

4th Meeting of ECDSO-E Coordination Platform

Venue: Sarajevo, Hotel Europe, Sarajevo, Bosnia and Herzegovina

Date: Thursday, 5 February 2015

The meeting was collocated with the meeting of Southeast Europe Distribution System Operators Security of Supply Working Group on 4 February 2015, organized by US Energy Association and USAID.

1. Role of DSO in market opening

Recalling that opening of the retail market to customers connected to distribution network from 1 January 2015 is obligation of all Contracting Parties in the Energy Community and that actual state of play, particularly set up of efficient market infrastructure, has not been completed, market operators were invited to take part in the discussion dedicated to the role of DSOs in this process. This is in accordance with the conclusions from the third coordination meeting ECDSO-E that ECS would facilitate a joint session with national market operators.

Ms. Pavla Mandatova (EURELECTRIC – DSO Unit) explained the position of EURELECTRIC as an umbrella association of energy businesses. In order to enable efficient functioning of a competitive market, DSO is responsible to act as a neutral market facilitator, for handling metering data, for ensuring information exchange between system operators and market players, for ensuring customers flexibility for both end users and distributed generators developing new forms of terms and conditions for network access, providing conditions for all players to contribute to system stability.

Ms. Pavla Mandatova elaborated new challenges for DSO resulting from new EU targets, such as decentralized generation, increasing numbers of "prosumers", energy storage, electric vehicles and flexible demand. The core task of DSO is shifting from building and connecting, operating and managing towards market enabling and managing increasing amounts of data to act as neutral market facilitator. Accelerating change makes innovation at distribution level an imperative. "Active System Management" allowing for greater interaction between the key network processes combined with grid automation would optimize the distribution network. Customer flexibility will be an important tool for solving distribution grid constraints, again increasing the need for more data and adequate information exchange. EU plan is to have installed 200 mill smart meters (80% of all customers) by 2020.

She presented the approach of ACER and CEER and explained the state of play in the EU where a lot had been done, but even more remained to achieve objectives. The path envisages more convergence in market designs, first regionally and then EU-wide.

The functions of DSO in a competitive market have not been defined in a consistent manner yet in the EU. CEER recently launched public consultations on DSO functions ([The future role of DSOs](#))¹ to develop competitive service.

ECDSO-E members are invited to take part in the consultations submitting their views to CEERS public consultations document to EURELECTRIC ([questionnaire](#))

Related presentation: *EURELECTRIC views on the EU energy policy & Tasks and responsibilities of DSOs*, Pavla Mandatova

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(http://www.ceer.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/PC_The_Future_Role_of_DSOs/CD)

Ms. Jasmina Trhulj presented ongoing activities under the Energy Community TSOs and market operators' consultation format. She emphasized the functions of DSOs as defined in the current legislative framework of the Contracting Parties and necessary changes that will come with transposition and implementation of the 3rd Legislative Package.

It was emphasized that DSO has a central role in the switching process: metering and meter data management, verification and validation of customer's data, and in providing key input for imbalance settlement process, through load profiling, keeping register of BRPs on distribution level and aggregating metering data per BRP in its area of responsibility.

Data exchange is one of the key challenges, which will come with full implementation of balance responsibility of all market participants. Participants agreed that transparency requirements related to communication of DSO-TSO must be added and further clarified in national legislation, preferably in a harmonized manner.

DSOs are often in charge to maintain the register of small customers, without adequate authority to obtain all relevant information in time (business register).

Related presentation: *DSO roles in market opening – transposition and implementation status in EnC CPs*, Jasmina Trhulj, ECS

Supplier switching by customers connected to distribution network has begun in Serbia and FYR of Macedonia. Representatives of EVN Macedonia Sašo Saltirovski and EPS Serbia Mr. Zoran Jeremić informed that load profiles have been developed and used in imbalance settlement procedures.

