CZU: 005:334.71:620.9(478) https://doi.org/10.59295/mpdnwe2024.26

CUSTOMER INTERACTION PECULIARITIES WITHIN „TERMOELECTRICA" J.S.C. IN THE CONTEXT OF THE REGULATIONS IN THE THERMAL ENERGY SECTOR OF THE REPUBLIC OF MOLDOVA

BUNDUCHI Denis
Academy of Economic Studies of Moldova, Chișinău, Republic of Moldova
bunduchidenis@gmail.com
ORCID: 0009-0003-6643-2746

Purpose of the article: This article presents a specialized analysis of the particularities of customer relationship management within "Termoelectrica"; J.S.C., taking as a starting point the legislative context and regulations applicable in the thermal energy sector in the Republic of Moldova. The research explores the complex regulatory framework influencing the company`s activity, including national and local laws and regulations on electricity and energy. The research was based on a documentary analysis and case study methodology, focusing on the identification and categorization of "Termoelectrica"; customers according to the type of activity carried out and their specific needs. The article also provides an overview of the particularities of company-customer interactions in the context of complex production processes and multilevel regulations.

Key words: Management, relations, customers, regulations, energy, interactions, production.

Introduction

To analyze and develop the subject of customer relationship management within "Termoelectrica" J.S.C it is necessary to establish the place of the enterprise in the national energy system, and it is strictly necessary to identify the enterprise's customers in terms of production activities that the enterprise carries out.

The activity of the enterprise is specific due to complex production processes which in turn have created over time multiple regulations at different levels starting with the legislative framework (laws, Parliament decisions, other acts adopted by Parliament), the general secondary regulatory framework (Government decisions, ordinances, other acts issued by the Government and central authorities), the regulatory framework (decisions, other acts issued by the National Agency for Energy Regulation), the local secondary regulatory framework (Decisions, Provisions, other acts of local public administration).

As a point of reference, in order to understand the particularities of customer relationship management within "Termoelectrica" J.S.C, it is necessary to examine the specifics of the regulations at the legislative level (Law no.92, 2014) on thermal energy and promotion of cogeneration, as a framework law that sets regulatory guidelines (especially the thermal energy part) and Law on electricity, which regulates a specific portion of the relations with the enterprise's customers – especially the electricity part (Law no.107, 2016).

Materials and methods

The normative framework serves as the theoretical and methodological foundation of our investigation. The research was carried out utilizing scientific methodologies that meet the standards for a thorough examination of the company's financial condition. The abstract-logical method was used to develop a theoretical framework for identifying customer relationship management components. The system-structural method and the author's observations—the author is the commercial manager of the analyzed company—were used to build the article's structural discourse. In order to assure an accurate

assessment of management practices, general research methods such as comparative analysis, abstraction, and description, as well as data interpretation, were used to

Results and discussions

"Termoelectrica" J.S.C., since its foundation, has set itself the mission to ensure the thermal comfort of consumers through the quality supply of heat and household hot water, the permanent increase in efficiency and the coverage of the demand for thermal energy and electricity at the most reasonable price, by complying with all safety conditions in energy supply, applying quality criteria, as well as minimizing the negative impact on the environment "Termoelectrica" J.S.C operates in a complex combined cycle (including cogeneration), i.e. it provides its customers with two basic products: electricity and heat (Law No. 1134, Official Monitor, 1997).

The enterprise emphasizes strategic development objectives, w"ich are define" in the Integrated Quality – Environment – Occupational Health and Safety – Energy Management System Policy (Termoelectrica website, 2024), namely:

- Systematic satisfaction of consumer requirements and expectations regarding the quality of products and services offered;
- Development of the company's activities, processes and products in such a way as to ensure the minimization or elimination of sources of pollution, the saving of energy and natural resources;
- Stimulation of the continuous improvement process of energy performance;
- Developing an effective system of internal communication, acting as a team, through involvement and awareness towards understanding and complying with customer, applicable legal and regulatory requirements;
- Ensuring the continuity of processes and the business as a whole by adequately addressing risks related to resources, markets, information;
- Improving the occupational health and safety conditions of employees and ensuring their freedom of negotiation and association;
- Ensuring a safe and healthy working environment for all employees, appropriate to the nature and identified occupational safety and health risks.

