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COMISIÓN REGULADORA  
DE ENERGÍA ELÉCTRICA  
CREE

## ACUERDO CREE-007

### RESULTADOS

Esta Comisión mediante Resolución CREE-148 del 24 de junio de 2019, aprobó el Reglamento de Tarifas, el cual es un trabajo que se realizó de forma conjunta con el apoyo del Banco Mundial. Dicho reglamento tiene como objeto establecer las metodologías, criterios y procedimientos necesarios para el cálculo tarifario en cumplimiento de lo dispuesto en la Ley General de la Industria Eléctrica. En particular, este Reglamento establece la manera como se han de calcular los costos de generación, transmisión, operación del sistema, y distribución que entran en el cálculo de las tarifas a usuarios finales, y los cargos por el uso de redes.

Uno de los componentes para el cálculo de las tarifas es el denominado Valor Agregado de Distribución o VAD. El cual se calcula como el valor de los Costos Controlables inherentes a las actividades de distribución y comercialización, referenciado a una empresa eficiente, que corresponde ser reconocido en las tarifas y en los cargos por el uso de la red de distribución. Los Costos Controlables asociados al VAD son los siguientes:

- a) Los costos asociados a dar servicio al Usuario, independientes de su demanda de potencia y energía;
- b) Los costos de operación y mantenimiento de distribución, los cuales incluirán, entre otros:
  - i. el costo de las pérdidas reconocidas de potencia y energía en las redes, y
  - ii. el valor esperado de las indemnizaciones que la Empresa Distribuidora deberá pagar si la Calidad del Servicio que ofrece corresponde exactamente a la establecida en la norma técnica de calidad de distribución.
- c) Anualidad de las inversiones de distribución, calculadas con base en el VNR, su vida útil, y la Tasa de Actualización que la CREE establezca.

Por otro lado, y como fuera mencionado, las tarifas requieren de estudios para establecer los costos de transmisión, los cuales incluyen:

- a) Las anualidades de las inversiones correspondientes a una red económicamente adaptada, calculadas con base en el valor nuevo de reemplazo de las instalaciones, su vida útil y la tasa de actualización establecida; y,
- b) Los costos de operación y mantenimiento correspondientes a una gestión eficiente de la transmisión. Los costos de operación deben incluir, entre otros:
  - i. El costo de las pérdidas de potencia y de energía en la red reconocidas por el Reglamento, basadas en porcentajes de pérdidas estándar aprobados por la CREE;



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- ii. El valor esperado de las indemnizaciones a que se refiere el literal K del Artículo 15 anterior, que el transmisor deberá pagar si la calidad del servicio corresponde exactamente a la norma fijada reglamentariamente.

Dada la complejidad para llevar a cabo estos estudios y con el fin de proveer transparencia en su estimación, la Ley prevé que el cálculo del VAD deba ser llevado a cabo por una empresa independiente precalificada por la CREE y contratada por la empresa distribuidora a la cual se le hace el cálculo del VAD.

Con el fin de que la ENEE haga las acciones pertinentes para la contratación de la empresa encargada del cálculo del VAD y de la propuesta de la estructura tarifaria que de éste se desprende y que pueda llevar a cabo, ya sea a través de la contratación de una firma independiente o directamente los estudios a nivel de transmisión, la CREE ha elaborado los términos de referencia que se deben cumplir para hacer tales estudios.

Estos términos, que forman parte integral de la presente acta, han sido puestos a consideración de los señores Comisionados quienes han hecho las observaciones y aclaraciones pertinentes.

### CONSIDERANDOS

Que mediante Decreto No. 404-2013, publicado en el Diario Oficial "La Gaceta" el veinte (20) de mayo del 2014, fue aprobada la Ley General de la Industria Eléctrica.

Que de acuerdo con lo establecido en la Ley General de la Industria Eléctrica, el Estado supervisará la operación del Subsector Eléctrico a través de la Comisión Reguladora de Energía Eléctrica.

Que de conformidad con la Ley General de Industria Eléctrica, la Comisión Reguladora de Energía Eléctrica adopta sus resoluciones por mayoría de sus miembros, los que desempeñarán sus funciones con absoluta independencia de criterio y bajo su exclusiva responsabilidad.

Que la Ley General de la Industria Eléctrica establece que, para determinar los costos de distribución y las tarifas a los usuarios finales, la empresa distribuidora realizará tales estudios a través de una empresa precalificada por la CREE. Los costos de distribución serán los que reflejan el valor económico agregado a la electricidad por las empresas distribuidoras, el cual se designará como Valor Agregado de Distribución (VAD).

