Eligible Customers Workshop No.1

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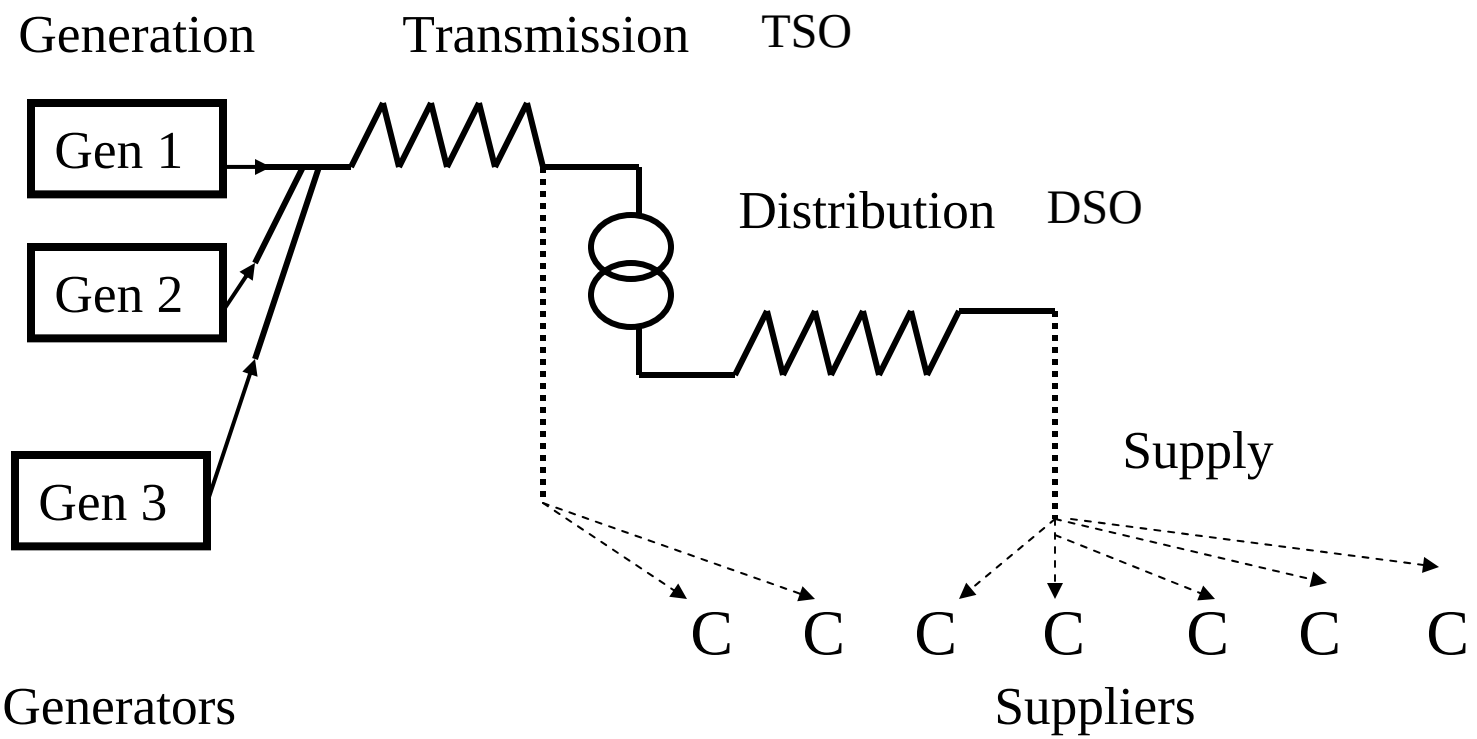
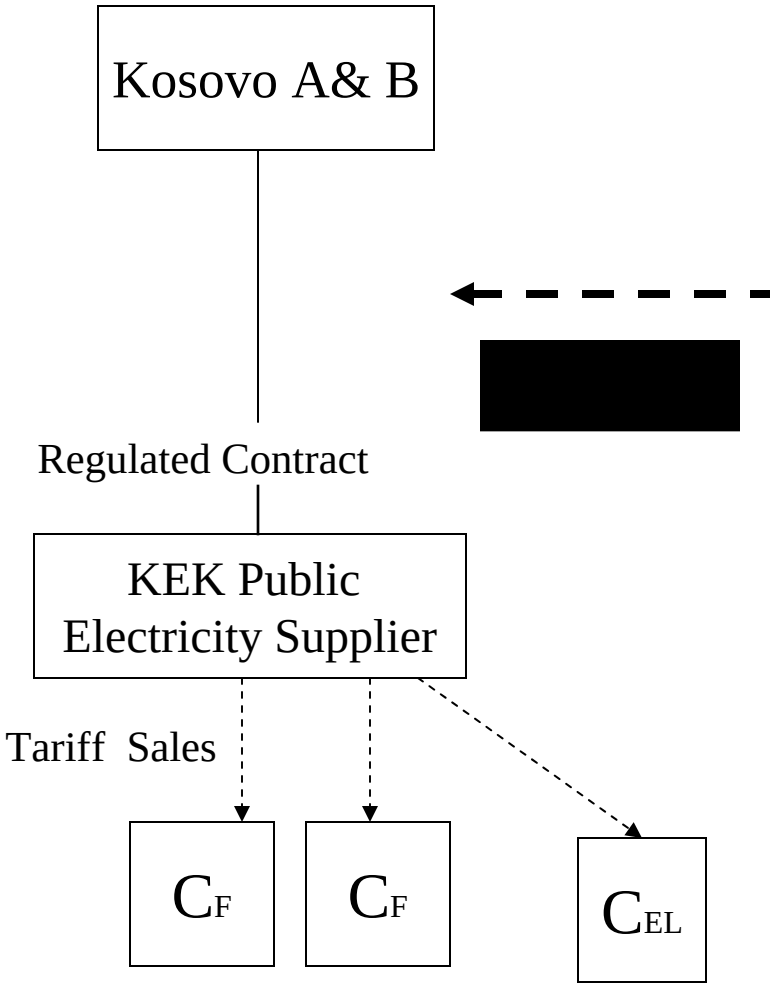
15 May 2006

