



This project is funded by the European Union

Technical Assistance for Improvement of Performance-Based Tariff Regulation of EMRA For Turkish Energy Markets Through Introducing an Enhanced Monitoring System



Task 5.3. – Preperation of Vulnerable Customers Action Plan and Social Tariff Methodology in Natural Gas Market

Online Workshop

09 October 2020





This project is funded by the European Union



Agenda

- 1) Introduction
- 2) International Benchmarks
- 3) Turkey Case
- 4) Gap Analysis & Recommendations
- 5) Vulnerable Consumer Action Plan
- 6) Other Complementary Regulatory Measures





This project is funded by the European Union



EU Regulatory Framework

The basic principles on the vulnerable customers stated in the DIRECTIVE 2009/73/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Directive) has got following content about vulnerable customers, are as follows:

- 1- Energy regulators should be granted the powers to contribute to the protection of vulnerable customers. In carrying out their tasks of contributing to the protection of vulnerable customers, they should be in close consultation with other relevant national authorities.
- 2- The public service requirements and the common minimum standards that follow from them need to be further strengthened to make sure that all consumers, especially vulnerable ones, can benefit from competition and fair prices.
- 3- Member States should develop national action plans or other appropriate frameworks to tackle energy poverty, aiming at decreasing the number of people suffering energy poverty.
- 4- In any event, Member States should ensure the necessary energy supply for vulnerable customers.
- 5- In the combat against energy poverty, an integrated approach should be followed. In that manner, social policy or energy efficiency improvements for housing should be combined within the overall policy.
- 6- At the very least, the Directive should allow national policies in favour of vulnerable customers.
- 7- Member States should take appropriate measures to protect vulnerable customers. Definition of the concept of vulnerable customers is a critical part of this process. Definition may be related to energy poverty and may lead to the prohibition of disconnection of gas to such customers in critical times, among other aspects. Therefore, the Directive does not define vulnerable customer concept, but it requires Member States to do so as part of protection of vulnerable customers.
- 8- Rights and obligations linked to vulnerable customers should be observed. The Directive specially mentions the measures to protect final customers in remote areas who are connected to the gas system in that context.
- 9- The Directive requires measures such as “national energy action plans”, “providing social security benefits to ensure the necessary natural gas supply to vulnerable customers”, or “providing support for energy efficiency improvements”, in a manner to not impede the effective opening of the natural gas market. Also, notification of such measures to the Commission excluding the measures taken within the general social security system.





This project is funded by the European Union



Basic Parameters for Vulnerable Customer Definitions Across the EU

National regulations define vulnerable consumers based on various parameters as per the necessities of each member state:

- ✓ The legal framework explicitly states what groups of customers are regarded as “vulnerable” based on personal properties of customers, e.g. their age, disability, health, etc
- ✓ The legal framework explicitly states in what situations customers are regarded as “vulnerable” based on non-personal or situational circumstances e.g. unemployment, single parenthood, etc.
- ✓ The definition of the concept of vulnerable customers is implicitly recognized by the energy law and/or social security system

Strong partnership between government institutions, from national level to local level





This project is funded by the European Union



International Benchmarks: Great Britain

Vulnerable customers are defined in the Fuel Poverty Strategy which is required to be published under the Warm Homes and Energy Conservation Act 2000 (for England and Wales) and the Housing (Scotland) Act 2001. Measures in place to increase the income of vulnerable households in GB include the Winter Fuel Payment (set up by the Social Fund Winter Fuel Payments Regulations 1998) and the Cold Weather Payments (introduced by the Social Fund Cold Weather Payments (General) Regulations 1988). In addition, Section 4AA (3) of the Gas Act 1986 (the Gas Act) provides that the Authority must carry out its functions in a manner best calculated to further its principal objective, having regard to, amongst other things, the interests of people who are chronically sick, pensioners, those on low incomes and people living in rural areas. Parameters below are used to identify vulnerable customers.

- A customer is caring for an elderly person in the household,
- A customer is of Pensionable Age
- A member of the household is disabled or has a long-term medical condition (i.e. chronic illness) and is therefore unable to support themselves,
- An informed third party, such as a carer, social worker, health visitor or physician has indicated that a member of the household may be vulnerable,
- The age of any children living in the household,
- A customer dependent on medical equipment that is operated by electricity. For example, stair lifts, electric wheelchairs, defibrillators, or dialysis machines.





This project is funded by the European Union



Financial Measures

Cold Weather Payments: Cold Weather Payments are one-off payments to help customers pay for extra heating costs when it is very cold. Customers will get a payment if the average temperature in their area is recorded as, or forecast to be, zero degrees Celsius or below over 7 consecutive days. Customers will get £25 for each 7-day period of very cold weather between 1 November and 31 March. After each period of very cold weather in their area, customers should get a payment within 14 working days. Cold Weather Payments are determined by The Department for Work and Pensions and are added automatically to the benefits of people who are eligible. It's paid into the same bank or building society account as their benefit payments. Cold Weather Payments do not affect customers other benefits.

Winter Fuel Payments: The Winter Fuel Payment is an annual one-off payment to help customers pay for heating during the winter. If customers were born on or before 5 October 1954 they could get between £100 and £300 to help them pay their heating bills. This is known as a 'Winter Fuel Payment'.

Warm Home Discount: The Warm Home Discount (WHD) scheme is made up of three elements:

1. The Core Group – provides £140 to help less well-off pensioners through a direct rebate of £140 to their electricity or gas account. Customers in receipt of Pension Credit Guarantee Credit are eligible.
2. Broader Group – also provides a £140 energy bill rebate to customers who are in or at risk of energy poverty, but obligated suppliers have some discretion to vary the eligibility criteria to address their specific customer base.
3. Industry Initiatives – this scheme allows energy suppliers help energy-poor customers through third parties. It can include advice on energy saving, and help with reducing energy debts.

Vulnerable Customer Safeguard Tariff (Price Cap): Price cap (safeguard tariff) limits how much a supplier can charge you per kWh of gas. Suppliers cannot set their prices above the tariff cap and must set their prices at the level or below it.





This project is funded by the European Union



Vulnerable Customers Measures Table

Selected measures	Type of measure	Organisation	Target groups	Start year	Result
Warm Homes Nest Scheme	Building insulation, Energy audits, Heating system, Household appliances	Regional government	Low-income households Vulnerable households	2011	98,000 households in Wales have benefited from free advice and support
Energy Company Obligation	Building insulation, Heating system	National government, Energy suppliers	Low-income households Vulnerable households	2013	500,000 insulation measures taken per year since scheme inception
Decent Homes Programme	Building insulation, Heating system	National government	Social housing	2000	Over million social homes improved in first 10 years
Scotland's Energy Efficiency Programme	Building insulation, Heating system, Energy audits, Energy bill support, Information and awareness	Regional government	Vulnerable households	2016	
Winter Fuel Payment	Energy bill support	National government	Pensioners	1997	12.21m GB residents received payment for winter 2015/2016. 42,000 claimants resident in the EEA or Switzerland received payment.
Cold Weather Payment	Energy bill support	National government	Households on social benefits, Low-income households		131,000 payments in winter 2016-2017, total expenditure of £3.3m
Warm Home Discount	Energy bill support, Information and awareness	National government, Energy suppliers	Households on social benefits, Low-income households	2011	£320m support provided to vulnerable consumers between April 2015 and March 2016.
Energy Price Cap	Social tariff	National government	Vulnerable households	2019	
Minimum Energy Efficiency Standards	Building insulation, Heating system	National government	Private rented housing	2018	





This project is funded by the European Union



After COVID 19 Pandemic

If customers are struggling with bills because of coronavirus (COVID-19) , help is available in this period. The Government has agreed emergency measures with suppliers to support customers using prepayment meters or who may be struggling with money problems. Options may include on a case by case basis:

- reviewing bill payment plans, including debt repayment plans
- payment breaks or reductions in how much customers pay
- giving customers greater time to pay
- in some cases, access to hardship funds

An agreement reached between the Department for Business, Energy and Industrial Strategy and domestic energy supply companies setting out principles to support energy customers impacted by COVID-19. Department for Business, Energy and Industrial Strategy will seek to identify and prioritize customers who may need additional support and consider the needs of customers considering that:

- Any Customer can suddenly become vulnerable even if they are not classed as such already.
- Priority Service Register customers may need extra advice and support
- Prepayment meter customers, both smart and legacy will need specific support
- Customers with health conditions or who are or are vulnerable to a cold home, may need to maintain a constant supply of energy



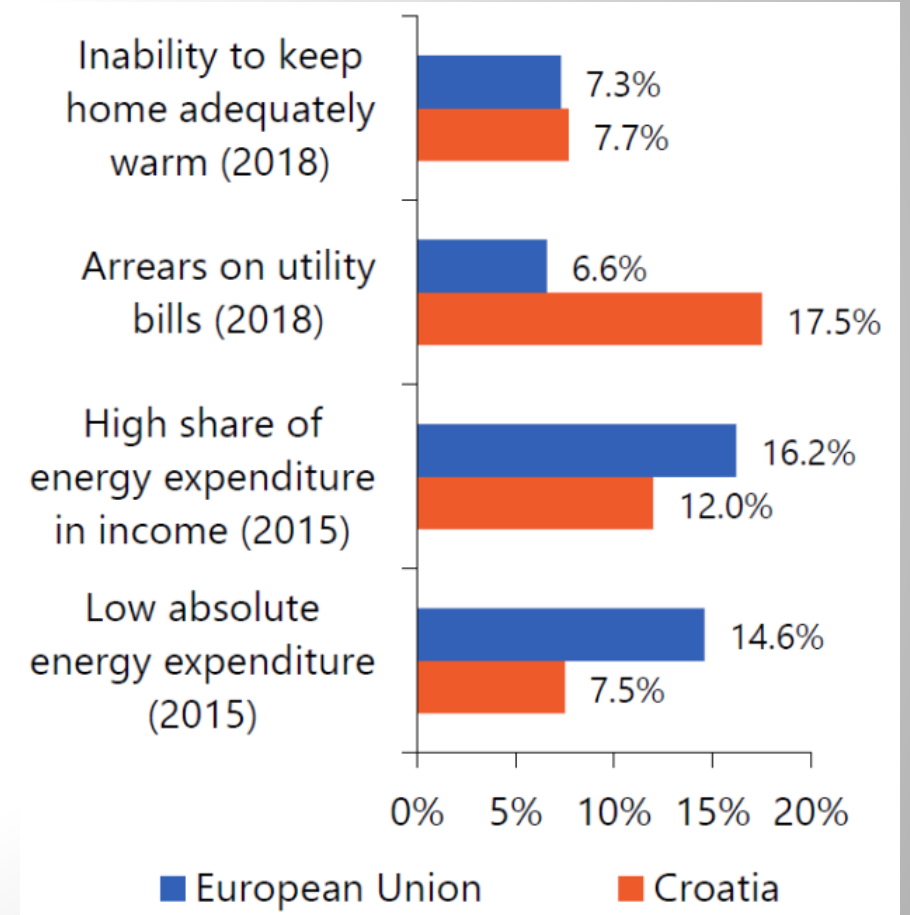


This project is funded by the European Union



International Benchmarks: Croatia

- ✓ In 2009, Croatia adopted the Energy Strategy (OG 130/09) and definition and status of vulnerable customer has been placed for the first time in the energy act (OG 120/12, 14/14,95/15,102/15) following by the Law on Electricity Market (OG 22/13,95/15,102/15) and the Law on Gas Market (OG 28/13, 14/14).
- ✓ Vulnerable customer is a final energy household customer whose energy supply is provided with specialized conditions because of its social status and/or health conditions. Minimum guaranteed social allowance and/or disability allowance is granted to vulnerable customers as of September 2015 by the decision of government.
- ✓ In the indicator of “inability to keep home adequately warm”, Croatia’s performance is lower than the EU average. In 2018, 7,7% of the Croatian population were unable to keep the home adequately warm while the EU average of this year was 7,3%. In timely bill payment, 17,5% of the Croatian population had “arrears on utility bills” payment, while the EU average was 6,6% in 2018. For population indicators, Croatia performs worse than the EU.
- ✓ “High share of energy expenditure in income” figures show that Croatian households with a high share of income on energy expenditure is 12,0% while the corresponding figure is 16,2% for the EU average, in 2015. This figure of Croatia may be related to better energy efficiency of buildings in Croatia. “Low absolute energy expenditure” figures show that 7,5% of the Croatian households spend a low share of income on energy and the respective EU average is 14,6% in 2015. This figure of Croatia implies that lower expenditure of households compared to their needs is less common in Croatia than in the EU. In expenditure indicators, Croatia performs better than the EU.



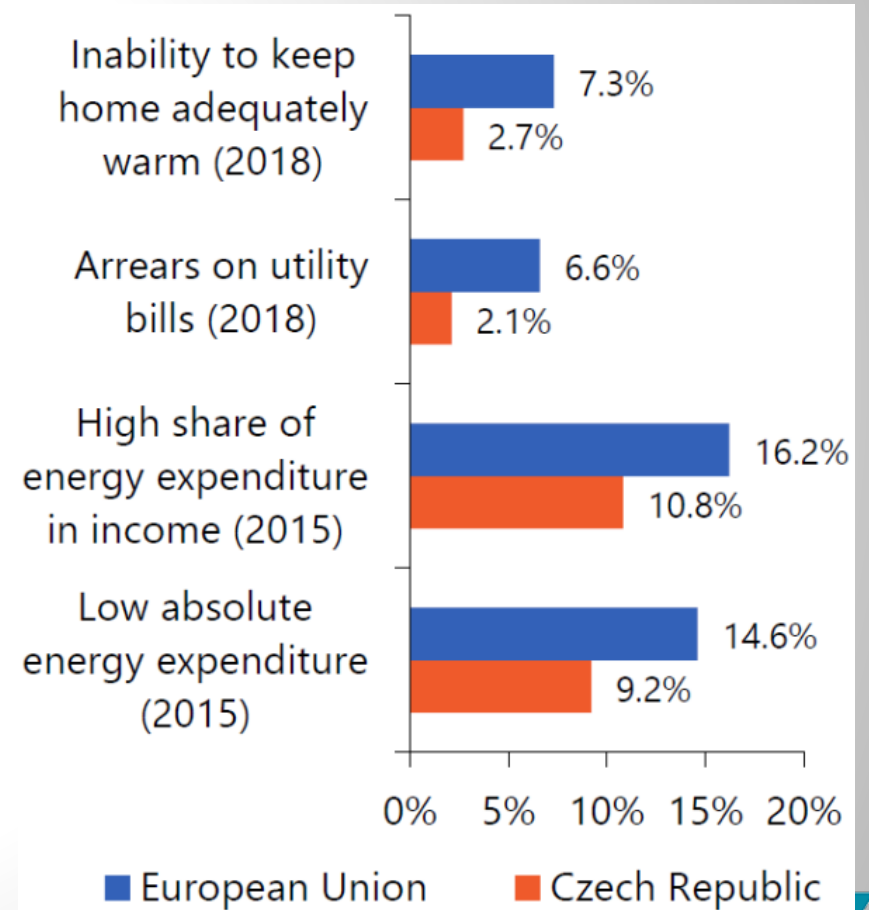


This project is funded by the European Union



International Benchmarks: Czechia

- ✓ In Czechia, the Energy Act does not include a definition of the term ‘vulnerable customer’, however, the social security law has general provisions on the definition and protection of for disadvantaged consumers. Moreover, there is a legal term of "protected customer" such as hospitals and ill people dependent on life-support equipment, in Czech legislation.
- ✓ In “inability to keep home adequately warm”, Czechia’s performance is better than the EU average. In 2018, 2,7% of the Czech population were unable to keep the home adequately warm while the EU average of this year was 7,3%. In timely bill payment, 2,1% of the Czech population had “arrears on utility bills” payment, while the EU average was 6,6% in 2018. For population indicators, Czechia performs better than the EU.
- ✓ “High share of energy expenditure in income” figures show that Czech households with a high share of income (more than twice the share of their income) on energy expenditure is 10,8% while the corresponding figure is 16,2% for the EU average, in 2015. “Low absolute energy expenditure” figures show that 9,2% of the Czech households spend a low share of income on energy and the respective EU average is 14,6% in 2015. This figure of Czechia implies that lower expenditure of households compared to their needs is less common in Czechia than in the EU. In expenditure indicators, Czechia performs better than the EU.



