Retail supply of electricity following the unbundling

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High-Level Policy Talks on the Electricity Market of Georgia
Tbilisi, 10 November 2017
Electricity retail market

= bilateral electricity supply transactions between suppliers and final customers
#1 Organisation of the retail market
Three main elements:

1. Supply portfolio
2. Contractual arrangements
3. Consumption portfolio
#1 Supply portfolio

- Producers
- Importers
- Power exchange
- Wholesale suppliers (traders)
- Supplier
- Final customers
#2 Contractual arrangements: supply

**Standard supply contracts**
- Households & small enterprises
- Universal service supply
- Supply of last resort

**Individual supply contracts**
- Non-regulated supply transactions
  - Harmonisation through regulation
  - Building the best practice by NRA
  - Cooperation between suppliers
#2 Contractual arrangements: delivery

**Transportation contracts**

- TSO → transmission
- and/or
- DSO → distribution

**Customer’s responsibility**

- but

**Can be assigned to supplier:**

- Invoicing & settlements
- [Contract management]
#3 Consumption portfolio

Final customer

Supplier

- Producer
- Importer
- Trader

Power exchange
#2 Market entrance & supplier switching
Unrestricted entrance to the electricity retail market

- Clear rules & legal certainty
- Maximum harmonisation with EU/EnC best practices
- Reducing administrative burden (incorporation, licenses, etc.)
- Simple procedures (Georgia → no supply license!)
- Level playing field: equal competition among all suppliers
Effective supplier switching right by each eligible customer

- Unrestricted right under NRA’s established procedure
- Process as simple as possible \( \rightarrow \) not more than in 3 weeks
- Financial issue: provided services to be paid before switching
- No other payments or sanctions (*forfeit for non-households)
- Contractual process = no bureaucracy
#3 Supplier & customer relations
Contractual relations

Supplier: contract offer
- Unrestricted right to offer supply services
- Subject to established mandatory requirements

Consumer: choice & acceptance
- Unrestricted right to choose & switch the supplier
- ‘Window shopping’ on the retail supply market
- Right to get all service-related information

Contract management
- Contract management by the supplier
- Protection of customer’s rights
- Handling of complaints & dispute settlement
- Termination of the contract & closure account
Supply service

Commercially ensured supply to satisfy final consumption demand

Reliable formation & provision of the supply portfolio

Timely payment & obeying physical delivery rules
Provision of information

Supplier = a single contact point for the supply-related information

- Customer’s rights and current electricity market regulations
- Applicable prices and/or regulated tariffs
- Customer’s electricity consumption data & costs
- Energy customer checklist: rights & obligations
- Means for the protection of consumer rights
Supply pricing

Market prices
- Market-based supply
- ‘PSO exit’ customers

Regulated prices
- Universal supply*
- Supply of last resort margin
- Tailor-made PSO supplies

Constant NRA’s monitoring & supervision of regulated tariffs

NRA’s remedying & market opening measures
Clearly structured and informative invoice for supply services

- Quantities of supplied natural gas & payable price
- Applicable market and/or regulated prices (incl. constituents)
- Share of each energy source within the supply portfolio
- Reference to existing sources of information
- Available means of handling the complaints & dispute settlement
#4 Public service supply
Universal service supply

- As a PSO securing the most vulnerable segments of the market
- Regulated conditions: operational rules approved by NRA
- Market-based vs. regulated end-user prices
- Phasing-out of any regulation of end-user prices
- Universal service supplier: designated under PSO procedure
- Automatic supply to covered customers instead of supply of last resort
Supply of last resort

- As an instrument of the security of supply in case of market failures
- Provided for a short & clearly fixed period of time (3 months as an indicator)
- Regulated conditions: operation rules approved by NRA
- Market-based price plus a regulated supply of last resort margin
- Supplier of last resort: designated under open tender procedure
- Designation for a defined period of time (term), e.g. 3 years
#5 Tailor made public services
EXEMPTION BUT NOT A RULE
General economic interest

- Energy security or environment
- Not distorting the competition
- Technical & economic justification
- Proportional & transparent
- Non-discriminatory & necessary
- Not distorting the competition
#6 Annex: DSO unbundling
Unbundling of electricity DSOs – Directive 2009/72/EC

- **Legal unbundling**
  - Art. 26(1)

- **Functional unbundling**
  - Art. 26(1)-(2)

- **Accounting unbundling**
  - Art. 31

- **Information unbundling**
  - Art. 27

- **Monitoring**
  - Art. 26(3)

- **Identity separation**
  - Art. 26(3)
DSO as a separate network company (#1)

Production / supply

DSO
DSO as a separate network company (#2)
DSO as a separate network company (#3)
Functional unbundling of the DSO

Organisational independence

- Management separation
- Independent performance
- Common services

DSO

Decision-making independence

- Effective decision-making
- Necessary resources
- Limited VIU's interference

Compliance programme
Thank you for your attention!

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