

Dynamic Price Contracts

Roundtable Discussion



1. Do you have dynamic price contract/ offers?

- In Estonia there is no specific definition in the law.
- From 01 January 2013, the electricity market in Estonia is free for all consumers.
- Everyone is free to choose the electricity supplier.
- More than 50 companies have submitted notifications of their economic activities related to electricity supply. But only around 10 of them are very active and make offers to consumers.

Price contracts



- As it is a free market, everyone can choose the electricity price package the one he or she likes.
- There are different options:
 - if you have not selected any electricity supplier, you use the universal service.
 - fixed prices agreed with the electricity supplier
 - agreements based on electricity exchange prices (dynamic prices contracts)
 - combined (part at a fixed price, part at an exchange price)

Dynamic price contracts



- Agreements based on electricity exchange prices (dynamic prices contracts):
 - electricity price changes every hour
 - packages based on the monthly average exchange price
- Price comparison tool helps to choose: <https://elektrihind.ee/>
- Consumption data in the Data Hub:
<https://estfeed.elering.ee/services/electricity-sellers>

2. Do you have any data on the market share/ market penetration on dynamic price contracts?



• 2021

- Exchange price packages 55 %
- Fixed price contracts 42%
- Combined 3%

• 2022

- Exchange price packages 35%
- Fixed price contracts (here also incl. universal service by approved price, exceptionally introduced in the second half of 2022) 62%
- Combined 3%

ERE, Albania



1. Do you have dynamic price contract/offers?

- No, we do not have

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- No, we do not have. The tariff is uniform throughout the national territory.



1. Electricity supply contract types

There are 2 types of electricity supply contract defined by the Electric power retail market trade rules (approved by the Commission Decision N519 of December 25, 2019):

- **Electricity guaranteed supply Contract**, the sample form of which is approved by the Commission (Guaranteed supplier)
- **Electricity supply contract**, which form is not approved by the Commission (other suppliers)

The Consumer has the right to choose another Supplier instead of the Guaranteed Supplier or to change the selected Supplier by initiating the process of concluding a Supply contract, if:

- 1) the consumer has a signed Contract with the distributor,
- 2) the Consumer's Metering device complies with the requirements set by the Rules and is included in the Distributor's automated electric energy metering and control system,
- 3) is not a Vulnerable consumer, Autonomous Electricity Producer or Autonomous Group participant,
- 4) did not exceed the permissible number of changes of the Provider (no more than 4 times during the calendar year).



2. Electricity guaranteed supply

- Guaranteed Supplier according to the Contract at regulated tariffs
 - 1) supplies electricity to every consumer who does not have a supply contract with another Supplier during the given period;
 - 2) supplies electricity to vulnerable consumers;
 - 3) ensures the implementation of electricity flows with the autonomous energy producer and the participant of the Autonomous Group;
 - 4) performs other functions related to guaranteed electricity supply.
- The cost of electricity supplied to the consumer by the guaranteed supplier is calculated by multiplying the tariff set by the Commission and the quantity of supplied electricity.

Electricity supply with Contracts



- A Supply Contract contains at least:
 - 1) the price or fee of the supplied electrical energy,
 - 2) payment procedure and consequences of violation,
 - 3) the validity period of the contract,
 - 4) the order of termination of the contract.
- The consumer is not charged a service fee for concluding a supply contract.
- The procedural conditions for concluding and terminating the supply contract are defined by the commercial rules of the electricity retail market.

FERK, Bosnia and Herzegovina



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ERO, Czech Republic

1. Do you have dynamic price contract/offers?

- No legal definition, but generally allowed
- Not limited by type of meter – except in the period of price caps (AMM, SM)
- Consumer protection – *ex lege* right to terminate such contract with 1 month notice period

2. Do you have any data on the market share/ market penetration on dynamic price contracts?

- Most of them not dynamic pricing, but „spot” pricing using estimate diagrams
- **Electricity:** 119 257 supply points; **Gas:** 35 154 supply points (Sept 2023)
- Values underestimated, limited monitoring competences

Current State in Georgia

- Georgia's legislation currently lacks provisions regulating Dynamic Price Contracts;
- The gap analysis have been prepared to assess the need for incorporating obligations related to Dynamic Price Contracts, as outlined in the Recast electricity Directive.

Steps Towards Modernization

By working on the gap analysis and preparing the draft law, Georgia is taking steps toward modernizing its electricity market and making it more aligned with international best practices and EU directives. This can lead to a more competitive, flexible, and efficient energy market, ultimately benefiting both consumers and the energy sector as a whole.