Que la Ley General de la Industria Eléctrica establece los costos de transmisión que deben formar parte de las tarifas a los usuarios finales.

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Que el Reglamento de Tarifas metodología para el cálculo de los costos de transmisión y distribución que deben formar parte de las tarifas a los usuarios finales.

Que el Reglamento Interno de la Comisión Reguladora de Energía Eléctrica le otorga al Directorio de Comisionados la potestad para la toma de decisiones regulatorias, administrativas, técnicas, operativas, económicas, financieras y de cualquier otro tipo que sea necesario en el diario accionar de la Comisión.

Que en la Reunión Extraordinaria CREE-Ex-053-2019 del 14 de octubre de 2019, el Directorio de Comisionados acordó emitir la presente Resolución.

### POR TANTO

La CREE en uso de sus facultades y de conformidad con lo establecido en el Artículo 3, literal F, romano I, V, Artículo 3, literal I, Artículos 8, Título VIII, de la Ley General de la Industria Eléctrica, Títulos 2, 3, 4 y 8 del Reglamento de Tarifas y el Artículo 4 del Reglamento Interno del Directorio de Comisionados de la CREE, por unanimidad de votos de sus Comisionados

### ACUERDA

- A) Aprobar los términos de referencia que debe emplear la Empresa Nacional de Energía Eléctrica para la contratación de la firma que se encargue del Cálculo del Valor Agregado de Distribución (VAD) y la estructura tarifaria que de éste se desprende. Términos que forman parte integral del presente acuerdo.
- B) Aprobar los términos de referencia para el Cálculo de Tarifas de Transmisión que debe emplear la ENEE para llevar a cabo los estudios que determinen los costos de transmisión que forman parte de las tarifas al usuario final, los cuales forma parte integral del presente acuerdo.
- C) Remitir los documentos aprobados a la Empresa Nacional de Energía Eléctrica.
- D) El presente acuerdo es de ejecución inmediata.
- E) Comuníquese.

*God*  
*quh*

  
JOSÉ ANTONIO MORÁN MARADIAGA





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OSCAR WALTHER GROSS CABRERA

GERARDO ANTONIO SALGADO OCHOA





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## REPUBLIC OF HONDURAS ELECTRICITY REGULATORY COMMISSION (CREE)

### TERMS OF REFERENCE

#### “DISTRIBUTION ADDED VALUE CALCULATION”

##### I. BACKGROUND

**Power Sector:** From 1957, when the state-owned national integrated power utility - Empresa Nacional de Energía Eléctrica, ENEE - was created, the Government of Honduras (GoHN) has dominated Honduras's electricity sector. In 1994, Honduras initiated a reform of its electricity sector by enacting a new electricity law establishing that distribution would be privatized, and opening generation and transmission to private investment. However, the 1994 law's provisions were only partially implemented. Distribution was not privatized, and only generation was opened to private investment (IPPs). Since 1994, most of new generation has been financed by private investors, totaling around 1,800 MW with investments that represent between 2,000 and 3,000 million US dollars.

Honduras is a member of the Central American Regional Electricity Market (MER) -as a signing party of the Treaty with the Framework for the Electricity Market of Central America and its protocols. The MER has regional market, system operation and transmission rules, and regional institutions: a regional transmission company (“Empresa Propietaria de la Red” – EPR), a regional system and market operator (EOR), and a regional regulator (CRIE). Honduras imports and exports with MER.

For the last 10 years, the electricity demand in Honduras has grown at an average annual pace of 4.5 percent. Although the model was not part of the provisions of the 1994 Electricity Law, ENEE has acted as Single Buyer purchasing energy from IPPs by signing long term power purchase agreements (PPAs), with two-part pricing (energy and capacity) for thermal generation. Additionally, insufficient investments in networks has resulted in constraints in transmission grid and distribution system, negatively affecting the electricity economic dispatch and increasing generation costs to supply demand.

Since 1998, Honduras introduced legislation offering incentives to electricity generation using renewable sources. By 2016, 59% of installed generation capacity was based on renewable sources, including hydro power. In terms of energy generated, in 2016 53% of energy generated was from renewables, including hydro.



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Honduras has been subsidizing residential electricity tariffs in different ways, including cross subsidies and direct government subsidies. As of 2015, Honduras had the lowest average residential tariff in the region. Average residential consumption has been boosted by electricity tariffs below supply cost, which have distorted adequate price signals to end consumers.

