GENERAL PRINCIPALS FOR LIBERALIZATION OF THE HEATING ENERGY MARKET

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Licences in the liberal heating energy market

In the liberal market of heating energy licences are issued for the three regulated activities and one unregulated activity.

Regulate activities are:

- Regulate production of the heating energy in define district heating system;

- Distribution of heating energy in define district heating system;

- Supplying heating energy in the certain part of the district heating system, as an obligation of the licensee, and supplying heating energy in the other parts of the same district heating system or in the other district heating systems.

Unregulated activity is production of heating energy in which licensee doesn't have an obligation to hold temperature diagram in the district heating system.
Way of issuing the licences and basic conditions

All of the licenses for the regulate activities must be issued in a way of international tender, which eliminates every doubt that the current licensees are privileged.

1. Regulated producer of heating energy (RPHE)

In one district heating system there might be only one licensee. Basic conditions for getting a licence are:

- Licensee must have own capacities for producing the heating energy, which shouldn't be smaller than 80% of the total engaged power of the on-line users on that district heating system on the exit heating plant boundaries;
- For the additional needed heating power should have contract with independent producers of heating energy;
- To have skilled staff for operating and maintenance the heat sources;
- To have a financial potential for supplying needed fuel or for buying heating energy produced from independent producers for assuring of the needed heating energy for the on-line demand (prikl. konzum);
- RPHE is obligated to maintain defined temperature diagram at outlet of heating plants which are supplying users connected to the district heating system in area precise in the license.
Way of issuing the licences and basic conditions

2. Distributor of heating energy in the district heating system

In the one district heating system there may be one or more distributors. Technically it is possible on every of the exits from the heating plant in the district heating system to have separate distributor of the heating energy. According to that, in the heating system which has more heating plants from which the temperature diagram is held, for every heating plant might exist a separate distributor of heating energy. In the tender for licence about a distributor of heating energy, it might be said that if there is an interest could be chosen as many distributors as there are independent exits from the heating plants.

Basic conditions for getting a licence are:

- Distributor must have a staff potential who might realise this regulate activity, who may maintain the heating network, to maintain heating substations in the objects and the heating meters for measuring the heating energy on the level of the object;
- To have capacity to develop the heating network and heating substations for which the licence for distribution is issued;
- To have financial capacity in order to realise this activity. It is proven with the statement from the acceptable bank in which it is confirmed that the company will be supported financially in doing this activity.
Way of issuing the licences and basic conditions

3. Supplier of heat energy

- In one district heating system with on-line demand bigger than 50 MW an invitation of tender is announced for at least three licences for supplying.
- Licensees are obligated to practise activity of supplying in the part that they are applied for.
- Besides in that part, the licensees could do the activity of supplying in the other parts of the system if they find users in certain measurement points that are willing to sign contract with them for the supplying of heat energy.
- With this licence, licensee could supply users in the other district heating systems of the town and the country if in those systems they find users of one measurement point that want to sign contract with them.
- Regulated producer of heating energy in the district heating system for whom licensee is obligated to do the supplying and RPHE in the other systems where the licensee found users, are obligated to sign contract, with the licensee, for supplying and selling of heating energy for regulated prices. The same thing refers to the distributor of the heating energy in the adequate systems.
Way of issuing the licences and basic conditions

3. Supplier of heat energy

Basic conditions for getting a licence are:

- Supplier must have a staff potential that might realise this activity;

- To have financial capacity in order to guarantee payment of the bought heating energy by regulated producer and to guarantee payment of service of distribution of heating energy from the heating plant to the measurement point in the object;

- To have financial capacity in order to guarantee payment for heat cost allocators, on user level, to the supplier of that kind of equipment;

- To have capability to organize the installation, maintenance and replacement (if necessary) of heat cost allocators.
1. In the beginning all of the users of heating energy will be separated in three suppliers, according to the given licences by The Energy Regulatory Commission (RKE).

