

ELECTRICITY PROCUREMENT OPPORTUNITIES FOR LARGE CUSTOMERS IN BOSNIA AND HERZEGOVINA

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OVERVIEW

Bosnia and Herzegovina, as a signatory of the Treaty Establishing the Energy Community (*region of South East Europe*), has an obligation to, inter alia, open the electricity market, and enable the opportunity for customers to freely choose their supplier.

All customers in Bosnia and Herzegovina, except customers from the category of households, have the option to become an eligible customer from January 2008. Customers from categories of households will be able to become the eligible from 2015.

This paper presents options for the electricity purchase for large industrial customers, considering actual situation in the electricity sector in Bosnia and Herzegovina. It considers several types of customers and presents possibilities for electricity purchase. The total prices by which these customers purchase electricity is also calculated, and a comparative view of the average prices paid by the defined types of customers is given, depending on customers connection point (transmission or distribution network), and customer status (regulated/tariff customer or an eligible customer).

METHODS

Comparison of electricity purchase costs is done for customers whose electricity consumption is quite high (large industrial customers) and who generally enter into the market first. Three types of customers are defined and their daily load diagrams are assumed.

Different options in electricity purchasing in 2010 are analyzed for the defined types of customers, and there are considered different variants for the purchase of electricity:

- tariff customer connected to the transmission network
- tariff customer connected to the distribution network 35 kV voltage level
- eligible customer connected to the transmission network
- eligible customer connected to the distribution network 35 kV voltage level

Regarding the fact that in Bosnia and Herzegovina there are three public suppliers (public electric utilities) having the exclusive right to deliver electricity in their area, cost analysis of purchasing electricity have been done separately for customers of all three public suppliers.

The average annual price for tariff customers is calculated on the basis of the planned electricity consumption and electricity tariff of public suppliers in 2010.

For eligible customers, the cost for the purchase of electricity is divided into two parts: (1) unregulated part (the cost of electricity procurement on the market) and (2) regulated part (use of the transmission and distribution networks, tariffs for Independent System Operator - ISO, and ancillary services cost).

Cost of electricity in the market is calculated as follows:

- One part of the electricity is purchased through bilateral contracts, and another one on the day-ahead market
- Bilateral agreements will be concluded at the end of the year (during November) as two types of standardized contracts for the purchase of energy: (1) Baseload (00-24) and (2) Peak (08-20)

- Remaining part of the electricity is procured from the day-ahead market (power exchange) at electricity prices published by EEX
- For market prices analysis, data of the last three years are used, due to significant changes in the market as a result of global processes (high oil prices, economic recession ...)

Based on this estimated price of electricity, and regulated network tariffs (transmission and distribution), tariffs for ISO and tariffs for ancillary services, it calculates the average annual prices for eligible customers.

RESULTS

Analysis shows that the current tariffs for electricity in Bosnia and Herzegovina are on the level that enables financial benefit to regulated customer, comparing with actual electricity market prices.

In addition, the price of electricity paid by the same type of tariff customers in Bosnia and Herzegovina depends on the public supplier. Even in the case of an eligible customer, regulated part of the electricity costs varies depending on the voltage level at which the customer is connected, or the area in which the customer is located.

CONCLUSIONS

Transition period in which customers have possibility to choose between tariff or eligible status expires at the end of 2012. After that, a significant number of customers in Bosnia and Herzegovina will be buying electricity on the market. It will probably lead to a convergence of prices for tariff and eligible customers. Electricity customers should devote considerable attention to education of their employees and they should make every effort in training for new working and economic environmental (electricity market), in order to achieve rational consumption and lower average prices of electricity.

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