

A blue-toned graphic of a globe with glowing blue lines and nodes representing a global network or energy grid.

Barriers to market entry and switching

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- 1. Electricity and gas retail markets of the Energy Community Contracting Parties**
- 2. Assessment of retail market entry requirements and recommendations for improvement**
- 3. Review of supply contract clauses**



WP2015 Activity (2015 TF2 Leader: Aca Vučković)

- **CRM WG inputs to ECRB Market Monitoring (mirroring the ACER one)**
- **Gas and electricity retail market related parts**
- **Report covers**
 - Albania, Bosnia and Herzegovina, FYR of Macedonia, Georgia, Kosovo*, Montenegro, Serbia and Ukraine
- **Methodology**
 - 3 detailed questionnaires to NRAs (electricity, gas and customer protection)

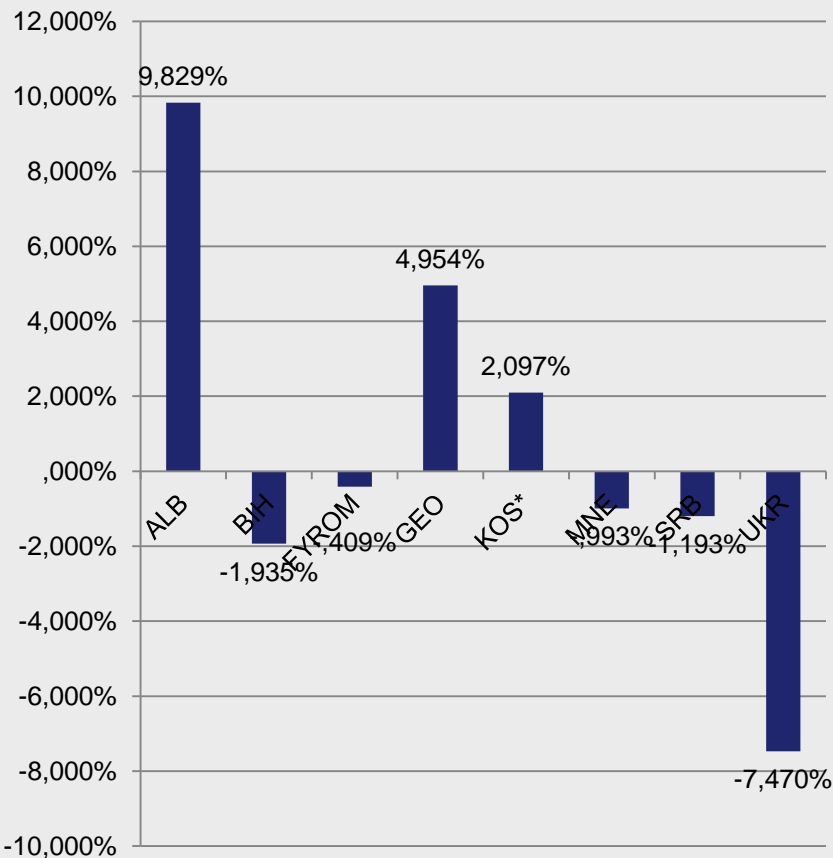
Electricity and Gas Markets in the Energy Community
Status Review 2015

- Part on gas and electricity retail markets -

April 2016

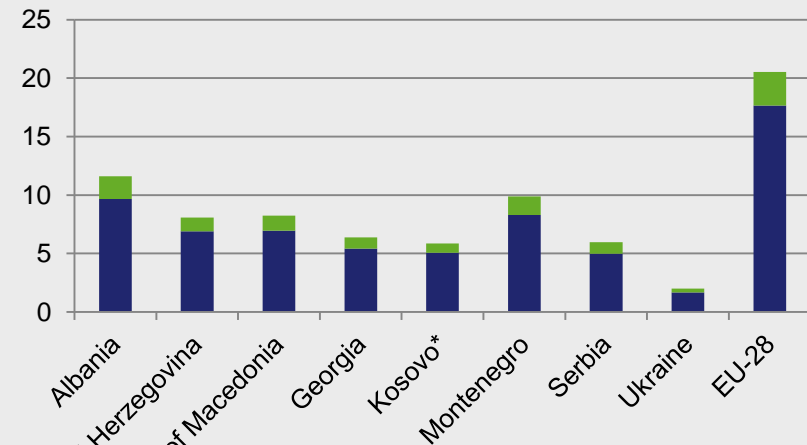
Retail Market Monitoring

Some Findings – Electricity (1)