2. According to this, licensees for supplying, signed contracts with the users for delivering the heating energy. According to these contracts, licensee for supplying delivers a heating energy to the users and gets payed for that (billing).

3. The heating energy which is delivered to the users licensees for supplying are buying it from RPHE.

4. Suppliers are signing contract, under the regulate terms, with distributor of the heating energy, that bought heating energy on the exit heating plant boundaries from RPHE to be delivered until the measurement point (substations) in the objects in which are the users with whom supplier signs contract for delivering the heating energy.

5. Supplier is a subject who is connecting the producer, distributor and the user of the heating energy in the district heating system.
Functioning of the liberal heating energy market

If the user is not satisfied with the supply services (licensee who is obligated to do the activity on the precise area of the district heating system), he can terminate the contract with that licensee and to sign the contract for delivering heating energy with anyone of the two others suppliers who are obligated with licence to supply the other two parts of the district heating system or with the supplier who has a licence for the supply of heat energy in the other district heating system in the same or in another town in the country.
Independent producer of Heat Energy 2 (CHP)

Regulated producer of Heat Energy 2 (HP)

M. P.

Distributor 4

12% losses

Supplier 4

Supplier 5

In another area of town

Distributor 1

M. P.

M. P.

M. P.

Distributor 2

Distributor 3

M. P.

M. P.

M. P.

12% losses

Supplier 1

Supplier 2

Supplier 3
Supplying of Heat Cost Allocators for separating heating costs from the common measurement point of every user

- Licensee for supplying is inviting tender procedure for supplying the Heat Cost Allocators for every user from the region for whom they have an obligation to do the supply activity.

- The chosen type of Heat Cost Allocators together with Thermostatic Valves (for mounting in the inlet of each radiator) are mounted to every heating body or only on inlet of each apartment, according to type of the heating installation of the object (building).

- This investment is paid back from the users, and the costs for maintenance and replacement are then included in the price of delivered heating energy.

- Payment of this investment is realised in the period of 18 or 24 month.

- For that payment the heat supplier guarantees in a way acceptable to the equipment supplier.
The district heating systems with connected on-line demand lower than 50 MW

- For the district heating systems with connected on-line demand lower than 50 MW, also should be applied three licences for the three regulated activities.
- If there is no interest in this case might be all of the three licences given in one company.
- Licensees for supplying in the country might supply users with heating energy even in this small systems if they have an interest and if there are a users who aren't satisfy from the service of the licensee and if they want to change it.
- Same as in the big systems, company which is licensee for producing and distributing heating energy has a duty to send and to distribute heating energy to this supplier in regulate prices.
- Licensee RPHE in the small district heating system is also obligated to accomplish same conditions as in the big systems and is also obligated to buy heating energy from independent producers of heating energy under regulate contracts.
- With this opportunity the heating energy market is opened even in the small district heating systems and it is made competition in the part of heating energy producing and in the part of heating energy supplying.
Conclusion

- Primary participants of the liberal heating energy market are independent producers of heating energy and licensees for heating energy supplying.

- Independent producers are direct competitions of RPHE because with theirs sold production of heating energy is made production of heating energy from RPHE to be diminished.

- Licensees for supplying might to do this activity in the all district heating systems in the country and to supply heating energy for all of the users in the country. They are the only subject who is connecting all the others subjects in the district heating system in the conditions of liberal market.
Conclusion

- Suppliers have contracts with all other subjects (producers, distributors and users). With that they are the key element for the liberalization of the heating energy market.

- According above mentioned, for the success of this liberalization, which is key condition for surviving of district heating systems in the countries which are in transition, it's necessary to define attractive conditions for working of the activity of supplying.

- With that, the interest will be made for this activity in more business subjects, and it's going to make a real competition on the heating energy market.

- With that settle of the subjects for supplying it is very quickly going to be realised one very important activity, which is implementing the measurement of the heating energy on the lowest user level and using that measurement, the separation of the heating costs between users of the same measurement point.