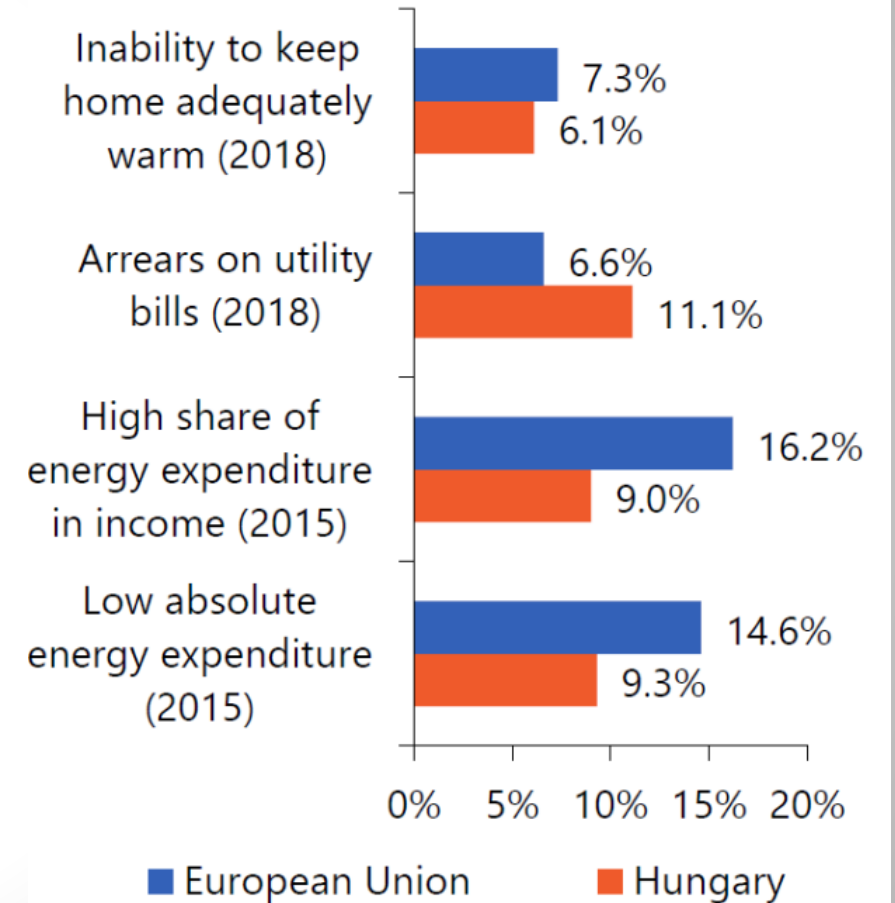


This project is funded by the European Union



International Benchmarks: Hungary

- ✓ Customers qualifying the conditions apply supplier for being registered as a vulnerable customer, and if they can certify their conditions are appropriate to the benefits guaranteed for vulnerable customers, registration cannot be denied.
- ✓ Benefits provided by the suppliers are, installment/payment facilities, deferred payment, prepayment metering device. Customers with disabilities should be offered certain privileges relating to metering, reading and billing procedures, and payment terms, according to their needs.
- ✓ In “inability to keep home adequately warm”, Hungary’s performance is better than the EU average. In 2018, 6,1% of the Hungariann population were unable to keep the home adequately warm while the EU average of this year was 7,3%. In timely bill payment, 11,1% of the Hungarian population had “arrears on utility bills” payment, while the EU average was 6,6% in 2018. For population indicators, Hungary’s performance is not higher or lower than the EU’s as a whole but partially higher and partially lower in two indicators.
- ✓ “High share of energy expenditure in income” figures show that Hungarian households with a high share of income on energy expenditure is 9% while the corrosponding figure is 16,2% for the EU average, in 2015. “Low absolute energy expenditure” figures show that 9,3% of the Hungarian households spend a low share of income on energy and the respective EU average is 14,6% in 2015. This figure of Hungary implies that lower expenditure of households compared to their needs is less common in Hungary than in the EU. In expenditure indicators, Hungary performs better than the EU.



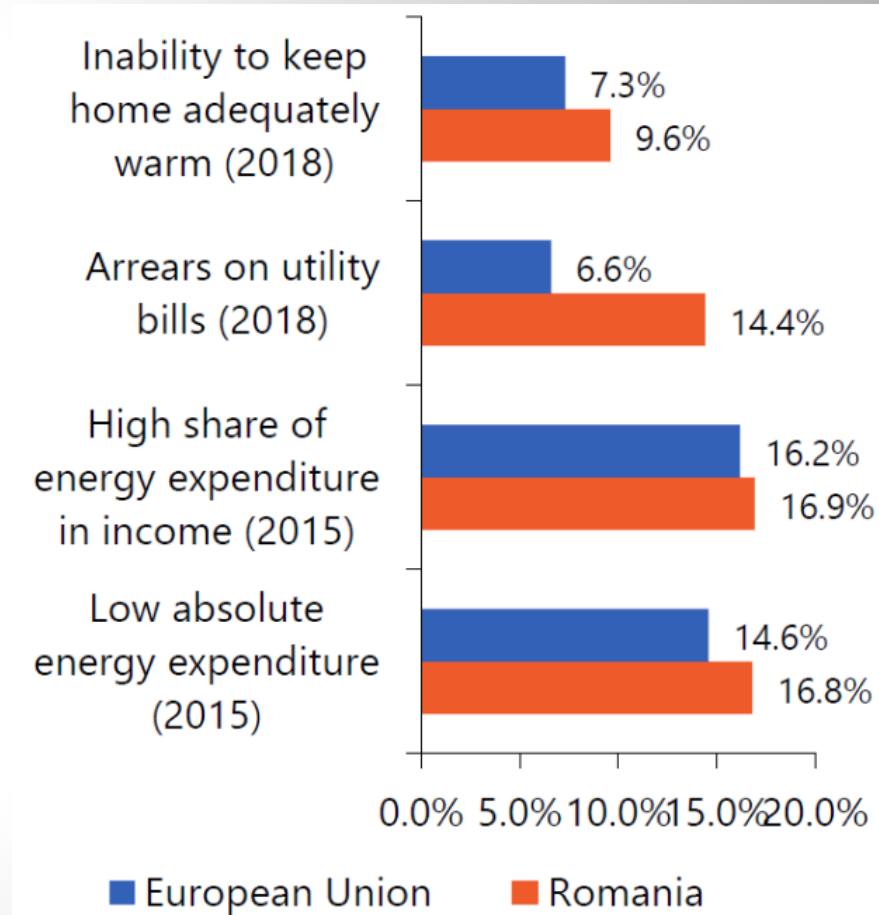


This project is funded by the European Union



International Benchmarks: Romania

- ✓ In Romania, the Ordinance 27/2013 low income limits are set for defining household customers as vulnerable customers. Vulnerable customer is defined in the Law on Electricity and Natural Gas (OG 123/12) and in the Emergency Regulation on Measures of Social Protection During the Winter (OG 70/11, 27/13).
- ✓ Vulnerable consumers are defined as household consumers who are in risk of social discrimination based on age, healthy or low incoming and who, in order to prevent this risk, are beneficiary of social protection measures, including financial aid. Final consumers with a monthly income under the minimum wage have special tariffs.
- ✓ In “inability to keep home adequately warm”, Romania’s performance is lower than the EU average. In 2018, 9,6% of the Romanian population were unable to keep the home adequately warm while the EU average of this year was 7,3%. In timely bill payment, 14,4% of the Romanian population had “arrears on utility bills” payment, while the EU average was 6,6% in 2018. For population indicators, Romania performs worse than the EU.
- ✓ “High share of energy expenditure in income” figures show that Romanian households with a high share of income on energy expenditure is 16,9% while the corresponding figure is 16,2% for the EU average, in 2015. This figure of Romania may be related to worse energy efficiency of buildings in Romania. “Low absolute energy expenditure” figures show that 16,8% of the Romanian households spend a low share of income on energy and the respective EU average is 14,6% in 2015. This figure of Romania implies that lower expenditure of households compared to their needs is more common in Romania than in the EU. In expenditure indicators, Romania performs slightly worse than the EU.





Technical Assistance for Improvement of Performance-Based Tariff Regulation of EMRA For
Turkish Energy Markets Through Introducing an Enhanced Monitoring System



