



The Impact of the Privatization Process of Energy Distribution Companies on Consumer Rights and Objection Mechanisms in Türkiye from the Perspective of International Law

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ARTICLE INFO

ABSTRACT

Article history:

Received October 3, 2025

Accepted December 16, 2025

Available online December 26, 2025

Key words:

Energy Distribution Companies,
Appeal Mechanisms,
Privatization, Consumer Rights,
International Law

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This study examines the effects of the privatization of energy distribution companies in Türkiye on consumer rights within the framework of international law. Privatization in the energy sector is often justified by macroeconomic goals, including the enhancement of efficiency, attraction of private investment, and reduction of public financial burdens. Yet, these processes directly affect consumers, particularly in relation to service quality, pricing policies, and equitable access to energy. Türkiye has made significant progress in harmonizing its legislation with international standards; however, the concrete consequences of privatization, especially regarding consumer protection, present critical legal challenges. While privatization may generate benefits such as increased competition and improved service delivery, it has also led to negative outcomes, including rising tariffs, inequalities in access, and frequent service interruptions. These developments highlight the importance of strengthening administrative and judicial remedies available to consumers. A consumer-focused legal framework, reinforced by independent regulatory bodies and effective appeal mechanisms, is essential to ensure fairness, price stability, and reliable service provision. Properly regulated, privatization can support more efficient and higher-quality energy services. Nevertheless, sustainable outcomes depend on the continuous improvement of oversight structures and the effective balancing of economic efficiency with the protection of consumer rights.

1. Introduction

1.1. The Strategic Imperative of Energy in Global and National Contexts

Energy constitutes an indispensable element for the economic, social, and environmental sustainability of modern societies. It is the fundamental input that powers industrial production, technological advancement, and the daily sustenance of human life. With the acceleration of industrialization,

urbanization, and technological progress, global energy demand continues to rise, rendering the assurance of energy supply security and the efficient management of energy resources increasingly critical for states (Omer, 2008). In the contemporary geopolitical landscape, energy is no longer viewed merely as a commercial commodity but as a strategic asset that underpins national security and sovereignty.

The management of energy resources has historically been a centralized state function, driven by the belief that energy infrastructure constitutes a natural monopoly that requires public ownership to ensure equitable access. However, the late 20th century witnessed a paradigm shift in economic governance, characterized by a move away from state-centric models toward market-oriented frameworks. In this context, national energy policies are not limited to meeting domestic demand; rather, they also aim to secure a competitive position in international energy markets and to strengthen regional energy security (Umbach, 2010).

States are increasingly grappling with the "energy trilemma": the challenge of simultaneously achieving energy security, social equity (affordability and access), and environmental sustainability. Diversification of energy sources, expansion of renewable energy investments, and adoption of sustainable energy management strategies have emerged as key priorities in this process (Umbach, 2023). For instance, numerous states have introduced incentive mechanisms to promote renewable energy, thereby advancing environmental sustainability while simultaneously reducing external dependence on energy supply (Gitelman et al., 2023; Kaygusuz, 2012). This transition is not merely technical but deeply legal and political, necessitating a re-evaluation of the relationship between the state, the market, and the consumer.

1.2. Türkiye's Energy Landscape and Policy Objectives

Türkiye, driven by its growing population, expanding economy, and strategic geopolitical location acting as a bridge between the resource-rich East and the demand-heavy West, seeks to position itself as a significant actor in the global energy sector. The country's energy demand has grown at one of the fastest rates in the OECD, necessitating substantial investment in infrastructure and generation capacity. However, given its limited indigenous energy resources—particularly in hydrocarbons—Türkiye is compelled to enhance domestic production while also assuming a more active role in international energy markets.

Consequently, renewable energy development and energy supply security stand at the forefront of its energy policy agenda (Tur, 2022). To meet these massive investment requirements, the Turkish state recognized that public finances alone were insufficient. This realization, coupled with the global neoliberal trend and International Monetary Fund (IMF) structural adjustment programs, catalyzed the liberalization of the Turkish energy market.

Energy distribution companies occupy a pivotal position in the continuum from production to end-user delivery (Kindström & Ottosson, 2016). They serve as the final interface between the complex technical infrastructure of the grid and the consumer. They bear responsibility not only for ensuring uninterrupted and reliable energy supply but also for delivering high-quality services to consumers, managing metering, billing, and customer grievances. Therefore, the performance of distribution companies directly shapes the public's perception of the energy sector's efficiency and fairness.

