					processes in single v. dual contact points
Subject of communications described	n/a	See M&T Contracts	See M&T Contracts	Yes	n/a
Gaps	<p>1. Licensing: The criteria to appraise an applicant's ability to perform a market supplier's role in rules on licensing are too general in regard to:</p> <ul style="list-style-type: none"> -Financial capacity and security -Technical capacity (IT system, software, qualified staff) <p>2. Introduction of a limited time to issue a license or</p>	<p>1. Operational Planning – Network Security:</p> <ol style="list-style-type: none"> a. Network Code does not prescribe operational planning between year ahead and day ahead. b. General Conditions of Supply & Distribution Code do not prescribe operational planning but require DSO to sign contract on use of a network with a customer where maximum and minimum demands are included. c. None of documents prescribe the supplier obligation to provide inputs related to its 	<p>Scheduling: Network Code and Market Rules are not clear on the process for supplier (or someone else) to submit information on commercial arrangements with regard to power supply.</p>		<p>Making and Termination Contracts:</p> <ul style="list-style-type: none"> • No clear regulation of publication of supplier contractual terms. • Need regulation of supplier changing other terms than price. • Expand regulation of process for terminating a contract to go beyond moving. • Regulate supplier provision of information sent to customer when contract expires. • Brcko: regulate provision of



Market Model	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts, Single v. Dual Contact and TPA contracts
	reject an application	commercial relations with a customer.			information to customers before making a supply contract Third Party Access <ul style="list-style-type: none"> • Regulate process for access to the transmission network in Market Rules • Unclear that supplier can obtain access in its own name other than for transit of supply • Ensure regulations provide a clear delineation between ineligible and eligible customers
Other notices	<ul style="list-style-type: none"> - Not clear whether official sources provide data to check eligibility of an applicant - Rules do not consider needed 				



Regulatory and Energy Assistance

Market Model	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts, Single v. Dual Contact and TPA contracts
	technical capacity to perform supplier service in regard to: <ul style="list-style-type: none"> • Supplier’s role in switching process • Supplier’s role in supplier-centric customer interface • Supplier’s role in regard to billing • Supplier’s role in regard to interface with DSO, ISO, Balancing Responsible Party • Supplier’s role in regard to metering data processing 				
Recommendations	1. Analyze needed market supplier’s financial,	a. Include additional steps between year-ahead and day-ahead operational	Define clear process for market	• Determine establishment of the market	• Regulate info to customer before signing a supply

Market Model	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts, Single v. Dual Contact and TPA contracts
	<p>technical and HR capacities in regard to its role:</p> <ol style="list-style-type: none"> a. In switching process b. In billing process c. In commercial relations with ISO, DSO, BRP, Traders d. Metering data processing <p>2. Introduce concrete criteria for an applicant for supplier license in regard to:</p> <ol style="list-style-type: none"> a. Financial capacity b. Technical capacity c. Human resources capacity <p>3. Introduce limited time to award a license or reject</p>	<p>planning in Network Code</p> <ol style="list-style-type: none"> b. Include identical steps in General Conditions of Supply as in Network code, to oblige DSO to provide inputs for operational planning. c. Oblige supplier to provide inputs from its commercial arrangement with customers for operational planning. 	<p>participant to submit information on power supply commercial arrangement.</p>	<p>oriented customers' database structure</p> <ul style="list-style-type: none"> • Assign market oriented database management role • Assign meter data validation role • Assign meter data aggregation role • Assign profiling non-incremental metering data role 	<p>contract</p> <ul style="list-style-type: none"> • Regulate publication of contractual terms • Regulate termination of supply contract for conditions other than moving • Regulate information to be sent to customer when supply contract expires • Review advisability of single v. dual contact point in light of NORDREG cost/benefit study • Review provisions on supplier billing eligible customers in light of NORDREG cost/benefit study. • Regulate clearly eligible customer's supplier's ability to get access in its own

Market Model	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts, Single v. Dual Contact and TPA contracts
	an application.				name for aggregation purposes other than for transit only. • Regulate process for supplier's use of end user contract for access.

Table 2:

Processes	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts
Process described unambiguously	Yes partially. Criteria to award license are too general.	No 22 – see Market Model	Yes – a partially Submission of contracted vales descriptive only	Yes. Partially	Not fully. Lack of clarity and processes in switching, billing and access in light of single v. dual contact points
Information flow determined	Mainly yes. No limitation to submit additional documents. No limitation to issue a license.	No: Supplier – DSO communication is missing	Yes-partially (see above)	No.	Not fully. Lack of clarity and processes in switching, billing and access in light of single v. dual contact points
Communication means determined	Yes	No	No	Yes. Partially	Yes

Processes	Licensing	Operational Planning	Scheduling	Metering	Making & terminating Contracts
<p>Recommendations</p>	<p>Consider: Needed technical capacity to perform supplier service in regard to:</p> <ul style="list-style-type: none"> • Supplier’s role in switching process • Supplier’s role in supplier-centric customer interface • Supplier’s role in regard to billing • Supplier’s role in regard to interface with DSO, ISO, BRP • Supplier’s role in regard to metering data processing 	<p>Consider: changes in Documents to include Supplier role, improve Security of Supply issue and development of additional document to describe process</p>	<p>Consider: Making process more precise, concrete and formalized, including means for submission of contracted quantities “<i>ISO will develop document to market participant to report on contracted quantities</i>”</p>	<ul style="list-style-type: none"> • Develop process to establish, operate and maintain market oriented customers’ database (including rules on aggregation of metering data) • Develop process to describe uniform relations: Supplier-DSO-Transco-ISO-BRP on metering • Develop load profiling process for non-incremental metering data • Develop validation process • Prescribe provisions in rules to describe metering data flow. 	<ul style="list-style-type: none"> • Regulate design of single v. dual contact point, making decision in light of available cost-benefit study. • Reconcile switching, billing and access with design of single v. dual contact point • Regulate process for third party access contracts in light of eligible customers and suppliers



General conclusions:

1. Interactions between rules for Wholesale Market and Retail Market are weak.
2. Not all roles are assigned and responsibility described in present documents. In particular, roles and responsibilities in metering process are missing.
3. Present Documents do not describe all processes with regard to electricity market functioning.
4. Establishment market oriented customer's database is recommended,
5. Processing of metering data should be improved.
6. New rules and processes should be introduced.
7. Need reconsideration of single v. dual contact point in light of NORDREG cost/benefit study. Should be consistent to avoid duplication of systems and processes if unnecessary.

Next Steps:

REAP thinks the following steps should be undertaken to further develop Subgroup effort in gaps identification and elimination:

1. Subgroup members to review and comment on presentations, findings and recommendations,
2. REAP to prepare a workshop where STTA, Pearce Atwood will present recommendations to eliminate identified gaps. Regulators and EPs' management staff should attend the workshop.
3. Boundaries between Wholesale and Retail electricity market should be discussed and defined.