1. Do you have dynamic price contract/ offers?



Electricity Directive (2019/944/EU)

The Electricity Directive gave an EU definition for the dynamic electricity price contract:

- electricity supply contract between a supplier and a final customer that reflects the price variation in the spot markets, including in the day-ahead and intraday markets, at intervals at least equal to the market settlement frequency. The deadline for transposition was 31. 12. 2020.



Act LXXXVI of 2007 on Electricity

Hungary transposed the Electricity Directive, dynamic price contracts are called „**contracts featuring flexible pricing**”:

- a contract for the purchase of electricity between a supplier and a final customer that reflects the price variation in the spot markets, including in the day-ahead and intraday markets, at intervals at least equal to the market settlement frequency.

2. Do you have any data on the market share / market penetration on dynamic price contracts?

The practical existence of dynamic electricity price contracts

The price comparison tool operated by MEKH is capable to handle dynamic electricity price contracts. However, it can only use the price given at the time of uploading the offer into the comparison tool since it cannot follow the changes in the price.

Dynamic electricity price contracts are present on the market, however MEKH does not follow them yet.

Due to the energy price crisis the number of offers uploaded to the price comparison tool has declined, as suppliers tended to use more of bilateral negotiations than public offers.

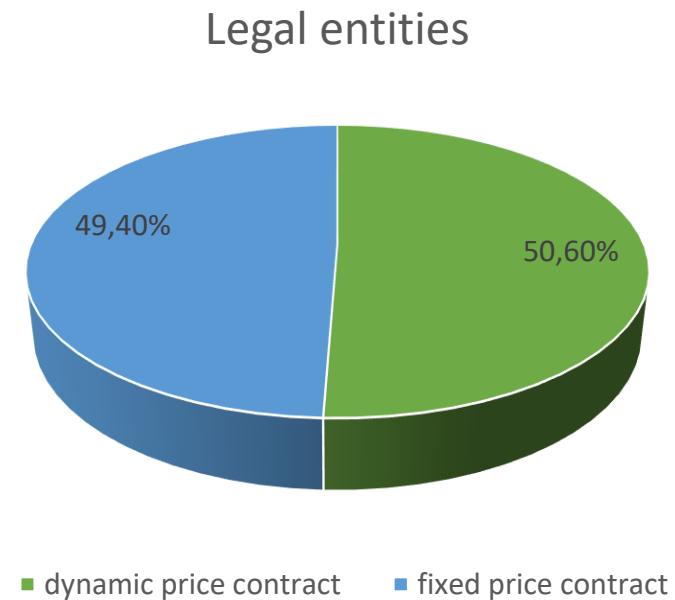
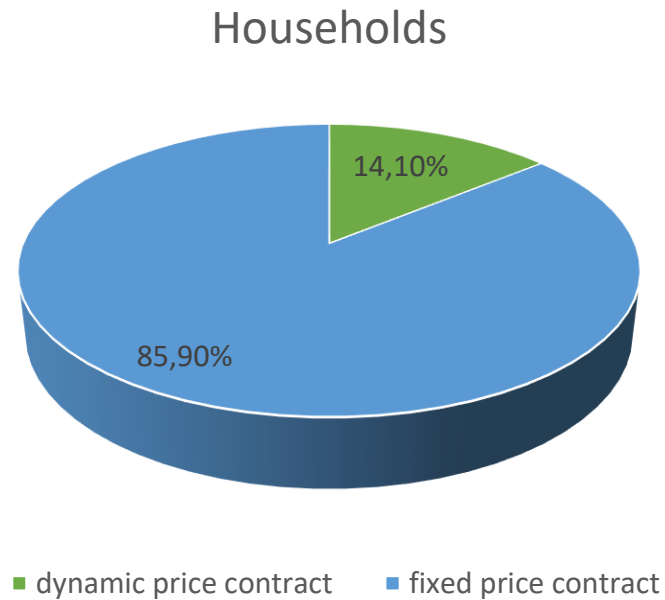


1. Do you have dynamic price contract/ offers?

- Dynamic price contracts (offers) are understood as an agreement on the price of electricity or natural gas which is linked to price changes on the exchange (variable, exchange or dynamic price). There is no specific definition in the legislation and the terms of such an agreement are set out in a contract.
- In electricity, the Nord Pool exchange price is the price calculated by an exchange algorithm (Euphemia) for each specific hour of the day on the day-ahead electricity market in a specific price zone (there is one price zone for Latvia). The charge for electricity consumed in a particular hour is calculated by multiplying the amount of electricity consumed (kWh) by the Nord Pool exchange price for that hour.
- In natural gas, TTF exchange price is usually set for a month. Exchange price contracts are mainly used with consumers with high natural gas consumption, while smaller consumers, including households, are mainly using fixed natural gas price contracts.