1.3. The Privatization Paradigm: Rationale and Consequences

The privatization process in Turkey began in the early 1980s as part of a broader shift toward market-oriented economic reforms following severe economic crises. During this period, state economic enterprises—once central to Turkey's industrialization strategy—came to be viewed as inefficient and financially burdensome. The establishment of dedicated institutions, such as the Privatization Administration, provided the legal and organizational framework for asset sales and restructuring. From the 2000s onward, privatization accelerated (Erensü, 2018). And this reflecting Turkey's efforts to stabilize the economy, attract foreign investment, and align with global neoliberal trends.

Such reforms have been justified by objectives including increased economic efficiency, stimulation of private investment, and reinforcement of public finances. Proponents argued that the private sector, driven by profit motives, would reduce technical and non-technical losses (theft), improve collection rates, and

invest in grid modernization more effectively than the bureaucratic state machinery.

Nevertheless, the process has yielded both positive and negative outcomes in terms of consumer rights, pricing, and service quality. While the entry of domestic and foreign investors into the distribution market has fostered potential competition—particularly in the retail supply segment—risks such as monopolistic structures in the distribution network have simultaneously emerged. Unlike generation or retail, the physical distribution network is a natural monopoly; it is economically inefficient to build duplicate power lines. Therefore, privatization in this segment essentially transfers a public monopoly to a private monopoly, necessitating stringent regulation to protect consumers from abuse.

The present study seeks to contribute to the understanding of how privatization processes in the energy sector affect consumer rights. It specifically analyzes dimensions such as service quality, pricing mechanisms, access to energy, and consumer protection. Furthermore, it aims to propose legal and administrative reforms addressing the challenges consumers encounter throughout privatization. By advancing consumer-oriented policies and effective oversight mechanisms, the study underscores the necessity of managing privatization processes in a manner that safeguards public interest.

1.4. Methodology and Scope

Methodologically, the research relies on a comprehensive literature review and document analysis. National and international legislation, high court jurisprudence (including decisions from the Constitutional Court, Council of State, and Court of Cassation), sectoral reports from the Energy Market Regulatory Authority (EPDK), and statistical data on Türkiye's privatization processes constitute the primary sources of evidence.

The study is structured as follows: The first section outlines the concept and types of privatization, focusing on its objectives and implications within the energy sector. The second section examines international legal instruments and frameworks addressing energy agreements and consumer protection. The third section analyzes the privatization of energy distribution companies in Türkiye, with particular emphasis on its consequences for consumer rights and the effectiveness of available objection mechanisms.

2. Privatization in The Context of International Law and Energy

2.1. Theoretical Foundations: Energy as a Subject of International Law

The energy sector, as one of the cornerstones of economic development, constitutes a significant domain within international law. The term energy, derived from the Greek language, is broadly defined as the “capacity of an object to perform work” (Park, 2023). In legal terms, however, it represents a complex interplay of sovereignty over natural resources, cross-border trade obligations, and environmental commitments.

Energy distribution, on the other hand, is subject to various international treaties and regulatory frameworks. Privatization introduces fundamental changes in the manner by which states manage their energy resources, and such processes must necessarily comply with the principles of international law and binding international agreements. The shift from state control to private ownership engages International Investment Law, particularly regarding the protection of foreign investors, while simultaneously triggering State obligations under International Human Rights Law to ensure the provision of essential services.

2.2. The Tension Between Economic Liberties and Social Rights

The transfer of public service-oriented enterprises to the private sector heightens the risk of legal disputes. International treaties and core human rights instruments safeguard economic rights, such as property rights, freedom of contract, and freedom of enterprise, while simultaneously underscoring the importance of protecting the social rights of consumers as beneficiaries of public services.

The reconciliation of these competing dimensions constitutes one of the primary challenges of privatization processes. Addressing conflicts between fundamental rights requires an outcome-oriented

review shaped by public policies that balance economic and social considerations (Bauer & Herder, 2009). For instance, while an investor has the right to a reasonable return on investment (protected by treaties like the Energy Charter Treaty), the state has an obligation to ensure that energy prices remain affordable for vulnerable populations.

Consumer-oriented regulations often encounter difficulties in aligning with market-based principles such as freedom of enterprise and contractual autonomy. Within privatization processes largely driven by economic imperatives, the risk of restricting consumer-protective social rights remains significant (Lewis & Shore, 2019). If regulation is too lax, private monopolies may exploit consumers through high prices and poor service. If regulation is too strict, it may stifle investment and violate the "fair and equitable treatment" standards promised to investors.