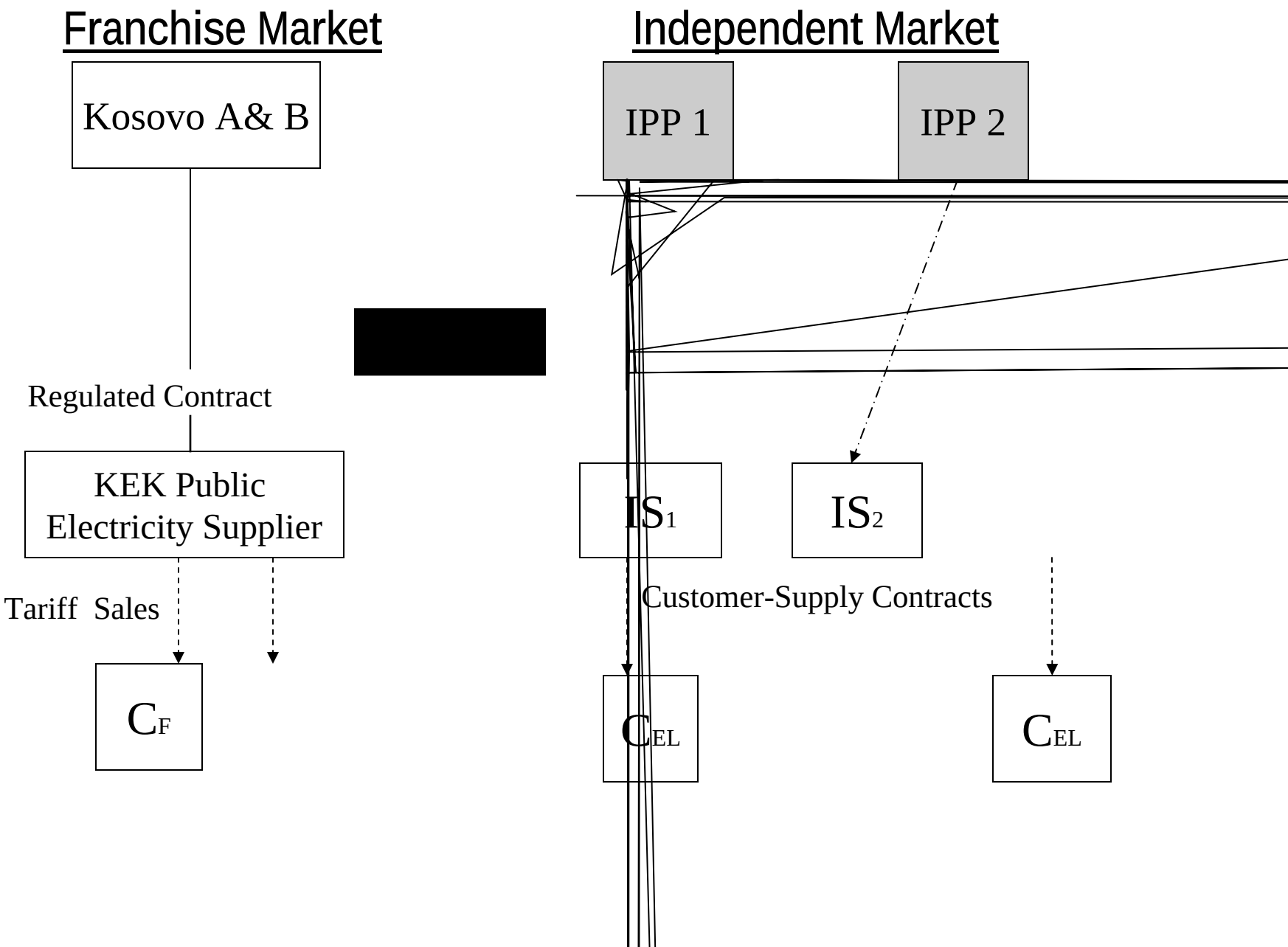
Electricity Market



Diagrammatic Outline Only

Franchise Market




Franchise Market
Independent Market
Kosovo A& B
IPP 1
IPP 2
Regulated Contract
KEK Public Electricity Supplier
IS1
IS2
Tariff Sales
Customer-Supply Contracts
CF
CEL
CEL

Unbundling Wires Charges

- Need to separate out transmission & distribution wires charges
  - Separate transmission charges for eligible customers connected to grid
  - Separate trans & dist charges for customers connected to dist network
- Need to have wires charges unbundled correctly
  - so that all customers are paying their full and fair share
- If wires' charges are too low then ordinary (franchise) customers are subsidising the eligible customers
- If wires' charges are too high then independent suppliers will not enter the market – lack of competition

Customer Metering

- Because electricity cannot be stored it has a different value every half hour of the day throughout the year
- There is a need to measure consumption of large and medium customers throughout the day/year
  - So that they are charged the correct price
- This means there should be half hourly metering in place
- Half hourly metering has many advantages
  - Gives the right price signal to customers for demand side management – they can respond to tariff signals
  - Enables customers to conserve & use electricity more efficiently
  - Must get the right balance between benefit and meter cost

Choice of Suppliers in the Market

- No real competition until there are several suppliers
- At present only KEK Supply is in the market