This project is funded by the European Union

Task 5

International Benchmark - Italian Case Study

Natural Gas

9 October 2020, EMRA, Ankara





Introduction - Content & Objects

Context

- European
- National - Regional
- Gas Market
- Legislative

Gas bonus: 3 W

- Who
- What
- When

Value and Procedure

- How much
- Actors
- Process
- Instruments

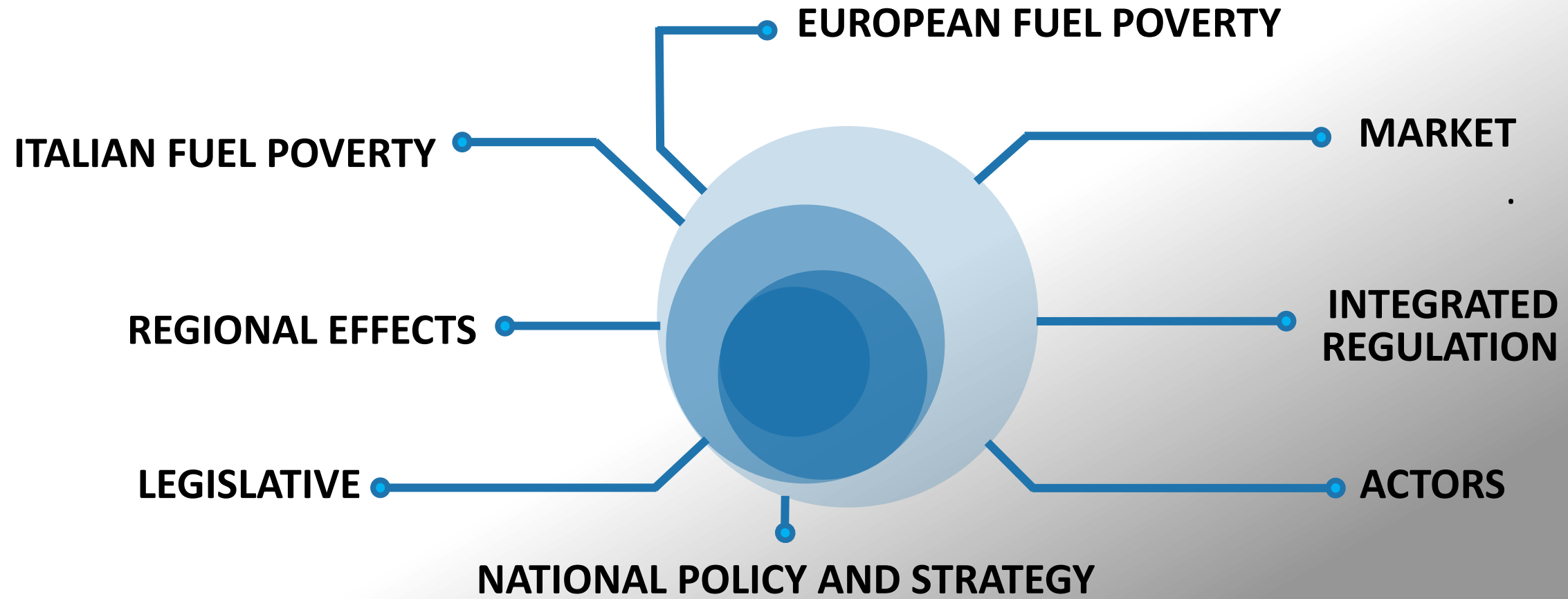
Conclusion

- Barriers
- Improvements



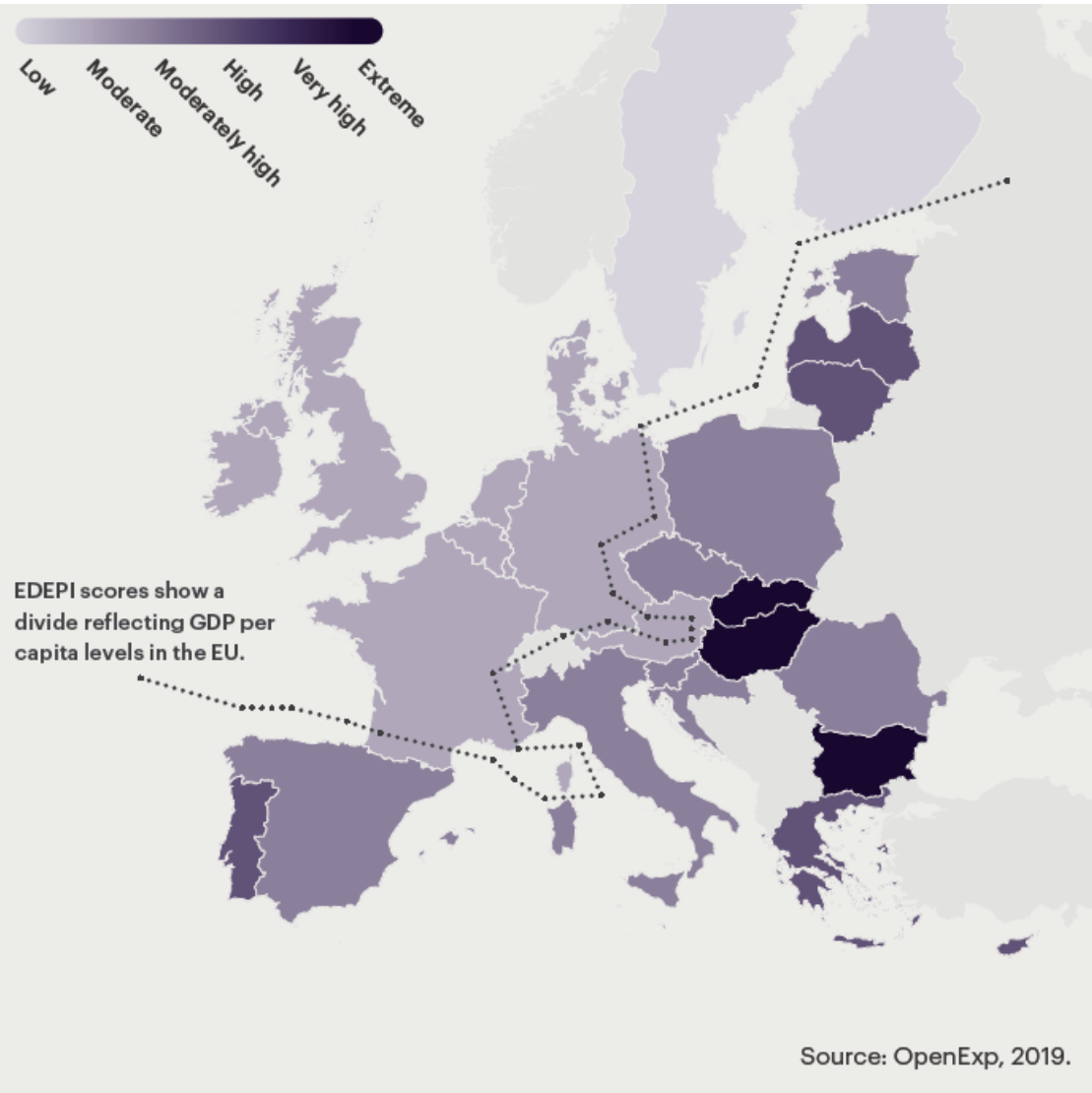
This project is funded by the European Union

Context



Energy Poverty in Italy: an overlooked phenomenon

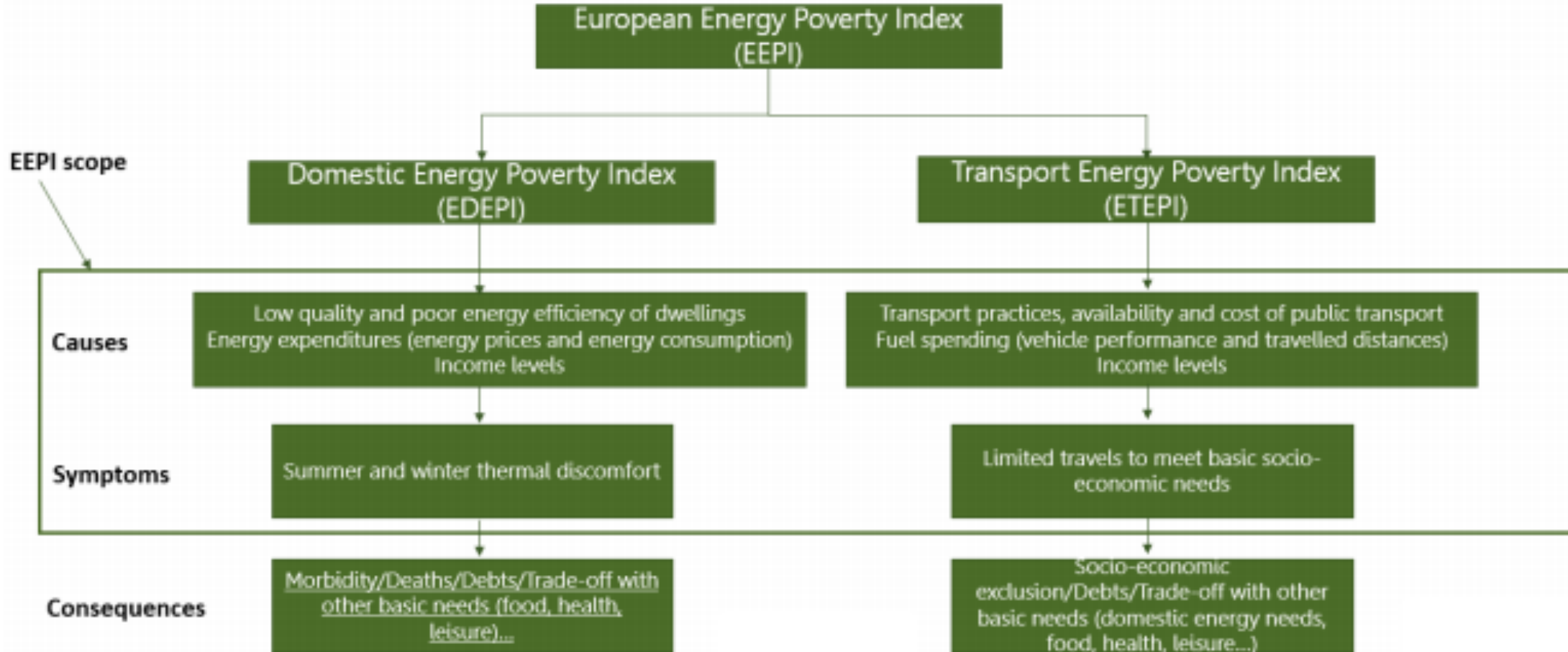
	Country	EDEPI Score
1	Sweden	95.4
2	Finland	85.6
3	Denmark	81.9
4	Austria	81.2
5	Luxembourg	80.9
6	United Kingdom	80.5
7	Ireland	79.3
8	Netherlands	78.1
9	Germany	75.8
10	France	73.3
11	Belgium	67.6
12	Spain	64.7
13	Romania	64.2
14	Poland	61.0
15	Czech Republic	60.2
16	Croatia	58.8
17	Malta	58.6
18	Estonia	58.0
19	Italy	52.1
20	Slovenia	51.3
21	Cyprus	46.2
22	Greece	43.7
23	Lithuania	42.4
24	Latvia	40.0
25	Portugal	36.7
26	Slovakia	8.4
27	Hungary	6.2
28	Bulgaria	0.7





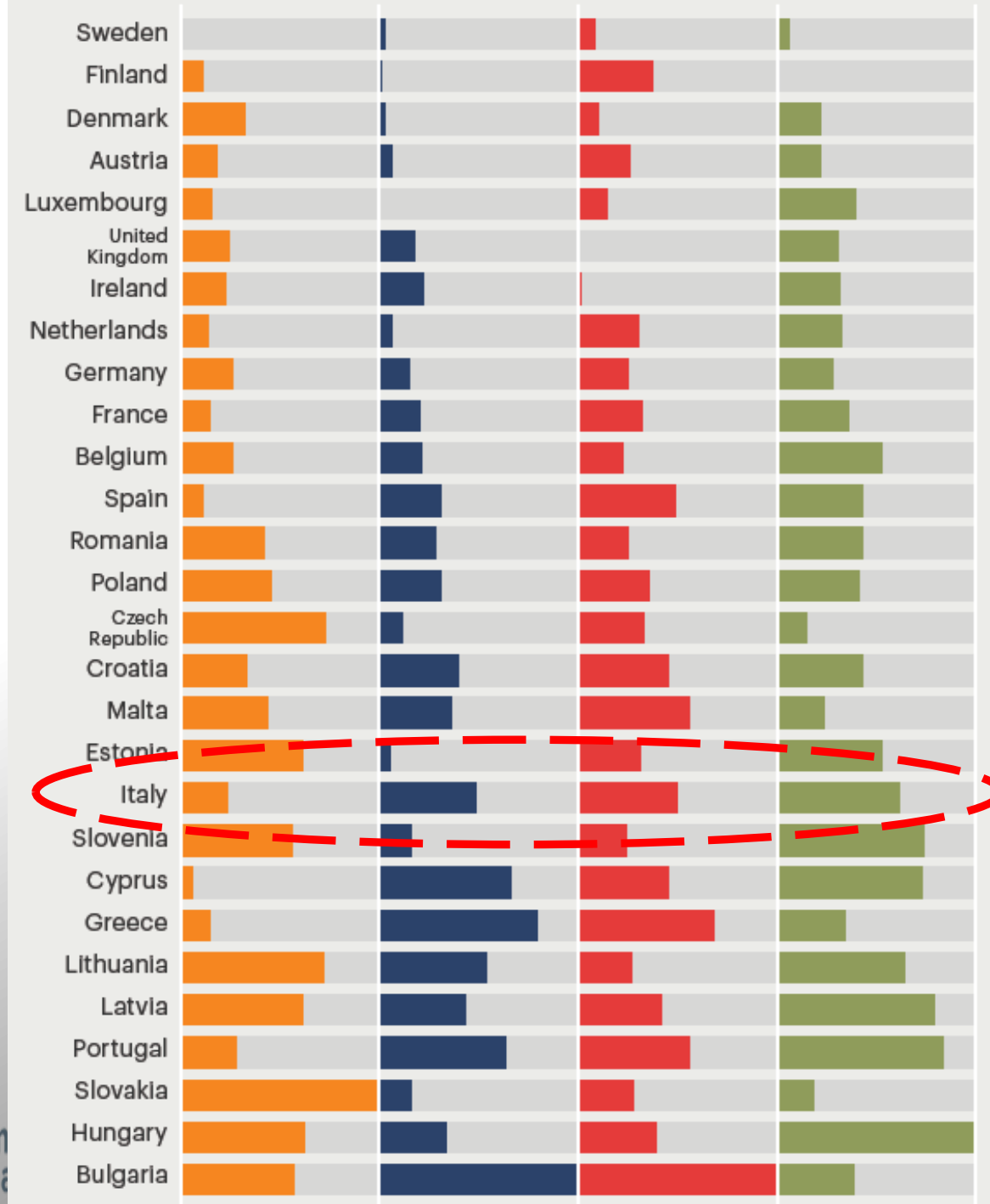
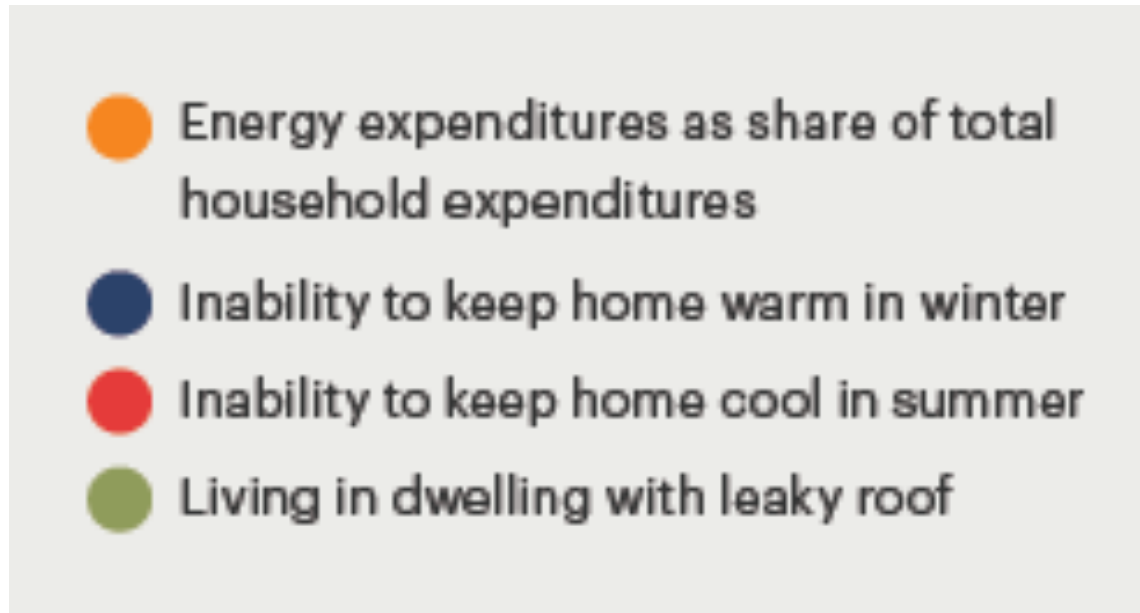
EDEPI: European Domestic Energy Poverty Index

This project is funded by the European Union





This project is funded by the European Union





National Level

<https://www.openexp.eu/>

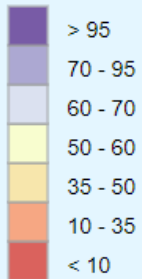
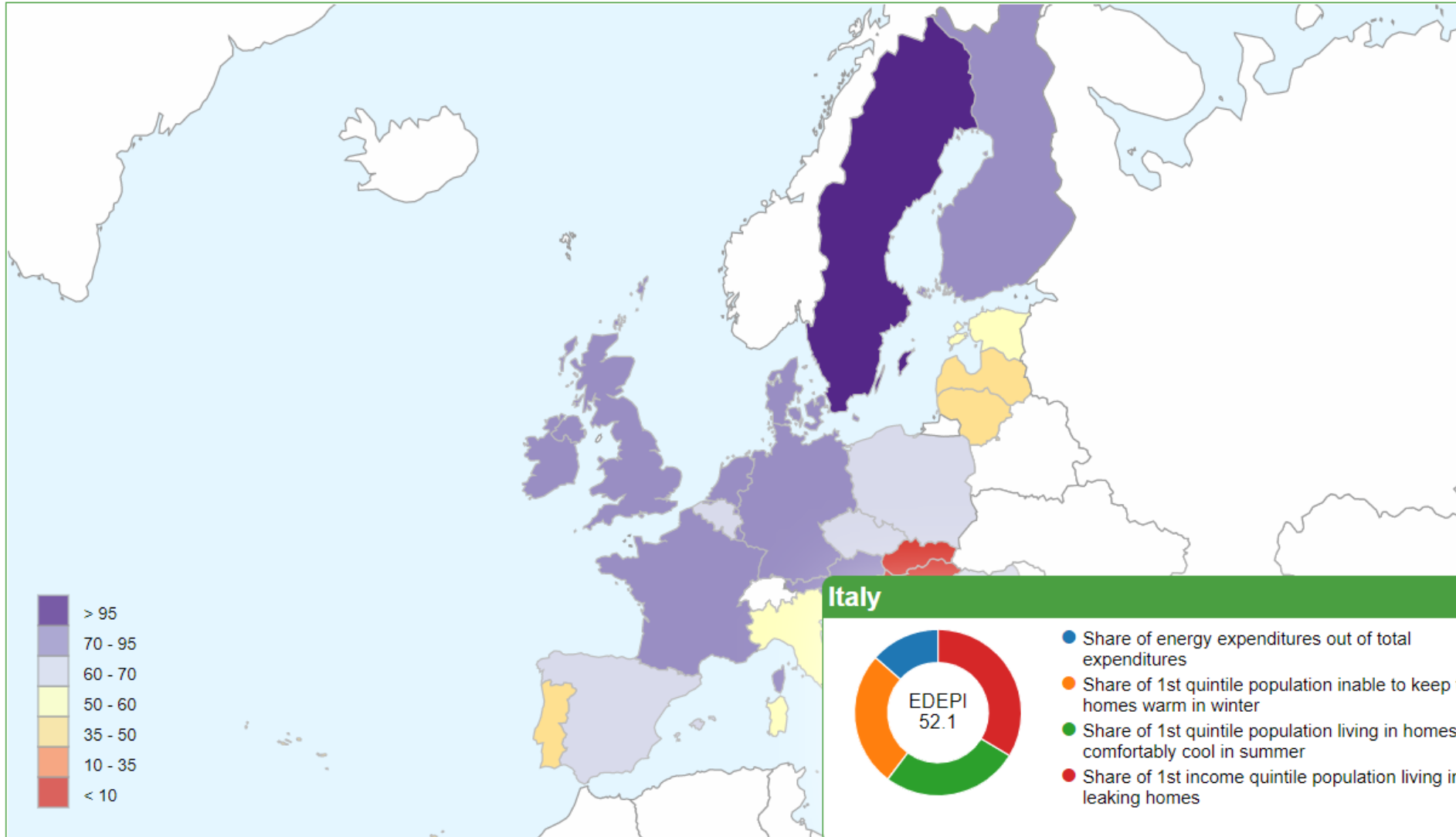