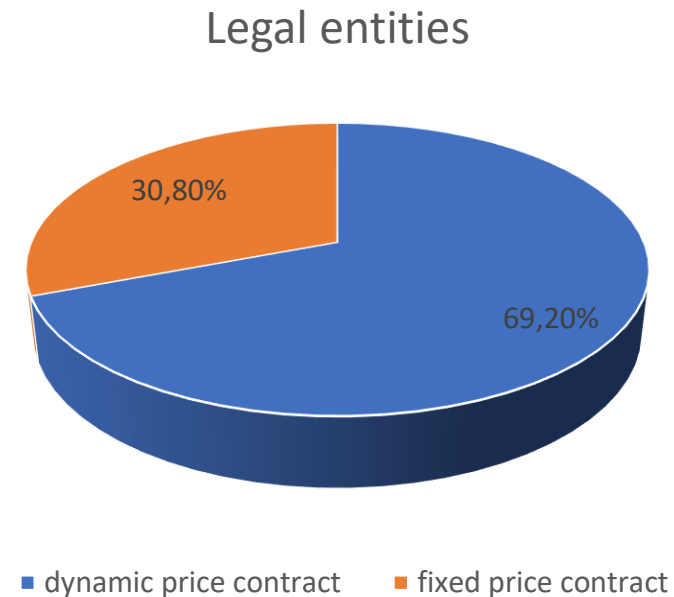
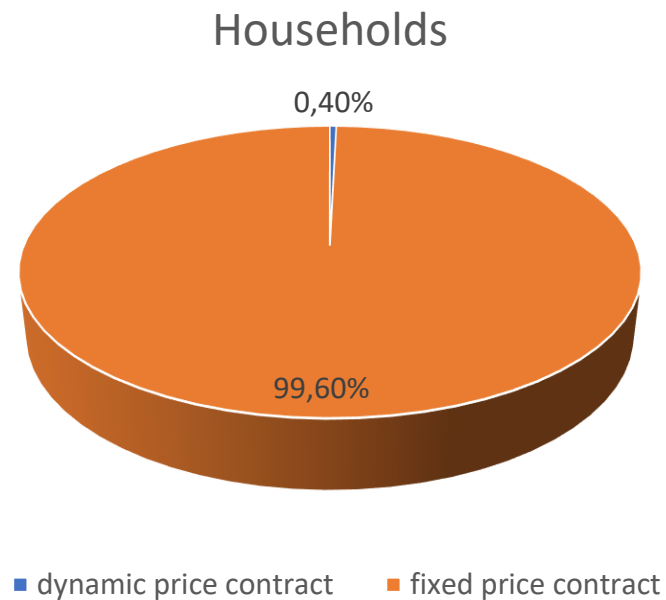
2. Do you have any data on the market share/ market penetration on dynamic price contracts?

Electricity sector (data as of June 2023)



2. Do you have any data on the market share/ market penetration on dynamic price contracts?

Natural gas sector (data as of June 2023)



1. Do you have dynamic price contract/ offers?

- **The dynamic electricity price contract** is an electricity purchase-sale agreement or an electricity purchase-sale and distribution service agreement concluded between an electricity supplier and a consumer, the pricing of which corresponds to the price changes in the electricity market, including intraday and current day electricity markets, at intervals not less frequent than market settlements.
- Independent suppliers may offer dynamic price contracts to consumers only if smart metering devices are installed in consumer facilities.

1. Do you have dynamic price contract/ offers?

- An independent supplier may not indicate to the consumer that a dynamic price contract will be concluded with him, if electricity will be supplied to the consumer under such a contract without smart metering devices installed and variable electricity pricing does not correspond to the price change in the electricity market, including the other day and current day electricity markets, at intervals that are no less frequent than market settlements, i.e. if the price is set as a monthly weighted average price, etc.
- In the contracts referred to in this point and in the marketing information of the independent supplier related to them, the following word combinations shall not be used: "variable price contract", "dynamic price contract" or "variable (dynamic) price contract".
- Independent suppliers with more than 200,000 users must enter into a variable price contract with such user at the request of a user whose facility is equipped with a smart metering device. At the moment: 4 suppliers and only 1 supplier with more than 200,000 users.

2. Do you have any data on the market share/ market penetration on dynamic price contracts?

Phase I of the implementation of smart electricity meters until 2026. At this stage, smart electricity metering devices will be installed for consumers who consume the most electricity (1000 kWh per year) or have expired metrological verification of existing metering devices.

