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**NOTION OF INDEPENDENT CONSUMER
IN THE LAW OF ELECTRICITY MARKET**

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The main purpose of the Law of Electricity Market (Law No. 6446, published in the Official Gazette dated March 30, 2013 and numbered 28603) (the “**Law**”) is the improvement of the competition through constitution of a free market structure. With this view, the Law and certain regulations grant some consumer the right to choose his/her/its suppliers and therefore pave the way for free competition. Such consumers are defined as independent consumers in the legal framework. Independent consumer as per the Law, the Regulation on Customer Services in Electricity Market (published in the Official Gazette dated May 8, 2014 and numbered 28994) (the “**Regulation**”) is indicated as: a real person or legal entity which (i) has more consumption than the limit set forth by the Energy Market Regulatory Council (the “**Council**”) or (ii) has the right to choose his/her/its own supplier because he/she/it is directly connected to the transmission system or (iii) which has the organized industrial zone legal entity. Accordingly, for a consumer to be an independent consumer, such consumer needs to be within these three groups above-mentioned. Those who are not within these three groups (non-independent consumers) can only procure electrical energy or capacity from the assigned supplying company in his/her/its region.

The independent consumers who have the right to freely choose the supplier he/she/it would procure the electrical energy (in accordance with the service and price advantages to be provided by each supplier) without being bound to a single supplier are elaborated in detail below:

- **A real person or legal entity which has more consumption than the limit set forth by the Energy Market Regulatory Council**

This group has the most important position from standpoints of numbers and amounts. For a consumer to be within this group, a consumer needs to consume more electrical energy than the limit set forth by the Council. In 2012, this limit was set forth as 25,000 kWh per year, whereas it was decreased to 4,500 kWh in 2014 and 4.000 kwh in 2015. This limit is expected to be nullified in accordance with the laws for harmonization to the European Union *acquis*. If this happens, the purpose of improving competition through constitution of a free market structure will be achieved.

As per Article 20 of the Regulation, the consumers in this first group is divided into three further sub-groups. These sub groups are: (i) consumers whose total electrical energy consumption in the previous calendar year surpass the independent consumer limit, (ii) consumers whose electrical energy consumption within the current year surpass the independent consumer limit and (iii) new consumers who undertake to the assigned supplier

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company that they will surpass the independent consumer limit and whose consumption value calculated based on electrical connection or power value under the connection agreement surpass the independent consumer limit.

- **Organized Industrial Zones**

As per the Law of Organized Industrial Zones (Law No. 4562, published in the Official Gazette dated April 15, 2000 and numbered 24021), the organized industrial zones, which also have legal entities, are established for the purposes of organization of the industry in the appropriate areas, prevention of irregular industrialization and environmental problems, direction of urbanization, rational use of sources, making benefit of information technologies, development and location of industrial sectors in accordance with a plan. One of the most major advantages provided for these zones is the right to choose their own electrical energy supplier. As a matter of fact, organized industrial zone legal entity is assumed an independent consumer for the purposes of covering the need of its participants for electrical energy, notwithstanding the amount of consumption. Accordingly, the zones are able to procure electrical energy for cheaper than the consumers taking into account the total consumption of many industrial facilities active in the zone. However, the fact that a consumer is located in an organized industrial zone does not remove his/her/its right to choose his/her/its own supplier if they already qualify as an independent consumer. Therefore, each industrial facility located in the zone (provided that such facility exceeds the independent consumer limit) may individually choose his/her/its own supplier.

- **Real Persons or Legal Entities Directly Connected to the Transmission System**

As per the Law, the electrical energy transmission activities are exclusively carried out by Türkiye Elektrik İletim Anonim Şirketi (*Electricity Transmission Joint Stock Company of Turkey*) (“TEİAŞ”). TEİAŞ is a state entity and is exclusively authorized to carry out transmission activities. The real persons or legal entities who are directly connected to the transmission system of TEİAŞ may freely determine their supplier notwithstanding their consumption amounts.

As a result and at this point, the consumers who have the conditions set forth by Law may procure energy through mutual agreements and provide price advantages for themselves and they would assess the

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performance of the supplier at the end of the agreement duration. Accordingly, it would be possible for the consumer to determine the most appropriate agreement and supplier for himself/herself/itself. With the nullification of the above-referred consumption limit, this right will be valid for all consumers.