This project is funded by the European Union

EDEPI

ETEPI

EEPI



Italy

EDEPI 52.1

- Share of energy expenditures out of total expenditures: 25.0%
- Share of 1st quintile population unable to keep their homes warm in winter: 48.7%
- Share of 1st quintile population living in homes not comfortably cool in summer: 49.3%
- Share of 1st income quintile population living in leaking homes: 62.3%

Map

Chart

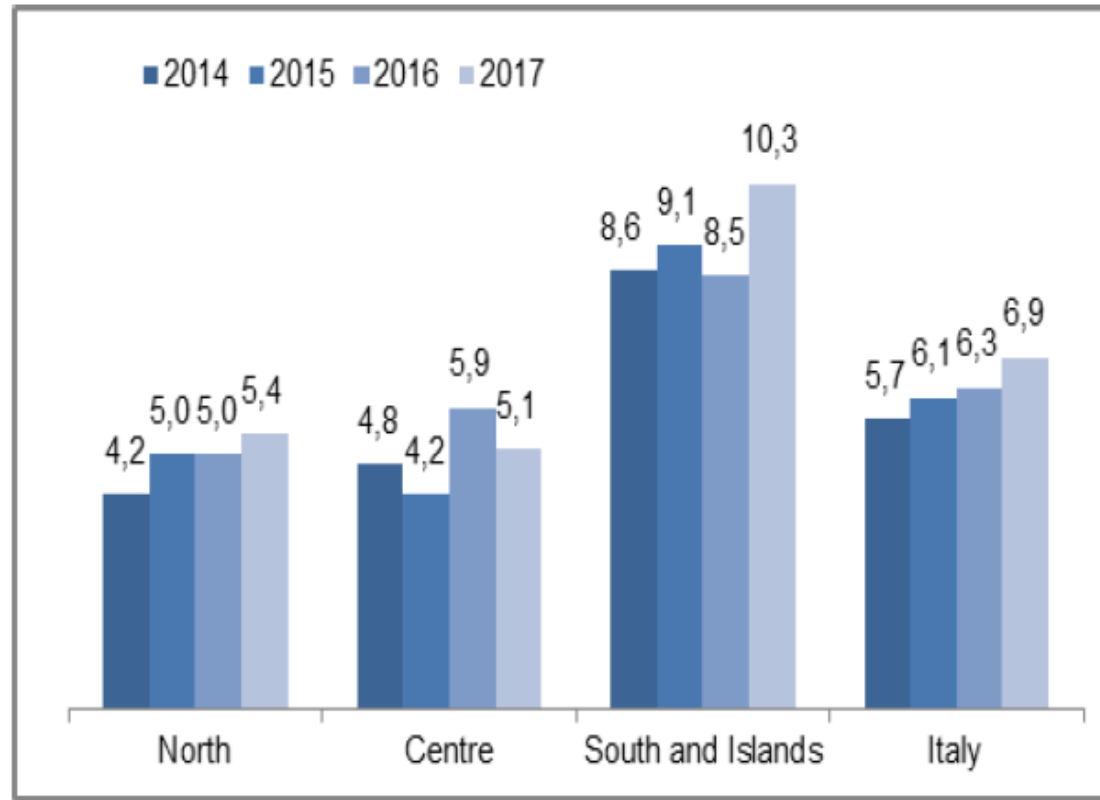




This project is funded by the European Union

Regional Level

Graph. 1 Absolute poverty incidence (households) by geographical area. Years 2014-2017 (percentage values)





This project is funded by the European Union

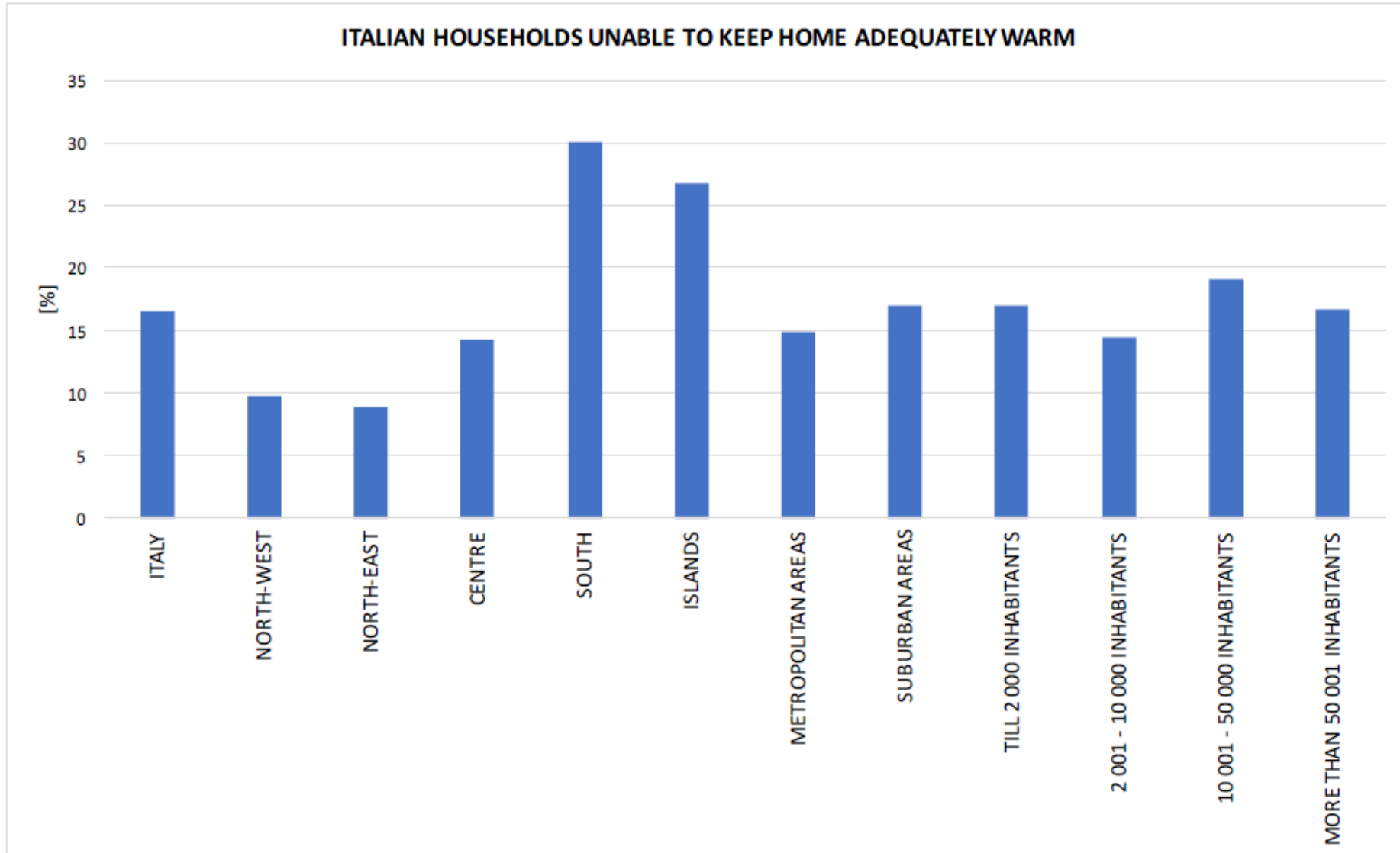


Figure 7. Percentages of families who could not properly heat their homes in 2015 in Italy. Data source: ISTAT.

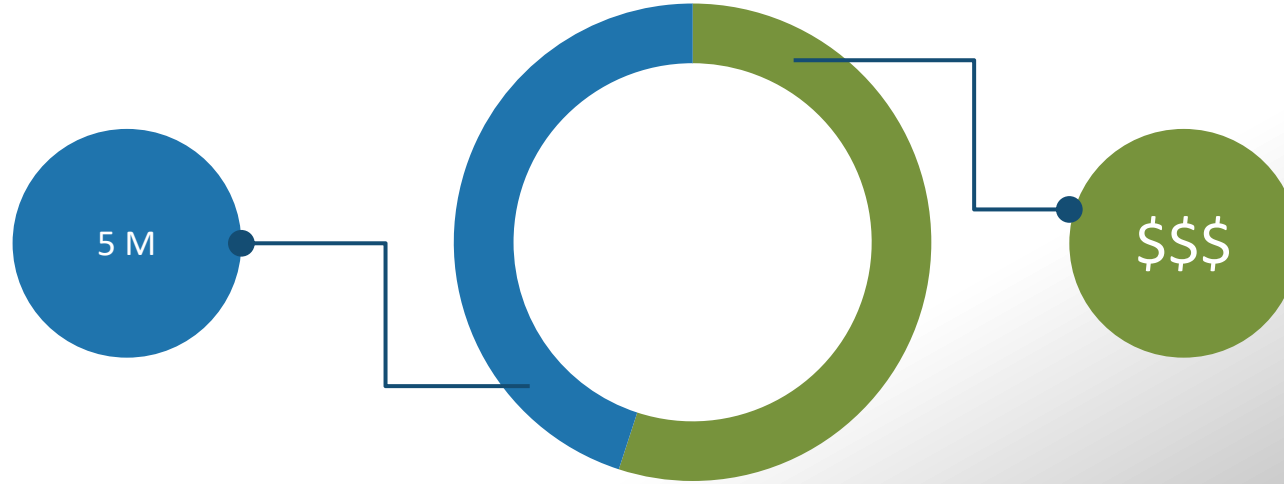


Italian Energy Poverty

This project is funded by the European Union

10%

Households in difficulty to pay the bills



15,2%

difficulties to sufficiently heat their home

.....