Ms. Đulizara Delimustafić (FERK) underlined that market is open for all customers and FERK has developed Rules for developing load curves and their use. She also emphasized the need to keep in mind long term perspective of impact of RES integration and network development. Mr. Dalibor Muratović (ERS) informed that they have developed load curves, but these are not approved yet. Mr. Ognjen Marković (EIA) informed that all 3 EPs in BIH are working on developing load curves. Ms. Minea Skok from EIHP suggested that only one load profile may suffice to arrange balancing mechanism and settlement, as the case is in Slovenia.

Conclusions/Action points:

DSOs are invited to prepare the load profile(s) for network users which do not have possibility for load registration and direct assignment of imbalances as one of preconditions for setting up the system of balance responsibility and opening up of retail market for customers connected to distribution network.

DSOs have to be ready to provide aggregated information for balancing and individual information for supplier switching, maintaining fair and non-discriminatory conduct to all network users.

2. Unbundling

Following the conclusion from the third coordination meeting ECSSO-E to learn from the experience of the EU MS, representatives of EURELECTRIC (Ms. Pavla Mandatova, head of DSO Unit in EURELECTRIC and Mr. Manuel Rodrigues da Costa from EDP (Portugal)) provided an insight into current activities and practices.

Ms. Pavla Mandatova explained the status of unbundling in the EU where around 2400 DSOs operate, of which 190 with more than 100.000 customers. In some MS ownership unbundling is imposed on DSOs (e.g. Belgium, the Netherlands and UK).

She pointed that the more DSO is engaged in non-core activities (so-called "grey areas"), the more unbundled it must be from other activities. The examples of rebranding of a DSO in a VIU were presented.

She reminded about the CEER consultation paper ([The future role of DSOs](#)) and raised questions (in addition to DSO functions), in particular developing toolbox for the regulation of DSOs.

Related presentation: *EURELECTRIC views on the EU energy policy [continued] - DSO unbundling in the EU*, Pavla Mandatova, EURELECTRIC

Mr. Manuel Rodrigues da Costa, a compliance officer in Portuguese DSO EDP, explained different aspects and challenges of a DSO unbundling regime and its compliance. HE also indicated that EU compliance officers established a network (Alliance of Compliance Officers from EU DSOs - COFEED), however it is still a

communication platform and not an officially established entity. However, it enables peer consultations and experience sharing to compliance officers from different jurisdictions.

Mr. Rodrigues da Costa explained the legal framework of DSO unbundling in Portugal, development of a compliance programme, appointment of a compliance officer, mode of work, ensuring independence of his work and transparency. Obstacles and challenges were also explained. He pointed out three focus of his monitoring: non-discrimination, transparency and protection of data confidentiality.

In case when DSO is vertically integrated, monitoring compliance with the unbundling regime covers decision making, operational independency, image and communication differentiation, information and staff training.

Responsibility of a compliance officer extends to monitoring and reporting if DSO respects the compliance program, to preparing the compliance report, submitting it to NRA and ensuring that it is published. The report, in addition to findings and assessment of compliance with unbundling regime has to indicate taken and recommended measures.

In addition to right of access to all files and premises and conduct investigation, compliance officer in Portugal has authority to impose financial penalties on an undertaking and /or responsible physical person.

Compliance officer is independent, responsible to the Board of DSO, established in a separate department of the company or appointed from outside the company (e.g. audit firm or individual expert).

The compliance officer in Portugal is appointed by DSO and NRA does not need to approve his appointment, whereas for TSO compliance officer must be approved by NRA.

Compliance program is developed by compliance officer on annual basis and submitted to NRA every year for the next year.

Related presentation: Electricity Sector in Portugal - Unbundling and Compliance, Manuel Rodrigues da Costa, EDP - Portugal

Mr. George Karagutoff (KEDS) asked what shared services are permitted and how are priced and there was explained that these services must be provided only on the basis of contract and prices have to correspond to market prices.

Mr. Goran Majstorović (EIHP) asked for clarification of who is the owner of DSO. In Portugal, the state is owner of HV and MV lines, whereas municipalities own low voltage network. DSO operates on concession contract. This is result of numerous changes of ownership and legal status in power sector over time. Currently, although the state owns the network assets, it has no stake in EDP's DSO, in TSO its stake is nearly zero.

