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Market Opening in BiH and integration in the regional electricity market

**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.**

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.

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November 6, 2012



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To be covered:

- **Impediments, preconditions and solutions to successful functioning of the BiH Electricity Market – Policy Paper**
- **Regional Market Opening**
- **Load Research and Case Study Subgroups**



Impediments, preconditions and solutions to successful functioning of BiH Electricity Market – Policy Paper

- **8 impediments, preconditions and solutions identified**
- **Primary Responsible Parties assigned**
- **Governments, regulators, EPs responsible to eliminate impediments and create preconditions**



Impediments, preconditions and solutions	Primary Responsible Parties
Measurement	Regulators and EPs, Transco and ISO
Unbundling of activities: accounting functional legal (detailed analysis) - end goal	Governments, Regulators, EPs
Cost based tariffs	Government, Regulators
Deregulation of generation	Governments, Regulators
Vulnerable customer program	Governments and Cantonal Governments
SOLR, default supplier, customer switching	Regulators and market participants, Governments
Contracts and full clarification of processes for: Third party access Ancillary services Balancing Financial settlement	Regulators and market participants
Procurement Law revisions	State Government



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7. Contracts and full clarification of processes for: Third party access Ancillary services Balancing Financial settlement	Regulators and market participants
8. Procurement Law revisions	State Government



Measurement - Proposal

- **Adequate multi-functional remote reading meters should be installed in a phased manner as follows:**
 - **for 35 kV and 10 kV industrial customers; and**
 - **for all commercial customers but the smallest.**

Household and small commercial customer loads can be profiled,



Measurement - Status

- **All four EPs have been implementing Automatic Meter Reading (AMR) systems with multifunctional remote reading meters**
- **Gaps identified in regard to metering processes and actors (Case Study Subgroup)**
- **Methodology to improve Metering process identified (CS & LR Subgroups)**
- **EPs and LR Subgroup have been implementing Load Research to enable regulators and EPs to profile a load**



Measurement – Next Steps

- **EPs to implement AMR projects**
- **EPs to finish LR**
- **Elimination of identified gaps in rulebooks in regard to metering process (Case Study Subgroup to propose)**
- **Regulators and EPs to implement results and recommendations from the LR project (Load Research Subgroup)**



Unbundling of activities – Status & next Steps

- **Proposal: Regulator impact on unbundling.**
- **ERS:**
 - **Already unbundled to great extent,**
 - **DSO and Supply not unbundled – Tariff supplier cannot serve eligible customers**
- **EPBiH & EPHZHB:**
 - **Vertically integrated Companies**
 - **Studies to unbundle activities made**
 - **Draft Electricity Law prescribes unbundling (REAP participated)**



Unbundling of activities – Status & next Steps

- **JKP Brcko District**

- **DSO and Supply one department within vertically integrated Public Utility, together with water supply and waste disposal**
- **SERC licensees expire on February 18, 2013**
- **Process to reorganize JKP Brcko District will start soon**
- **REAP provided explanatory paper for unbundling initiative**



Cost-based tariffs

- **Proposal:**
 - **Governments to support fully cost-based tariffs**
 - **Plan for a transition to cost-based tariffs and the**
 - **Remove cross-subsidies**
 - **The first priority for a cost-based tariff should be**
 - **transmission network tariffs,**
 - **Independent System Operator (including System services) tariffs, and**
 - **Distribution network tariffs**



Cost-based tariffs – Status

- **No cross-subsidization in the network tariffs**
- **Transitional period to eliminate cost-subsidies and establish market price defined**
- **ERS:**
 - **Subsidization between households and other commercial customers (II & III group)**
 - **return: 2% for generation, 3,5 % for DSO and 3,5 % for supply,**
- **EP BiH:**
 - **Subsidization between households and 10 kV and other commercial customers (I & II group) - 14,15 %**
- **EP HZHB:**
 - **Subsidization between households and 10 kV and other commercial customers (I & II group) - 11%**



Deregulation of generation - Status

- **Two options considered in the Policy Paper:**
 - **All at once**
 - **Deregulate generation over a defined period of time and adjust supply prices to market levels over the same period of time.**
- **Status:**
 - **All customers but households and small commercial will buy at the market price by 2015**
 - **Default supplier price will be changing (depending on the owner's decisions) over a transitional period to become close or equal to the market price**