This project is funded
by the European
Union

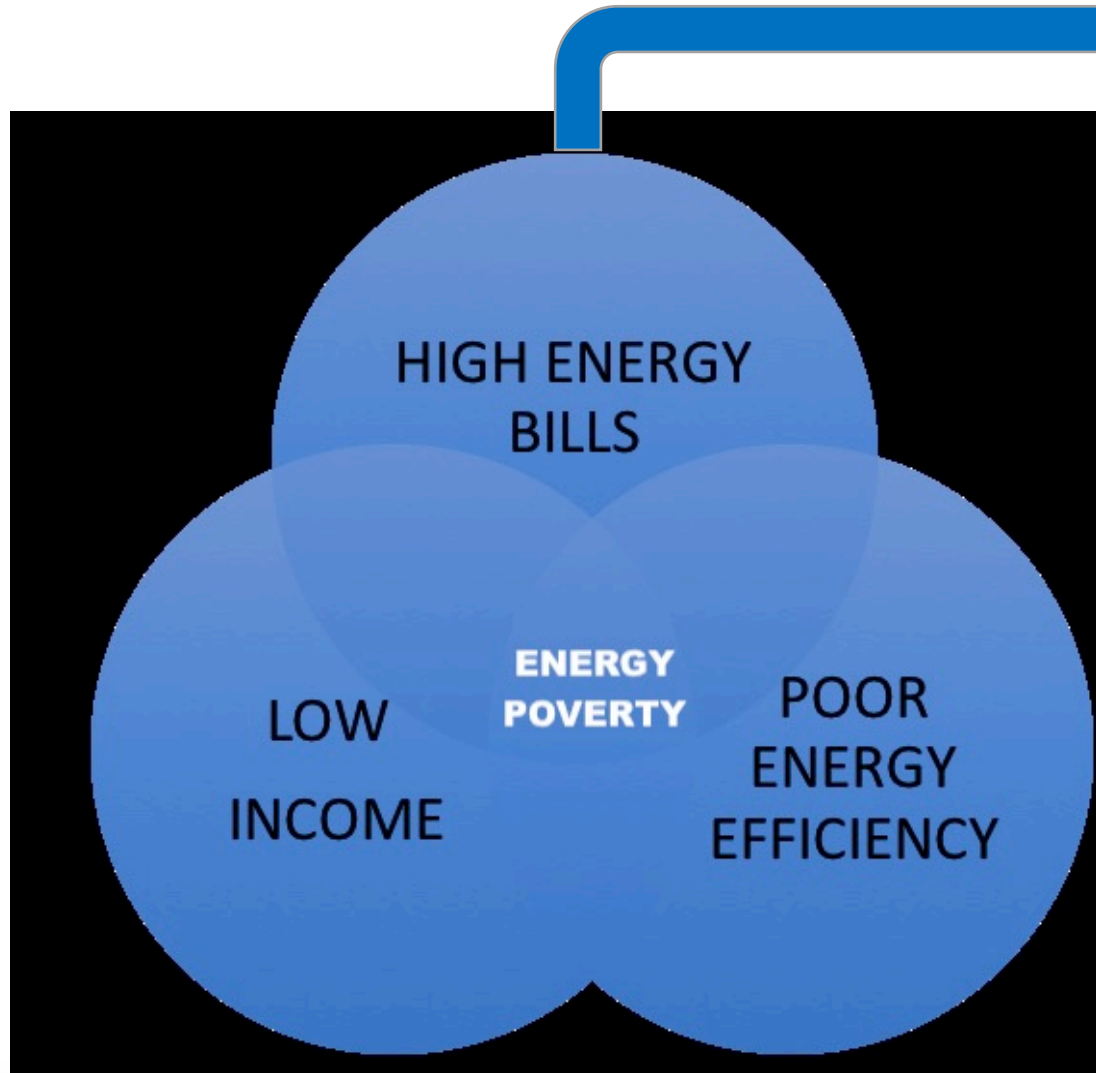
Gas Market

- ✓ Concentrated Market
- ✓ Regulated tariffs
- ✓ Functional analphabetism



This project is funded by the European Union

Combating Energy Poverty



Gas Bonuses



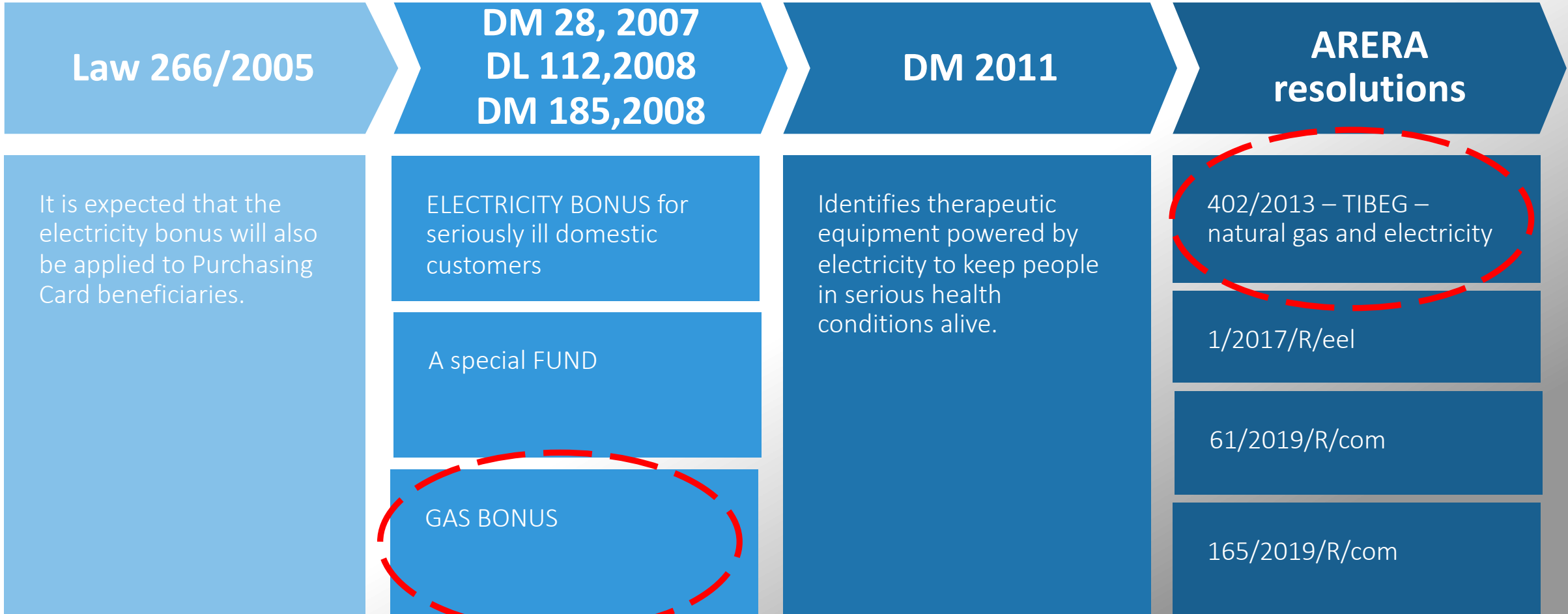
Limit the price impact on the bills



This project is funded by the European Union

Law & Regulation

2015
WATER BONUS



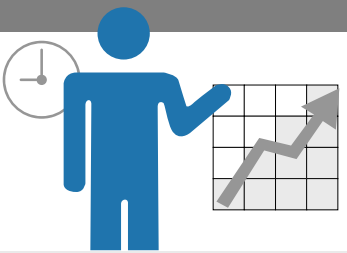


This project is funded by the European Union

Some Numbers

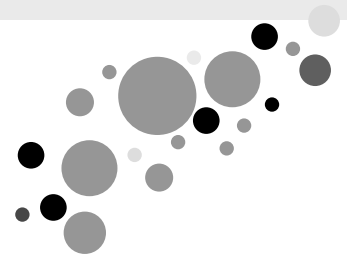
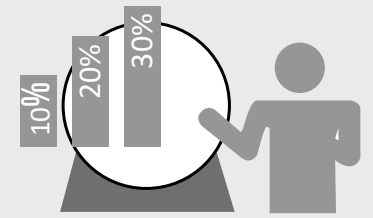
...in 2019:

558.514



39%

BONUS GAS





This project is funded
by the European
Union

Bonus Gas: Trend

Year	Bonus gas
2015	448.496
2016	448.707
2017	499.808
2018	519.375
2019	558.514
Variation 2019/2018	7,5%





This project is funded
by the European
Union

Gas Bonus: What



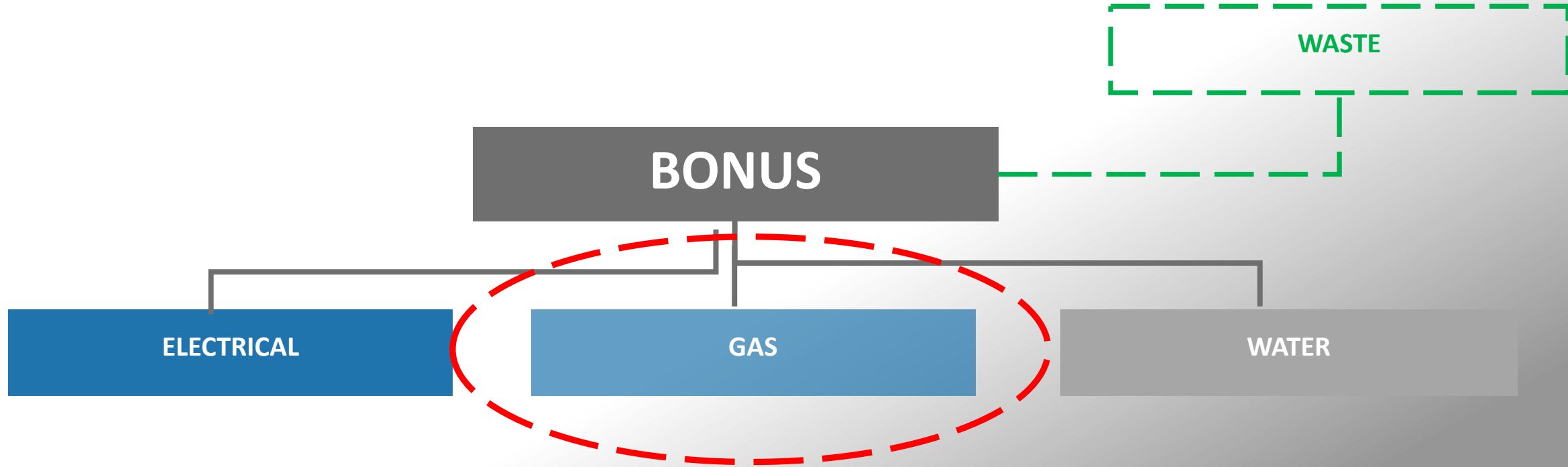
✓ Bill Discount

*$f(x)$ = (Number of family members,
installed power, Climate zone ...)*



This project is funded by the European Union

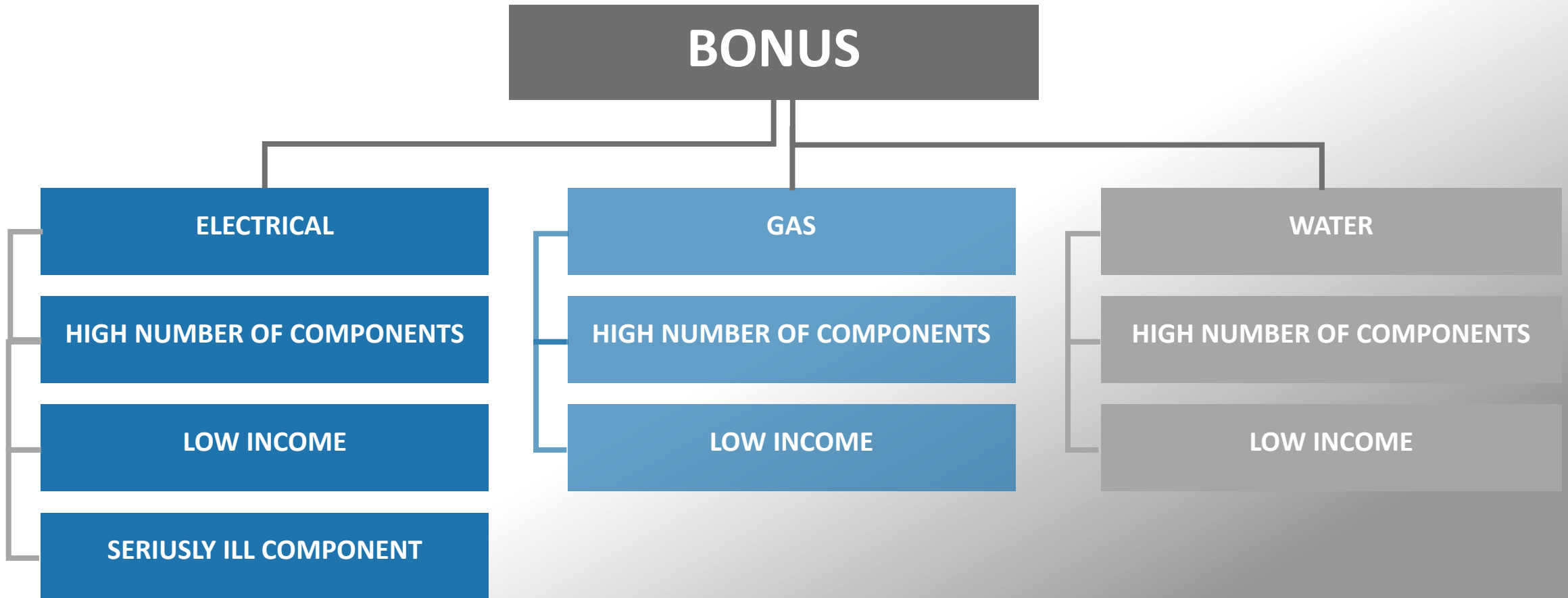
Kind of Exhisting Bonus





This project is funded by the European Union

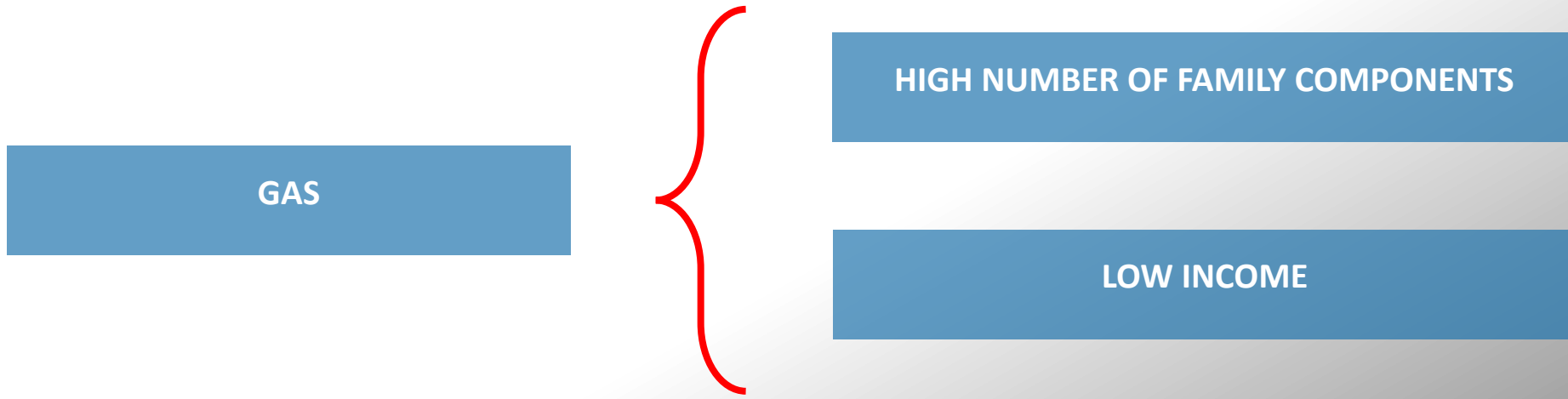
Kind of Exhisting Bonus





This project is funded
by the European
Union

Gas Bonus



Gas Bonus: Who

- ✓ Families with low income;
- ✓ Families with high number of components;



This project is funded
by the European
Union





This project is funded
by the European
Union

When: Access Requirement



- ✓ Low income (ISEE);
- ✓ Number of components;
- ✓ Health Certification;



Equivalent Economic Situation Indicator (ISEE): What is it?

✓ Indicator to measure the household income;

✓
$$ISEE = \frac{INCOME + 20\% \text{ asset and properties}}{\text{Equivalent scale parameter}}$$



Number of family components	Equivalence scale parameter
1	1.00
2	1.57
3	2.04
4	2.46
5	2.85

Table 4. Equivalent scale parameter used to calculate the ISEE. Data source: INPS.



