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# **Impediments and Preconditions for Successful Electricity Market Functioning**

**Trebinje,**

**25 and 26 October, 2010**

This presentation 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.

Bosnia and Herzegovina (BiH) Regulatory and Energy Assistance Project (REAP)  
USAID Contract No. EPP-I-00-03-00004-00, Task Order 5  
Implemented by Advanced Engineering Associates International, Inc. as USAID Contractor

# Metering/Measurements

## Metering/Measurements

- Adequate meters:
  - Quantity
  - Interval metering
  - Remote reading
- Load research:
  - To better reflect costs
  - To improve network planning issue
  - To improve generator operation

## Status and Effectiveness

- Transco has installed meters;
- EP BiH has not installed;
- DSOs-most of meters inductive
- EPs are installing new meters

## Options

- Load Research
  - Small Commercial Customers
  - Households
- Adequate meters:
  - Big Commercial Customers
  - Industrial Customers

# Unbundling

## Unbundling Requirements for Market Functioning

- Financially
- Functionally
- Legally
- Enable full cost-based tariffs
- Customers only pay proper share of services

## Status and Effectiveness

- Transco & ISO unbundled
- ERS unbundled but DSO and Supply
- EP BiH is preparing Study
- EPHZHB internal functional and (financial) unbundling

## Options

- ERS to unbundle DSOs and Supplies
- EPBiH to work out unbundling
- EPHZHB to accomplish unbundling?

# Cost-Based Tariffs

## Required for Market

- Tariff should be fully cost based
- If not, no incentives to go to the market
- If not, lack of investments
- Cross subsidies impact cost-based tariff
- Cost-based tariff incur rise in tariff

## Status and Effectiveness

- **Transco & ISO** tariffs cost-based
- **ERS:** tariffs cover justified costs and RR 2%-3,5%; no cross-subsidies between functions & distribution users; “other consumption” subsidizes households (7.9%)
- **FBiH:** tariffs cover justified costs and RR 0% no cross-subsidies between functions & distribution users; “other consumption” subsidizes households; (18%)

## Options

- Governments to support cost-based tariffs;
- EPs to do detailed analysis of costs;
- Transco, ISO and Distribution tariff priorities no.1

# Generation Deregulation

## Deregulation of Generation Required

- Many Customers will be going to Market (2012 & 2015);
- Governments must address deregulation issue;
- Accounting costs less than economic/market price;
- Ambitious plans to build new PP;
- Generation price likely move to Market price;

## Status and Effectiveness

- No official discussion to deregulate generators has taken place

## Options

- To deregulate generators over defined period of time;
- To deregulate generators at once;
- Customers/Suppliers to Buy balancing electricity at Market price;

# Vulnerable Customer Plan

## Vulnerable Customer Plan Required

- Tariffs below costs to protect vulnerable citizens;
- Political and Social issue;
- Different options possible;
  - General Social Support Scheme;
  - Energy related Support
- Currently households subsidized;

## Status and Effectiveness

- BiH MC adopted Social Action Plan;
- RS has been implementing Program for Vulnerable Customers
- F BiH does not have energy related Program for Vulnerable Customers

## Options

- F BiH to develop Program for Vulnerable Customers;
- F BiH to identify qualified customers;
- RS to continue;

# SOLR/DS/Customer Switching

## Required for Market Functioning

- Market opening must not endanger security of supply;
- Customers must be protected from interruption;
- SOLR supply eligible customers if his supplier went bankruptcy
- DS supply those customers who don't want to choose supplier but must do it;
- Customers like to go to Market when prices are low and come back when prices are above tariffs;

## Status and Effectiveness

- RSERC and FERC rules on Getting Status of Eligible Customers defines rights to have SOLR;
- DS is not prescribes in any rules;

## Options

- Price methodology must be developed by regulators;
- Customer switching issue must be taken into account;
- Removal of cross-subsidization is important too;

# Contracts and Clarification of Processes

## Contracts and Clarification of Processes for Market Functioning

- Relations between all Market participants must be based on Contracts;
- Clarity is needed on:
  - Who supplies?
  - Delivery of Services;
  - Billing
  - Settling price;
  - Payment and distribution;
- Proper pro-forma contracts are required

## Status and Effectiveness

- SERC: Approved contract on Balancing;
- RSERC: Template Contract on Connection/Supply/Access;
- FERC: EPs obliged to submit Contract on Connection / Supply / Access

## Options

- Regulator to develop detailed rules;
- Regulator to develop detailed contracts;
- Appropriate pricing structure for each services must be prepared in both cases;
- Contracts: Ancillary Service; Balancing; Grid Access; Financial settlement; Connection Contract

# Procurement Law Revision

## Procurement Law Revision for Market Functioning

- The State Procurement law contains provisions that subject publicly-owned utilities
- other market participants are not subject to,
- the procurement of electricity for the purposes of resale (supply).

## Status and Effectiveness

- EPs apply different practice but this is an impediment in general;

## Options

- Analyses of restrictions and draft requirement must be prepared;
- Join efforts by both, regulators and market participants;
- Amendment to the Law most likely needed;