Phase II of the implementation of smart electricity meters after 2026. In this phase, smart metering devices will be installed for the remaining users after the metrological verification of the existing meters is completed.

2. Do you have any data on the market share/ market penetration on dynamic price contracts?

Smart meter installing process and DPC contracts

Year	Goal	Installed already	DPC
2022	192 000	210 000	
2023	500 000	428 753	
2024	360 000	-	
2025	125 000	-	
In all	1 177 000	638 753	46 004

ANRE, Moldova



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The energy crises that unfolded in the latter half of 2021 triggered significant fluctuations in electricity prices.

Majority Pegged to HUPX DAM:

- Most contracts in the free market are linked either completely or predominantly to the HUPX Day-Ahead Market (DAM) prices.
- HUPX is widely acknowledged as the most relevant regional power exchange.

• Emerging Dynamics in 2023:

- In May 2023, the Macedonian DAM was introduced, impacting the landscape.
- Some suppliers have started offering dynamic price contracts tied to the Macedonian DAM.

• Legal Definition:

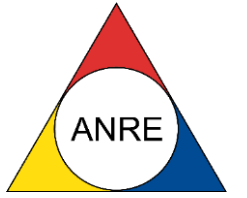
- Currently there isn't a specific legal definition solely for dynamic price contracts.

2. Do you have any data on the market share/ market penetration on dynamic price contracts?



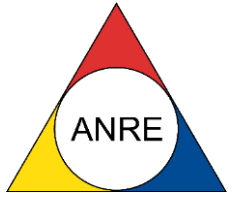
- The ERC does not gather data on the market share of various price contract types through its market monitoring system.
- However, drawing from insights gained through interactions with both customers and suppliers, it can be reasonably inferred that a significant majority of contracts within the liberalized electricity market are predominantly, if not entirely, linked to the DAM prices (HUPX and Macedonian PX).

The legal definition of the *dynamic price contract* in Romania



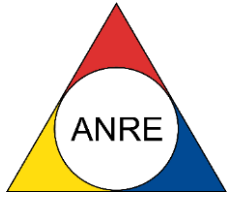
- ✓ In accordance with the provisions of the ***Electricity and Natural Gas Law no. 123/2012, with subsequent amendments and completions***, the legal definition of the ***dynamic price contract*** is:
 - **the contract with dynamic prices for the supply of electricity** = *the contract for the supply of electricity concluded between a supplier and a final consumer that reflects the price variation on the spot markets, including the day ahead market and intraday market, at intervals at least equal to the market settlement interval*
- ✓ Also, according to the ***Law no. 123/2012, with subsequent amendments and completions***, which transposed the provisions of the ***EU Directive no. 944/2019***, the electricity supplier is obliged to provide to the final consumers information related to the advantages, costs and risks which are risen by the electricity supply contracts with dynamic prices.
- ✓ In accordance with the provisions of the ***Regulation on the supply of electricity to final consumers*** approved by ***ANRE President's Order no. 5/2023***, the supplier that has more than 200 000 clients in its portfolio is obliged to conclude an electricity supply contract with dynamic prices, with the client that has mounted meter integrated in SMI, upon request.

The legal framework in Romania related to the dynamic price contract



- ✓ In accordance with the provisions of the **Regulation on the supply of electricity to final consumers** approved by **ANRE President's Order no. 5/2023**, firm obligations are established for suppliers which must be included in the electricity supply offers with dynamic prices, being detailed such elements as the formula for calculating the price of electricity, with the breakdown by components or the price of electricity for each interval consumption.
- ✓ Regarding the right of the final consumers to be informed, ANRE has stipulated in its Regulations firm obligations for those electricity suppliers which are having dynamic price offers in their portfolios, in the sense that they are obliged to inform the final consumer in as much detail as possible about the advantages and disadvantages of such electricity supply offers.

The market share / market penetration of the dynamic price contracts



- ✓ At current moment ANRE does not have any data on the market share / market penetration statistics on dynamic price contracts;
- ✓ Given the fact that the support scheme provided for in ***GEO no. 27/2022 with the subsequent amendments and completions***, caps the electricity prices at a certain level, depending on the categories of final consumers or depending on consumption, as the case may be, dynamic price contracts have not penetrated the market very well, so that no monitoring of them has been done up to this point;
- ✓ As soon as ANRE will have data or will issue a report after an adequate spread in the market of the contracts with dynamic prices, the Authority will be able to share these updates.