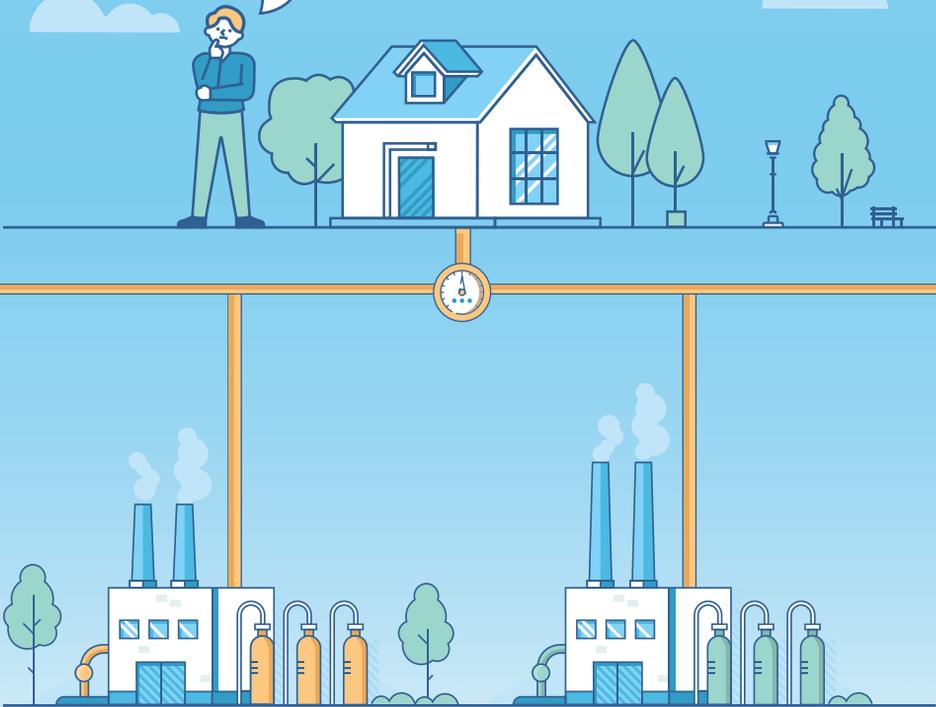


# GAS MARKET FOR UKRAINIANS:

## User's Manual

How to switch a supplier?  
Where to look for price offers?  
What documents are required?



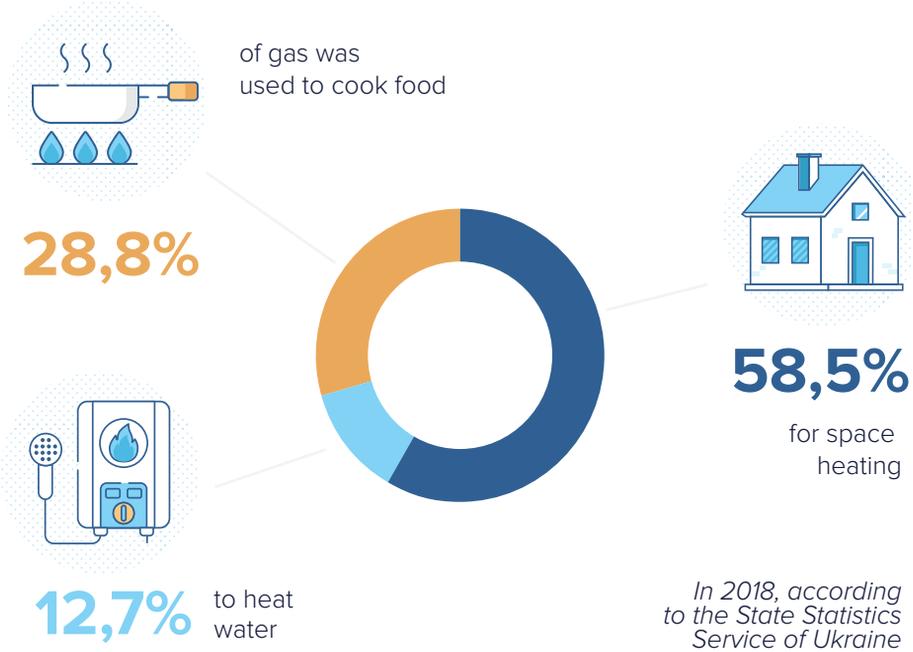
**USAID**  
FROM THE AMERICAN PEOPLE





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**Almost one third of the entire volume of gas consumed by Ukrainians is used for household purposes:** to cook food, heat water and homes. Nationwide, the largest volume of gas is used to heat our houses in wintertime, while the smallest volume is needed to have hot water at home.