- Independent suppliers will only enter the market if there are market-prices
- In effect this means electricity prices rise to market price and then competition applies downward pressure on prices
- The market price for electricity in Kosovo is that of neighbouring countries with adjustment for interconnection transmission costs

Risk to existing Public Electricity Supplier

- Cherry-picking of customers (tariff rebalancing needed)
- Public electricity supplier left with problem areas & customers, for example:
  - Expensive work practices
  - High cost staff
  - Many customers who are unable to pay
- Could pose serious financial problems for KEK

Complexity and Cost

- Risk of deciding on a complex market structure
- Greater market complexity means higher cost
  - Mainly arises due to new IT systems needed
  - Cost can be hundreds of millions of euro
  - Kosovo should pay attention to this
  - Consultants do not always have good record in this area
- Kosovo should decide on a straightforward market
  - But must meet Treaty requirements, and
  - Facilitate cross border trading with neighbouring countries
  - Need also to consider metering, SCADA, settlement, balancing and ancillary services in this context

Some Options for Eligibility Criteria

- Supply voltage level
  - e.g. 110kV and above, 35kV and above, etc
- Annual consumption
  - e.g. 20 GWh and above, 1 GWh and above, etc
- Maximum Demand
  - e.g. 1000 kW and above, 100 kW and above, etc
- Industrial sectors
  - e.g. mining, cement, pharmaceutical, Government, water
- Customer groups
  - e.g. large, medium, small industrial or commercial
- Question of single or multiple sites also arises

