

Issues to be addressed in contracts among Suppliers, the ISO, the DSO and Eligible Customers¹

Introduction

BiH regulators are working to develop forms for contracts to govern the relationships between Suppliers (which for these purposes may include SPPs and Traders; in effect the “generation/seller” side of the transaction), the distribution system operator (DSO), the independent system operator or Transco (ISO), and Eligible Customers. While the principal economic terms of the transactions, especially the rates for transmission and distribution services to be charged by the ISO and DSO, will be governed by tariffs to ensure non-discriminatory treatment, there are several other elements that involve the structure and substance of the contracts that need to be clarified before finalizing the contract forms. Outlined below are the major issues and suggested approaches to each.

Overall transaction structure

Under the typical circumstance, where the facility represented by the Supplier is interconnected at the transmission level, and the Eligible Customer is connected at the distribution level, there are essentially three separate transactions that need to be addressed. First, the Supplier must deliver energy to the Transco; second, the Transco must deliver energy to the DSO; and finally, the DSO must deliver energy to the Eligible Customer. In each of these relationships, the following issues must be covered:

- How much energy is delivered, and when
- Where is the energy received and delivered
- What are the consequences for any losses or imbalances

There will also be a contract between the Supplier and the Eligible Customer establishing the terms for purchase and sale of the energy. This contract would include amounts, price, and timing of the delivery of the energy. Once the basic principles governing these relationships are established, it will be possible to address more complex transactions, such as those involving the sale of imported power to Eligible Customers.

The transactions cover the following four operations:

- Sale of power to a customer
- Delivery of power to transmission system (Point “A”)
- Delivery of power to distribution system (Point “B”)
- Delivery of power to end user (Point “C”)

¹ This report is made possible by support from the American People sponsored by the United States Agency for International Development (USAID). The contents are the sole responsibility of the author/s and do not necessarily reflect the views of USAID or the United States Government.

Elements of the contract between the Supplier and Eligible Customer

- The price charged by Supplier for the supply (broken into component elements, e.g., price per kWh, other service charges)
- The price charged by the DSO for the distribution of the energy. This price should be established by, and perhaps simply refer to, the DSO distribution tariff approved by the regulator. The rate should be the same as charged to any other customer of similar size and characteristics for distribution service, to ensure non-discrimination
- Billing and payment
- Points of interconnection (metering) with the Eligible Customer (i.e., "C")
- In cases of large Eligible Customers, how to treat imbalances, i.e., variances between the load scheduled by the Eligible Customer and the actual load

Elements of the contract between Supplier and Transco

- Point of interconnection with generator (i.e., "A")
- A commitment by the Transco to deliver to the point of interconnection with the distribution system ("B") the same amount of energy that is injected at A
 - Under the current market rules, the BRP has the responsibility for procuring adequate energy to cover losses, so it is the responsibility of the BRP to schedule enough energy to deliver to the DSO the same amount of energy as the Supplier injects into the Transco system. Note that the Supplier may also be the BRP (in Phase II of market opening under Articles 10-12 of the current rules; see also Article 12 of the draft market rules)
- A provision addressing scheduling of the delivery of energy from Supplier to Transco. This is a requirement of the market rules, so it may be appropriate for the contract simply to make reference to the market rule and/or Grid Code obligation
- How to treat imbalances: i.e., what is the consequence of Supplier delivering either more, or less, than the amount it will schedule for each hour

Elements of the contract between the ISO and the BRP

Note: It is possible, and may be desirable, for the entire relationship between the ISO and the BRP to be covered by the tariff or the tariff in combination with a single overall contract. The BRP would simply include in its load schedule submitted to the ISO the amount of energy (load) that the Eligible Customer had scheduled with the Supplier (based on the Eligible Customer's contract with the Supplier). Any issues concerning losses and imbalances could be dealt with in the rules, overall contract or tariff.

- Points of receipt and delivery of energy (i.e., specify "A" and "B")



- The price charged by the ISO and Transco for the transmission of the energy each relevant hour. This price should be established by, and perhaps simply refer to, the applicable transmission tariff approved by the regulator
- A provision addressing the scheduling of the delivery of energy from the Transco to the DSO. As with respect to the Supplier – Transco contract, this could be dealt with by reference to the relevant market rules or Grid Code provisions
- How to treat imbalances, i.e., variances between the load scheduled by the DSO and the actual load

Elements of the contract between the DSO and Supplier

- Points of interconnection with the Eligible Customer (i.e., “C”)
- A provision addressing the scheduling of the delivery of energy from the DSO to the Eligible Customer. This can be dealt with by reference to the General Conditions of Supply and Distribution Grid Code provisions
- The price charged by the DSO for the distribution of the energy for each relevant hour. This price should be established by, and perhaps simply refer to, the DSO distribution tariff approved by the regulator. The rate should be the same as charged to any other customer of similar size and characteristics for distribution service, to ensure non-discrimination
- Billing and collection responsibilities vis-à-vis Eligible Customers
- How to treat imbalances, i.e., variances between the load scheduled by the Supplier and the actual load

Draft Contracts

The attached draft contract templates between Supplier and Eligible Customer, and the DSO and Supplier, encompass these elements and also contain standard contract language concerning performance and default. Once the transactional issues described above have been resolved, these drafts can be revised and refined accordingly, and the remaining contracts can be prepared. The draft templates offer language adaptable for either an all-inclusive contract model relationship between the DSO and the Supplier, or the separate contract model, as explained in the attached presentation.