According to the energy regulatory authority (NEURC), in 2019, the average annual consumption of gas per household using gas to cook food was 108 cubic meters; to cook food and heat water - **257 cubic meters**; for comprehensive heating of apartments and houses - **1036 cubic meters**.

Following the government decision, all household consumers became eligible to freely choose supplier and gas price, starting from August 1, 2020. The companies became able to set the sale prices, and the consumers' choice became a measure of success of their commercial offers.

# How gas gets into the homes of Ukrainians

After we sign a gas supply contract, the supplier company sends a signal to deliver gas, which is handled by the gas distribution system operator (oblgaz).



Gas from a main pipeline or a storage facility is pumped into lesser-diameter pipelines, where it is purified of sand and other admixtures and a substance with sharp odor is then added to indicate possible leaks. Only after that does the gas flow get into our homes via distribution pipelines.

**Therefore, gas consumer directly interacts with two companies:**



In order to receive gas supply service, a consumer must be connected to a distribution network; i.e., a consumer must sign a contract with oblgaz first.

Distribution (delivery) of gas is managed by gas distribution system operators (oblgaz companies). There are 40+ of these companies in Ukraine, and this is a natural monopoly. Oblgaz companies are responsible for network maintenance and repairs, fixing failures, and maintaining the required pressure in distribution networks. A DSO receives meter readings from a consumer, records gas consumption volumes and communicates this information to a supplier.

**GTS** (gas transmission system)

- Transmission
- Daily balancing

**GDSt** (gas distribution station) ✓

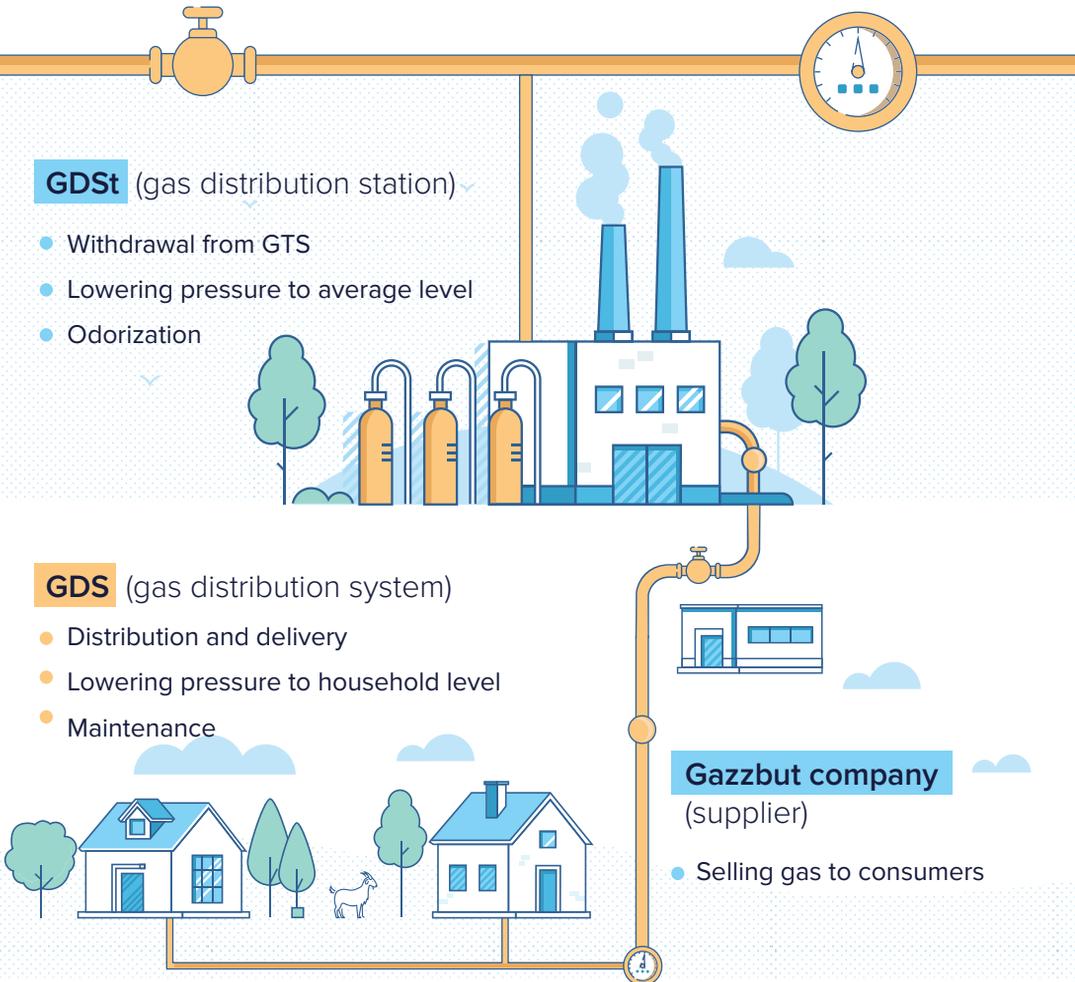
- Withdrawal from GTS
- Lowering pressure to average level
- Odorization

