



## **BiH REAP Success Story**

### **BiH Electricity Market Opening and Tariffs**

There has been a lot of discussion about competitive markets and the requirement that Bosnia and Herzegovina (BiH) “open the market” as required by the Energy Community Treaty. Technically, market opening means that end use customers will be able to choose their own suppliers, with even household customers able to do so on January 1, 2015, according to the Treaty.

What will the financial impact on ordinary commercial and household customer’s prices of opening the market in Bosnia and Herzegovina? What adjustments to the current tariffs should be made?

In order to assist the regulators to address just these types of issues, the USAID Regulatory and Energy Assistance Project (REAP) organized trainings for the two Entity regulators. The training was conducted by Mr. Donald Hertzmark, an international energy specialist with more than 25 years of experience in energy economics and analysis in over 90 countries world wide.

The points Mr. Hertzmark discussed with the regulators emphasized that there is no simple approach to opening a market, such as just declaring customers able to choose their own suppliers. Not only is it critical that the Federation fully separate its generation, supply and distribution functions, so that the costs of each function are clear and transparent but also customer load profiles by class and voltage level must be fully understood. Importantly, tariffs that are fully cost-reflective must be designed.

After this training, the regulators agreed that all of these market opening issues involve policy questions that require cooperation and decision-making between the Governments, the regulators and the utilities. The regulators understand that to “open the market” requires an across-the-board cooperative effort.



BiH REAP: Tariff training for RSERC (Photo taken at RSERC in Trebinje, BiH; June 11, 2009 by REAP staff.)

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