2.3. International Frameworks for Consumer Protection

International legal frameworks—including the Universal Declaration of Human Rights, the European Social Charter, and the European Convention on Human Rights (ECHR) (Lukas, 2020)—emphasize the necessity of ensuring a fair balance in this regard. The European Union, which Türkiye aspires to join, has been a driving force in defining "energy consumer rights." The EU's Third Energy Package, for example, explicitly mandates the protection of vulnerable consumers and the separation (unbundling) of transmission/distribution activities from generation/supply to ensure fair competition.

In Türkiye, it is evident that privatization processes require not only a solid legal framework but also reinforcement through administrative practices and judicial oversight. Accordingly, the protection of consumer rights and the preservation of social justice necessitate stronger independent regulatory mechanisms and corrective measures aimed at addressing market imbalances. The state cannot abdicate its responsibility for public service delivery simply by delegating the operational task to a private entity; the duty to protect, respect, and fulfill human rights remains with the state.

3. Definition and Types of Privatization

3.1. Defining Privatization

Although no universally accepted definition of privatization exists, the concept is generally examined in two dimensions: narrow and broad.

Narrow Definition:In its narrow sense, privatization refers to the transfer of ownership and management of publicly owned production units to the private sector. Within this framework, privatization is often defined as requiring the transfer of at least 51% of ownership to private entities alongside the delegation of managerial control. Alternative perspectives, however, suggest that even a smaller share transfer may suffice to constitute privatization, as minority stakes below 51% can still exert significant influence over management, especially if the private partner holds "golden shares" or specific management rights (Yılmaz, 2002; Orkunoğlu, 2010). **Broad Definition:**In its broader sense, privatization transcends ownership or managerial transfer, encompassing the restructuring of an economic system in line with free-market mechanisms (Akalin, 1990). Key elements of broad privatization include:

1. **Deregulation:** The removal of public restrictions limiting private sector operations (Nankani, 2005).
2. **Liberalization:** Opening previously closed sectors (monopolies) to competition.
3. **Introduction of User Fees:** Charging for public services that were previously subsidized or free.
4. **Outsourcing:** Provision of state-produced goods and services by the private sector.
5. **Transfer of Operating Rights (TOOR):** The state retains ownership of the assets but transfers the right to operate them and collect revenue to a private entity for a fixed period (e.g., 30 or 49 years). This model is particularly prevalent in the Turkish energy distribution privatization.

Thus, privatization is broadly conceptualized as a mechanism designed to limit the economic role of the state while enhancing the efficiency of market mechanisms. In summary, practices extending beyond ownership transfer—such as concession agreements, management contracts, leasing, and revenue-sharing models—are classified as broad privatization alternatives (Orkunoğlu, 2010).

3.2. Objectives of Privatization

The objectives of privatization are categorized into general and specific goals. General Objectives (Macroeconomic): General objectives represent long-term targets at the macroeconomic level, including strengthening the market economy, enhancing economic efficiency, and improving income distribution. By reducing the direct involvement of the state in the economy, these goals seek to increase the efficiency of market mechanisms, ensure the more effective allocation of resources, and channel individual savings into capital markets to stimulate economic growth. Additionally, public offerings of shares contribute to the deepening of capital markets, allowing citizens to participate in the ownership of former state enterprises (Cevizoğlu, 1988). Specific Objectives (Sectoral): Specific objectives, in contrast, encompass shorter-term and sectoral goals. These include:

- **Elimination of Public Monopolies:** To enhance competition and consumer choice.
- **Reducing Public Debt:** Using privatization revenues to pay down national debt.
- **Reducing Reliance on External Financing:** Shifting the investment burden for infrastructure upgrades from the public budget to private capital.
- **Attracting Foreign Investment:** Bringing in international capital and technical expertise.
- **Improving Financial Structure:** Eliminating the drain on the Treasury caused by loss-making State Economic Enterprises (SEEs).

In conclusion, privatization policies are intended both to achieve overarching economic objectives and to address the structural challenges faced by the public sector. The process contributes not only to enhancing economic efficiency but also to promoting social and fiscal balance, theoretically benefiting the consumer through better service and lower real costs over time.

