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Abbreviations

AMS	Advanced Metering Systems
ARC	Assigned / Incumbent Retail Company
CAPEX	Capital Expenditures
CAPM	Capital Asset Pricing Model
CENS	Cost of Energy not Supplied
CI	Customer Interruptions
CML	Customer Minutes Lost
DEA	Data Envelopment Analysis
DGM	Dividend Growth Model
DNO	Distribution Network Operators
DSO	Distribution System Operator
EML	Electricity Market Law
EMRA	Energy Market Regulatory Authority
EU	European Union
ICPs	Independent Connection Providers
IDNOs	Independent Distribution Network Operators
IQI	Information Quality Incentive
IIS	Interruptions Incentive System
MAR	Market to Asset Ratios
MENR	Ministry of Energy and Natural Resources
NPAM	Network Performance Assessment Model
NRA	National Regulatory Authority
OPEX	Operational Expenditures
R&D	Research and Development
RAB	Regulatory Asset Base
RAV	Regulatory Asset Value
RIIO	Revenue = Incentive + Innovation + Output
RoC	Rate of Change
RoR	Rate of Return
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SoLR	Supplier of Last Resort
TEIAS	Turkish Electricity Transmission Co.
TIM	TOTEX Incentive Mechanism
TSO	Transmission System Operator
TTC	Time to Connect





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1 Introduction

In accordance with the Terms of Reference a one-day workshop was held for the ‘Preparation of Vulnerable Consumers Action Plan and Social Tariff Methodology in Electricity and Natural Gas Market’ for both electricity and natural gas sectors. The workshop of Activity 5.3 was organized on via ZOOM online meeting platform on 09 October 2020 with the first half being natural gas and the second half being on electricity.

The one day workshop was attended by 97 people, namely 5 staff from EMRA, 14 representatives from BOTAŞ and 5 from MENR, 4 representatives from EUAS, 3 from Ege Gaz, 3 from Ministry of Family, Labor and Social Services, 2 from Akane Enerji, 3 from Director for EU Affairs, 2 from Engie, 2 from Socar, 3 from Enerjisa, 3 from HMB, , 2 from IKG, 1 participant from GAMA Enerji, ETD, SEPAS, Sanko, Petform, Yeşilyurt Enerji, İçtaş Enerji, Steag Enerji, ENTEK, ETD, Proto Enerji, Elder Enerji and 12 representatives from the TAT where the issues regarding electricity and natural gas subjects were discussed.

2 The purpose of the meeting

Overall Project Objective is to improve the functioning of electricity and gas markets in line with EU requirements.

Project Purpose is to improve the capacity of EMRA by the development of a new performance-based tariff calculation mechanism, including a social tariff.

The project aims at three main **results**:

1. Methodology for performance-based tariff calculation is developed.
2. Energy market monitoring system of EMRA is improved.
3. EMRA’s capacity to regulate market through the use of performance-based tariffs is enhanced.

This is the second workshop under Task 5: “Preparation of Vulnerable Consumers Action Plan and Social Tariff Methodology in Electricity and Natural Gas Market”.

The objectives of the workshop could be summarized as:

- Present information on current implementation regarding vulnerable consumers.
- Analysis and evaluation of current vulnerable consumer groups and social tariffs implementations of Turkish tariff system.
- Receiving feedback from stakeholders about the vulnerable consumer Action Plan and social tariff methodology in electricity and natural gas market of Turkey.

This one-day workshop with the participation of EMRA, consumer organizations, distribution companies, retail companies and other related stakeholders such as Ministry of Family and Social Policies in order to present and discuss the outputs of Task 5 on current implementation regarding vulnerable consumers and to analyse and evaluate current vulnerable consumer groups and social tariff implementations of Turkish tariff system.

The Contractor will conduct the training via the ZOOM platform to facilitate wide attendance and enables interaction. There will be audio-based Turkish-English simultaneous interpretation available during the training.

Participants from EMRA, consumer organizations, distribution companies, retail companies, etc. are herewith invited to attend this workshop and to benefit from the ongoing work in the Tariff project for EMRA. The online workshop will be split into different sub-sessions with respect to the number of participants to manage the attendance effectively, totally limited with one-day.