The core activities of "Termoelectrica" J.S.C. are strictly regulated by the National Agency for Energy Regulation (NAER), which has a significant impact on the size of the profit obtained by the company, the amount of which is subsequently adjusted through prices/tariffs approved by NAER (Decision No. 283, *Official Monitor*, 2020). The customer relationship management system within "Termoelectrica" J.S.C. has established at the level of internal policies the number one priority "The consumer/customer", which is integrated in all internal documents, starting from regulations, instructions and ending with the job descriptions of employees.

The complexity of the processes that occur to place within the company, which are overseen by several divisions and supported by appropriate databases and software, cannot be overestimated. However, in order to gain a true understanding of the complexity of the processes, we will mention that about 45 software programs with different purposes and about 20 software supporting applications are involved in the process, and about 80% of the nominated programs and applications have a tangent with the enterprise's customer management system. In view of the products that the company offers to its customers, we consider it imperative to analyse the specifics of these relationships in the light of the regulations in force.

Business customers on the electricity side

At the moment, the customers of the enterprise on the electricity side are limited to one customer and this is evidenced by the fact that "Termoelectrica" J.S.C. is a regulated company and Article 6 of the Law on thermal energy and promotion of cogeneration expressly inserts the principle of "*priority*

procurement of thermal energy produced by thermal power plants and power and thermal power plants in high efficiency cogeneration". The above-mentioned principle was the basis for the approval by the (Gov. Decision no.885 of 01.11.2017), by which "Energocom" LTD was designated as a central supplier and thus obliged to procure the entire volume of electricity produced by "Termoelectrica" J.S.C. (Gov. Decision No. 885, *Official Monitor*, 2017). One element to pay attention to, is the specificity of VAT taxation within the entity and the flow of this tax.

Therefore, "Termoelectrica" J.S.C. in the technological process procures natural gas as a raw material which is subject to 8% VAT (art.96 of the Fiscal Code), at the same time, sells electricity and heat that are partially exempt from VAT, namely according to the Fiscal Code, art.104: "*electricity, heat and hot water for real estate for rental purposes are exempt from VAT with the right to deduct, regardless of the subject in whose management these goods are located*" (Fiscal Code, No. 1163, Official Monitor, 1997).

The process of invoicing and charging VAT within the company is based on the abo"e-mentioned provision, is complex and largely depends on the final service providers with which the company works. In accordance with the legal framework, the central supplier "Energocom" J.S.C. collects and centralizes from its suppliers the information on which the latter sell electricity and have the status of economic agents (or those that are not exempt), to which the 20% VAT rate is applied.

After that, it sends the centralized information to "Termoelectrica" J.S.C., by the 10th of the month following the reporting month, indicating the volume of electricity that was delivered to the final electricity consumer – economic agents and those who are not exempt from VAT which will be imposed at 20% VAT (Termoelectrica J.S.C. issuing the corresponding tax invoice).

The remaining electricity not covered by the tax bill will not be charged VAT. Since the entire electricity billing process is invested in, the system is going to operate as a reverse pyramid. The suppliers will issue tax invoices with VAT, and the Central Supplier Energocom J.S.C. will receive the corresponding tax invoice and submit the volumes of electricity with VAT to Termoelectrica J.S.C. based on the consolidated information.

It is essential to consider that the Republic of Moldova's electricity market is highly complex and has developed unevenly. Depending on European market models, the current realities, and these take into consideration the geopolitical situation in the region, in relation to the need to meet the country's electricity needs and improve the dependability of the national system, have prompted the rapid development of new market tools and and mechanisms, according to European market models.