4. The Privatization Process of Energy Distribution Companies in Türkiye

4.1. Historical Evolution: From State Monopoly to Market Liberalization

The privatization of energy distribution companies in Türkiye has been shaped by the economic reforms and market-oriented policies initiated in the 1980s. With the adoption of neoliberal strategies following the January 24, 1980 decisions, the state began to reduce its monopoly over various sectors through privatization measures (Ertilav & Aktel, 2015). Although the energy sector was initially influenced by these reforms, concrete steps toward privatization were delayed due to legal hurdles, political resistance, and the strategic nature of the sector. The restructuring process of the electricity sector began with the establishment of the **Turkish Electricity Authority (TEK)** in 1970, which centralized generation, transmission, and distribution. TEK became a de facto monopoly after assuming municipal distribution activities in 1982. However, its monopoly status was abolished by the 1984 legislation (Law No. 3096), which transformed TEK into a state economic enterprise (World Bank, 2015). This legislation was groundbreaking as it allowed non-TEK entities to engage in electricity generation, transmission, distribution, and trade, introducing the "Build-Operate-Transfer" (BOT) models to attract private capital for generation.

In 1993, to prepare for privatization, TEK was unbundled into two separate entities:

1. **TEAŞ (Turkish Electricity Generation and Transmission Corporation)**
2. **TEDAŞ (Turkish Electricity Distribution Corporation)**

This separation was crucial for isolating the distribution business from generation and transmission, a prerequisite for the regional privatization model.

4.2. The Legal Framework: Electricity Market Law

The major turning point came with the enactment of the **Electricity Market Law No. 4628** in 2001 (later replaced by Law No. 6446 in 2013). This law laid the legal foundation for liberalization and competition within the electricity market (Aslan et al., 2007; Ayrancı, 2010). Article 1 of this Law explicitly states its objective:

"The purpose of this Law is to ensure the creation of a financially strong, stable, and transparent electricity market operating under private law provisions in a competitive environment, enabling the provision of sufficient, high-quality, continuous, low-cost, and environmentally compatible electricity to

consumers, while establishing independent regulation and supervision."

This statutory objective explicitly places the "consumer" at the center of the reform, promising "high-quality" and "low-cost" electricity. The law established the **Energy Market Regulatory Authority (EPDK)** to act as the independent watchdog, removing regulatory powers from the Ministry of Energy to depoliticize market governance.

4.3. The Structure of Distribution Regions

Electricity transmission and distribution networks are considered natural monopolies by nature (Can, 2006), since establishing parallel networks within the same region is economically irrational. Consequently, Türkiye was divided into **21 distribution regions**. Each distribution company is obliged to supply electricity to all consumers within its designated region.

The privatization of these 21 regions was completed between 2008 and 2013 through the **Transfer of Operating Rights (TOOR)** method. In this model, the ownership of the grid assets remains with the state (TEDAŞ), but the right to operate the grid, invest in infrastructure, and collect distribution fees is transferred to private companies for a period (typically 30 years). As consumers generally lack access to alternative supply sources for physical delivery, distribution companies are legally compelled to enter into contractual relations with them (Ayrancı, 2010). The ultimate goal is to ensure uninterrupted access to electricity while maintaining market order.

5. The Impact of Privatization on Consumer Rights

5.1. The Transformation of the Consumer Role

Privatization, defined as the transfer of public services to the private sector, has generated direct and indirect implications for consumer rights across multiple sectors, particularly energy. While implemented with the objectives of increasing efficiency, encouraging competition, and strengthening public finances, privatization has produced both positive and negative outcomes for consumers.

One of the most significant changes following privatization has been the transformation of consumer experience with respect to service quality, pricing policies, and contractual arrangements (Akyüz & Akgül, 2020). The relationship shifted from a citizen-state interaction (administrative law) to a consumer-merchant interaction (private law), albeit one heavily regulated by administrative oversight. Although the shift to private sector control has expanded service options, the effectiveness of regulatory authorities remains crucial for safeguarding consumer rights.

5.2. Defining Consumer Rights in the Energy Sector

Consumer rights encompass fundamental elements such as service quality, fair pricing, uninterrupted supply, transparent information, and legal protection (Akyüz & Akgül, 2020). The protection of these rights requires independent regulatory mechanisms and the establishment of competitive market conditions. Legal frameworks and regulatory practices in the electricity sector should be designed to guarantee fairness and non-discrimination in consumer access to energy.

According to the **Law No. 6502 on the Protection of Consumers**, a consumer is defined as a natural or legal person who acquires goods or services for non-commercial or non-professional purposes. Within the energy market, consumers are categorized into:

- **Eligible Consumers:** Those whose annual consumption exceeds a defined threshold (set annually by EPDK) and who can freely choose their suppliers. This threshold has been progressively lowered over the years to expand market competition.
- **Non-Eligible Consumers:** Those who must obtain services from the designated supplier in their region at regulated tariffs (Arslan, 2021).

