

# Penalties imposed to/by distributors

Roundtable Discussion





# Penalties imposed by distributors

## **In which cases the distributor (supplier) pays a penalty to the consumers**

- The distributor (the DSO) ought to pay penalty to the supplier when did not meet the Indicators for Service Quality Measures, which are to be calculated by the Distribution System Operator and be reported at ERE. However, based on the agreement between supplier and end consumer, it is the supplier who pays the consumer, compensating the consumer in the next electricity invoice. These indicators are approved with ERE Board decision yearly, also with the proposal of the DSO. Based on the definitions of the "Agreement for Ensuring the Electricity Distribution Service between the Distribution System Operator and the Supplier", approved by ERE Board, *in case of not complying the standard criteria of quality of service according to the definitions of this Regulation, DSO shall compensate the supplier and this last one mentioned, shall be responsible for the compensation of the end-use customers, which have an agreement for electricity supply with the Supplier. According to (Article 10 of REGULATION ON THE STANDARD CRITERIA OF THE SUPPLY QUALITY SERVICE AND THE SECURITY PERFORMANCE OF THE ELECTRICITY DISTRIBUTION GRID).*



# Penalties imposed by distributors

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## **The quantity/ value of the penalty**

- There is no specific amount/value for the penalty, however According to the regulation(article 9) The Distribution System Operator shall pay to the Supplier the positive difference between the agreement/agreements price (depending on the duration of the interruption that affects each Supply Contract individually) and the positive disbalance price applied by the TSO.

## **In which cases the intended penalty is not applied/ paid**

- In all cases of unplanned interruptions, except of the caused interruptions or as the result of a Force Majeure existence, the energy nominated by the Supplier shall not be distributed by DSO because of the interruptions, hence the DSO is not responsible for the interruptions, or sanctioned.

# Penalties imposed to suppliers and distributors – Relevant legislation

- Energy Act:
  - The Energy Regulatory Office shall establish, by decree,
    - the required quality of supplies and services in the electricity and gas industries, the amount of compensation for non-compliance, the procedures and deadlines for claims for compensation, and procedures for reporting compliance with the quality of supplies and services
- Decree on the quality of supplies and services in the electricity industry (no. 540/2005)
- Decree on the quality of supplies and services in the gas industry (no. 545/2006)

# Quality of supplies and services in the electricity AND gas industry – penalties/compensation

- Who is eligible to claim
  - **Customer**
    - Applicant (DG/TG connection request)
    - Supplier
- How to claim the reimbursement
  - by the entity obliged to keep the standard – supplier/DSO/TSO/storage operator
- When to apply
  - 60 days after the day when the standard of quality was breached
  - Recommended form – written, confirmation/proof of the delivery

# Decree on the quality of supplies and services in the electricity industry – standards

## Standards of transmission/distribution

- Transmission/distribution interruption termination
  - Planned x unplanned
- Damaged fuse replacement
- Voltage quality + deadline for handling voltage quality complaints + deadline for eliminating the reduced voltage quality
- Reaction on the applicant's request to connect to DG/TG
- Enabling distribution
- Termination of interruption of electricity distribution due to the late payment for the provided electricity distribution
- Meter change + metering data transfer
- Keeping the meeting date with the customer

# Decree on the quality of supplies and services in the gas industry – standards

## Standards of transmission, distribution and storage

- Transmission/distribution interruption termination
  - Planned x unplanned
- Gas quality + time limit for handling gas quality complaints
- Time limit for eliminating the causes of reduced gas quality
- Sending an opinion on the applicant's request to connect to DG/TG
- Termination of interruption of electricity distribution due to the late payment for the provided gas distribution
- Metering or distribution/transmission/storage complaint time period

# Quality of supplies and services in the electricity AND gas industry – standards

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## Standards of supplies

- Termination of the interruption of electricity supply due to the customer's late payment for the consumed electricity/gas
- Time limit for handling of supply billing complaint



# Distribution interruption termination standard – planned (electricity + gas)

- Notification obligation of the DSO – 15 days ahead minimum
  - Form – usual in the locality or using electronic communications + website
  - If damage caused by late notification – claim damages at court
  - Planned time needs to be announced in the notification
- Planned time breached – start too soon, end too late
  - Households/small customers
    - 1500 CZK per day (max. 15000 CZK) in gas
    - 10 % of yearly distribution fee (max. 6000 CZK) in electricity

# Standard of the time limit for handling of supply billing complaint

- Supplier obliged to
  - Handle a complaint in a written form within 15 days after the delivery of the complaint
  - Settle the legitimate complaint financially (e.g. give the money back) within 30 days after they were delivered the complaint
- If the time period breached, customer entitled to
  - 600 CZK per day, max. 24 000 CZK (electricity)
  - 750 CZK per day, max. 7500 CZK (gas; for households/small)

# Quality of supplies and services in the electricity AND gas industry – exemptions

- If the market participant allows to extend the time limit above the set standard
- The eligible market participant (e.g. customer) does not provide cooperation necessary
- Not reasonably possible to require the standard (especially due to natural disasters or accidents on the TG/DG)
- If the state of emergency declared in the respective area

# What if the obliged party does not provide the compensation?

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- Take legal action to a civil court (no more NRA competence)

# Administrative Law

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- Breach of duties in the Energy Act – administrative penalties (monetary) imposed by the NRA

# Penalties imposed by distributors

## **In which cases the distributor (supplier) pays a penalty to the consumers**

There are no rigid terms and conditions for this case in the gas sector in Egypt, it is handled case by case based on the contracts provisions managing the relationships between the parties taking into consideration that Gasreg resolves the disputes arising between the supplier and the consumer through a special committee; and in case of non - agreement with Gasreg decisions, the parties refer to the dispute settlement mechanisms stipulated in their contracts.