In this regard, the regulator of the electricity market NAER approved the Decision on the approval of the Electricity Market Rules, (NAER Decision no. 283, 2020), which was to enter into force on 07.08.2021, but due to the specifics of the local market, as well as a number of regional factors, the entry into force was postponed several times.

The regulations governing new electrical markets that are established include:

- **The market of bilateral electricity contracts** – on this market "Termoelectrica" J.S.C. is currently selling the produced electricity;
- **Organized electricity markets** – on the organized electricity markets, participants carry out sale-purchase transactions of electricity, interconnection capacities, system services, other related products through the electricity market operator or through the transmission system operator, depending on the specifics of the market. On organized electricity markets, prices are formed on the basis of supply and demand as a result of competitive mechanisms. The organized electricity market shall be considered as the *day-ahead electricity market, the organized contract market,* the *balancing electricity market and the system services market.*

With the entry into force of the Market Rules "Termoelectrica" J.S.C. examines the possibility to intervene on the newly opened markets in particular we consider it advisable to examine the intervention

on the following directions: the electricity market for the next day, the electricity market during the day, the balancing electricity market.

Of course, the launch of the company on the nominated markets must be examined in terms of technological possibilities, but also in terms of the possibilities of guaranteeing the volumes of electricity that can be produced at the 201ecarbo-power plants owned by the company.

Moreover, the specificity of the markets that will be launched, it is necessary to undertake some actions in order to register the enterprise with the operator of the transmission system and market, which is "Moldelectrica", by signing a series of documents and contracts.

It is also important to train the staff who will be involved in the work of identifying the potential and techno-economic analysis of the possibility of intervention on competitive markets. To this end, it would be appropriate to organize an exchange of experience with experts and producers from similar markets currently operating, such as those in Romania, Ukraine, Poland, etc.

In addition to the opportunities opened by the launch of electricity markets, there are also risks, and given that the 201ecarbo-energy equipment of the enterprise is 65% worn out, these become eminent with a consistent impact on the financial results of the enterprise. Thus, 201ecarboni a situation within the enterprise, which took into account the imbalances formed by the production equipment, from the graphical obligations/hours of electricity delivery in one of the heating season moons, has determined the need to pay these imbalances, which amounted to about 1.2 million lei. This was only a virtual modeling based on the de facto figures established by the metering equipment compared with the commitments/hourly charts assumed, but which will become a reality once the new regulations come into force.

Business customers on the thermal energy side

As we mentioned earlier, "Termoelectrica" J.S.C. sells annually about 1.3 million Gcal of thermal energy, if we were to relate the volume of thermal energy produced at the current tariff of 1824 lei/Gcal (excluding VAT), we would get a turnover of about 2.3 billion lei (excluding VAT).

The largest share of the delivered thermal energy goes to the housing stock in Chisinau municipality, with a share of about 78% of the total volume.

Among the basic normative acts that regulate the process of supplying thermal energy to consumers (Law no.92, 2014) and the Regulation on the supply of thermal energy (NAER Decision no. 23, 2017).

Considering that "Termoelectrica" J.S.C. customers have different legal status in order to describe and analyze the specifics of relations with customers on the aspect of thermal energy supply, we decided to group the company's customers and present their specifics as follows:

Public institutions – the given category of customers includes all public institutions, both national and municipal, located in the Chisinau municipality, connected to Centralized Thermal Energy Supply System the given category includes customers financed from the consolidated state and local budget such as kindergartens – 144, schools, high schools and other educational institutions – 161, higher education institutions – 100, medical institutions – 72, other central and local authorities, etc.

To this category of customers, the company delivers about 10-15% of the total volume of heat delivered.