5.3. Legal Evolution of Consumer Protection

Efforts to strengthen consumer rights accelerated in the second half of the 20th century, particularly in response to the growing complexity of trade, diversification of goods, and innovative sales techniques. Many jurisdictions, led by the United States and European countries, adopted comprehensive consumer

protection laws, which were later incorporated into European Union legislation. With the Treaty of Lisbon, consumer rights became one of the Union's fundamental principles (Durgun, 2007).

In Türkiye, the first constitutional safeguard for consumer rights was introduced under **Article 172 of the 1982 Constitution**, which imposed upon the state a duty to protect consumers. It states: *"The State shall take measures to protect and inform consumers; shall encourage initiatives to protect themselves."* This constitutional mandate is the bedrock of all consumer legislation.

This development was followed by the enactment of Law No. 4077 on the Protection of Consumers in 1995, and subsequently the updated **Law No. 6502** in 2013. The law sought to protect consumers, who are structurally weaker than producers, by ensuring their rights, information, and safeguards. These measures contributed significantly to establishing a fair balance between producers and consumers (Ergün, 2023).

5.4. Specific Rights in the Energy Market

In the energy sector, both individuals and enterprises must enjoy secure, sustainable, and stable access to energy services. These rights are guaranteed not only constitutionally but also through regulations, directives, and decisions issued by the Energy Market Regulatory Authority (EPDK). Since the enactment of the Electricity Market Consumer Services Regulation in 2002, the EPDK has implemented a series of measures to strengthen consumer protection (Ergün, 2023).

Key rights of consumers in the energy sector include:

1. **Right to Access:** Non-discriminatory connection to the grid.
2. **Right to Uninterrupted Service:** Compensation for outages exceeding certain limits.
3. **Right to Quality:** Voltage and frequency must meet technical standards.
4. **Right to Transparent Information:** Bills must clearly separate energy costs, distribution fees, taxes, and funds.
5. **Right to Legal Remedies:** Access to complaint mechanisms and courts.
6. **Right to Terminate Contracts:** Freedom to switch suppliers (for eligible consumers).
7. **Protection Against Unfair Terms:** Contracts cannot contain abusive clauses.

While these reforms have generated improvements in some areas, they have also led to consumer grievances in others. Therefore, alongside market liberalization, the protection of consumer rights must remain a central priority of regulatory policy.

6. Administrative Remedy Mechanisms Protecting Consumers Against Unfair Practices in The Energy Sector

Consumers are generally considered the weaker party in contractual relationships involving the consumption of goods and services (Sirmen, 2013). This asymmetry necessitates the provision of special protective rights in favor of consumers. Accordingly, under Law No. 6502 on the Protection of Consumers, several regulatory frameworks have been introduced to safeguard consumer rights. Furthermore, detailed mechanisms have been established to address violations of these rights and to resolve disputes arising from consumer transactions. Consumer disputes, in this context, refer to conflicts between consumers and the natural or legal persons providing goods or services (Sayılır, 2024).

The protection of consumer rights is of particular significance in the energy sector, where the reliability, efficiency, and sustainability of market operations are vital. To this end, several legislative and institutional mechanisms have been developed.

6.1. Consumer Protection under the Electricity Market Law (EML)

The Energy Market Regulatory Authority (EPDK) is the principal institution responsible for regulating and supervising the electricity market in Türkiye. In line with its mandate, the Authority imposes obligations on suppliers and distribution companies to ensure the provision of safe, uninterrupted, high-quality, and cost-effective electricity services to consumers.

Within the framework of the Electricity Market Law, EPDK's core duties include:

- Establishing pricing principles and tariff methodologies.
- Ensuring tariff transparency.
- Setting targets for reducing technical and non-technical losses.
- Auditing the quality of service (monitoring outage durations and frequencies).

EPDK has also developed a comprehensive complaint mechanism to safeguard consumer rights in the energy sector. This mechanism enables citizens to submit complaints both in writing and via digital platforms (e.g., EPDK website, CİMER), thereby facilitating easier access to redress. The Law further incorporates provisions on promoting competition, enhancing consumer information, improving service quality, and taking emergency measures where necessary. Moreover, the requirement that contractual terms be fair and comprehensible is an important safeguard for consumer protection (Biçen, 2016). In conclusion, as illustrated in Table 1, EPDK plays a critical role in ensuring transparency, fairness, and security in the energy sector, thereby aligning market regulation with consumer satisfaction and the broader public interest.