Vulnerable customer program

- **Proposal:**
 - **A vulnerable customer program must be developed by the Federation, and**
 - **The already-funded vulnerable customer program in the Republika Srpska should be continued.**

- **Status:**
 - **RS has continued the program**
 - **FBiH has established and implemented a program**



SOLR, default supplier, customer switching

- **Proposal**

- **To introduce Default Supplier Mechanism**
- **Price methodologies must be developed for both the SOLR and Default Supplier**
- **SOLR to purchase least cost supply and pass through supply costs to the customer**
- **Default Supplier mechanism must take into account:**
 - **Impact of customer switching on remaining customers**
 - **Cross-subsidization between customers**
- **Rules must take into consideration the complexity of the customer switching process and its impact on other customers and suppliers**



SOLR, default supplier, customer switching

- **SERC**

- **SOLR and Default Supplier roles defined**
- **Default Supplier price subject to supplier decision and SERC control**
- **SOLR costs take into account situation at the market**
- **Rules on Eligible customers adopted**
- **Rulebook on Customer switching to be defined**



SOLR, default supplier, customer switching

- **RERS:**
 - **SOLR and Default Supplier roles defined**
 - **Default Supplier/SOLR price gradually changes to the market price – subject to supplier decision and RSERC control**
 - **Default Supplier/SOLR costs are free from cross-subsidization**
 - **Rules on adopted Eligible customers include Customer switching**



SOLR, default supplier, customer switching

- **FERC**
 - **SOLR methodology provides pass-through costs monitored by the regulator**
 - **Default Supplier costs are not free from cross-subsidization between small commercial customers and households and 10 kV customers and households**
 - **Rules on Eligible customers adopted – include Customer switching**
 - **FERC determines Default Supplier price**
- **Customer Switching: Gap Analysis identified some gaps that will be discussed at the next meeting after Pierce Atwood makes an additional analysis**



Contracts and full clarification of processes

Proposal: Two options are possible:

- **regulators to develop detailed rules that describe the essential terms, with broad outline contract templates annexed to the rule**
- **to develop detailed contracts with broader references in the rules**
- **Following contracts identified as important and missing:**
 - **Third party access**
 - **Ancillary services**
 - **Balancing**
 - **Financial settlement**
- **Case Study analyzes this field and will present findings**



Procurement Law revisions

- **An analysis of the Procurement Law restrictions and draft of required amendments must be prepared.**
- **The regulators and market participants need to join efforts to obtain the necessary amendments from the Parliament.**
- **Three EPs sent comments and proposals to MOFTER (proposals vary among three EPs).**
- **Draft revised procurement law prepared and submitted the Council of Ministers..**
- **Discussions REAP-EPs has been taking place to draft new proposal.**



Regional Market Opening

- **Preconditions for regional market functioning**
 - **Cross-Border Capacity Allocation Rulebook adopted and has been implemented**
 - **Export tariff removed (will be removed)**
 - **Coordinated Cross-Border Capacity Allocation – Dispute process ongoing**
 - **Establishment of CAO**