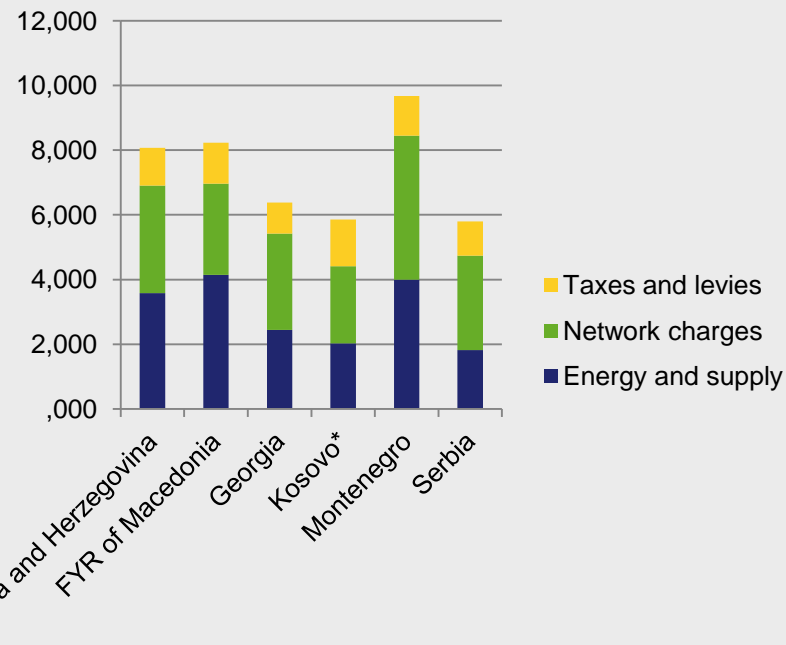
- Electricity **consumption decreases**, on average
- Number of **active retail suppliers**:
ALB and KOS*:1
MNE:2, GEO:3
SRB:7, FYROM:8, BIH: 17
UKR: 116
- Retail **markets** still highly **concentrated**:
 - Market shares of the 3 largest companies in the retail market vary between 90 and 100%, except in UKR (30%)
 - Incumbent market share in household market: 100%
- Transmission and distribution **networks** effectively **opened**, however still not used by more than one supplier in all analyzed markets
- Only a **limited number** of eligible customers freely **switched** their suppliers
- Some NRAs still do not monitor switching rates regularly

Retail Market Monitoring Some Findings – Electricity (2)

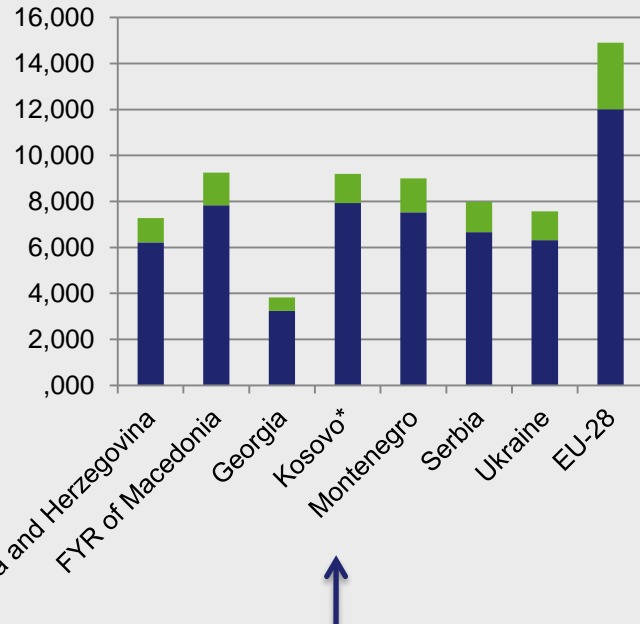


Electricity prices for households in second semester of 2014, EUROSTAT
Band DC: 2500kWh < consumption < 5000 kWh (EUR cent/kWh)