Losses in the electricity system of ENEE have been among the highest in the region. Total (technical and non-technical) system losses have been estimated at circa 35% in 2016, creating a significant gap in ENEE's financial performance. Therefore, in addition to subsidies in residential electricity tariffs, the GoHN has also transferred financial resources to ENEE to cover the financial gaps due to inadequate cost-recovery mechanisms and high system losses. These transfers can also be accounted as indirect subsidies. The impact of the financial situation of ENEE on the GoHN's budget has been a matter of concern and identified - by the International Monetary Fund (IMF) - as key element for the country's macroeconomic stability.

**Legal Framework:** The 1994 Electricity Law was replaced by the Law for the Electricity Industry ("Ley General de la Industria Eléctrica", the Law) which became effective on July 4th, 2014 (Decree No. 404-2013). The Law mandates to reform the electricity sector in Honduras, (i) instructing ENEE to be unbundled into separate enterprises for transmission, generation and distribution (distribution is combined with retail sales); (ii) allowing private sector participation in all electricity activities; (iii) strengthening the institutional framework through the designation of a State Secretary to be responsible for electricity ("la Secretaría") to propose policies and supervise their implementation, and a new Electricity Regulatory Commission (Comisión Reguladora de Energía Eléctrica - CREE); (iv) creating a wholesale electricity market and an independent system and market operator ("el Operador del Sistema", ODS); (v) enabling qualified customers to procure electricity and contract on their own; (vi) mandating the ODS to prepare every 2 years the transmission expansion plan and submit for CREE approval; (vii) mandating distribution companies to purchase surplus energy injected to the distribution network by consumers with renewable generation; (viii) creating a fund for electrification of areas or works of social interest (FOSODE) funded by a fee charged on electricity tariffs and funds assigned annually from the government budget; and (ix) establishing the scope and principles for the regulatory framework of each electricity activity and for tariffs. For regulated distribution licensees, as retail suppliers to customers, the Law also mandates competitive procurement for new capacity and power purchase contracts.

Further provisions on the reform principles, regulations, mechanisms and methodologies were established in the implementation decree of the Law ("Reglamento General de la Ley General de la Industria Eléctrica") approved in 2015 that, together with the Law, define the current main legal framework for the electricity industry. The sector structure, market arrangements and institutions are harmonized with MER, allow active electricity regional trading by generators and buyers in Honduras' electricity industry and the country's regulatory participation in the CRIE.



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**The Regulatory Commission:** The CREE has been assigned the mandate to develop and enforce the regulatory framework to implement the Law, and has been provided with the authority for its regulatory functions including: (i) licensing of transmission and distribution; (ii) review and approval of bidding documents for contracts to purchase capacity and energy by distribution companies and of the awarded contracts; (iii) market monitoring; (iv) approval of transmission expansion plans; (v) setting a scheme of quality of service and performance standards for transmission and distribution companies, with penalties or compensations to users; and v) establishing the regulatory framework for electricity tariffs, allowed revenues for distribution and for transmission, and charges. The legal framework establishes specific functions for CREE's electricity tariffs regulatory roles, including to establish the regulations and methodology for the determination of transmission and distribution tariffs and ensuring its correct implementation; review and approval of tariff proposals by transmission and by distribution companies; establish key parameters for pricing and tariff such as cost of non-supplied energy (CENS), time of use blocks for tariffs and the allowed Discount Rate; and develop and implement the tariff regulatory framework ("Reglamento de Tarifas").

As a relatively new institution, CREE is still in the process of building and consolidating the necessary knowledge, resources and skills to fulfill its legal mandate. Some regulations have been completed and approved, and some others are under preparation.

**Regulatory Framework for electricity tariffs:** The legal framework establishes the principles, parameters, general methodologies, procedures and criteria for electricity tariffs.

## II. GENERAL AND SPECIFIC OBJECTIVES

The overall objective of this assignment is to assist ENEE's distribution business unit, or the distribution company resulting from ENEE's unbundling ("ENEE Distribution", or "ENEE", as needed) in preparing the first tariff petition based on the new tariff regulations approved for the 5-year tariff period, including review and advise of the detailed studies, analysis and information supporting tariff filing and tariff proposal for net metering, and ensuring consistency with the legal framework and regulations.

## III. SCOPE OF WORK

The scope will include providing expert support to ENEE Distribution in the preparation of the filing of the new electricity tariffs, including in the preparation of all relevant information, costs and justification, in accordance with the approved tariff regulation.

Additionally, as part of the Technical Proposal, the Consultant should also propose the provision of (i) capacity building activities to ENEE staff including, at minimum, internal workshops / presentations to develop a complete understanding of the practical application of the methodologies included in the new regulation, and other relevant analysis and calculations required to inform tariff preparation; and (ii)

support in responding to comments and questions by CREE on the tariff application (proposed costs, inputs, etc.). Tasks to be performed by the Consultant are described below.