The switching procedure for bad payers was clarified upon request of Mr. Vladimir Bojičić (EPCG). The customer in debt with previous supplier is allowed to change supplier, however the supplier has the list of bad payers. This list used to be shared, but it is not the case anymore due to conflict with protection of personal data.

Recalling that regulated tariffs are available for end use customers connected to low voltage, Mr. Ognjen Marković (USAID –EIA) asked how purchase price of energy for regulated supply is determined. This price is taken from the market, at the level of market price.

Due to time constraint, presentation and draft position paper on DSO unbundling, prepared by ECS, were not discussed at the meeting. However, both documents are attached to this Minutes as its integral part for further reference.

Draft compliance program, prepared by EVN, still not approved by NRA, is also posted in the Forum.

Related presentation: Update of DSO unbundling status in EnC, Jasmina Trhulj, ECS.

Related document: Draft Position Paper on DSO unbundling (for review and commenting)

Conclusions/Action points: The participants agreed that this practical example was very valuable. ECDSO-E will need more experience sharing and information about the practices related to compliance program and compliance officer in EU MSs, to enable DSOs successful adaptation to their new tasks and obligations

Recalling that ECS prepared a draft position paper on unbundling, communicated via ECDSO-E Forum, DSOs are invited to contribute to developing a position paper related to DSO unbundling that can be used as a reference in consultations on respective national legislation and regulatory practice.

DSOs are invited to share their compliance programs, when prepared and/or approved, with the ECDSO-E coordination platform on the Forum.

DSOs which did not replied to the questionnaire related to the DSO resources and unbundling are invited to do so in order to facilitate formulation and better communication of the common position of DSOs.

3. Reducing network losses

Acknowledging the importance of policies focused on reduction of network losses, the Forum aligned forces with the SEE DSOs SoS Working Group and its Subcommittee for losses, established in September 2014.

The Subcommittee managed by Mr. Admir Andelija prepared its finding in the form of best practice recommendation.

Mr. Sead Spahić presented the experience of EP BIH, applied measures and policies to reduce losses. Mr. Dinko Hrkec explained the policies and practice applied in HEP to reduce network losses.

The presentations are available at the link made available by

USEA: <https://www.dropbox.com/sh/2vf8w0lgrl0mpm/AAAiVAsG61DqHNv637RijlSa?dl=0>

The experience of EPBIH and HEP in fighting non-technical losses, where level of distribution losses is below 9%, indicated most effective measures and activities. Illegal consumption, either by unauthorized connection, or bypassing or tampering with the meters, is the main cause of enormous losses in many DSOs. The best practice indicated that one of the key tasks is to identify/localize the most critical sites and to ensure legal enforcement measures in case of theft or similar illegal activity.

Many DSOs insist that the regulatory approach to combat losses is inconsistent and often does not incentivize efficiency gains of DSO in this respect.

Mr. Ranko Vuković (EPCG) informed about ongoing activity of smart meters roll-out in Montenegro which should result in elimination non-technical losses.

Mr. Božidar Jovanović (EPHZHB) emphasized that the metering system must be automated and that metering is the key.

Conclusions/Action points:

ECDSO-E welcomes the approach to develop a handbook to shaping best practice to combat losses.

USEA and ECDSO-E will continue work cooperation in this matter.

4. Wrap-up

The next meeting of ECDSO-E will take place before the Athens Forum in order to have finalized common position of DSOs on unbundling, to present to key stakeholders and to use it for reference when drafting national legislation compliant with the Third Package.

Participants are invited to provide their input on draft document on DSO unbundling to enable its finalization in time.