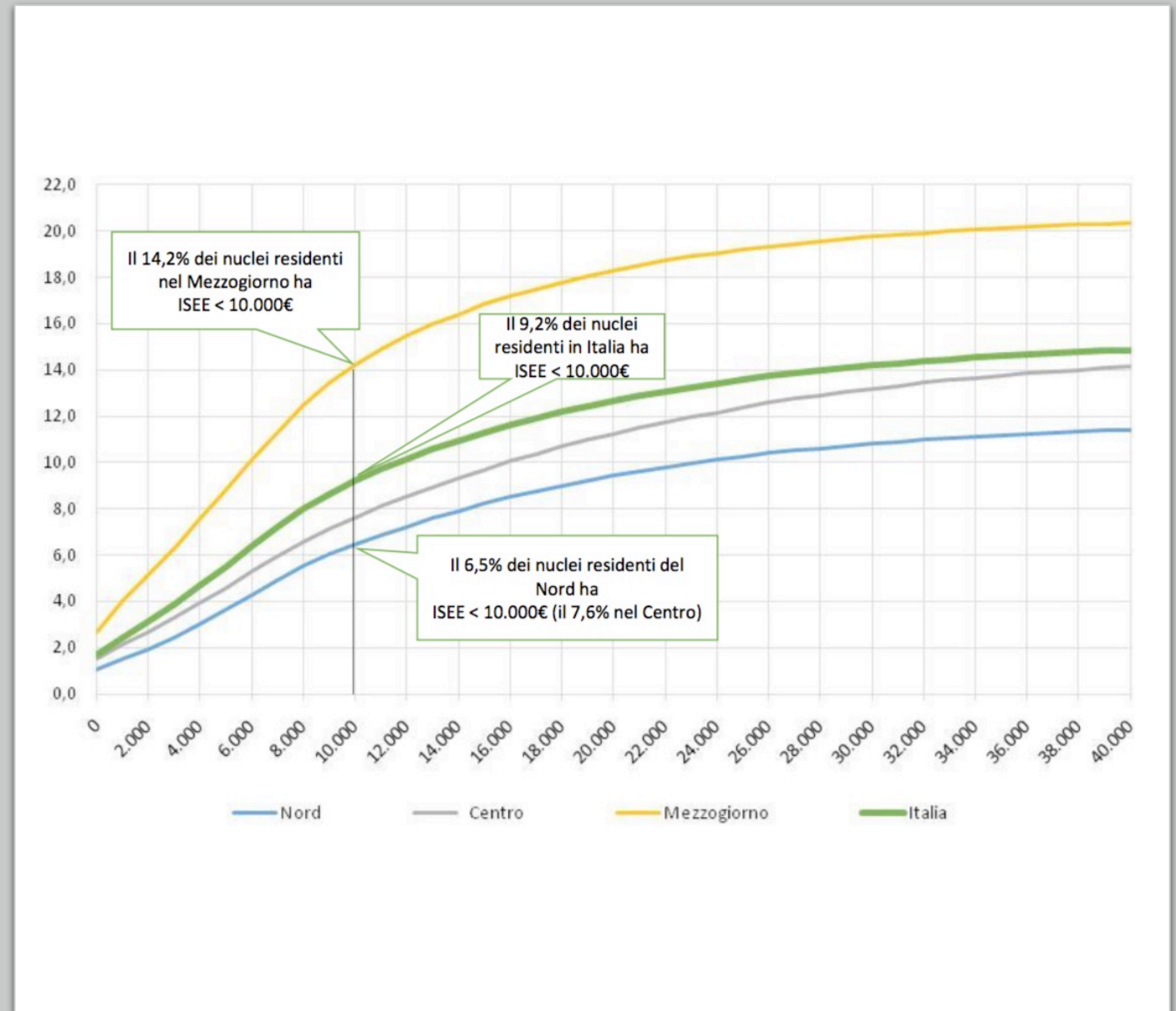
This project is funded by the European Union

ISEE Trend

Distribution of the ISEE values according to different geographical areas; the vertical line separates families with an ISEE of less than 10 000 €.

Data from the monitoring report of the 2015 ISEE declarations

(Ministry of Labour and Social Affairs)





This project is funded by the European Union

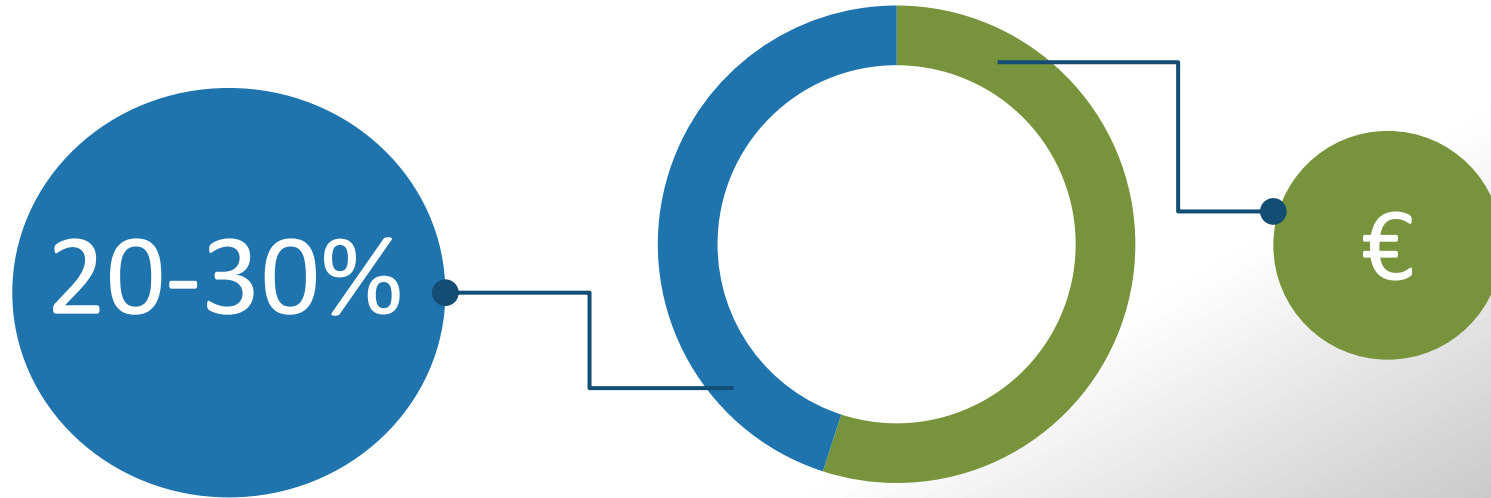
Gas Bonus: Value

Amount of compensation for domestic customers (€/year per delivery point - pod)		2020				
		Climate Zone				
		A/B	C	D	E	F
Families up to 4 components						
Gas use	Domestic hot water and/or Cooking use	32	32	32	32	32
	Domestic hot water and/or Cooking use + Heating	72	89	117	146	183
Families over 4 components						
Gas use	Domestic hot water and/or Cooking use	49	49	49	49	49
	Domestic hot water and/or Cooking use + Heating	100	130	169	206	264



This project is funded by the European Union

Gas Bonus: Value



Annual gas bill value
net and gross
expenditure



This project is funded by the European Union

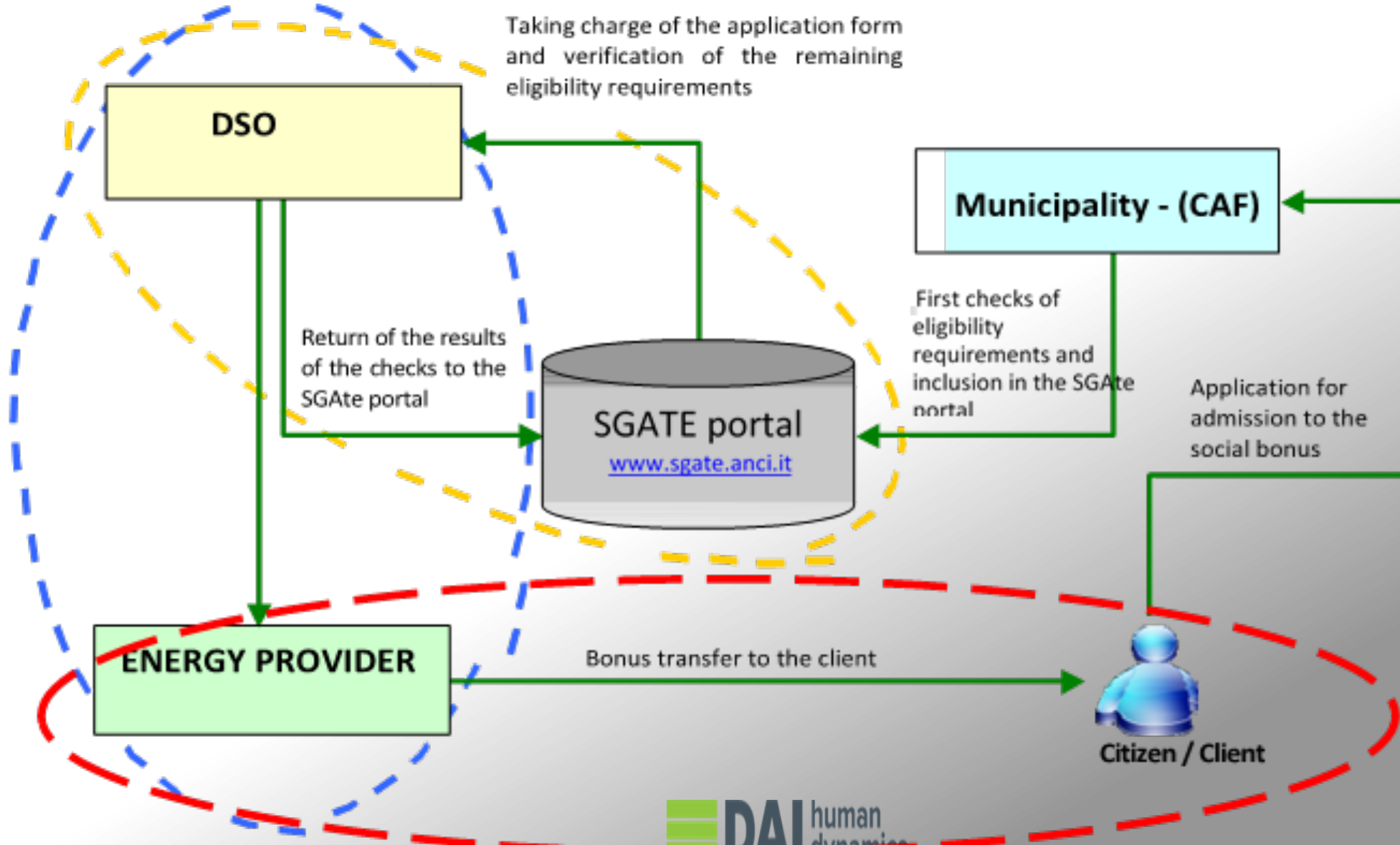
Actors





Process

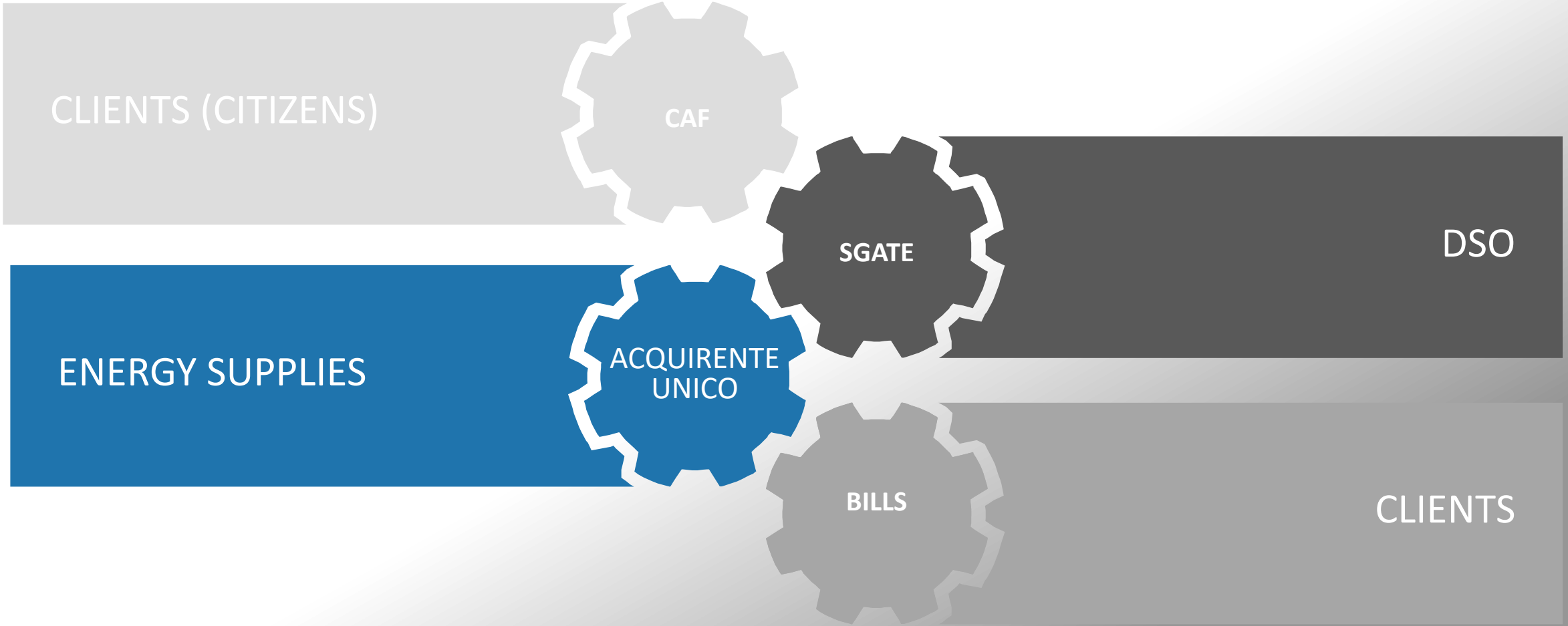
This project is funded by the European Union





Information flows

This project is funded by the European Union





This project is funded
by the European
Union

Citizens – Indirect Clients

- ✓ Eligible citizens that don't are directly connected to the grid;



Operating Costs for the Bonus System

This project is funded by the European Union

GAS BONUS VALUE

SUBSIDIES to the MUNICIPALITY

Cost for Communications



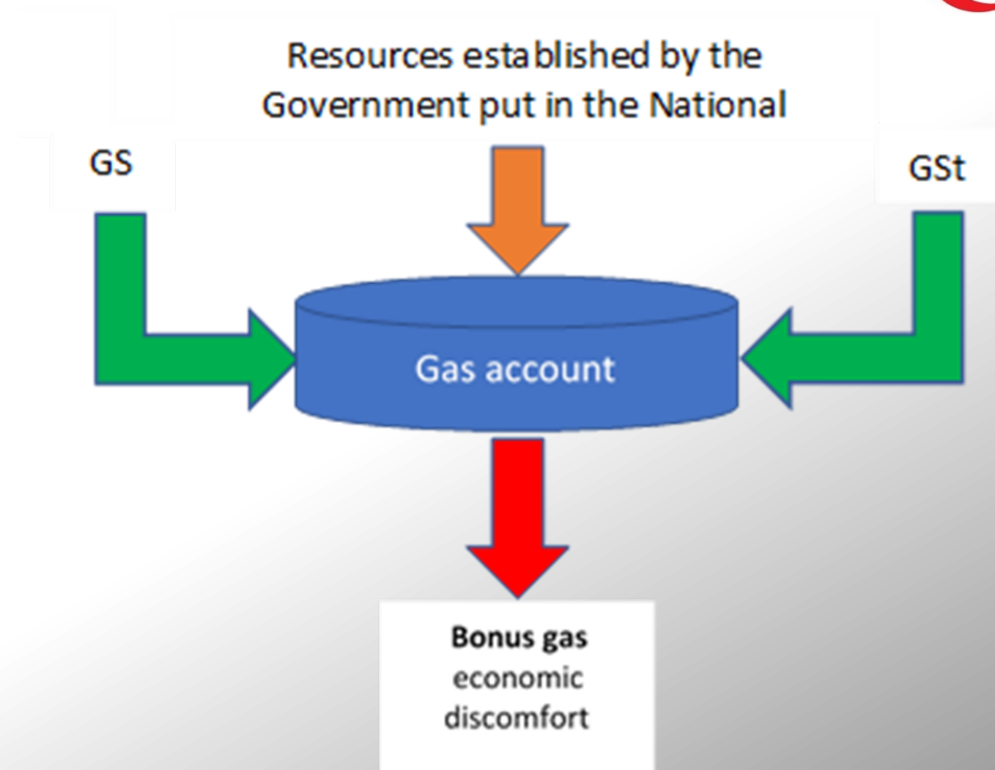
SGATE COSTS

Providing subsidies to indirect gas users



This project is funded by the European Union

Cost in tariff: Gas Bonus



GS e GST Components , 2016-2019 (cents €/smc)