The specificity of the relations with this category of customers lies in the ways of establishing the thermal energy supply relations, in other words the procedure for signing supply contracts. Thus, the public institutions, being financed from the budget, are obliged to perfect the procurement procedures according to the Law no.74 of 21.21.05.2020 on procurement in the energy, water, transport and postal services sectors, which entails a series of procedural expenses both on the part of the201ecarbc institutions and on the part of the thermal energy supplier, which were not taken into consideration in the process of drafting the above-mentioned legislation, creating a total chaos in the procedures of thermal

energy procurement on the market in the Chisinau municipality into account that "Termoelectrica" J.S.C. does not have competitors able to participate in the procedures for procurement of thermal energy, for the reason that other companies do not operate in the coverage area of Centralized Thermal Energy Supply System(Law No. 74, Official Monitor, 2020). Therefore, was created a situation when there are legal provisions involving the procurement procedure and the only operator able to participate – "Termoelectrica" J.S.C. refused to participate because it does not have the necessary expenses (participation and performance guarantees) in the basic costs to be able to participate.

The situation described was a real one, and could be overcome only by the intervention of the Ministry of Finance, which issued a circular on the specifics of procurement procedures for thermal energy, which continued the relations of supply of thermal energy based on contracts signed before the entry into force of Law no. 74 of 21.05.2020 on procurement in the energy, water, transportation and postal services sectors.

The specificity of the relations with the given category of customers is that the actual relations are governed by two types of contracts/agreements that are in force simultaneously:

1) The agreement for thermal energy supply that is signed in compliance with the terms of the NAER-approved Regulation on the Supply of Thermal Energy, which governs the process for thermal energy supply, demarcation points, technical characteristics, etc.

2) The Public Procurement Agreement which stipulates the volume in gigacalories and the monetary equivalent, which is registered with the Treasury of the Ministry of Finance and serves as the basis for the payment of the volumes of thermal energy delivered.

Tenancy Fund Managers (TFM) – this category of customers includes all residential blocks in Chisinau municipality connected to the Centralized Thermal Energy Supply System managed by "Termoelectrica" J.S.C. – about 2845 residential blocks. The share of the volume of thermal energy delivered to this type of consumers is about 78% of the entire delivered volume.

This category includes housing blocks regardless of the legal form of association they have adopted, such as: the Privatized Housing Owners' Associations, Condominium Owners' Associations, Municipal Housing Fund Management Enterprises, Housing Construction Cooperatives, etc.

Because they oversee a variety of housing objectives, including residential homes, departmental housing funds, service housing, etc., we notice that certain public authorities and institutions hold the status of housing fund managers and fall under both categories. They are included in the category of public institutions, which is related to the framework of the thermal energy supply relations to administrative objectives, and the category of housing fund managers.

The specificity of this category of customers is based on the provisions of Article 40 202ecarbonih 2) of the Law no.92 on thermal energy and promotion of cogeneration, which states that "*In the residential sector, the authorized representative of consumers in residential blocks with collective heat supply systems, including in dormitories and departmental residential blocks, is the administrator of the respective housing estate, who concludes a contract for the supply of thermal energy with the supplier and distributes the amount of thermal energy consumed monthly among the apartment owners or tenants*" (Law No. 92, Official Monitor, 2014).

Consequently, in terms of the thermal energy supply to the housing fund, the customer „Termoelectrica" J.S.C. is not the end user but rather the manager of the housing fund, with whom the business enters into a contract for the supply of thermal energy up to the housing block's thermal connection, which is located at the block's entrance and has a meter for recording the thermal energy entering the block.

In its turn, the housing fund manager must sign contracts for the provision of housing-communal services within the housing block, and in the thermal energy aspect to distribute the entire volume of thermal energy consumed by the housing block to the owners of the premises in the housing block

according to the regulatory framework, namely according to Government Decision no. 191 of February 19, 2002 on the approval of the Regulation on the mode of rendering and payment of communal and non-communal services for the housing fund, metering of apartments and conditions of disconnection from/reconnection to the heating and water supply systems (Gov. Decision No. 191, Official Monitor, 2002).

Since the managers of the housing estate do not carry out the duties entrusted to them by the regulatory framework, it is undeniable that the end users' perception of who is the supplier and accountable for the supply of thermal energy differs from the legally established regulation. The low level of culture is also to blame for the essential self-management of condominium property, which is predicated on the requirement that co-owners of condominiums pay for all common costs associated with maintaining the housing block, such as repairs to engineering nodes, networks, building components, common areas, etc.

