

Serbia: Electricity market, commercial, guaranteed and backup supply

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The opening of the electricity market has led to the migration of the customers from the regulated guaranteed (previously public) to the commercial and backup supply, which resulted in an inevitable adjustment of the previous system, in which distribution performed any work for the customer, into the system of very complex IT, technical and administrative rules between operators and suppliers.

Bearing in mind that PE “EPS” and “EPS Supply” have a substantial share of responsibility in order to avoid the disruptions while establishing the electricity market, as well as the fact that the PE “EPS” can provide the electricity for the entire segment that comes on the market from its own production, the competition has seen the leader in PE “EPS” who will remove all the shortcomings of the system, fully prepare the consumers from the point of awareness and just get over all “children’s diseases” encountered at the opening of the electricity market.

Commercial supply is clearly defined business system in which only healthy customers can participate, and which, along with a certain risk, brings a guaranteed salary to the customer with almost certain collection. The rules are clearly defined by the regulations in this field, and the suppliers are required to comply with the rules and bear legal consequences for violating it. This primarily applies to the consumers who purchase the electricity through the procurement process, and the unscrupulous business of the supplier leads to the repetition of the complicated procurement process and creates the new expenses to such customers.

In addition to the problems created by the public procurement of the electricity, the new issues have been identified in the previous period that might complicate the relations with the customers. The problems occur due to the lack of information of the customer regarding the process of exercising their rights, as well as the obligations that come with the opening of the market. The change of the owner and the tenant at the measuring point, the change of the approved power, objections on different grounds, and time limits for check in and out, are only the part of the emerging issues that should be addressed in a very short period of time. All this leads to the conclusion that the activity on the establishment of an open market is a laborious and complicated task, with many problems that require time for their solution.

At this point, around 11,000 measuring points are on the reserve supply each month, which have acquired the right on this type of supply on various grounds. The existence of a significant price differences between the commercial and the reserve supply aims to prevent the abuse of the rights to a backup supply and contribute to the establishment of a “healthy” electricity market during the transition period. Of course, this parameter of “healthy” is a category where, at the moment of an extremely low share of production in the gross national income, a large number of “failed” privatizations in the production sector, bankruptcies and

pre-packaged reorganization proceedings cannot be considered attractive for any supplier who economically operates.

The trend of establishing a free market leads to a leveling of prices, but on market principles, and allows all the customers to buy the energy on the free market.

In addition to the activities that were aimed directly at the customers, in the process of the liberalization of the market by the distribution system operator, it was necessary to undertake a series of activities, out of which the most important were: the establishment of a register of balancing liabilities under the companies for the distribution of electricity, the sample determination, the acquisition of the individual profiles of consumption and, on the basis of the conducted research, the defining the load profile diagrams for each class of customers depending on their characteristics, the day (working/ non-working) and the season.

Within the activities of the electricity market opening, as one of the most important topics, the topic of the price of access to the system for electricity distribution was imposed, which was determined, for each company for electricity distribution respectively, in accordance with the "Methodology for pricing access to the system electricity distribution" ("Official Gazette of RS", 105/12). This methodology determines the conditions and manner of determining the maximum allowed revenue (MAR), the criteria and rules for the distribution of that income, tariff elements and tariffs for the calculation of prices for the access to the system for electricity distribution and manner of their calculation. Bearing in mind that the methodology is based on the mechanism of the price control of the access to the system for distribution of electricity by using the method of regulation "cost plus" and the fact that the companies differ from one another in terms of size, its characteristics, structure of electricity consumption, it is clear that the price of access to the system for electricity distribution will be different between individual companies.

Compared to the costs of access to the distribution systems in Vojvodina and Belgrade, for the customers of the distribution systems of other commercial companies the costs would be higher for a few percent or even up to a third (depending on the specific characteristics of consumption) for the same amount of the consumed electricity and consumption structure. This would further cause the dissatisfaction among customers because these increases are not equal to all customers in RS and the customers in western, central, eastern and southern Serbia would be discriminated in relation to the customers in Vojvodina and Belgrade due to a greater increase in the total bill for the consumed electricity. Also, the above would, in addition to dissatisfaction with existing customers, certainly cause the consequences on the development of the region, in terms of new customers.

As a solution to the above problem, there is a need for connecting the existing companies for electricity distribution to a one single company. One of the most important aspects is the equality in terms of tariffs throughout the territory of Serbia, followed by the possibility of reducing tariffs due to higher potential to reduce operating costs, which is the interest of the entire community. Also, bearing in mind that all the companies for electricity distribution are wholly-owned by the state, we should not neglect the fact that Serbia has the advantage because, they can execute centralization and form a single operator system for the whole

area of Serbia by merging the current five distribution companies.

Since the formation of one distribution system operator did not occur until the end of 2013, the Government of RS, with the aim of addressing the issue of unequal tariff, was forced to react with the “Decree on the manner and conditions of determining the uniform price of access to distribution system in terms of market opening”, which was adopted before the end of 2013 and is still in use. This Regulation prescribes a single tariff for access to the distribution system for all customers who have lost their right to the guaranteed supply and went to the market with the electricity. The prices in the Regulation are defined based on the methodology in such amount as they were in the case of one distribution system operator, instead of the current five.

Numerous companies owned by the state that were not able to timely implement the procurement procedures of electricity for their needs in 2014 have another significant issue that has emerged after the opening of the electricity market, and where the intervention of the Government of the Republic of Serbia was need. Therefore, these companies have found themselves in the reserve supply. On the other hand, next to them were the companies which were in the process of restructuring or bankruptcy and also did not have the ability to choose a supplier because no supplier was interested in supplying them, since they were not able to offer any collateral. Thus, the Government of RS was forced to intervene for the second time, by passing the Resolution of the Government. With this Resolution, the Government has agreed that the “EPS Supply” will perform a backup supply of the end customers, temporarily continue with the backup supply of the customers who have not chosen a supplier, namely: users of the public funds in terms of the law governing the budget system, which started the process of procurement of goods – electricity, no later than the end of the procurement procedure and companies that are in the process of restructuring or bankruptcy, in accordance with the regulations on privatization or bankruptcy.