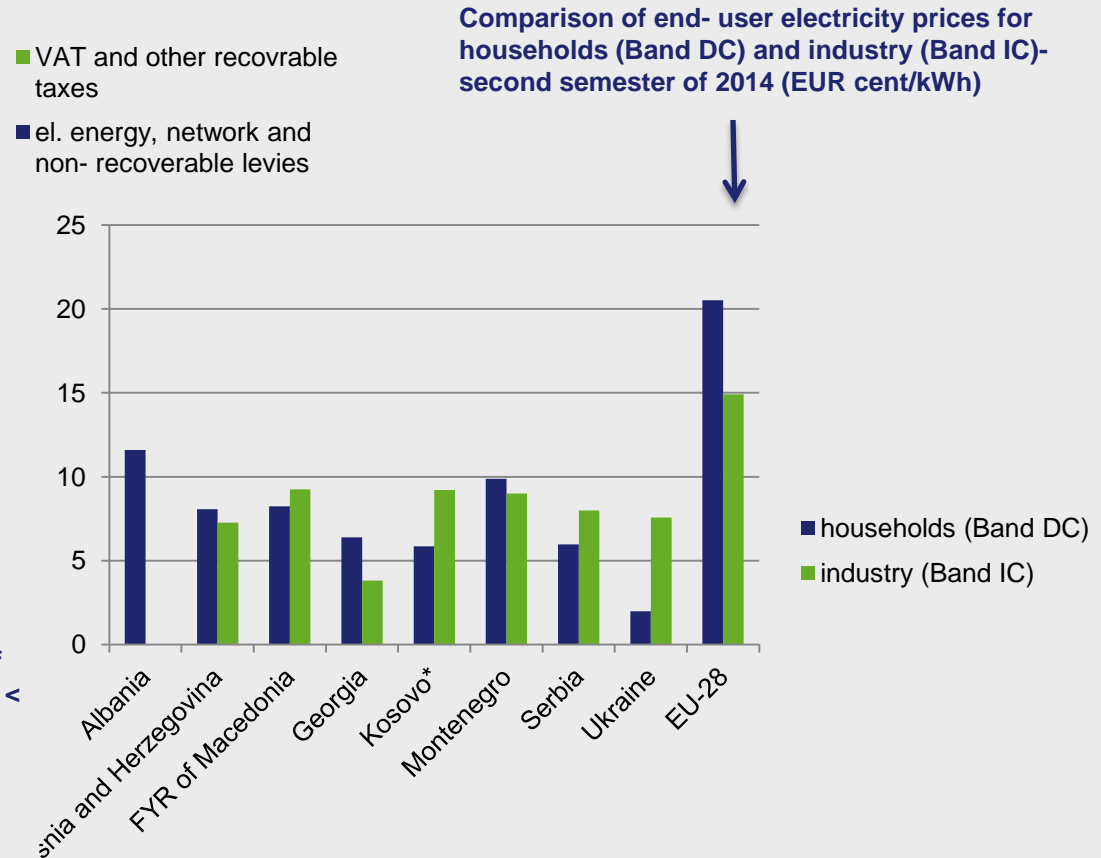
Breakdown of household electricity prices into their main components (Band DC: 2500kWh < consumption < 5000 kWh (EUR cent/kWh))



Retail Market Monitoring Some Findings – Electricity (3)



Electricity prices for industry in second semester of 2014, EUROSTAT Band IC: 500MWh < consumption < 2000 MWh (EUR cent/kWh)



- End-user electricity prices for household customers were regulated in all Contracting Parties and Georgia in 2014.
- Non- household customers supplied at non- regulated prices in majority of markets, however eligibility status was limited by secondary legislation in several CPs
- Update of energy component in case of regulated prices at least once a year, however there is no automatic mechanism for more frequent changes, except in Ukraine
- Switching in and out of regulated prices allowed in all CPs except Albania; sometimes only for households and small customers