#### **IV. MAIN TASKS**

##### **TASK1: Review of legal framework for tariff regulation in Honduras**

The Consultant will review the current legal framework, the approved Tariff Regulation (Reglamento de Tarifas) and the quality of service regulation (Normas Técnicas de Calidad), to build a good understanding of the Tariff Application to be developed.

The Consultant will also review the current tariff schedule, historical losses, collections, quality of service and other relevant technical reports -prepared by ENEE- for the preparation of a tariff application, in accordance with the Tariff Regulation.

Based on this information, the Consultant will prepare a gap analysis indicating the additional information required to prepare the tariff application. The Consultant will identify and propose alternatives available - according to the regulation- should the information required in the regulation is not available.

The results of the scope of work in Task 1 will be presented by the Consultant in the form of an Inception Report, which will include, among others:

- The summary and main findings of the review of the legal framework, regulations and information made available by ENEE;
- Any question or comment identified in the review;
- The list of requested information, and agreed timetable for receiving the information or documents from ENEE, as necessary;
- The list of information or inputs that, based on the Tariff Regulation, CREE should provide, for ENEE to request that information and data from CREE and share with the Consultant; and
- An updated implementation workplan including dates for ENEE sending information to the Consultant, deliverable dates and expected completion of information for ENEE to submit to CREE the tariff petition for distribution, as well as proposed indicative dates for trips to Honduras for meetings, presentations and work with ENEE.

The Consultant will meet with ENEE -after submitting the report- to collect additional information, updates or clarifications required by the Consultant; and to discuss and receive inputs by ENEE on their studies and data, as well as the understanding of and general capacity building on the Tariff Regulation.

**Deliverable Task 1:** Inception Report



## **TASK 2: Support to ENEE Distribution in preparation and submission of VAD and consumers' tariffs**

The Consultant will support ENEE Distribution in preparing the distribution tariff filing for the next five years tariff period, in accordance to the new Tariff Regulations approved by CREE.

ENEE will coordinate with CREE to obtain the information required for the tariff application, mainly the approved base cost of generation, costs / fees for participating in MER (provided by ODS), and other inputs and data that the Tariff Regulations establishes are defined or approved by CREE.

The scope of the Consultant support will include the following:

- Historical Data: Support in organizing data/information and analyzing historical information such as demand/sales total and for each consumer category, consumer data base, losses, quality of service indicators, losses and collections, etc.,
- Quality of service:
  - Review of ENEE's historical data, CREE distribution quality of service regulations, and comment (prepare?) on the proposed representative distribution zones and its characteristics (i.e. urban and rural);
  - Review ENEE Distribution plans / programs for quality improvements, and agree with ENEE Distribution projections or expectations on future quality of service;
  - Prepare a spreadsheet or model to calculate estimated/expected payment by ENEE distribution for compensations as established in quality of service regulations;
  - For capacity building, together with ENEE Distribution calculate the estimated payments for quality of service for the 5-year tariff period that the Tariff Regulation allows ENEE Distribution to recover in its revenue requirement;
- Regulatory Asset Base:
  - Support in the organization of the data/information and support in the determination of the RAB and calculation of the RAB value, based on available information to be provided by ENEE Distribution. (The Consultant is not expected to do a valuation study).
  - Prepare draft document with the description and justification for the tariff filing;
- Consumer market and profiles:
  - ENEE Distribution will provide consumer market projections, include demand growth and new connections (growth in number of consumers per tariff category), and representative load profile for each tariff category based on information available to be used as input data for the tariff calculations and application, and designing and calculating the tariff structure;
  - The Consultant will prepare a spreadsheet or data base to organize the information for the tariff calculations.
- Five-Year Distribution Business Plan:



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- Review and comment of ENEE's 5-year distribution business/investment plan based on consistency with consumer market projections; challenges faced by the utility; quality of service, improvements in collections and loss reduction plans
- Assist in estimating loss reduction path and improvements in quality of service indicators, to include as information in the plan;
- Prepare the draft document explaining and justifying the plan in the tariff filing to be submitted to CREE;
- Administration, Operation and maintenance (AOM) expenditures:
  - Based on the information provided by ENEE, prepare a simple database / spreadsheet with historical information (technical, costs, etc.) on operation and maintenance practices and plans of ENEE Distribution
  - Assist in the inputs and calculations of the proposed distribution administration, operation and maintenance expenditures for the 5-year tariff period, including estimation of compensations due to quality of service in the tariff period allowed to be transferred to tariffs;
  - Prepare draft document explaining and justifying AOM expenditure in the tariff filing to be submitted to CREE;
- Support in the calculation of the distribution revenue requirement and distribution added value (VAD), based on information and results of bullets above;
- Support in estimation of wholesale costs to be transferred to initial tariffs, based on information provided and/or approved by CREE, including base cost of generation, costs of participating in MER, and transmission charges;
- Support in estimation of avoided costs/charges and the corresponding proposed tariff for the distribution company purchases from energy injected through net metering, based on the information and costs resulting from the previous bullets;
- Support in the design of the tariff structure (fixed and variable), method to allocate costs among consumer categories based on cost of service, including allocation by time-of-use blocks based on load profile and promoting demand side management, and residential block tariff promoting efficient use of electricity. An analysis and revision of the current tariff structure including considerations regarding efficient price signals to end consumers, will be conducted; and
- Assist in finalizing the draft document for the tariff filing.

The Consultant will prepare monthly progress reports including:

- the scope of work done with details in Annexes;
- progress in advancing the tariff filing compared to timetable and plan in the Inception Report, causes of delays (if any) and measures taken or needed to address delays;
- Templates and spreadsheets/models developed and provided to ENEE

**Deliverable Task 2:** Distribution Tariff Monthly Progress Reports

### **TASK 3: Final Report**

The Consultant will prepare and submit a Final Report summarizing the scope of work during the assignment, including description lessons learned and recommendations for next tariff period, and summarizing capacity building provided delivered. As Annexes, in Spanish, the report will include the following:

- The draft document for distribution tariff filing prepared at the end of Task 2;
- Templates developed and models/spreadsheets

### **V. DELIVERABLES**

Given this is the first time ENEE will apply the new tariff regulation approved, the consultant will develop and provide ENEE the necessary templates required for these tariff applications. The reports will include as an Annex the templates developed and provided.

The deliverables to be submitted by the Consultant are the following, as described in the scope of work:

1. Inception Report, covering the scope described in Task 1.
2. Monthly Progress Report for Task 2, covering the scope described in that task.
3. Final Report, covering the scope described in Task 3.

Each report will be submitted to the ENEE designated team, for review. Comments received by the Consultant should be addressed and the final report should consolidate the scope of work after addressing all comments received.

The Consultant will submit in electronic format each report to the ENEE designated coordination person. Each report shall be submitted in Spanish.

It is recommended that each report includes an executive summary including main findings and recommendations; a glossary; and as separate sections or chapters the specific reviews and work or recommendations done by the consultant for each component of the tariff methodology. Each report will include as annexes (i) list of meetings and assistance; and (ii) description of capacity building activities.

The support will include capacity building to ENEE distribution, while working with the consultant in the preparation of the tariff filing, and specific workshops. Together with each report, the Consultant will deliver in electronic format any presentation delivered to ENEE in meetings or in capacity building activities. Presentation materials are to be prepared in Spanish and delivered in Spanish. The final report should also be prepared in English, excluding the annexes, which should be in Spanish.



## VI. QUALIFICATION REQUIREMENTS

The Consultant will be a firm or consortium of firms with the following qualifications:

- Proven experience and expertise in power sector tariff regulation and electricity tariff calculation, in restructured power sectors;
- Prior experience in the completion of at least 3 consultancies (in at least two different countries) to prepare or assist in the preparation and submission of tariff applications and VAD for distribution utilities in restructured power sectors with multi-year tariffs, over the past 10 years.
- Knowledge of Honduras' power sector and/or transmission in the regional electricity market (MER) is an advantage and desirable.

The Consultant's team is expected to include, at least, the following senior experts:

- Team Leader or project manager with relevant master's degree in engineering, economics or similar; and at least 15 years of experience in electricity tariffs. Excellent communication skills, full proficiency in English and Spanish, both written and oral. Experience in managing complex consultancy assignments.
- One Power Distribution Expert with relevant master's degree in engineering or similar and, at least, 10 years of practical experience in at least two countries in the preparation of tariff applications under a regulatory tariff framework promoting efficiency in a restructured power sector for electricity distribution utilities and plans to improve performance and efficiency. Fully fluent in Spanish (written and oral);

The Consultant's team is also expected to include a local consultant to assist in logistics and the timely access to information and documents required to deliver the assignment.

## VII. DURATION AND MILESTONES

The total estimated duration of the assignment is [12] months.