Annex – List of participants

Participants in the ECDSO-E meeting					
Distribution System Operators					
	Last name	First name	Representing	Position	Contracting Party
1	Luarasi	Adrian	OSHEE	Advisor	Albania
2	Andelija	Admir	EPBIH	Executive Director for Distribution	Bosnia and Herzegovina
3	Beća	Mustafa	EPBIH	Director Advisor	Bosnia and Herzegovina
4	Spahić	Sead	EPBIH		Bosnia and Herzegovina
5	Jovanović	Božidar	EPHZHB	Chief of Technical Department	Bosnia and Herzegovina
6	Maslač,	Ivica	EPHZHB	Deputy Chief of Technical Department	Bosnia and Herzegovina
7	Muratović	Dalibor	ERS - holding	Director of DSO Daprtment	Bosnia and Herzegovina
8	Durić	Mujo	Komunalno Brčko	Head of Technical Services	Bosnia and Herzegovina
9	Kasumović	Elvis	Komunalno Brčko	Lead dispatcher	Bosnia and Herzegovina
10	Strmečki	Goran	HEP Distribution		Croatia
11	Hrkec	Dinko	HEP Distribution		Croatia
12	Saltirovski	Sašo	EVN Macedonia	Head of Operation, Energy Policy and Regulatory Management	FYR of Macedonia
13	Karagutoff	George	KEDS	Chief Executive Officer	Kosovo ^{*2}
14	Alper	Erbas	KEDS	Chief Supply Officer	Kosovo*
15	Vukovic	Ranko	EPCG	Director of DSO development	Montenegro
16	Samardžić	Milorad	EPCG	Directorate for relations with regulator	Montenegro
17	Bojičić	Vladimir	EPCG	Director of supply	Montenegro
18	Ćorić	Željko	EPCG	Legal support to executive management	Montenegro
19	Ivanović	Bojan	EPS Distribucija	Technical Issue Advisor	Serbia
20	Jeremić	Zoran	EPS Distribucija	Distribution Specialist	Serbia
Regulators					
21	Nashi	Agim	ERE	Advisor	Albania
22	Dubajić	Nikola	DERK	Head of Technical Affairs Section	Bosnia and Herzegovina
23	Delimustafić	Đulizara	FERK	Commissioner	Bosnia and Herzegovina
24	Matić	Zdeslav	HERA	Commissioner	Croatia
25	Arsova,	Elizabeta	ERC	Technical Advisor	FYR of Macedonia

* This designation is without prejudice towards the position on status and is in line with UNSCR 1244 and ICT Decision on Kosovo Declaration on Independence

26	Skok	Minea	EI HP	Senior consultant	Croatia
27	Baričević	Tomislav	EIHP	Senior consultant	Croatia
28	Džemić	Zijad	Metrology institute	Director	Bosnia and Herzegovina
29	Marković	Ognjen	EIA Project	Director	Bosnia and Herzegovina
30	Kamenica	Mak	EIA Project	Deputy Director	Bosnia and Herzegovina
Speakers and organizers					
31	Rodrigues da Costa	Manuel	EURELECTRIC	EDP, compliance officer	Portugal
32	Mandatova	Pavla	EURELECTRIC	Advisor in DSO unit	Belgium
33	Doub	Albert	USEA	Program Director	USA
34	Haidarian	Jamshid	USAID	Senior Energy Advisor	USA
35	Rojas	Tomas	USAID	Economic Development Office Director	USA
36	Trhulj	Jasmina	ECS	Market expert	Austria
37	Uzunov	Simon	ECS	Head of Electricity Unit	Austria
38	Cretu	Gabriela	ECS	Electricity expert	Austria
39	Mumović	Milka	ECS	Electricity expert	Austria

Participants from Market Operators					
40	Moisiu	Ana	OST		Albania
41	Turhani Merkaj	Griselda	OST		Albania
42	Erović	Dženeta	NOS BiH		Bosnia and Herzegovina
43	Hadžić	Omer	NOS BiH		Bosnia and Herzegovina
44	Dedaqi	Sherif	KOSTT		Kosovo*
45	Imeri	Qamil	KOSTT		Kosovo*
46	Ačkoski	Kiril	MEPSO		FYR of Macedonia
47	Gjorgjievski	Zoran	MEPSO		FYR of Macedonia
48	Ristovski	Aleksandar	MEPSO		FYR of Macedonia
49	Ivanović	Slaven	COTEE		Montenegro
50	Tomašević	Ivana	COTEE		Montenegro
51	Janković	Marko	EMS		Serbia
52	Ličina	Jasmin	EMS		Serbia