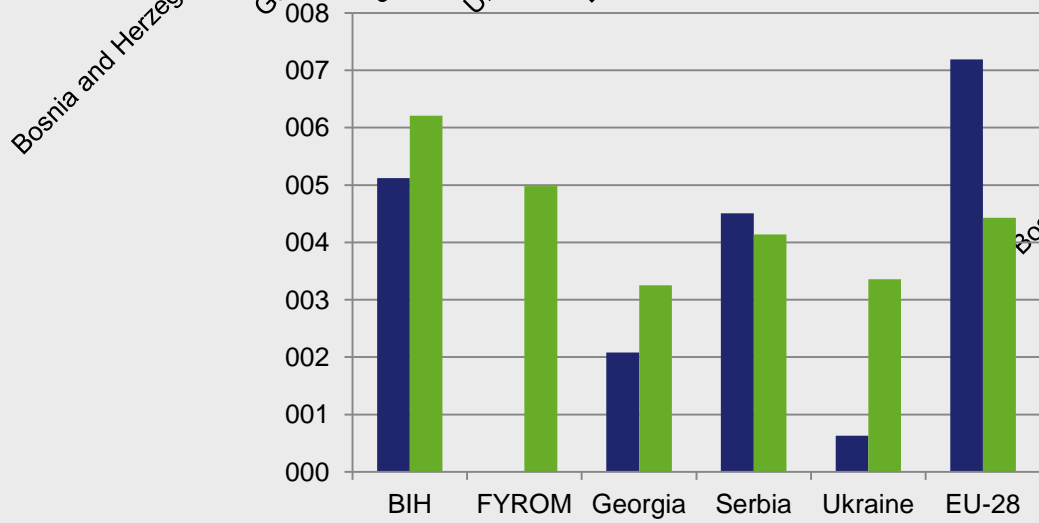
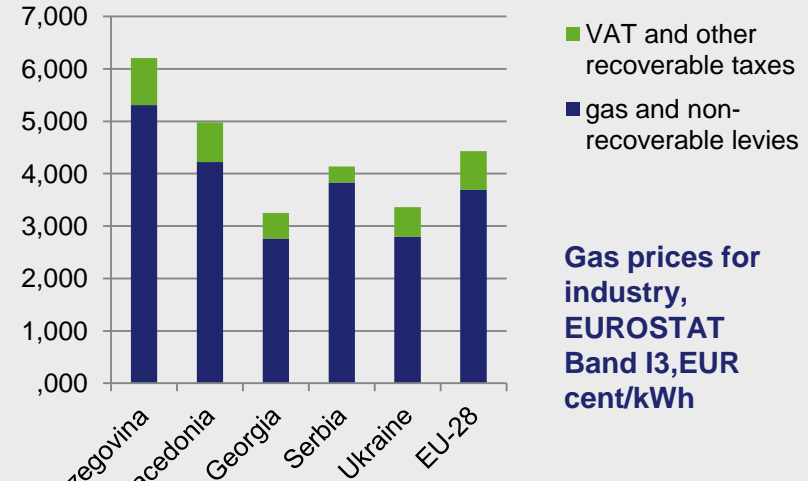
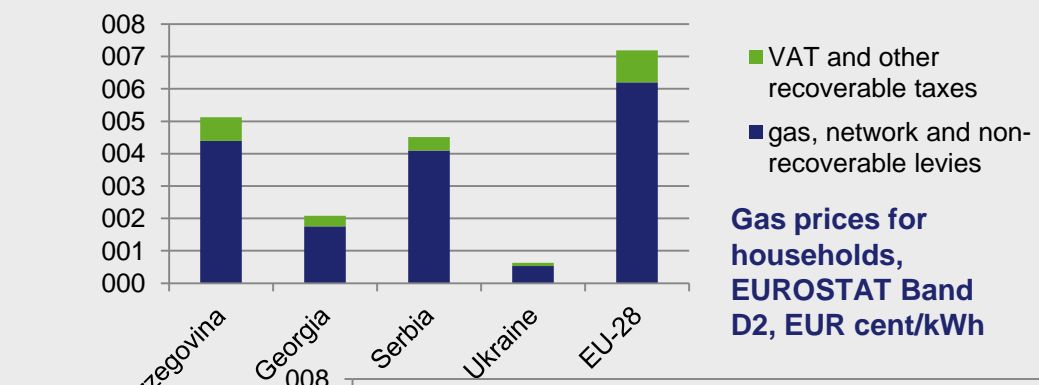
Retail Market Monitoring