An aspect that should be mentioned is that about 95% of housing fund managers in Chisinau municipality do not 203ecarb their legal obligations of billing and distribution of vouchers for payment for thermal energy, delegating these obligations to settlement intermediaries. "InfoBon" LLC as a daughter company of Termoelectrica J.S.C. was created as a result of two major needs:

- The distribution of the total amount of thermal energy that was billed at the block's entrance and included in the final users' bills, or often, until the creation of this company, not all the volume of thermal energy billed by Termoelectrica J.S.C. at the connection of the residential block was distributed by the manager of the housing fund or by the settlement intermediary, which in most cases was the "Infocom" M.E. to the final consumers, which led to the creation of huge deviations / differences that were left to the managers of the housing fund, without the latter being able to pay these debts. In this regard, huge debts of about 65 million lei per year were created, which led to the filing by Termoelectrica J.S.C. of insolvency proceedings, at the moment, about 80% of the housing fund connected to Centralized Thermal Energy Supply System is insolvent;
- Filling the gap and the need for interaction with end consumers due to the non-fulfillment of legal obligations by the housing fund managers. Establishing relations with end customers was one of the basic purposes of creating the "InfoBon" LTD, which allowed Termoelectrica J.S.C. to get as close as possible to end consumers with whom they do not have direct contractual relations, but who are looking for solutions to the problems they have in relation to the housing-communal services in the condominium where they live. "InfoBon" LTD has thus become an advisory center at municipal level, concentrating and covering the activities that are not performed by the housing fund managers, and owning the most performing software on the local market.

The specific element from the taxation point of view is that according to art.104, letter b) of the Fiscal Code, thermal energy and hot water for real estate for rental purposes, regardless of the subject in whose management these goods are under, is exempt from VAT with the right to deduct. In practice, cases have been established in which a newly built residential block, which is not put into operation and is under the records of the economic agent developer, requests the supply of thermal energy which will be invoiced at the VAT rate of 20%, and once it is put into operation and the rooms are put into rental use, it will be exempt from VAT.

Therefore, considering the above mentioned, Termoelectrica J.S.C.'s invoicing of thermal energy at the connection of the housing block by Termoelectrica J.S.C. at the entrance of the block should be without VAT, but there are many non-housing spaces for which thermal energy is to be charged at 20% VAT rate, but which do not have contractual relations with Termoelectrica J.S.C., and the Managers of the Housing Funds often do not issue tax invoices to the owners of these spaces. Normally the managers

of the rental fund must issue tax invoices for the beneficiaries of thermal energy that are not exempted, submit the respective information to Termoelectrica J.S.C. and receive the corresponding tax invoice for the volume of thermal energy that was delivered to those who do not benefit from the exemption.

A special category of customers in residential blocks are customers who have the possibility of direct connection to the thermal networks of "Termoelectrica" J.S.C. either as a result of an individual connection project or as a result of the reconstruction of the internal system of the entire residential block, with the change of the distribution of thermal energy from a vertical system to a horizontal system of thermal energy distribution. In the latter case, the final consumers sign direct contracts with the heat energy supplier and have individual equipment for recording and regulating their heat energy consumption, this system will be described in the following chapters as one of the essential elements in the management of customer relations within "Termoelectrica" J.S.C.

Economic agents – this category of customers includes all the economic agents from Chisinau municipality connected to the Centralized Thermal Energy Supply System managed by "Termoelectrica" J.S.C. and which have a direct contract signed in this regard for the supply of thermal energy – about 794 economic agents. The share of the volume of thermal energy delivered to this type of consumers is about 8% of the total delivered volume.

The specificity of this category of consumers is that they have direct contracts with "Termoelectrica" J.S.C. for the supply of thermal energy and are invoiced at 20% VAT rate, the metering equipment being installed from their own building.