€/smc	2016	2017	2018	2019
GS	0,1135	0,1135	0,1336*** 0,0624****	0,1336
GST	0,1135	0,1135	0,1135*	0,1135



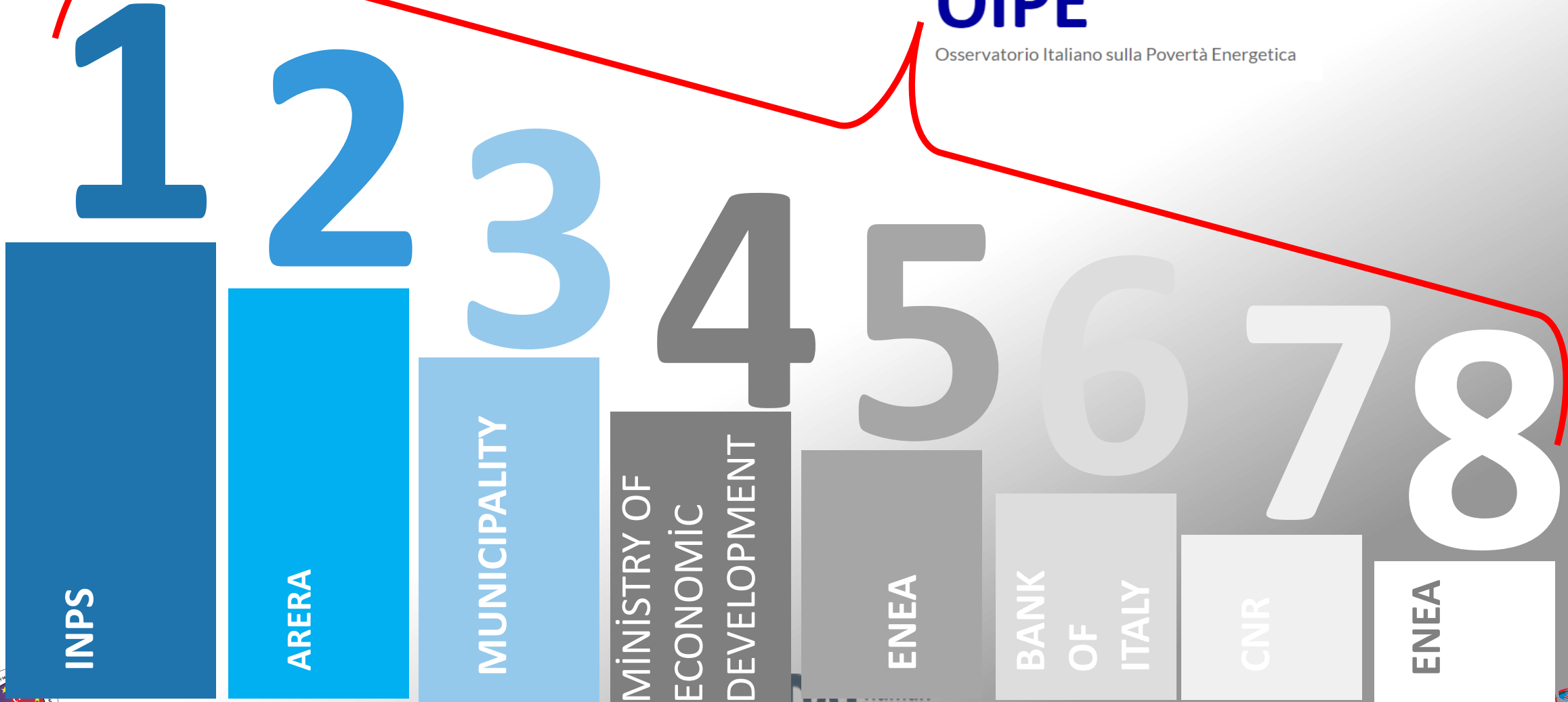
DATA CONTROL & MONITORING



This project is funded by the European Union

OIPE

Osservatorio Italiano sulla Povertà Energetica





Initial Barriers

- ✓ Low Number of Requests;
- ✓ Existence of specific groups of customers who more than others have not requested the bonus;
- ✓ Bureaucracy;



Corrective Actions

- ✓ General promotion of bonus information;
- ✓ Simplification and automation of access procedures;
- ✓ Punctual actions against specific categories of clients;



Final Considerations

- ✓ Gaps in governance;
- ✓ Highly fragmented responses fail to prevent the increase of energy poverty ;
- ✓ Punctual actions against specific categories of clients;



This project is funded by the European Union

Technical Assistance for Improvement of Performance-Based Tariff Regulation of EMRA For Turkish Energy Markets Through Introducing an Enhanced Monitoring System



Task 5 – Preparation of Vulnerable Consumers Action Plan and Social Tariff Methodology in Electricity and Natural Gas Market

Spanish Case
Natural Gas

Closing Workshop

9th October 2020, Online Meeting





This project is funded by the European Union



Agenda

- ❖ Overview of regulatory framework
- ❖ Vulnerable customers support mechanisms: thermal social bonus
- ❖ Stakeholders analysis
- ❖ Monitoring and key figures
- ❖ Risk assessment and action plan





Overview of vulnerable customers protection measures – Natural Gas



This project is funded by the European Union

- In Spain, financial support mechanisms for natural gas customers at national level were not in place prior to 2018 (vs social bonus for electricity tariffs -- in place since 2009).
- In October 2018 Royal decree-law 15/2018 extended the scope of the social bonuses to other energy uses besides electricity >> **thermal social bonus**.
- No vulnerable customer group was identified for natural gas market.
- The **National Strategy against Energy Poverty (2019)** provides a new definition of energy vulnerable customers:

*Vulnerable customers are defined as the consumer of electricity or **energy for thermal uses** in a situation of energy poverty that may be beneficiaries from the support mechanism established by administrations.*





Vulnerable customers support mechanisms: thermal social bonus I



This project is funded by the European Union

- The supporting program applicable for natural gas customers, the thermal social bonus, is designed to help meet heating, hot water and cooking expenses. >> **not linked to any specific energy source but to a final thermal energy use.**
- Natural gas customers may benefit from this aid in a similar way those customers with electric heating or diesel boilers.
- Thermal social bonus is paid only to beneficiaries from the electricity social bonus > **same eligibility criteria as electricity social bonus.**
- Eligible criteria for the electricity social bonus (beneficiaries of both electricity and thermal social bonus) is based:
 - On household characteristics (members, pensioners, etc.)
 - Available income.
 - It is mandatory to have a supply contract at regulated electricity tariffs (PVPC).





Vulnerable customers support mechanisms: thermal social bonus II



This project is funded by the European Union

- Social Thermal Bonus – **Yearly direct payment.**
- The Thermal Social Bonus is **funded by the General State Budget.**
- The Ministry for the Ecological Transition is in charge of the program and payments are made through each regional administration during the first quarter of each year
- The amount received by each beneficiary depends on
 - The **climate zone** they live
 - Degree of **vulnerability (income level)**, as shown in the following table

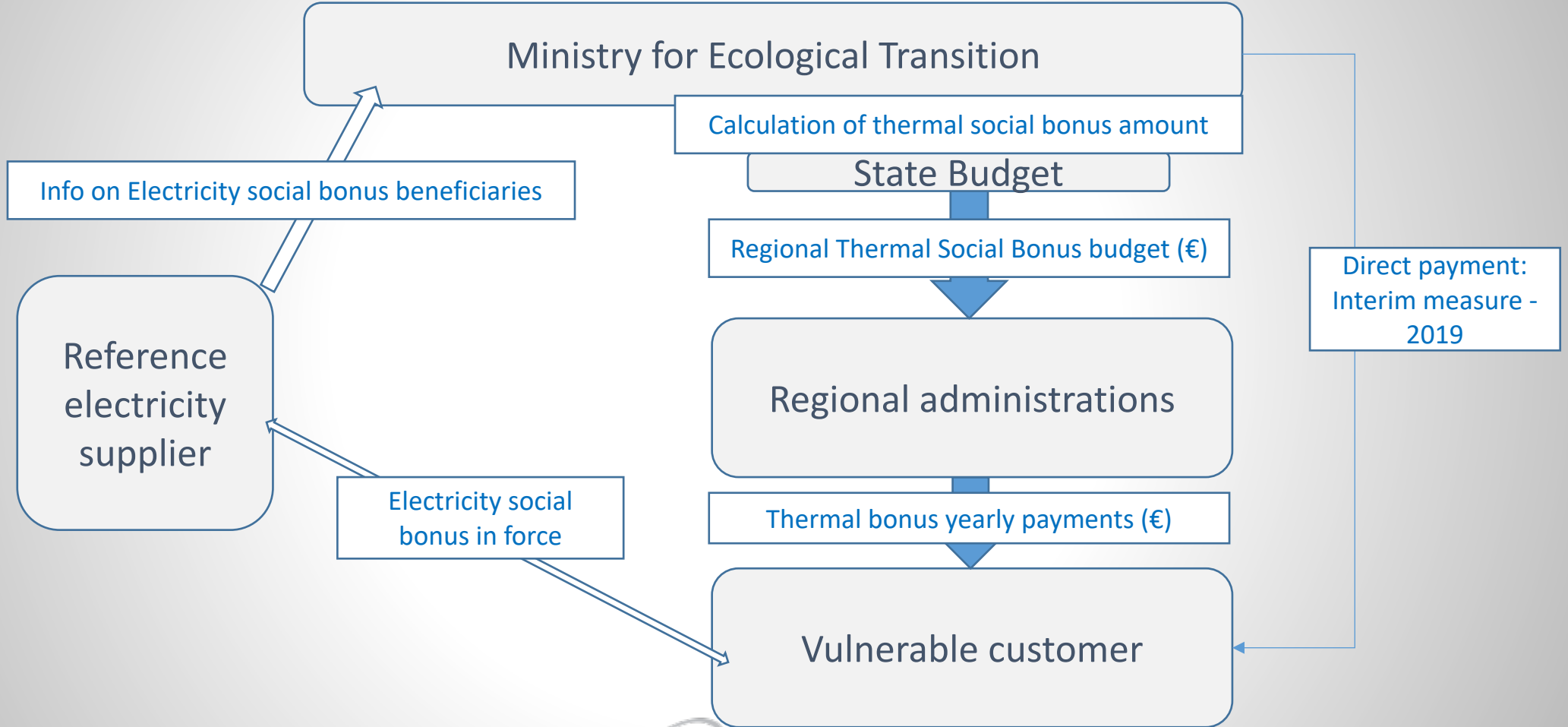
CLIMATE ZONE	Vulnerable (25% subsidy)	Highly vulnerable (40% subsidy)
Zone a	25,00 €	40,00 €
Zone A	29,00 €	46,40 €
Zone B	37,68 €	60,29 €
Zone C	49,84 €	79,74 €
Zone D	67,56 €	108,10 €
Zone E	77,46 €	123,94 €





This project is funded by the European Union

Social Thermal Bonus Stakeholders Analysis





This project is funded by the European Union

Thermal Social Bonus Monitoring and information exchange



1. Electricity reference suppliers have to send to the Ministry the information on electricity social bonus beneficiaries
 2. The Ministry for Ecological Transition informs consumers of their status as potential beneficiaries of the Thermal Social Bonus.
- Regional administration must submit **bi-annually a report to the Ministry** with all the details on the thermal social bonus application: beneficiaries, payments declined, degree of co-financing and the surplus amount if any.
 - The **CNMC does not have any specific monitoring duty on this support mechanism**. All monitoring and enforcement activities related to the electricity bonus are relevant for the thermal bonus.





This project is funded by the European Union

Thermal Social Bonus Key figures



2019:

- **1,016,833 customers** were beneficiaries from the electricity social bonus = beneficiaries of the thermal social bonus.
- State budget allocation for the thermal bonus in 2019 was **75 million €**.
- Average support per customer = **73.76 €/year**.



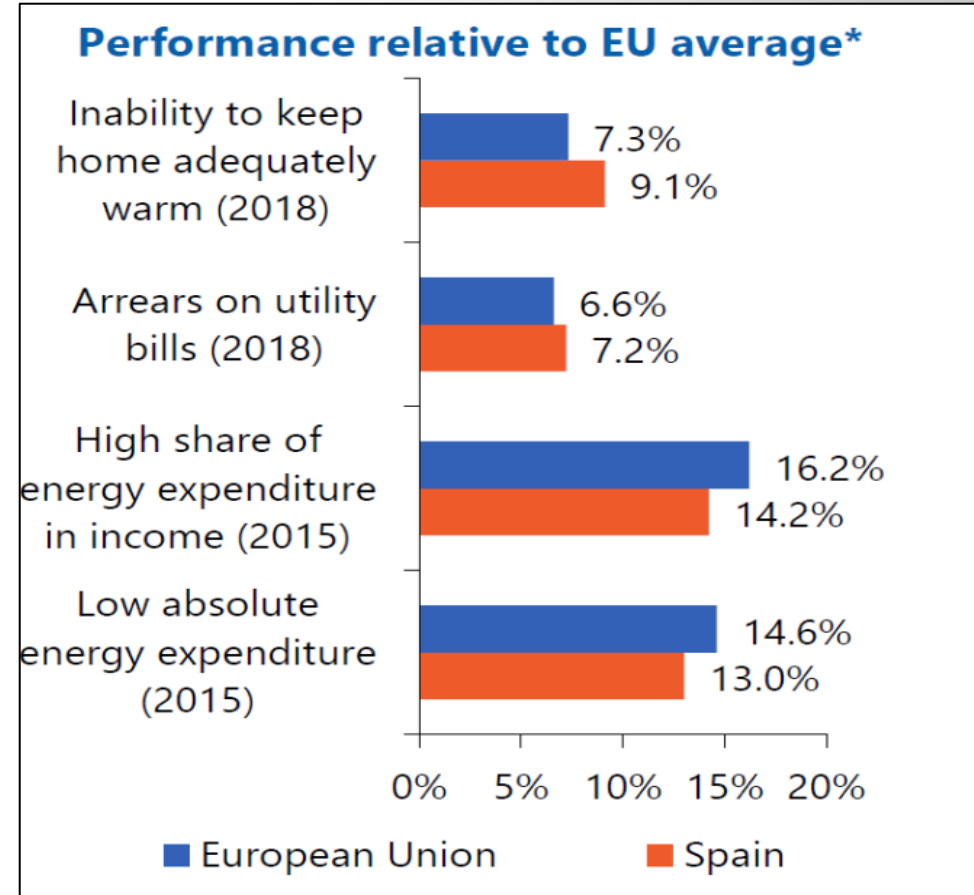


This project is funded by the European Union

Energy Poverty Monitoring Spain



In order to parameterize energy poverty situations, the official indicators of the European Observatory against Energy Poverty (EPOV)





This project is funded by the European Union

Thermal Social Bonus Risk assessment



- **Barriers of the thermal social bonus = electricity social bonus:**
 1. Inadequate eligibility criteria.
 2. Problems during the application process
 3. Lack of public awareness.
- Payment of the thermal social Bonus is **limited to budget availability** of the state budget.
- The National Strategy against Energy Poverty carried out an extensive public consultation to evaluate the new thermal social bonus:
 - Overall acceptance of the bonus.
 - Recommendation: The aids could be calculated based on the **annual energy expenditure required for thermal uses** instead of only based on climate conditions: type of housing, the air conditioning installation, the fuel used and the energy efficiency rate.