Some Findings – Gas (1)



- Substantial gas **consumption decrease** (more than 15%)
- The percentages of households using gas differ substantially: Georgia 73%, Ukraine 70,76%, Serbia 10% and FYR of Macedonia 0,007%. Also the average consumption per household varies between app. 6.000 and 12.000 kWh
- End-users of gas supplied mainly by **regional retail suppliers**, only in two countries (UA and RS) transmission and distribution networks with more than one supplier (in MK transmission network has more than one supplier)
- **Low switching rates**

Retail Market Monitoring Some Findings – Gas (2)



Comparison of end-user gas prices for households (Band D2) and industry (Band I3)- second semester of 2013 (EUR cent/kWh)



- End-user gas prices for household customers were regulated in all Contracting Parties in 2014, with the exception of FYR of Macedonia (In Georgia household customers connected to the grid after 2007 are supplied under non-regulated prices)
- Great majority of non-household customers were still supplied at regulated prices in all investigated markets, except Serbia
- Energy component in case of regulated prices updated with different frequency in analyzed markets, often not allowing efficient reflection of changes in wholesale markets
- Obstacles to retail market entries mainly come from reasons other than retail market design – **scarce infrastructure** and the status of **wholesale market** development (e.g. single source of gas, poor access to liquid wholesale markets, long-term contracts)

- The **supplier of last resort** is appointed for electricity and gas in all EnC CPs, often having another name
- The minimal number of days that are legally envisaged between the payment due date and actual disconnection of a customer is usually 30-50 days. The actual duration of a disconnection usually takes longer than legally binding deadlines.
- **Vulnerable customers** as well as the measures for their protection defined in most of EnC CPs. Different approaches exist. Measures for protections of vulnerable customers were much more used for electricity than gas. The most spread measure was earmarked social benefit to cover energy expenses, applied in 5 out of 8 analyzed markets. Other measures often used were restrictions on disconnection due to non-payment and right to deferred payment.
- The share of vulnerable customers in the total number of HH metering points varied between 2 % in Serbia to 24 % in Albania

- Customers informed about **changes in energy prices** in advance (15 days in most cases). This information should be provided right on time (e.g. 30 days) to allow active participation for consumers in energy markets (to investigate other offers and possibly change supplier)
- In all analyzed energy markets, except Ukraine, the **content of electricity and gas bills** was **prescribed**, usually by supply rules:
 - Information related to switching was not visible on bills
 - Breakdown of price to its components, relevant for switching, was available in most of the countries, however not in Ukraine
 - The obligatory information on energy mix available only on electricity bills in Serbia and Ukraine
- Although in several CPs supplier switching is not possible because there is no alternative supplier in the market, the **rules for switching** have been approved in majority of them. Except in Montenegro, switching process may be stopped due to some prescribed reasons (e.g. non- payment or existing contractual commitments)

- Although smart meters are not yet widely implemented in the EnC CPs (but 44% in Montenegro!), frequency of billing **information based on actual consumption** in households was **monthly** in 2014 in all cases. For comparison reasons it is worth noting that in the majority of EU MSs households receive information on actual consumption (if without smart meters) only once a year.
- Number of customer complaints usually monitored, however they can hardly be separated between suppliers and DSOs - they were still seen as single company by household customers even if legally unbundled
- Customer complaint mostly related to bills, in Ukraine to quality of supply
- Processing times set for complaints are mostly reasonable (5-30 days)



Retail market entry requirements in the Energy
Community Contracting Parties

Status Review

April 2016

WP2015 Activity (2015 TF3 Leader: Momir Škopelja)