Table 1: Duties of the Energy Market Regulatory Authority (EPDK) and Regulations on Consumer Rights

Heading	Description
Institution	The Energy Market Regulatory Authority (EPDK) is responsible for regulating and supervising the electricity market.
Core Duties	<ul style="list-style-type: none"> • Regulating market structure • Protecting consumer rights • Improving service quality • Ensuring supply security
Electricity Market Law (EML)	Grants rights to consumers, including uninterrupted service, access to quality energy, and fair pricing principles.
Pricing and Tariffs	EPDK enforces fair and transparent pricing principles through mechanisms such as price equalization and the national tariff.
Promotion of Competition	The Law supports market competition, aiming to provide consumers with better service quality and affordable prices.
Consumer Information	Initiatives are encouraged to raise awareness on energy efficiency and consumer rights.
Supervision and Obligations	Distribution companies' legal obligations are monitored by EPDK, with sanctions imposed in cases of non-compliance.
Emergency Management	Includes measures to protect consumers during natural disasters and system failures.
Contractual Terms	Electricity contracts must be clear, comprehensible, and fair.
Consumer Complaint Mechanism	Citizens may submit complaints to EPDK in writing or through digital platforms.
Overall Objective	To ensure consumer satisfaction and establish a sustainable energy market structure based on transparency and fairness.

6.2. Consumer Protection under the Natural Gas Market Law

The natural gas market in Türkiye is regulated under the provisions of the Natural Gas Market Law No. 4646. This law ensures consumers' access to natural gas services and guarantees the safe transmission of natural gas. The Natural Gas Distribution and Customer Services Regulation provides further guidance, securing consumer rights in areas such as service continuity, fair pricing, connection timelines, and quality standards. Similar to electricity, distribution is a local monopoly, and EPDK regulates tariffs and service standards.

6.3. Consumer Protection under Law No. 5627 on Energy Efficiency

Law No. 5627 on Energy Efficiency, enacted on April 18, 2007, was introduced with the objectives of ensuring the efficient use of energy resources, reducing waste, supporting the energy economy, and protecting the environment. Within this framework, consumer protection and accessible administrative

remedies are essential.

The law emphasizes raising consumer awareness on energy efficiency, relying on tools such as:

- **Product Labeling:** Mandating clear energy performance labels on appliances.
- **Energy Performance Certificates:** Required for buildings to inform buyers/renters of energy costs.
- **Awareness Campaigns:** State-led initiatives to educate on energy saving.

Products that fail to meet efficiency standards are prohibited from entering the market, and violations are subject to administrative sanctions. Administrative Remedies Available to Consumers: Consumers may submit complaints or requests regarding energy efficiency through the following mechanisms:

1. **Ministry of Energy and Natural Resources:** Responsible for implementing national energy efficiency policies.
2. **Directorate of Energy Efficiency and Environment:** Coordinates efficiency practices and evaluates consumer applications.
3. **Alo 184 Energy Hotline:** Provides direct communication for information and complaints regarding efficiency measures.
4. **CİMER (Presidency Communication Center):** Serves as a platform for submitting petitions and complaints to public institutions.
5. **Courts:** Consumers may initiate legal action to enforce their rights.

Key Considerations for Applications:

- Submissions should be in written form, with supporting documents attached.
- The subject matter must be clearly and precisely defined.
- Applicants are encouraged to review the Energy Efficiency Law and relevant regulations before filing.

Energy efficiency is of critical importance both for environmental sustainability and for economic development. Raising consumer awareness and ensuring the protection of their rights play a vital role in achieving efficiency goals. Accordingly, consumers should be informed of their legal rights and encouraged to use available administrative mechanisms effectively.

6.4. Consumer Protection under Consumer Arbitration Committees (THH)

Consumer Arbitration Committees (THH) are established under Article 66 of the Law No. 6502 on the Protection of Consumers, within the section entitled “Consumer Organizations.” These committees operate in coordination with municipalities at provincial and district levels.

Their primary objective is to provide a rapid, cost-free, and simple resolution mechanism for consumer disputes. They serve as a crucial filter, reducing the judicial burden on the courts.

- **Authority:** Decisions of the THH are binding for disputes up to a certain monetary limit (adjusted annually). For disputes below this threshold, applying to the THH is a mandatory prerequisite before filing a lawsuit in Consumer Court.
- **Process:** Consumers can apply with a simple petition and evidence (bills, contracts). The committee requests a defense from the company and issues a decision.
- **Enforceability:** Decisions are enforceable via Execution Offices (İcra Daireleri).

7. Judicial Remedy Mechanisms Protecting Consumers Against Unfair Practices in the Energy Sector

When administrative remedies are exhausted or insufficient, or when disputes involve amounts exceeding the jurisdiction of Arbitration Committees, the judicial system provides the ultimate safeguard.