This project is funded by the European Union

Thermal Social Bonus Action Plan



The action plan for natural gas vulnerable customers protection may be found in the **National Strategy against Energy Poverty (2019-2024)**. 3 lines of action affecting vulnerable natural gas customers:

1. Update the regulation on natural **gas supply interruptions** to cover vulnerable customers:
 - Longer grace periods for vulnerable customers.
 - Guaranteed life-line supply.
 - Prohibition to interrupt supply in extreme climate conditions
2. Unification of electricity and thermal social bonus into a single energy bonus.
3. Subsidy program for housing rehabilitation (isolation, efficiency, renewal of heaters, etc).





This project is funded by the European Union



Turkey

Current regulatory structure: There is no explicit definition of vulnerable customer in the Turkish legislation. As a result, MENR and EMRA do not have any legislative or regulatory position regarding the issue.

Financial Measures: There is no concrete country-wide mechanisms defined, some local initiatives exist. Other than energy legislation and energy institutions, general state policies of social aids are executed by Ministry of Family, Labor and Social Services irrespective of focusing on energy vulnerability. In that manner, social aids paid to those in need do not directly target energy vulnerability, however, aids in kind or aids in cash can contain fuel needs as well.

Stakeholder Analysis: Ministry of Energy and Natural Sources, Energy Market Regulatory Authority, Ministry of Family, Labour and Social Security, DSOs, municipalities are potential stakeholders for the prospected mechanism.

Risk Assessment: Protection of free market is a challenge for the design of a mechanism. State Budget constraints will put a burden on the prospected mechanism. Also fraud risk is a big risk to consider in such a design.



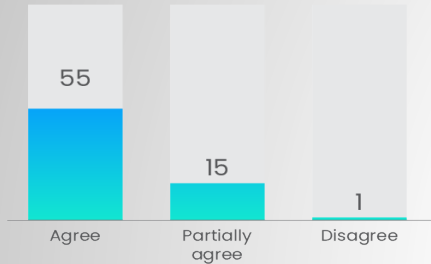


Stakeholders Support Vulnerable Customer Approach

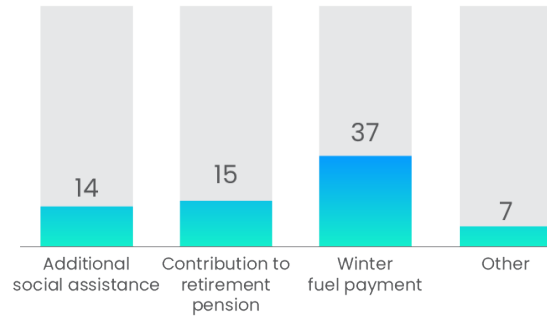


This project is funded by the European Union

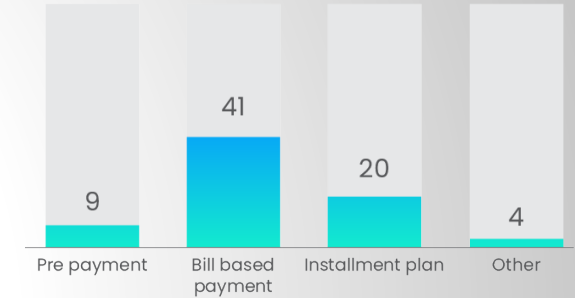
Do you support the social tariff & vulnerable consumer approach?



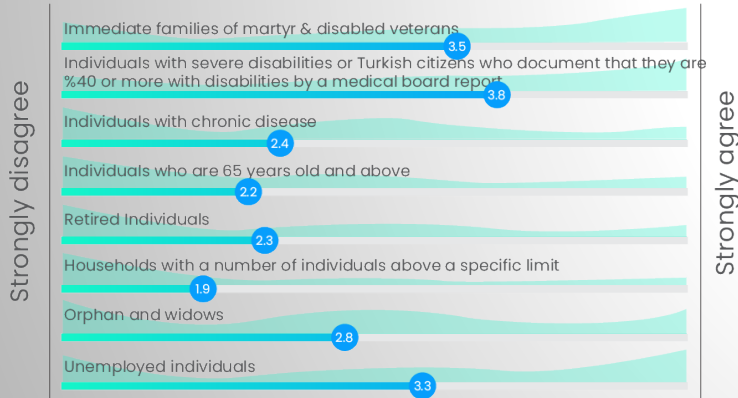
What other complementary policies could be used to make natural gas more affordable for low-income consumers?



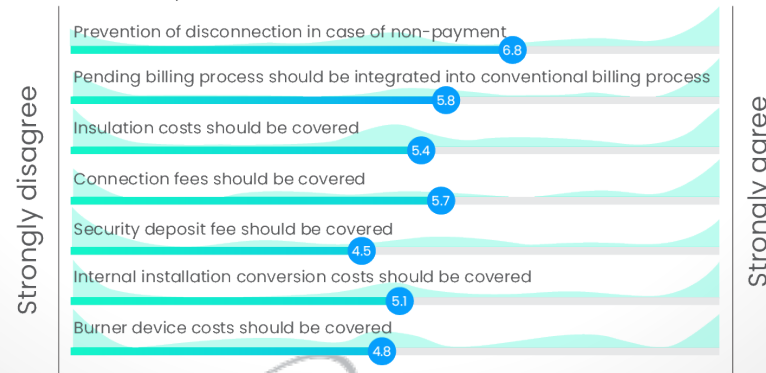
Which payment method should be used in social tariff methodology?



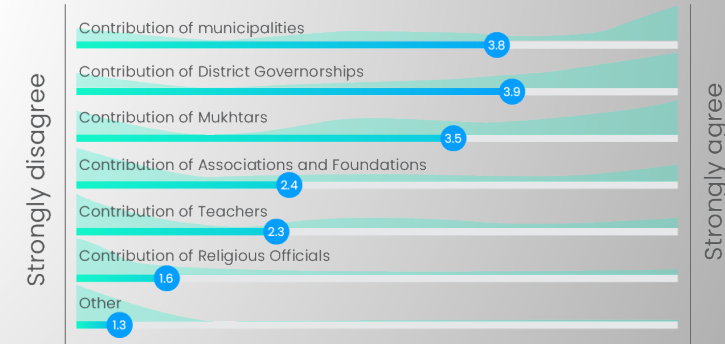
Which one of the following groups should be included in the vulnerable consumer concept and should benefit from the social tariff mechanism?



Which additional applications should exist to protect /assist vulnerable consumers?



Who are the stakeholders you think should have active participation in the support processes?





This project is funded by the European Union



Gap Analysis & Recommendations

	EU Practices	Turkey Practice	Recommendation
Legislation and Regulation on The Vulnerable Customers	- Legislative and regulatory actions taken	- Yet to be done	- Legislative and regulatory measures needed
Vulnerability Monitoring	- Vulnerability monitored and EU-wide comparisons made, including progress over the years	- Vulnerability is not systematically monitored and progress is not known over the years	- Vulnerability situation of households and progress over the years should be monitored
Financial Measures	- Direct supports, social tariffs, home isolation supports are applied.	- No dedicated measure for vulnerable natural gas customers	- Financial measures needed
Stakeholder Cooperation	- Distribution and delegation of duties among stakeholders	- Not available	- Effective and efficient cooperation between prospected stakeholders needed





This project is funded by the European Union



Vulnerable Customer Action Plan Direct Support & Social Tariff Scenarios

Two possible scenarios are considered in this section:

Direct support scenario includes funding vulnerable households without involving with the tariffs (gas price plus distribution fee). In this method, funds dedicated mainly by the state budget is used for improving conditions in which vulnerable customers live.

In the social tariff method, prices of natural gas to be paid by vulnerable households is specially designed to be lower than that of other customers. In this method, funds to support vulnerable customers are raised via extra payments by other customers.





This project is funded by the European Union



Direct Support Scenario

Proposal: During the winter months, the amount determined in the state budget, can be paid monthly to the Distribution Companies for a period of 4 months, namely December, January, February and March, and the remaining amount can be invoiced to the customer based on the bill support mechanism of European countries. Bursagaz Case can be a good example.

Heating Support: Since 2003, coal provided from Turkey Coal Enterprises, is distributed to the Social Assistance and Solidarity, including at least 500 kg of needy families as determined by foundations and free of charge by surrendering to the appropriate bagged house standards. The distribution of coal to families in need is carried out by the Foundations under the responsibility of the Governorships. In 2015, the number of beneficiaries who made coal aid was **2,139,667** and the total amount allocated to the program was **804,985,000 TL**.

The Number of Households Receiving Regular Social Aid in 2015 is 2,318,042.

The total number of households in 2019 was **16,484,478**, and consumers using natural gas for heating purposes in 2019 paid an average of 1,700 TL natural gas bills annually. In 2019, households using natural gas for heating paid an average of 1,315 TL less than households heated with coal and 4,535 TL less than those heated by electricity. **Source: 2019 GAZBIR NATURAL GAS DISTRIBUTION SECTOR REPORT**





Budget Requirement for Direct Support Scenario



This project is funded by the European Union

Key Assumptions:

- It has been assumed that the average annual cost of natural gas for heating is 1,700 TL and 50% (850 TL) of the total annual amount is covered by the planned budget.
- Minimum Vulnerable Consumer number: It has been assumed that 10% of 16.4 million natural gas subscribers are vulnerable consumers.
- Maximum Vulnerable Consumer number: Vulnerable consumers were assumed to be as many as the number of people receiving regular assistance in 2015.

It is thought that a maximum budget of **2 billion TL** is needed for the direct support mechanism.

When the fuel aid provided to 2.1 million people stated in the 2015 report is evaluated with current coal prices, it is estimated that a budget of **2.1 billion TL** was allocated. In this direction, the resource here can be shifted to natural gas, the most environmentally friendly fuel, by considering the environmental impacts of coal.

As non-financial support mechanisms, installation conversion support can be provided, cheap loans can be given for insulation, the deposit may not be charged, switching on-off fee may not be charged, no gas cut in the winter months.

	Number of Households		
	(Million)	Annual Support (TL)	Required Budget (Billion TL)
Min.	1,6	850	1.360
Max.	2,3	850	1.955





This project is funded by the European Union



Social Tariff Scenario

Ministry of Energy and Natural Resources, as the policy maker and actor in legislation making party in preparation of law amendments to be submitted to the Parliament should first coordinate necessary legal documentation to allow social tariff within law no.4646. After that, Energy Market Regulatory Authority, as the tariff setter, will design special tariffs for designated households. BOTAŞ, as the state-owned market leader in the natural gas market as the dominant supplier may be required to take part in this scenario for cross-subsidizing the gas price to be sold. DSOs, as the operator of the legislative or regulatory measures including social tariff will actively participate in this scenario. Ministry of Family, Labor and Social Services, as the executor of Turkey’s general policy on social aids and, NGOs, such as Social Assistance and Solidarity Foundation (SYDV), will assume a role of assisting other stakeholders in the vulnerability determination phase, including during the enactment of the law amendments.

In this scenario, funds can be either collected via cross-subsidization between customer groups of a DSO for vulnerable customers served by this DSO, or via cross-subsidization between customer groups of entire country for vulnerable customers living anywhere in Turkey. In the first option, funding can lead to some side effects, such as putting high burdens over other customers, as the income distribution within a DSO can be very different than that of another. To overcome this problem, the other option can be used, however existing tariff methodology of price cap may put some difficulties in this option as revenues collected by a DSO within a year is not subject to correction after year ends.





This project is funded by the European Union



Timeline Recommendations

Direct Support

By end of June 2021: Law amendment for vulnerable customer definition and mechanism for direct support for vulnerable customers,

By end of December 2021: Field works for determination of vulnerable customers according to enacted law and secondary legislation. Enactment of additional funds within budget law.

As of 1st of January 2022: Starting direct supports.

Social Tariff

By end of June 2021: Law amendment for vulnerable customer definition and mechanism for social tariff for vulnerable customers,

By end of December 2021: Field works for determination of vulnerable customers according to enacted law and secondary legislation.

As of 1st of January 2022: Starting social tariff.





This project is funded by the European Union



Comparison of Scenarios

	Direct Support	Social Tariff
Burden on state budget	Yes	No
Compatibility with regulatory principles (e.g. cost based tariffs)	Yes	No
Administrative costs	Higher	Lower
Direct impact on other customers	No	Yes
Compatibility with existing tariff methodology	Yes	No
Lowering carbon emissions	Yes	Yes
Negative impact on DSOs and BOTAŞ	No	Yes
Social acceptance	Higher	Lower
Compatibility with general social policies of Turkey	Yes	No
Impact on income distribution	Lower	Higher
Benefits of vulnerable customers	Yes	Yes
Fraud risk	Yes	Yes





This project is funded by the European Union



Regulatory Amendments

	Direct support	Social tariff
Law amendment	Not needed	Compulsory
Budget law involved	Yes	No
Amendment of secondary legislation of law n. 4646	Not needed	Compulsory
By-laws and guidelines for practitioners	Recommended	Recommended





This project is funded by the European Union

Technical Assistance for Improvement of Performance-Based Tariff Regulation of EMRA For Turkish Energy Markets Through Introducing an Enhanced Monitoring System



Thank You / Teşekkürler