**GDS** (gas distribution system)

- Distribution and delivery
- Lowering pressure to household level
- Maintenance

**Gazzbut company**  
(supplier)

- Selling gas to consumers



Under the market model, suppliers compete for every customer using their commercial offers, while consumers can freely choose and switch supplier. Presently, gas is supplied to households mostly by gazzbut companies – subsidiaries of oblgaz companies.

### Main functions of a gas supplier:



getting a gas supply license



billing a consumer for gas consumption



ordering/buying gas for a consumer in advance



receiving consumer's payment



booking the GTS capacity to ensure gas transmission to a consumer



paying for gas purchased for a consumer



receiving gas meter readings from a consumer

*According to the Natural Gas Supply Rules approved by the NEURC Resolution No.2496 of 30.09.2015*

*[zakon.rada.gov.ua/laws/show/z1382-15#Text](http://zakon.rada.gov.ua/laws/show/z1382-15#Text)*

On August 1, 2020, market rules came into effect in Ukraine, and therefore, more offers from suppliers will become available to Ukrainians. The most important task of these suppliers will be delivering gas to customers on the most attractive financial terms and creating a convenient service.

# Gas bill

## before and after August 1, 2020

	before	after
<b>Wholesale gas price</b>	Naftogaz of Ukraine: the limit is set by a resolution of the Cabinet of Ministers of Ukraine	Any wholesale supplier at the market price
<b>Naftogaz of Ukraine NJSC markup</b>	Set by a resolution of the Cabinet of Ministers of Ukraine at 1.917% of the wholesale price	—————
<b>Transmission</b>	Gas transmission system operator: tariff set by the NEURC	Gas transmission system operator: tariff set by the NEURC
<b>Supplier markup</b>	Gazzbut company: the limit is set by a resolution of the Cabinet of Ministers of Ukraine at 2.5% of the wholesale price	Any retail supplier, the final price is formed on a competitive market basis
<b>Value added tax</b>	State Budget of Ukraine, 20%	State Budget of Ukraine, 20%

# Where to look for commercial offers of suppliers



in the **Energy Online** mobile app

iOS



android



on suppliers' websites (commercial offers section)



advertisements in mass and social media



in your own mailbox, or by other way new suppliers reach their clients



using **Gasoteka**, a comparison tool



## How to switch gas supplier

If you have already decided on the company you want to supply gas, you have to take the following three steps<sup>1</sup>:

1



Submitting an application to conclude a contract (and other required documents) to the new supplier

2



Receiving a reply from the new supplier. If your application is approved, the company will notify you in writing about the supply commencement date

3



Receiving and settling the final bill from the previous supplier

The new supplier may take up to 20 days to review your documents, and it is required to commence supply on the 21st day after registration of your application at the latest.

<sup>1</sup> According to the Natural Gas Supply Rules approved by the NEURC Resolution No.2496 of 30.09.2015 (with amendments)

1

## Submitting an application to conclude a contract



The application is an official written statement by a consumer, made according to a standard form and declaring the intention to enter into contract.

**Along with the application, the consumer is required to submit the originals of:**



documents certifying the ownership or tenancy of the premise (facility), which may include an abstract from the public registry, a purchase-sale or lease contract, ownership / tenancy certificate, etc



the consumer's identity document and taxpayer registration number (in most cases, passport and identification code)

The supplier may additionally require other documents listed on its website.

An application to conclude a contract and other documents may be submitted in electronic form.

An application may be submitted online via the company's website or by e-mail.

Please note that a consumer must declare in its application the absence of overdue bills payable to the current supplier!