7.1. Consumer Arbitration Committees (Judicial Aspect)

While administratively organized, THHs perform a quasi-judicial function. Consumer arbitration committees were first introduced into Turkish law through the now-repealed Law No. 4077 on the Protection of Consumers, enacted on March 8, 1995. Initially called “Consumer Problems Arbitration

Committees,” they played a significant role in shaping the draft of Law No. 6502.

The general preamble of the draft emphasized the need to align national regulations with developments in consumer protection and with European Union legislation (Aktürk & Umut, 2019). Following revisions, Law No. 6502 was adopted on November 7, 2013. Decisions of arbitration committees are binding and enforceable (Law No. 6502, Art. 70). Parties can appeal the committee's decision to the Consumer Court, but the court's decision on the appeal is final.

7.2. Consumer Courts

Consumer Courts are specialized first-instance courts responsible for disputes arising from consumer transactions and practices directed at consumers (Law No. 6502, Art. 73/1). These courts provide a judicial forum for addressing consumer grievances, including those related to energy services.

Determining jurisdiction requires first assessing whether the dispute falls under the scope of consumer law (i.e., the plaintiff is a consumer acting for non-commercial purposes), followed by establishing the monetary value of the claim, since disputes below a certain threshold fall within the exclusive competence of arbitration committees (Döner, 2017).

The law protects consumers against unfair pricing and grants them the right to file complaints regarding energy-related services. Common disputes in energy include challenges to:

- **Illicit Usage Penalties:** Claims that the consumer tampered with the meter.
- **Billing Errors:** Overcharging or misapplication of tariffs.
- **Damage Claims:** Damage to electronic appliances caused by voltage fluctuations (a common issue in privatization regions with aging infrastructure).

7.3. High Court Jurisprudence: The "Loss and Theft" Controversy

The role of the judiciary is best exemplified by the "Loss and Theft" (Kayıp-Kaçak) cost controversy. For years, distribution companies reflected the cost of stolen electricity (theft) and technical transmission losses onto the bills of honest, paying consumers under the item "loss/theft cost."

- **Judicial Intervention:** In a landmark decision, the **Court of Cassation (Yargıtay)** ruled that reflecting the cost of illicitly used electricity onto honest consumers was contrary to the principles of justice and the rule of law. The Court stated that the distribution company should bear the risk of theft and failure to prevent it, not the compliant consumer.
- **Legislative Response:** Following this ruling, thousands of consumers sued for refunds. However, the government, citing the financial sustainability of the sector, passed a legislative amendment explicitly legalizing the collection of these costs.
- **Constitutional Court:** The matter was taken to the **Constitutional Court**, which ultimately upheld the law, citing the public interest in maintaining the energy system's viability.

This saga highlights the complex interplay between judicial protection of individual rights and the legislative imperative of system stability in a privatized market.

8. Assessment of the Impact of Privatization on Consumer Rights

8.1. Positive Impacts

1. **Efficiency and Modernization:** Privatization often promotes competition in supply and incentivizes distribution companies to modernize grids to reduce technical losses. Smart metering and SCADA systems have improved in many regions.
2. **Service Quality:** Enhanced competition in the retail sector (for eligible consumers) may contribute to more consumer-oriented regulations and legal protections.
3. **Digitalization:** Private companies have invested in digital channels, making it easier to pay bills and track consumption.
4. **Consumer Empowerment:** Social media platforms now provide consumers with additional channels to voice complaints publicly, compelling companies to adopt more responsible practices (Ertlav & Aktel, 2015).

8.2. Negative Impacts

1. **Cost Escalation:** Where competition remains insufficient (in the natural monopoly of

distribution), privatization has led to higher energy costs as subsidies were removed and companies sought to maximize returns.

2. **Inequality:** Rising prices disproportionately affect low-income consumers, leading to "energy poverty."
3. **Regional Disparities:** Privatization may exacerbate social inequalities by limiting access for disadvantaged groups or regions where infrastructure investment is less profitable.
4. **Service Reliability Risks:** Private sector cost-cutting may reduce maintenance expenditures, creating risks such as service interruptions and compromised reliability.
5. **Weak Enforcement:** Weak regulatory enforcement further increases the risk of unfair practices by private companies (Ertlav & Aktel, 2015).

8.3. Conceptual Framework of the Process

The flowchart (Figure 1, described) illustrates the overall structure of the privatization process in the Turkish energy sector and its implications for consumer rights.