# In which cases the distributor (supplier) pays a penalty to the consumers



## When Balance is Achieved

- The Commission has been using electronic monitoring system of commercial service quality since 2017. The above-mentioned software was introduced to ensure monitoring of implementation of goals defined by the “Service Quality Rules” approved by the Resolution No 20 of June 28, 2021 via modern systems and technologies.
- “Service Quality Rules” approved by the Commission on December 28, 2018 apply to electricity, natural gas and water supply sectors and establish unified requirements and standards. Commercial service quality standards are the indicators of commercial service quality set by the Commission defining the minimum level of customer service quality which shall be provided by the entity. Service quality standards are divided into commercial quality of supply reliability and service quality standards. Service quality standard can be general or guaranteed.

## General Standard:



1. Informing customers about the date and duration of the planned termination – to meet the standards the customers shall be informed about 90% of the total amount of terminations in a timely manner;



2. Restoration of supply for disconnected customers in the case of unplanned termination - to meet the standards, 80% of the total amount of terminations shall be restored in a timely manner;



3. The time for responding to the phone call by the call center operator;



4. Decreasing average duration of termination of electricity supply;



5. Decreasing average duration of termination of natural gas/water supply.



# Guaranteed Standard:

When Balance is Achieved

Restoration of the supply to the customers disconnected due to nonpayment: in case of paying off the debt until 16:00, the deadline shall be (in the high mountainous regions or at the weekend until 14:00) 5 hours after payment, in case of paying off the debt after 16:00 (in the high mountainous regions or at the weekend after 14:00)- until 12:00 of the next day;

A justified written response and/or responding to the written applications of the customers – deadline shall be 10 working days;

Checking metering devices on spot in response to application of the customers - deadline shall be 10 working days;

Checking technical quality on spot in response to application of the customer – deadline 5 working days;

Connection of a new customer/increase of capacity – deadline is determined according to the package chosen by the customer;

Registering as a subscriber and provision of supply with requested conditions – deadline 5 working days;

Issuing technical condition for connection of a new customer – deadline 10 working days;

Arrangement of metering node and network in-cut - deadline is determined according to the package chosen by the customer;

Connection of a micro generation power plant - deadline is determined according to the package chosen by the customer

# The quantity/value of the penalty



When Balance is Achieved

In the event of the failure to perform services envisaged by guaranteed standards due to the internal reasons, the utility is obliged to provide specified compensation to the customers for nonperformance of services:

in case of non-compliance with the standards related to the connection of a new customer to the network/increasing capacity, arrangement of metering node in electricity, natural gas and water supply sectors and connection of micro generation power plant in the electricity sector in the specified timeframe, the compensation is defined as follows: In case of missing the deadline for connection to the network (system) defined by the package set by the Commission for the first time – the fee for connection of the new customer is decreased by 50%; in case of missing the deadline for the second time, if the works for the connection to the network (system) are not finished - the connection fee is reduced to zero. As of 2019, in case of missing the deadline for connection to the network (system) in the electricity, natural gas and water supply sectors for the third and every next time, the licensee is obliged to compensate 50% of the connection fee to the person willing to connect - every time the deadline is missed;

for the violation of other guaranteed standards the compensation is a one-time action and amounts: 5 GEL – for household customers and 10 GEL – for non-household customers. The compensation envisaged by the guaranteed standards shall be accrued on the customer's subscriber card as a credit for further settlement. In addition, the compensation shall be reflected in the customer's subscriber card within 15 working days from the violation of guaranteed standard of service.

## General Standard

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The Commission sets the target indicators for the supply reliability standards according to the territorial districts in each region:

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In the electricity sector – system average duration index (SAIDI) and system average frequency duration index (SAIFI);

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In the natural gas and water supply sectors - system average frequency duration index (SAIFI).

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The supplier is obliged to submit the calculation of the target indicators of the supply reliability standards for the tariff regulation period.

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Every year the commission evaluates the company's reliability standards. According to the results, the commission encourages or sanctions the company.

# The supply reliability standards are:

A) The historical data on the supply reliability indicators;

B) The network design and the features;

C) The characteristics of the geographical area of the service;

D) The investments planned by the enterprise;

E) The best practices.

## In which cases the intended penalty is not applied/paid

If the supplier doesn't agree compensation charge for guaranteed standards impossibility. The supplier is entitled to appeal compensation charge to the commission for moratorium or nullify. The request of the supplier can be satisfied only on the basis of the decision of the commission, if there are the objective circumstances (the force majeure).