The table below shows the estimated schedule for submission of deliverables, where applicable:

Milestone/Deliverable	Timeframe after start of the consultancy
Kick-off meeting	10 calendar days
Task 1 Inception Report	One Month after start of the consultancy
Task 2 Progress Reports	Monthly after start of Task 2
Task 3 Final Report	Twelve Months after start of the consultancy



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## REPUBLIC OF HONDURAS ELECTRICITY REGULATORY COMMISSION (CREE)

### TERMS OF REFERENCE

#### “TRANSMISSION TARIFF CALCULATION”

##### I. BACKGROUND

**Power Sector:** From 1957, when the state-owned national integrated power utility - Empresa Nacional de Energía Eléctrica, ENEE - was created, the Government of Honduras (GoHN) has dominated Honduras's electricity sector. In 1994, Honduras initiated a reform of its electricity sector by enacting a new electricity law establishing that distribution would be privatized, and opening generation and transmission to private investment. However, the 1994 law's provisions were only partially implemented. Distribution was not privatized, and only generation was opened to private investment (IPPs). Since 1994, most of new generation has been financed by private investors, totaling around 1,800 MW with investments that represent between 2,000 and 3,000 million US dollars.

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**Legal Framework:** The 1994 Electricity Law was replaced by the Law for the Electricity Industry ("Ley General de la Industria Eléctrica", the Law) which became effective on July 4th, 2014 (Decree No. 404-2013). The Law mandates to reform the electricity sector in Honduras, (i) instructing ENEE to be unbundled into separate enterprises for transmission, generation and distribution (distribution is combined with retail sales); (ii) allowing private sector participation in all electricity activities; (iii) strengthening the institutional framework through the designation of a State Secretary to be responsible for electricity ("la Secretaría") to propose policies and supervise their implementation, and a new Electricity Regulatory Commission (Comisión Reguladora de Energía Eléctrica - CREE); (iv) creating a wholesale electricity market and an independent system and market operator ("el Operador del Sistema", ODS); (v) enabling qualified customers to procure electricity and contract on their own; (vi) mandating the ODS to prepare every 2 years the transmission expansion plan and submit for CREE approval; (vii) mandating distribution companies to purchase surplus energy injected to the distribution network by consumers with renewable generation; (viii) creating a fund for electrification of areas or works of social interest (FOSODE) funded by a fee charged on electricity tariffs and funds assigned annually from the government budget; and (ix) establishing the scope and principles for the regulatory framework of each electricity activity and for tariffs. For regulated distribution licensees, as retail suppliers to customers, the Law also mandates competitive procurement for new capacity and power purchase contracts.

Further provisions on the reform principles, regulations, mechanisms and methodologies were established in the implementation decree of the Law ("Reglamento General de la Ley General de la Industria Eléctrica") approved in 2015 that, together with the Law, define the current main legal framework for the electricity industry. The sector structure, market arrangements and institutions are harmonized with MER, allow active electricity regional trading by generators and buyers in Honduras' electricity industry and the country's regulatory participation in the CRIE.



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**The Regulatory Commission:** The CREE has been assigned the mandate to develop and enforce the regulatory framework to implement the Law, and has been provided with the authority for its regulatory functions including: (i) licensing of transmission and distribution; (ii) review and approval of bidding documents for contracts to purchase capacity and energy by distribution companies and of the awarded contracts; (iii) market monitoring; (iv) approval of transmission expansion plans; (v) setting a scheme of quality of service and performance standards for transmission and distribution companies, with penalties or compensations to users; and v) establishing the regulatory framework for electricity tariffs, allowed revenues for distribution and for transmission, and charges. The legal framework establishes specific functions for CREE's electricity tariffs regulatory roles, including to establish the regulations and methodology for the determination of transmission and distribution tariffs and ensuring its correct implementation; review and approval of tariff proposals by transmission and by distribution companies; establish key parameters for pricing and tariff such as cost of non-supplied energy (CENS), time of use blocks for tariffs and the allowed Discount Rate; and develop and implement the tariff regulatory framework ("Reglamento de Tarifas").

As a relatively new institution, CREE is still in the process of building and consolidating the necessary knowledge, resources and skills to fulfill its legal mandate. Some regulations have been completed and approved, and some others are under preparation.

**Regulatory Framework for electricity tariffs:** The legal framework establishes the principles, parameters, general methodologies, procedures and criteria for electricity tariffs.

## II. GENERAL AND SPECIFIC OBJECTIVES

The overall objective of this assignment is to assist ENEE's transmission business unit and, eventually, the new transmission company that will be created as a result of ENEE's unblinding process ("ENEE - Transmission" or "ENEE", as needed) in preparing the first tariff petition based on the new tariff regulations approved for the 3-year tariff period, including review and advise on the analysis and information supporting tariff filing, and ensuring consistency with the legal framework and regulations.