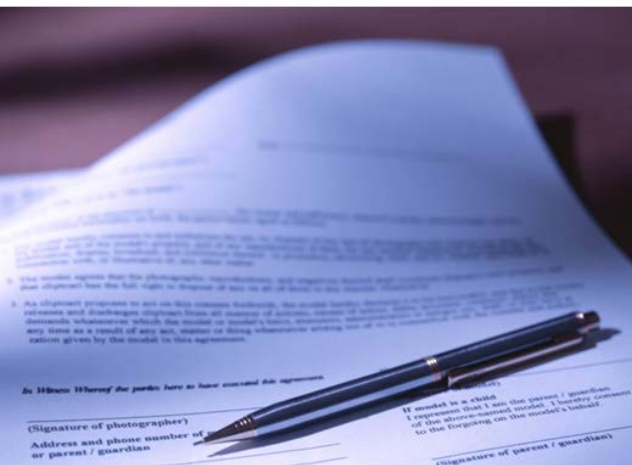
- An overview of the requirements new retailers have to meet for entering the national retail markets
- Administrative and organizational rules assessed
- Report covers
 - Albania, Bosnia and Herzegovina, FYR of Macedonia, Montenegro, Kosovo*, Serbia and Ukraine
- **Methodology**
 - Questionnaire to NRAs

- **Seat requirement**
 - Establishment of a domestic company is a must in all analyzed markets, except Montenegro; in FYR of Macedonia - a branch office, at least
- **Licensing**
 - Supply license is obligatory for entering the market, issued by Regulator (30 to 90 days)
 - Criteria well defined, neutral and publically available
 - Supply licenses are generally entitling for nationwide supply
- **Registration (to the market)**
 - Electricity: all markets
 - Gas: Serbia, FYR of Macedonia and Ukraine
 - Issued in less than 30 days
- **Costs:**
 - For licensing and registration vary among the countries (single vs. annual charge)
 - Electricity: financial guarantee requested (except in Serbia)
 - Gas: financial guarantee requested only in Bosnia and Herzegovina
- **Contract with the TSO and/or DSO – precondition for supply**

- **Retail market competition** – at its beginnings, barriers:
 - Lack of DSO unbundling
 - Cross-subsidies
 - Completion of market rules and their implementation
 - Regulated price formation
- **Switching** possible (except in FYR of Macedonia), possible switching back to the public supplier in most cases
- **Rights and obligation of suppliers:**
 - Commercial suppliers (those without PSO) have the obligation to supply all customer categories in Albania, Bosnia and Herzegovina and Montenegro; No obligation: Kosovo* and Ukraine; Obligation to supply customers accepting published offers: FYR of Macedonia and Serbia
 - The practice regarding the duty of the supplier to supply every individual customer vary from the case of Serbia where a supplier has to accept every individual request for supply, to the possibility for a supplier in FYR of Macedonia and Kosovo* to refuse a certain customer provided an explanation is given, and, finally, the cases of Albania, Montenegro and Ukraine where a supplier can refuse customers without explanation.

- Possible **disconnection for non- payment** in all analyzed markets
- **Dispute settlement procedures** exist in all analyzed markets
- Participation in the balancing mechanisms – obligatory for suppliers, except in Albania and Ukraine
- Metering is executed by DSO or TSO (Albania – a clear responsibility is lacking); related costs included in distribution or transmission charge; single price list for performed metering activities does not exist
- Support charges for renewables incorporated into the end-user price (except in Ukraine where it is part of wholesale electricity price)

- **Seat requirements:**
 - Not breaching the EnC *acquis*, however it deters companies from entering the retail markets (small markets!);
 - Reciprocity requirements have to be respected
 - Challenges related to VAT treatment need to be addressed
- **Reduced formal requirements → Regulatory oversight has to be ensured, sanctions for non-compliance with national rules**
- **Harmonization of licensing and registration costs as well as of basis and amount of financial guarantees**
- **Barriers to successful retail market competition have to be overcome without delay**
 - Ensuring eligibility of all customers
 - Phasing out of regulated supply prices to the absolute legal limits of public supply obligations and universal service
- **Regulators to provide a short and illustrative description of the rules and requirements new retailers have to comply with**
 - EU practice: promotion of new suppliers' entry



Status Review of Customer Contracts
in the Energy Community

April 2014

- **WP2013 Activity (2013 TF4 Leader: E. Stratulat)**
- **Sectors covered**
 - Electricity
 - Gas
- **Scope**

Assessment of the applicable rules regulating supply contracts i.e. rules related to conclusion, termination and amendment of the contract, content of the contract, rights and obligations of contract parties etc.
- **Countries covered**