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3 Structure of the workshop

3.1 Workshop on Electricity and Natural Gas

Activity 5.1 one day workshop was about 'Preparation of Vulnerable Consumers Action Plan and Social Tariff Methodology in Electricity and Natural Gas Market' started with Mr. Lise's(TL) welcome speech to the participants and continued with the presentation of Mr. Eser Özdi'l's, Ms. Giuliana Caponigro's, and Mr. Jose Manuel Menendez's presentation on International Benchmarks(Great Britain, Italy, Spain); Ms. Turkey Case; Gap Analysis and Recommendations; Vulnerable Consumer Action Plan; Social Tariff Methodology and Recommendation of Other Complementary Regulatory Measures Needed to be Implemented by Other Stakeholders in Natural Gas market.

Afternoon session of the workshop continued with Mr. Durukan's electricity focus presentation. Ms. Caponigro and Mr. Menendez presented on International Benchmarks(Great Britain, Italy, Spain); Ms. Turkey Case, Gap Analysis and Recommendations; Vulnerable Consumer Action Plan; Social Tariff Methodology and Recommendation of Other Complementary Regulatory Measures Needed to be Implemented by Other Stakeholders and the survey questions with the answers given were evaluated in the Q&A.

4 Discussion & Recommendations

At the end of the presentations, according to the agenda of the meetings, participants were encouraged to express their views on the Natural Gas and Electricity sectors. The summary of the discussion topics is presented below.

4.1 Remarks on Natural Gas

Mr. Özdi'l defined EU wide vulnerable customer definition and social tariff methodology followed by various EU countries, especially Great Britain, Italy and Spain. As per the EU legislation;

- 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

EU wide practices clearly show that, tariff and non-tariff methodologies are applied together as per the need. For example, on one hand, GB, Italy and Spain regulate social tariffs to be implemented vulnerable consumers, on the other hands, all these countries are also applying direct support mechanisms such as winter fuel payments, cold weather payments, social bonuses etc.

Mr. Özdi'l also stressed that, in accordance with the questionnaire conducted with the participation of various sectoral stakeholders, similar tendencies were also measured for Turkey. Key takeaways of the questionnaire were listed as in follows:

- Almost unanimous support to vulnerable consumer mechanism idea
- Direct financial and complementary non-financial support mechanism are preferred
- Winter fuel payment support is strongly recommended
- Strong cooperation with local authorities seems as crucial
- State institutions are preferred in implementation and monitoring rather than private entities, associations, or foundations





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Based on these findings and EU practices, experts offered implementation of direct support mechanism in Turkey as the primary option. For this, it was offered that current coal support budget can be directed to support gas bills of the customers which will be defined as “vulnerable” by the relevant state institutions.

At the end of the presentation, participants thanked for detailed work and offered model.

4.2 Remarks on Electricity

Due to the existence of a social tariff implementation sample for immediate families of martyr & disabled veterans subgroup (under residential consumer group) in electricity market of Turkey, the presentation and workshop questionnaire results are oriented to the current progress and the expectations. As seen from the questionnaire results, vast majority of the stakeholders are advocating the social tariff approach in supporting the vulnerable consumer concept. Regardless from the social tariff or direct support, it is noted that the costs of supporting vulnerable consumers was expected to be borne by the use of taxes. Thus, the impact of such subsidy mechanism was told to be discussed in tariff perspective instead of overall economy. At the end, vulnerable consumers will be afforded by the revenue of government directly or indirectly based on approach.

The possibility of non-payment risk and increase in bad payers with encouraging consumers to avoid regular paying in social tariff mechanism was discussed in workshop, and this topic was stated as the most influential disadvantage of supporting vulnerable consumers in tariff mechanism. In contrast, the validity of such possibility under the existing situation and potential for advanced audit opportunities in tariff mechanism were cited.

As an advantage of direct supporting mechanism instead of feed-in-tariff mechanism, it is stated that the current structure should be accepted as a magnificent achievement since the market has just been reached the level planned in the Electricity Market Law enacted in 2003. In Electricity Law it was targeted that the cross-subsidy would be terminated at the end of 2015 (then postponed to the end of 2020). Therefore, market dynamics are yet to be ready for such a termination and incentivizing vulnerable consumers via tariff might create complexity in tariff design and price forecasts again. Also, it was mentioned that the database of Ministry of Family, Labour and Social Services were well-prepared to determine the threshold consumption value for being vulnerable even for non-tariff solutions. On the other hand, monitoring the incentivizing vulnerable consumers via tariff was stated to be more manageable and benefitting from database of Ministry of Family, Labour and Social Services would be an important leverage for social tariff approach. Furthermore, whether the student houses would be in the scope of such social tariff with respect to the accepted consumption value for vulnerable consumers was stated as another point to be clarified.