## III. SCOPE OF WORK

The scope will include providing expert support to ENEE-Transmission in the preparation of the filing of the new electricity tariffs, including in the preparation of all relevant information, costs and justification, in accordance with the approved tariff regulation.

Additionally, as part of the Technical Proposal, the Consultant should also propose the provision of (i) capacity building activities to ENEE - Transmission staff including, at minimum, internal workshops / presentations to develop a complete understanding of the practical application of the methodologies

included in the new regulation, and other relevant analysis and calculations required to inform tariff preparation; and (ii) support in responding to comments and questions by CREE on the tariff application (proposed costs, inputs, etc.). Tasks to be performed by the Consultant are described below.

#### **IV. MAIN TASKS**

##### **TASK1: Review of legal framework for tariff regulation in Honduras**

The Consultant will review the current legal framework, the approved Tariff Regulation (Reglamento de Tarifas) and the quality of service regulation (Normas Técnicas de Calidad), to build a good understanding of the Tariff Application to be developed.

The Consultant will also review the current tariff schedule, historical losses, quality of service, operational and investment costs, expansion and investment plans and other relevant technical reports -prepared by ENEE - for the preparation of an application for transmission tariffs, in accordance with the Tariff Regulation.

Based on this information, the Consultant will prepare a gap analysis indicating the additional information required to prepare the tariff application. The Consultant will identify and propose alternatives available - according to the regulation- should the information required in the regulation is not available.

The results of the scope of work in Task 1 will be presented by the Consultant in the form of an Inception Report, which will include, among others:

- The summary and main findings of the review of the legal framework, regulations and information made available by ENEE-Transmission;
- Any question or comment identified in the review;
- The list of requested information, and agreed timetable for receiving the information or documents from ENEE-Transmission, as necessary;
- The list of information or inputs that, based on the Tariff Regulation, CREE should provide, for ENEE to request that information and data from CREE and share with the Consultant; and
- An updated implementation workplan including dates for ENEE-Transmission sending information to the Consultant, deliverable dates and expected completion of information for ENEE to submit to CREE the tariff petition for transmission, as well as proposed indicative dates for trips to Honduras for meetings, presentations and work with ENEE-Transmission.

The Consultant will meet with ENEE-Transmission -after submitting the report- to collect additional information, updates or clarifications required by the Consultant; and to discuss and receive inputs by ENEE on their studies and data, as well as the understanding of and general capacity building on the Tariff Regulation.

**Deliverable Task 1:** Inception Report

**TASK 2: Support to ENEE-Transmission in the preparation of the revenue requirement and transmission charges proposal**

The Consultant will support ENEE-Transmission in preparing the transmission tariff filing for the next three years tariff period, in accordance to the new Tariff Regulation approved by CREE.

ENEE-Transmission will coordinate with the System Operator (ODS) to obtain the Transmission Expansion Plan, historical demand (energy and peak demand) and projections for the next 3 years at transmission connection points for the national interconnected system, as inputs for the design and structure of transmission use of system charges.

The scope of the Consultant support will include the following:

- Regulatory Asset Base:
  - Support in the organization of the data/information and determination of transmission regulatory asset base (RAB).
  - Support in the calculation of the RAB value, based on available information to be provided by ENEE (the Consultant is not expected to do a valuation study). Additionally, ENEE will provide information to clarify transmission assets in Honduras considered part of the regional grid in the MER and any transmission revenue from MER to take into consideration in the tariff application in documents, if applicable in accordance to the approved Tariff Regulations.
  - Prepare draft document with the description and justification for the tariff filing;
- Three-year Investment Plan:
  - Review and comment on the transmission investment plan and its justification;
  - Discussions with ENEE-Transmission of other investments needed, if any;
  - Prepare draft document explaining and justifying the plan in the tariff filing to be submitted to CREE;
- Quality of service:
  - Review of historical data and performance of parameters and indicators in CREE transmission quality of service regulations, and propose to ENEE-Transmission projections on future quality of service, based on the proposed Investment Plan, regional grid investment plan, and any other plan ENEE-Transmission may be considering during the tariff period;
  - Prepare a spreadsheet or model to calculate estimated/expected payments by ENEE-Transmission for compensations as established in quality of service regulations;
  - For capacity building, together with ENEE-Transmission, calculate the estimated payments for quality of service for the 3-year tariff period that the Tariff Regulation allows ENEE-Transmission to recover in its revenue requirement;