**2**

## **Automatically concluding a contract with the new supplier**



The new supplier will review the documents submitted by the consumer and decide on whether to provide service to that consumer. The supplier may deny the service if, for example, the consumer has substantial overdue bills. If the supplier approves the application, it will file the new customer in its register on the information platform of the gas transmission system operator. In any event, the supplier will notify the consumer about its decision.

A standard gas supply contract is a public contract that has indefinite validity period. This contract enters into force on the date when the supplier includes the consumer to its register on the information platform, which means that the consumer does not need to sign the contract.

At the same time, the supplier may propose to sign its own version of the contract, based on the standard version but containing certain special provisions (e.g., gas price calculation formula, payment procedure, etc.).

After receiving a confirmation from the supplier, you will be opened a customer profile and suggested to register your account on the company's website (if applicable).

3

## **Making sure to settle bills due to the previous supplier!**



Despite the switch of supplier, the consumer must pay for services delivered by the previous one.

The previous supplier must send the final bill within six weeks after the consumer switched supplier. The final bill must include all past due amounts.

The consumer must settle this bill within 10 business days after billing date. If the bill is not settled, the supplier may send the debtor a written notice (with confirmation of delivery) demanding that the consumer closes shutoff valves and enables a supplier's representative (who is required to show his/her ID) to seal gas equipment. At the same time, the supplier's notice of discontinued gas supply must state the reasons for suspension and the supply termination date, which cannot be earlier than three days after the notice receipt date.

Please note that, after switching supplier, the consumer won't be left without gas, as the previous supplier is required to provide the service until the new supplier commences supply.

## If ...

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### ✓ **you want to switch supplier but your gas supply was cut off because of overdue bills**

First of all, find out whom you owe your debt to: the supplier or the oblgaz company (DSO). If you owe outstanding debt to your previous supplier, the new supplier won't be able to conclude a contract with you until this debt is settled in full. However, if you owe debt to the gas DSO (oblgaz company), you can switch supplier but won't get any gas until you settle the debt and pay compensation to the DSO. The oblgaz company must resume the gas distribution service within two business days (in cities) or five calendar days (in rural localities) after receiving a written request from the consumer or its supplier and a reimbursement of reconnection costs.

### ✓ **you temporarily do not have a gas supplier**

If your supplier ran into some problems (e.g., filed for bankruptcy, had its license revoked/suspended by the regulator, or procured an insufficient volume of gas) and you haven't found a new supplier, or if the supplier denies you the service because of the debt you owe, you as a consumer has the right to apply to the supplier of last resort: Naftogaz of Ukraine Gas Supply Company LLC<sup>2</sup>.

The supplier of last resort cannot deny the service to a consumer, but the maximum period of its gas supply service cannot exceed 60 calendar days per year.

### ✓ **you have submitted an application for the switch of supplier, but received no response**

The new supplier is required to provide a written response to the consumer in any event, either confirming the service and stating the commencement date of gas supply or denying the supply service.

If you haven't received any response, you should complain about that supplier to the National Energy and Utilities Regulatory Commission (NEURC).

## ✓ the procedure of switching supplier exceeded 21 days

The law strictly limits the maximum duration of this procedure. If the procedure of switching supplier exceeded 21 calendar days, you should complain to the NEURC about the supplier to which you submitted an application.

### How to lodge a complaint with the NEURC?

The NEURC is a government regulatory agency overseeing the energy sector. Consumer may lodge the complaint in arbitrary form, sending it to e-mail or postal address of the NEURC regional unit<sup>3</sup>. The complaint may also be lodged via the Energy Online mobile app. Copies of documents proving the violation (e.g., a copy of the application to conclude a contract showing the filing date) must be enclosed with the complaint. You can lodge the complaint personally, via an authorized representative, or collectively.

The NEURC unit must review the complaint at its meeting. The consumer has the right to be present during the review of its complaint, provide additional arguments and defend its position. After reviewing the complaint, the energy regulator shall make a decision: it could be a fine on the supplier or, in the event of numerous violations, revocation of the supplier's license. The same applies to unlawful actions of oblgaz companies, which could be fined. If you disagree with the decision of the regional unit, you can lodge a complaint with the NEURC head office<sup>4</sup> by e-mailing it to **box@nerc.gov.ua**.