The outcomes of Task 5.2 report were shared in the workshop under specific topics per country cases – i.e. Italy, Spain, and Turkey, respectively. While Turkey case was discussed, the draft business model, corresponding roles and responsibility scheme, and draft road map was also presented in line with the report per different scenarios. The insights of stakeholders were gathered about the outcomes and the vulnerable consumer action plan via workshop presentation. Majority of the stakeholders expressed their tendency for social tariff mechanism as the enhanced version of the existing feed-in-tariff mechanism. Furthermore, attendants from Ministry of Family, Labor and Social Services specifically highlighted their internal policies and implementation samples that should be considered as supportive services for vulnerable consumers. Given implementation samples within the Ministry is told to be inserted in 5.2 report under current Turkey case.

As a result, majority of the stakeholders attended questionnaire and workshop have declared their tendency to continuity of current social tariff implementation under approved tariff tables by enhancing the scope. Nevertheless, the risks to be mitigated were highlighted with respect to the different incentivizing approaches dealt with. Workshop and questionnaire results have been used as essential inputs to underly risks and unclear the opportunities for the solution methods of vulnerable consumer action plans. Finally, the participants have declared their support and thoughts implying the work was well-prepared.





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5 Conclusion

The workshop was organized as natural gas in the first half of the day and as an electricity sector in the second half. The workshop provided a forum for questions and answers after each presentation. Participants expressed their satisfaction with the workshop content. It was stated at the end of the workshop that all presentations will be shared with the participants.





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6 Agenda

Detailed Agenda for Electricity and Natural Gas

Session - 1: Opening and Task summary

- Topics that have been covered in Task 5 of the Tariff project to EMRA
- Definitions and taxonomy for the study
- Task implementation approach

Session - 2: International benchmarks

- Countries covered in detail: GB, ES and IT.
- For these countries the following information is presented:
 - their current regulatory framework,
 - financial measures,
 - key stakeholders,
 - risk assessment,
 - monitoring of usage of vulnerable tariffs, and
 - action Plan.

Session - 3: Turkey case

- For Turkey the following information is presented:
 - current regulatory structure,
 - questionnaire results,
 - financial measures,
 - key stakeholders,
 - risk assessment,
 - monitoring of usage of vulnerable tariffs, and
 - future expectations.

Session - 4: Gap analysis and recommendations

- Comparison of EU practices with Turkey practices to identify the gaps.

Session - 5: Vulnerable Consumer Action Plan

- Two possible scenarios are compared: Direct support scenario and Social tariff scenario.
- Business models including Stakeholder roles and responsibilities with respect to scenarios.

Session - 6: Social Tariff Methodology and Recommendation of Other Complementary Regulatory Measures Needed to be Implemented by Other Stakeholders

- Comprehensive conclusion including recommendations and scenario analysis.
- Legal recommendations per scenario.

Session - 7: Wrap-up and Q&A





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- Discussing the as-is status of consumer action plan and social tariff methodology with Stakeholders and future expectations.
- Handling additional comments and questions, if any.





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AGENDA – 5.3 WORKSHOP		
Time	Agenda item	Presenter/Moderator
	Natural gas sector focus:	
10:00 - 10:15	1. Opening and Task summary	Wietze Lise, TL Eser Özdil, senior NKE
10:15 - 11:15	2. International Benchmarks a. Great Britain b. Italy c. Spain	Eser Özdil, senior NKE Giuliana Caponigro, Senior NKE Jose Manuel Menendez, Senior NKE
11:15 - 12:15	3. Turkey Case 4. Gap Analysis and Recommendations 5. Vulnerable Consumer Action Plan 6. Social Tariff Methodology and Recommendation of Other Complementary Regulatory Measures Needed to be Implemented by Other Stakeholders 7. Wrap-up and Q&A	Eser Özdil, senior NKE
12:15 - 14:00	<i>Lunch break</i>	
	Electricity sector focus:	
14:00 - 14:15	1. Opening and Task summary	Wietze Lise, TL Melih Durukan, senior NKE
14:15 - 15:15	2. International Benchmarks a. Great Britain b. Italy c. Spain	Melih Durukan, senior NKE Giuliana Caponigro, Senior NKE Jose Manuel Menendez, Senior NKE
15:15 - 16:15	3. Turkey Case 4. Gap Analysis and Recommendations 5. Vulnerable Consumer Action Plan 6. Social Tariff Methodology and Recommendation of Other Complementary Regulatory Measures Needed to be Implemented by Other Stakeholders 7. Wrap-up and Q&A	Melih Durukan, senior NKE