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- Administration, operation and maintenance (O&M) expenditures:
  - Review and organize a simple database / spreadsheet with historical information (technical, costs, etc.) provided by ENEE and information on operation and maintenance practices and plans of ENEE-Transmission;
  - Calculate the proposed transmission operation and maintenance expenditures for the 3-year tariff period, including estimation of compensations due to quality of service in the tariff period allowed to be transferred to tariffs;
  - Prepare draft document explaining and justifying O&M expenditure in the tariff filing to be submitted to CREE;
- Support in the calculation of the transmission revenue requirement, based on information and results of bullets above;
- Support in the formulation and calculation of transmission use of system charges (“peaje”) to recover the revenue requirement resulting from the previous bullet;
- Assist in finalizing the draft document for the tariff filing.

The Consultant will prepare monthly progress reports including:

- the scope of work done with details in Annexes;
- progress in advancing the tariff filing compared to timetable and plan in the Inception Report, causes of delays (if any) and measures taken or needed to address delays;
- Templates and spreadsheets/models developed and provided to ENEE-Transmission.

**Deliverable Task 2:** Monthly Transmission Tariff Progress Reports.

### **TASK 3: Final Report**

The Consultant will prepare and submit a Final Report summarizing the scope of work during the assignment, including description lessons learned and recommendations for next tariff period, and summarizing capacity building provided delivered. As Annexes, in Spanish, the report will include the following:

- The draft document for transmission tariff filing prepared at the end of Task 2;
- Templates developed and models/spreadsheets

## **V. DELIVERABLES**

Given this is the first time ENEE-Transmission will apply the new tariff regulation approved, the consultant will develop and provide ENEE-Transmission the necessary templates required for these tariff applications. The reports will include as an Annex the templates developed and provided.

The deliverables to be submitted by the Consultant are the following, as described in the scope of work:





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1. Inception Report, covering the scope described in Task 1.
2. Monthly Progress Report for Task 2, covering the scope described in that task.
3. Final Report, covering the scope described in Task 3.

Each report will be submitted to the ENEE-Transmission designated team, for review. Comments received by the Consultant should be addressed and the final report should consolidate the scope of work after addressing all comments received.

The Consultant will submit in electronic format each report to ENEE-Transmission designated coordination person. Each report shall be submitted in Spanish.

It is recommended that each report includes an executive summary including main findings and recommendations; a glossary; and as separate sections or chapters the specific reviews and work or recommendations done by the consultant for each component of the tariff methodology. Each report will include as annexes (i) list of meetings and assistance; and (ii) description of capacity building activities.

The support will include capacity building to ENEE transmission, while working with the consultant in the preparation of the tariff filing, and specific workshops. Together with each report, the Consultant will deliver in electronic format any presentation delivered to ENEE-Transmission in meetings or in capacity building activities. Presentation materials are to be prepared in Spanish and delivered in Spanish. The final report should also be prepared in English, excluding the annexes, which should be in Spanish.

## **VI. QUALIFICATION REQUIREMENTS**

The Consultant will be a firm or consortium of firms with the following qualifications:

- Proven experience and expertise in power sector tariff regulation and electricity tariff calculation, in restructured power sectors;
- Prior experience in the completion of at least 2 consultancies to prepare or assist in the preparation and submission of revenue requirement and use of system transmission charges for transmission in restructured power sectors with multi-year tariffs, over the past 10 years.
- Knowledge of Honduras' power sector and/or transmission in the regional electricity market (MER) is an advantage and desirable.

The Consultant's team is expected to include, at least, the following senior experts:

- Team Leader or project manager with relevant master's degree in engineering, economics or similar; and at least 15 years of experience in electricity tariffs. Excellent communication skills, full



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- proficiency in English and Spanish, both written and oral. Experience in managing complex consultancy assignments.
- One Power Transmission Expert with relevant master's degree in engineering or similar and, at least, 10 years of practical experience in revenue requirement and use of system charges for electricity transmission activity. Experience in power markets with nodal pricing and/or transmission tariff regulation in MER would be an advantage. Fully fluent in Spanish (written and oral);

The Consultant's team is also expected to include a local consultant to assist in logistics and the timely access to information and documents required to deliver the assignment.

## VII. DURATION AND MILESTONES

The total estimated duration of the assignment is [8] months.

The table below shows the estimated schedule for submission of deliverables, where applicable:

Milestone/Deliverable	Timeframe after start of the consultancy
Kick-off meeting	10 calendar days
Task 1 Inception Report	One Month after start of the consultancy
Task 2 Progress Reports	Monthly after start of Task 2
Task 3 Final Report	Eight Months after start of the consultancy