Particular sector – the given category of customers includes the residential housing stock in Chisinau municipality connected to the Centralized Thermal Energy Supply System managed by "Termoelectrica" J.S.C. and which have a direct contract signed in this regard for the supply of thermal energy – about 312 residential houses.

The specificity of this category of consumers consists in the fact that they are located in specific residential areas with buildings of maximum 2-3 floors and have direct contracts with "Termoelectrica" J.S.C. for the supply of thermal energy, being invoiced without VAT, the measuring equipment being installed and serviced on behalf of "Termoelectrica" J.S.C., and the respective expenses are accepted and included in the tariff for thermal energy.

Considering the specificity of the customers with which "Termoelectrica" J.S.C. has relations, it is necessary to approach a customer relationship management system adapted to the real situations taking into account the specificity of these relations, which both the customers and the supplier face.

Conclusions

Considering local trends and normative acts promoted at the political level, a reform in the concept and system of client relationships at "Termoelectrica" J.S.C. is necessary. This reform aims for the company to establish direct legal relationships with its clients within residential buildings. Such a shift will bring the provider and client closer and positively impact the client's perception of the company. Naturally, the risks associated with these changes must be considered, with the primary one being the increased costs due to the formalization of new legal relationships (contract drafting, demarcation documents, meter installation, etc.), which, in accordance with the current regulatory framework, will be included in the regulated tariff for delivered thermal energy.

Therefore, the development of customer relationship management at "Termoelectrica" J.S.C, in the context of economic and legal changes, should be viewed through the dynamic rise of new relationships between the company and its clients. These relationships are emerging due to adjustments in the legal and regulatory framework, as well as shifts in customer perception resulting from the company's efficiency measures and its declared aim to maximize client proximity. As a recommendation, we suggest that the company should develop the communication skills of personnel involved in client interactions. This would require organizing relevant training sessions and seminars. Additionally, there

is a need for conducting professional quantitative and qualitative research that would allow the company to adjust its marketing strategy according to clients' preferences and demands.

References

1. Government Decision No. 885 of November 1, 2017, regarding the designation of the central electricity supplier. In: Official Monitor, January 3, 2017, No. 383-388.

2. Government Decision No. 191 of February 19, 2002, approving the Regulation on the procedure for the provision and payment of residential, communal, and non-communal services for residential buildings, apartment metering, and the conditions for disconnection from/reconnection to heating and water supply systems. In: Official Monitor, August 28, 2002, No. 29-31.

3. Fiscal Code of the Republic of Moldova, No. 1163, April 24, 1997. Published September 18, 1997, in *Monitorul Oficial*, No. 62.

4. Law on Joint-Stock Companies, No. 1134 of April 2, 1997. In: Official Monitor, June 12, 1997, No. 38-39, Article No: 332.

5. Law No. 188 of September 28, 2014, regarding certain measures related to the bankruptcy procedure of "Termocom" J.S.C. In: Official Monitor, October 10, 2014, No. 310-312.

6. Law No. 92 of May 29, 2014, regarding thermal energy and the promotion of cogeneration. In: Monitorul Oficial, July 11, 2014, No. 178-184.

7. Law No. 107 of May 27, 2016, regarding electrical energy. In: Official Monitor, July 8, 2016, No. 192-203.

8. Law No. 74 on Procurement in the Energy, Water, Transport, and Postal Services Sectors. (2020, May 21). In: Official Monitor, No. 153-158, published June 26, 2020.

9. NAER Decision on approving the rules of the electricity market, No. 283 of August 7, 2020. In: Official Monitor, October 2, 2020, No. 247-257.

10. NAER, Decision No. 23 on Approval of the Regulation on Thermal Energy Supply, 2017, January 26. In: Official Monitor, No. 316-321, Art. 1581, published August 25, 2017.

11. Termoelectrica J.S.C. website. (Accessed on September 3, 2024). Available at: www.termoelectrica.md.