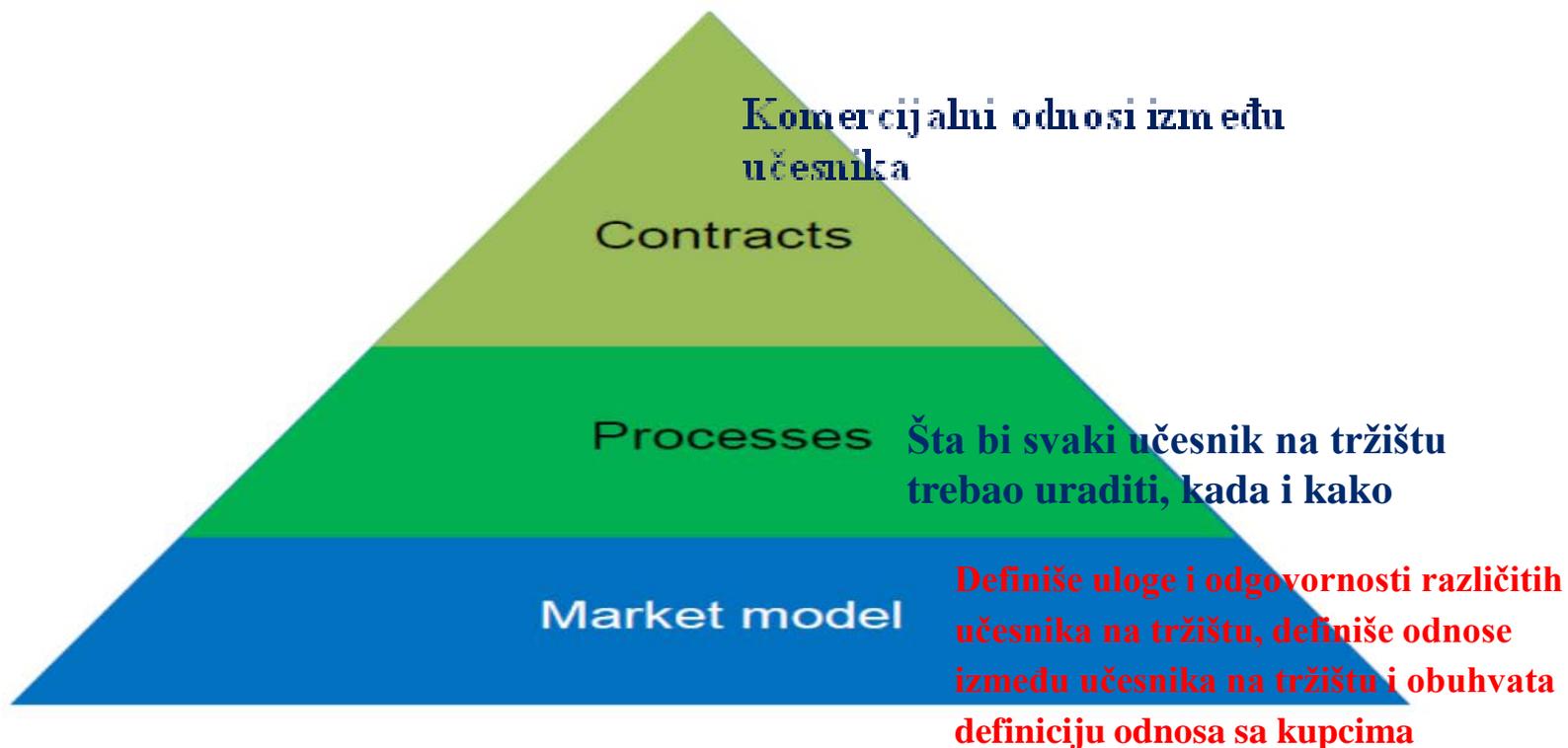


Regional Market Opening

- **Regional Action Plan and BiH Action Plan to establish Regional Electricity Market**
 - **Regulatory Market Working Group developed the document to better explain idea and issues to establish the market**
 - **Regulators took the responsibility to present it to relevant ministries**
 - **SERC prepared Draft Action Plan for BiH and submitted to MOFTER**
 - **RERS discussed it with the Ministry**
 - **REAP informed FMERI about the existence of the paper and sent it to the Minister**



Case Study and Load Research





Case Study-Key findings

- **Licensing – to protect customers from an inadequate supplier**
- **Making and terminating Contracts – to ease customers relations and costs, single vs. dual contact points**
- **Metering – some processes are missing and some roles not assigned**
- **Operational Planning – More detailed inputs needed for better planning and security of supply**
- **All in all, connection between Wholesale market rules and Retail market rules weak**



Load Research

- **Guidelines prepared**
- **ERS and EP BiH have been carrying out measurement and analyses**
- **EPHZHB LR activated and is preparing metering system and sample selection**
- **Brcko District plans to transfer data**



Load Research

- **Results from the research could be used for**
 - **Calculation of tariffs**
 - **Balancing settlement in Retail Market**
 - **Development planning.**
 - **Demand side management**
- **Workshop to review results and Guidelines in December 2012**



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