When Balance is Achieved

# Penalties imposed on and by DSOs

## Penalties and compensation - what is the difference?



Compensation: a **legal consequence** related to a not necessarily illegal act in order to **restore the balance, or to restore – if possible – the original status** of the contracting parties, and has no punitive nature. **Compensation is to be paid to the other contracting party (consumer).**



Penalty in public law: a **legal sanction** with a clear punitive purpose towards its addressee as a consequence of an unlawful act. The penalty usually takes form in an **administrative fine** issued by an authority, and **does not restore the original status or restore the balance among the original parties. The fine is to be paid to the sanctioning authority.**



Penalty in civil law: a **financial security of a contract** in case the other contracting party breaches his contractual obligation due reasons within his responsibility. **The penalty is to be paid to the other contracting party.**

# Penalties imposed on DSOs by the authorities (NRAs)



In case of the DSO breaches any obligation specified in:

- internal law (act, government decree or other legislation);
- EU law (any directly applicable EU legislation, legally binding decision of ACER);
- network and commercial codes (approved by MEKH);
- decisions of MEKH (e. g. the licence)



MEKH may impose a fine on the licensee (among other sanctions, starting from a warning till the revocation of the licence), based on the Act on Electricity and its implementing decree, the Act on General Public Administration Procedures and the Act on Sanction of violations of the public administration procedures.



The upper limit of the fine is the higher of the following amounts:

- 1% of the net turnover of the licensee for the year preceding the year in question,
- 100 000 000 HUF (ca: 2 557 545 EUR),
- for the vertically integrated undertaking, 10% of its annual turnover in the preceding business year.

## Penalties imposed by DSOs

The DSO is entitled for a compensation in case the consumer causes a contractual breach, mainly such as (but there are more):

Exceeding the available or contracted capacity specified in the contract for the connection point without the permission of the DSO

Consequence: surcharge, suspension of the availability of access

Not fulfilling or not in due time the payment obligations

Consequence: interest, in case of late payment beyond 30 days the termination of the contract (in case of household consumer other protective conditions prevail) or installing a prepaid or smart meter at the cost of the DSO



## Penalties imposed by DSOs

The DSO is entitled for a compensation in case the consumer causes a contractual breach, mainly such as (but there are more):

Violating the rules for the construction, operation or transfer of the private line at the place of consumption specified in the contract

Consequence: compensation, suspension of the availability of access

Violating the rules for data reporting obligations

Consequence: compensation, suspension of the availability of access

## Penalties imposed by DSOs

The DSO is entitled for a compensation in case the consumer causes a contractual breach, mainly such as (but there are more):

Different forms of  
illegal off-take

Consequence: penalty, suspension of the availability of access in case the valid metering cannot be restored on site

Preventing the reading,  
controlling, repairing,  
changing the meter

Consequence: penalty, suspension of the availability of access or installing a prepaid or smart meter on the cost of the DSO

# Penalties imposed to distributors



- **In which cases the distributor pays a penalty to the consumers**

Eligibility thresholds:

- Number of interruption in 24h is  $> 3$  or
- Number of interruptions in 1 month is  $> 10$  or
- Continual duration of interruptions is  $> 7$ h or
- Total duration of interruptions in 1 month is  $> 9$ h

# Penalties imposed to distributors

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- **The quantity/ value of the penalty**

Maximum Range for Standard Compensation:

- 10% of the total annual charge that customer paid for electricity supply, for the first 6h of power interruption after defined threshold;
- 20% of the total annual charge that customer paid for electricity supply, for the next 24h;
- Maximum compensation could be up to 50% of the total annual charge that customer paid for electricity supply.

# Penalties imposed to distributors



- **In which cases the intended penalty is not applied/ paid**
  - If the interruption in power supply is caused by the reactive power from the consumer devices to the distribution system;
  - If the interruption in power supply is caused by third party which is not engaged on behalf of the distributor;
  - Vis Mayor as defined in Article 12 of the Rules for Determining Damage Compensation;
  - Scheduled interruptions;
  - The consumer has more that 3 unpaid invoices for grid charges, unless is a vulnerable consumer;
  - ERC approved connection request, which previously DSO rejected, and the consumer submitted Statement that will not object to matters related to the quality of supply and
  - ERC issued an order for connection of private grids which are not property of the DSO.

# Penalties imposed by distributors

- **In which cases the distributor (supplier) pays a penalty to the consumers:**
  - If does not respond to the first connection request in due time (7 working days)
  - If does not connect the electricity of consumer in due time (24 hours for urban and 48 hours for others)
  - User equipment damage
  - If outage time exceeds the limits
- **The quantity/ value of the penalty**
  - All penalties for household consumers : 40 TL (2.5 €)
  - Standart penalties for other consumers: 80 TL (5 €)
  - Connection Penalty for other consumers: 320 TL (20 €)
  - For all consumers cost of damaged equipment
- **In which cases the intended penalty is not applied/ paid**
  - If consumer uses illegal consumption