Albania, Austria, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Georgia, Greece, Italy, Kosovo*, Moldova, Montenegro, Serbia and Ukraine
- **Methodology**

Questionnaire to NRAs

Status Review of Customer Contracts Background



- The focus of the survey is on supply contracts with household customers
- The EnC *acquis* promotes consumer protection – it has to be reflected in the regulatory system
- High level of customer protection has to be ensured, particularly with the respect to transparency regarding contractual terms and conditions, general information and dispute settlement mechanisms
- In order to develop competition in the internal electricity and gas markets, household customers should be able to choose their suppliers and enter into contracts with them
- Customer rights have to be reflected in contracts
- Contracts have to be transparent
- Clarity of the responsibilities of customers, suppliers and network operators necessary



- **Implementation of the Energy Community *acquis***
- **Supply Contract Definition**
- **Types of Contracts**
- **Concluding Supply Contracts**
- **Content of Supply Contracts**
- **Renewal, Termination and Amendments to Supply Contracts**
- **Contractual Disputes**

Figure1 *Supply contract duration*

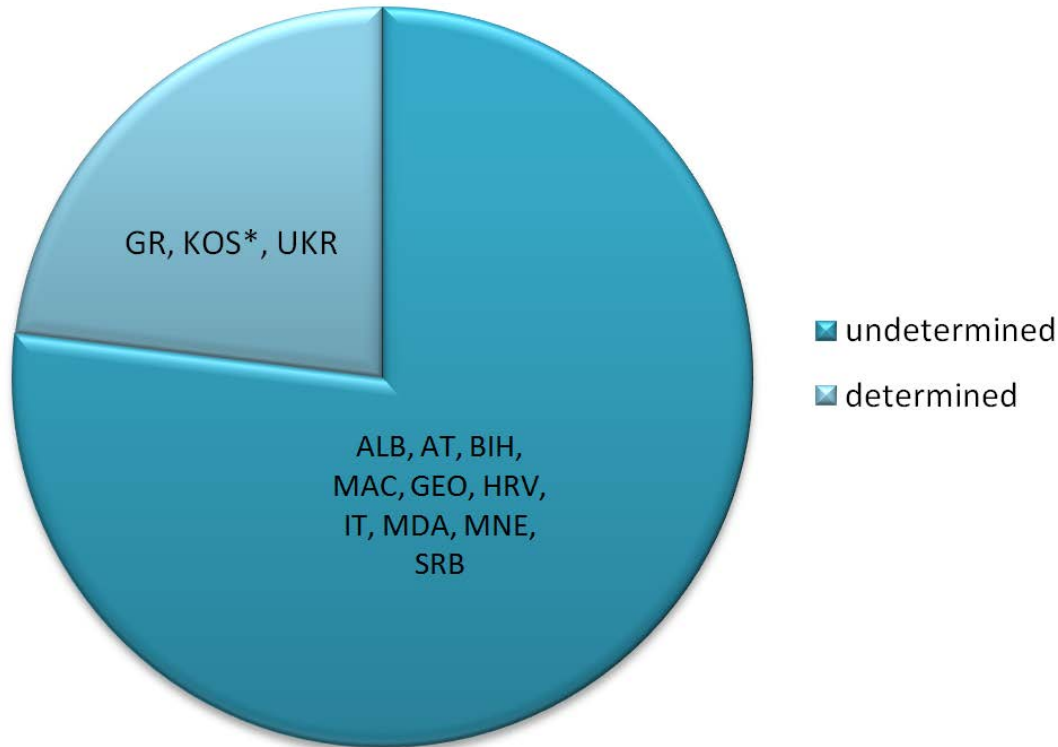


Figure 2 *Does the regulator have any competences related to contracting?*

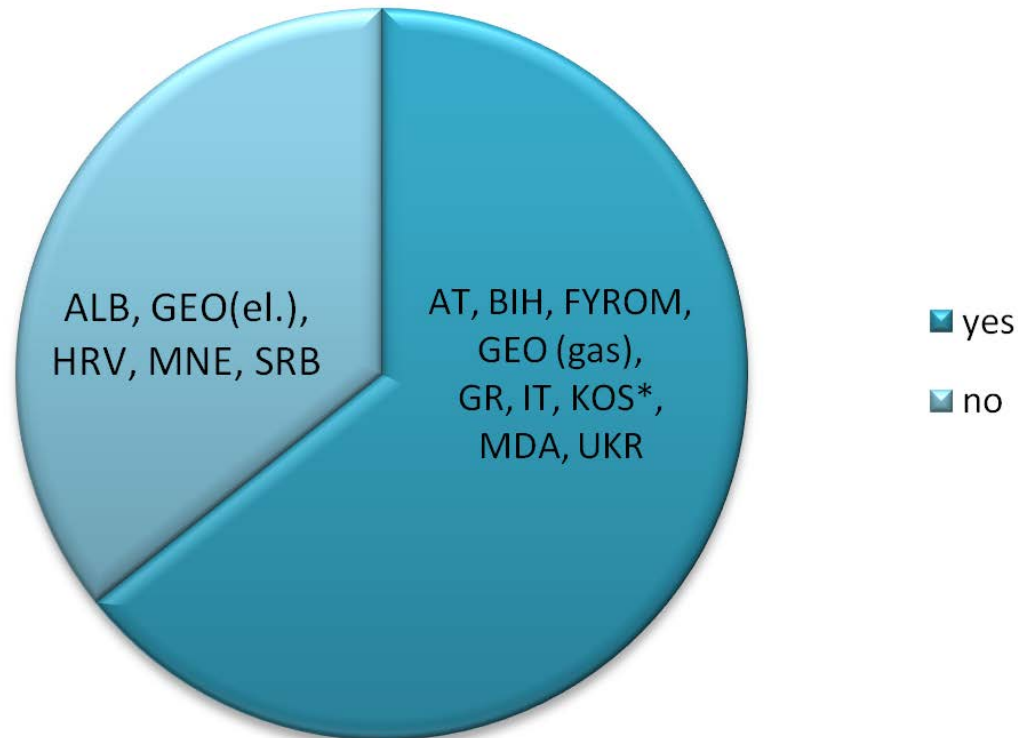


Table 6 *Provisions of Annex I of the Electricity and Gas Directive included in the supply contracts*

	Albania	Austria	BIH	Croatia	fYR of Macedonia	Greece	Italy	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
The identity and address of the supplier	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The services provided	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Service quality levels offered	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Time for the initial connection					✓	✓	✓	✓	✓	✓	✓	
Types of maintenance service, if offered				✓	✓		✓	✓	✓		✓	✓
Means by which up to date information on all applicable tariffs and maintenance charges may be obtained					✓	✓	✓	✓	✓	✓	✓	✓