- **Start:** Privatization represents the starting point of the transformation.
- **Dimensions:** It branches into two main dimensions: market dynamics/company structures and the regulatory framework shaped by EPDK and national legislation.
- **Outcomes:**
 - *Positive:* Promotion of competition, improvements in service quality, consumer-oriented policies.
 - *Negative:* Rising prices, inequalities in access, challenges in service continuity.
- **Checks:** These outcomes are subject to institutional checks and balances through judicial oversight (Court of Cassation, Council of State, Constitutional Court) and administrative remedies (EPDK, THH).
- **Goal:** At the bottom lies the ultimate goal: **Consumer Protection and Energy Security**, entailing fair access, price stability, and reliable service.

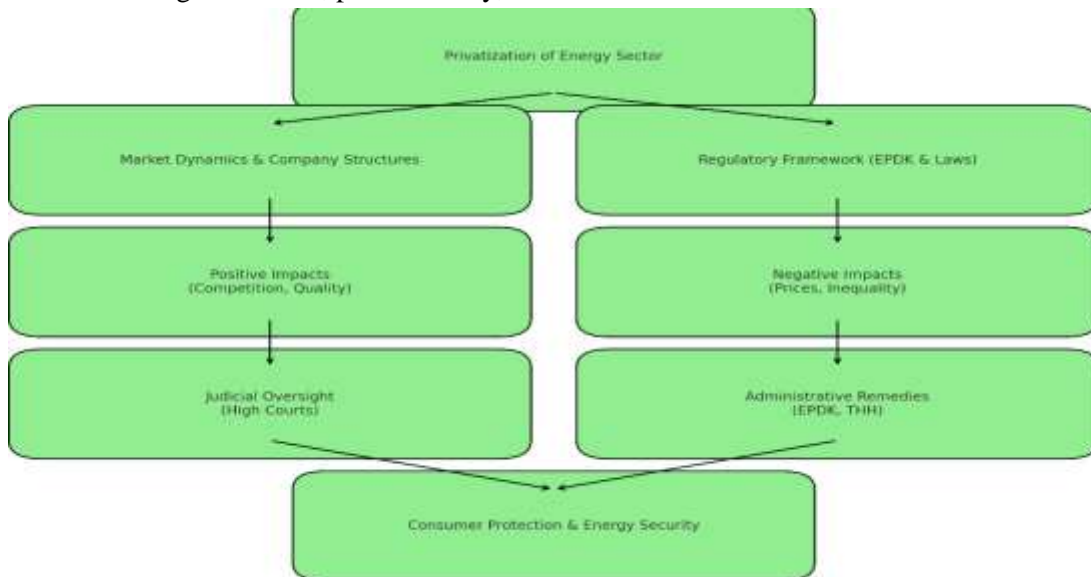


Figure 1. Framework of Privatization in the Energy Sector and Consumer Protection Mechanisms (Ertlav, 2015).

9. Conclusion

The findings of this study demonstrate that the privatization of energy distribution in Türkiye has produced complex outcomes for consumers, highlighting the necessity of a robust and transparent legal framework to safeguard consumer rights and ensure energy security.

Privatization, when effectively regulated, can create opportunities for increased competition, improved service quality, and more efficient allocation of resources. The transition has undoubtedly relieved the state of the burden of financing grid investments and has introduced modern management techniques to the sector. Nevertheless, insufficient oversight, profit-driven business models, and market imbalances may result in adverse consequences such as price fluctuations, unequal access to energy, and the erosion of consumer protection.

High court rulings, particularly those of the Court of Cassation, the Council of State, and the Constitutional Court, have consistently emphasized the importance of transparency, accountability, and equal treatment in the energy sector. Their jurisprudence underlines that consumers must be able to clearly monitor charges reflected in their bills and access reliable, uninterrupted, and affordable energy services. These judicial principles, when coupled with the regulatory authority of the Energy Market Regulatory Authority (EPDK), form a cornerstone for protecting consumers within a liberalized market structure.

In this context, strengthening independent oversight mechanisms, fostering competitive market conditions, and reinforcing transparency and accountability are indispensable. Sustainable outcomes in the energy sector require continuous improvements in regulatory capacity and effective enforcement of consumer protection measures. Specifically, the definition of "vulnerable consumers" needs to be expanded and supported through direct social assistance rather than cross-subsidies that distort market prices. Ultimately, while privatization may enhance efficiency and service quality, its success is contingent upon the integration of consumer-centered policies and the establishment of a resilient regulatory and judicial framework that secures fairness, accessibility, and reliability in energy services. The state must remain the guarantor of the "public service" nature of energy, even when the service is delivered by private hands.

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