<sup>2</sup> According to the Order No.917-r of the Cabinet of Ministers of Ukraine of 22 July 2020 designating Naftogaz of Ukraine Gas Supply Company Limited Liability Company as the supplier of last resort

<sup>3</sup> For contact information of the NEURC regional units, see: <http://www.nerc.gov.ua/?ld=24042>

<sup>4</sup> For contact information of the NEURC, see: <http://www.nerc.gov.ua/?ld=6911>

# How consumers will benefit from the gas market

For the past few years, high gas prices were the main factor obstructing the transition to a full-fledged retail gas market in Ukraine. That's why the government was limiting, by its resolutions, prices for certain consumer categories (in the end, for households and district heating companies) and placed public service obligations upon certain market participants (Naftogaz, Ukrgezvydobuvannya, and gazzbut companies) to sell/supply gas to these consumers at regulated prices.

However, in the spring of 2019, gas prices in Europe began to decline. By mid-2020, gas prices in Ukraine were the lowest in the past 12 years. It was an extremely favorable time for the introduction of market rules and the appearance of a large number of offers from suppliers.

### Wholesale gas prices (w/o VAT), UAH



Therefore, after the launch of the gas market, Ukrainians can expect:

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**Growth** of the number of suppliers  
249 companies were operating in the retail market in 2019, including 37 suppliers with public service obligations



**Appearance** of new products from suppliers, differing by price, supply period, payment terms, etc.



**Growing** competition, resulting in the most attractive terms offered by suppliers to consumers



**Development** of better services for consumers



**Free** choice and switch of suppliers

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# ANNEX

## Sample of the application to conclude a contract

Annex 1 as amended by the resolutions of the National Energy and Utilities Regulatory Commission No.1418 of 11.08.2016 and No.1080 of 10.06.2020

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### Annex 1

to the Contract on Supply of Natural Gas to Household Consumers  
(paragraph 1.3, Section I)

to Supplier:

\_\_\_\_\_

from Consumer:

\_\_\_\_\_

(full name and, if available, identification number)

## APPLICATION

### to the Contract on Supply of Natural Gas to Household Consumers

Having read the terms of the Standard Contract on Supply of Natural Gas to Household Consumers approved by the NEURC Resolution No.2500 of September 30, 2015 (the “Contract”), available on the official website of the NEURC, the Supplier’s website \_\_\_\_\_, and in the printed publication circulating in the territory of licensed activity

\_\_\_\_\_

state publication title and date, etc.

I accede the Contract terms with the following personal data:

## Consumer's personal data

1	Premise type (private house, apartment, communal apartment, summer kitchen, etc.)	
2	Premise address	
3	Name of the gas DSO, with which the Consumer has a gas distribution contract	
4	EIC assigned by the gas DSO as required by the Gas Distribution Systems Code	

I also hereby declare that I do not have overdue gas bills payable to the previous supplier, and am aware of the inevitable liability under civil and criminal laws for providing false information.

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(personal signature)

\_\_\_\_\_  
(Consumer's full name)

## Consumer is billed for gas under the Contract\*:

Based on the gas DSO data about the monthly gas volume, calculated under the gas distribution contract	_____ (yes/no)	_____ Consumer's confirmation signature
Based on the estimated average monthly consumption of gas at the level**	_____ (in heating season) _____ (in-between heating seasons)	_____ Consumer's confirmation signature

\* Select only one option.

\*\* Supplier agrees to cross-check, at least once every six months, the actual gas volume based on the gas DSO data and to make the corresponding recalculation of Consumer's billing.

### Payment method under the Contract:

Based on receipts from the Supplier's billing book	_____ (yes/no)	_____ Consumer's confirmation signature
Based on payment documents (bills) invoiced by the Supplier	_____ (yes/no)	_____ Consumer's confirmation signature

### Note of signing this application by the Consumer:

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(personal signature)

\_\_\_\_\_  
(Consumer's full name)

By affixing his/her signature, the Consumer declares consent to automated processing of his/her personal data in accordance with the Ukrainian law and to the possible communication of this information to third parties permitted by law to receive it, including information about the quantitative and/or cost indicators of services delivered under the Contract.

#### Notes:

1. If the Consumer's premise has another co-owner, or if the Consumer does not have a document issued by the owner (co-owner) of the premise and authorizing him/her to conclude the Contract, the application must additionally contain a signature of approval by the said owner (co-owner).
2. If the Supplier is a business entity with public service obligations to supply gas to household consumers placed under Article 11 of the Law of Ukraine on the Natural Gas Market, the application must contain the following information:

Number	Full name of benefits recipient	Benefits amount	Confirmation document

Annex 1 as amended by the resolutions of the National Energy and Utilities Regulatory Commission No. 1418 of 11.08.2016 and No.1080 of 10.06.2020



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2020