Customers in the Kosovo Market

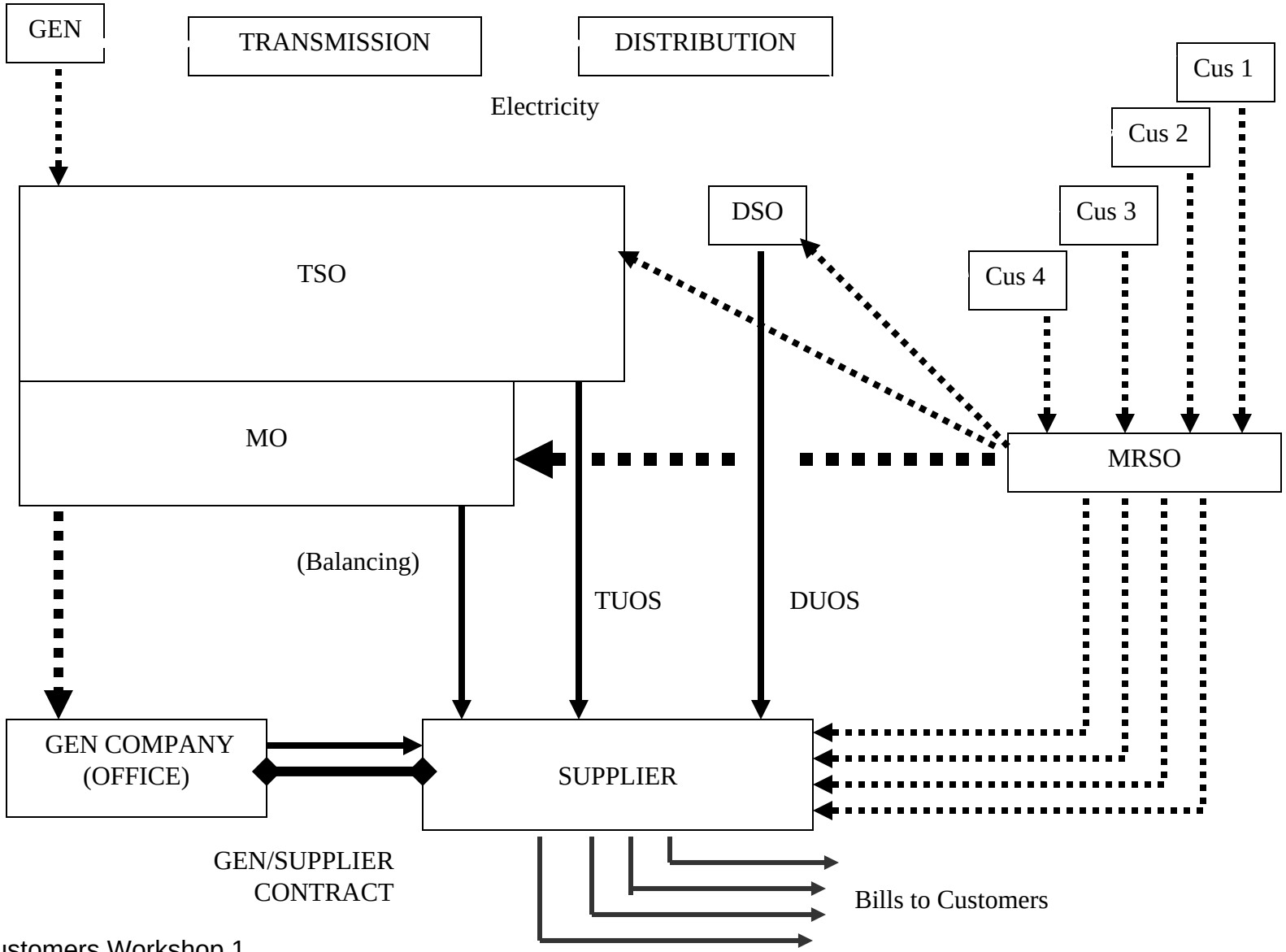
Supply Voltage	No. of Customers
220 kV	1
110 kV	2
35 kV	12
10 kV	224
0.4 kV I	730
0.4 kV II- Two Tariff	23,559
0.4 kV II- One Tariff	19,458
Domestic - Two Tariff	219,357
Domestic - One Tariff	57,417
Flat Rate	10,733
Public Lighting	354
Total	331847
It is believed there are 50,000 to 60,000 unregistered customers	

Example of Electricity Prices

- indicative only (depends on customer size & type)

1.	Generation (Generator)	50%
2.	Transmission (TSO)	10%
3.	Distribution (DSO)	30%
4.	Supply (Supplier)	10%
5.	Levy (Government)	0%
	TOTAL:	100%

SETTLEMENT PROCESS



Eligible Customer Getting Supply

- Usually 6 steps:
  1. Forecasts demand for next year (or 2 yrs)
  2. Invites offers from suppliers
  3. Analyses offers and decides on best offer
  4. Signs new supply contract
  5. Supplier informs metering registration
  6. After ‘Change of Supplier’ new contract applies
- No change in wires, meters, meter reading
  - Except, electricity bill comes from new supplier

Recap: Kosovo's Opening of the Market

- Minister issued Administrative Instruction for 2006
- Customers at 110kV and above may become eligible
  - Appropriate metering, control & communication
  - No cross subsidisation or neg effect on KEK business
- Next Ministerial Order due by 31st Jan 2007
- All non-domestic customers eligible by 1.Jan.2008
  - As defined by Energy Community Treaty
  - Concern that this target date very difficult

Discussion & Feedback