Duration of the contract	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Conditions for renewal and termination of services and of the contract	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Existence of any right of withdrawal	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓
Compensation and the refund arrangements which apply if the contracted service quality levels are not met	✓		✓	✓	✓		✓	✓	✓			✓
The payment method and procedure	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The method for initiating procedures for settlement of disputes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Status Review of Customer Contracts Some Findings



- Customer protection is in the center of the energy sector restructuring and liberalization. All RAs, with the exception of Georgia, stated that the **customer related provisions of the Electricity and Gas Directives** were transposed into their national legislations.
- In most of the analyzed cases household customers conclude only **one contract with a supplier** comprising also the provisions regarding use of the distribution system.
- In all cases, except Georgia, the supplier has the obligation to inform customers about the contract conditions prior to the conclusion of a contract.
- In the majority of cases **the regulator has competences related to contracting**

Status Review of Customer Contracts Some Findings



- **Unfair contract terms** are subject to control by the competition authorities, consumer protection bodies and also by regulators
- In 10 out of 13 jurisdictions the household customers sign **standard form contracts**. Only in Croatia, Moldova and one part of Bosnia and Herzegovina (Federation BIH), some provisions of a supply contract are negotiable.
- In all jurisdiction customers are informed about the **contract amendments** in advance, i.e. before they enter into force. However, the prescribed timelines for this earlier notification differ among countries.
- In the analyzed electricity and gas markets RAs are usually in charge of resolving **disputes** regarding third party access and connection to the networks, but very often also obliged to deal with other contractual complaints

A blue-toned background image of a globe with glowing energy lines and nodes, suggesting a global energy network.

*Thank you
for your attention!*

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