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Reporting on energy regulation issues around the world

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Global Energy Regulation

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EUROPE

UK

Scheme Launched To Incentivise Households To Convert To Renewable Heating

The UK government launched a new scheme, the Renewable Heat Incentive (RHI), that offers homeowners quarterly payments to subsidise the cost of renewable heating. The measures that are eligible under the scheme (heat pumps, biomass boilers and solar panels) attract a payment in pence per kWh produced, reducing the difference in the cost to consumers between heating homes with conventional fuel and using more expensive renewable measures.

DECC, 09/04/14

Ofgem Fines British Gas £5.6 Million For Failures In Its Switching Process

Ofgem, the British energy regulator, fined British Gas £5.6 million for incorrectly blocking attempts by some of its business customers to change energy suppliers. Ofgem found that, between 2007 and 2012, British Gas Business incorrectly denied customers the opportunity to switch suppliers in around one in 20 cases. In addition, Ofgem found that British Gas failed to give notice when customers' tariffs were about to expire. British Gas' fines will be paid into an energy efficiency fund.

Ofgem, 10/04/14

DECC Announces Early Stage CfDs For Renewable Projects

The UK Department of Energy and Climate Change (DECC) announced that it will award “investment contracts” to eight renewable power projects. The contracts, which are the forerunners of a regime of Feed in Tariffs with Contracts for Difference (FiT CfDs), are the first to be offered under the UK government’s Electricity Market Reform programme. The successful developers of 3.2 GW of offshore wind capacity have been guaranteed a price of £155/MWh (in 2012 terms) at which to sell electricity for 15 years, while 0.3 GW of biomass with CHP and 1.1 GW of biomass conversion projects are guaranteed a price of £125/MWh and £105/MWh, respectively.

DECC, 23/04/14

Disappointed CfD Bidder Will Sue UK Government Over “Loss” Of Renewable Support

Drax, the owner of Britain’s largest coal-fired power plant, has announced its intention to start legal proceedings after it was not awarded an “investment contract” to support the biomass conversion of one of its coal units. Drax Unit 3 was shortlisted to receive a CfD contract in December 2013, but was deemed ineligible in the government’s final allocation on 23 April 2014. Drax’s CEO questioned the grounds on which the conversion project was excluded.

Reuters, 23/04/14; Daily Telegraph, 23/04/14

Austria

Austrian Tauern Gas Pipeline Will Not Be Built

The shareholders of the Tauern Gas Pipeline (TGL) GmbH have finally decided to close the project. The company states that challenging regulatory and industry conditions presented major challenges to finding a strong financial partner for the project. The pipeline was to connect Austria’s southern border with Italy to its northern border with Germany, and to connect other gas lines connected to the Baumgarten hub in the west. It was considered an important project for strengthening Austrian and European security of gas supply; even the European Commission had declared it as a priority piece of infrastructure or “project of common interest”.

Dow Jones Newswires, 04/04/14

Minister Of Economy And Energy Supports Construction Of South Stream Pipeline To Austria

Austria's Minister of Economy and Energy, Reinhold Mitterlehner, expressed his support for the signing on 29 April of a Memorandum of Understanding between OMV and Gazprom to build the South Stream Pipeline to Baumgarten in Austria. Mitterlehner commented that recent international developments show that long-term diversification not only of energy sources but also of transport routes is needed, and that the South Stream Pipeline will strengthen Austria's security of supply and its role as a European energy hub.

Ministry of Science, Research and Economy, 29/04/14

Belgium

Belgian Regulator Reaches Agreement With Interconnector Ltd

The Belgian energy regulator, the CREG, reached agreement with Interconnector (UK) Ltd on the procedure to be followed to develop a tariff methodology for transmission capacity on the interconnector between Zeebruge (Belgium) and Bacton (UK) that will be made available from October 2018 onwards. In the agreement, the CREG commits to cooperating closely with the British regulator Ofgem on the design of the applicable tariff structure. Discussion of a preliminary draft methodology is scheduled to be completed by the end of June 2014 and will be followed by a public consultation. The CREG expects to send Interconnector (UK) Ltd and Ofgem the tariff methodology by the end of the year, although deadlines may be renegotiated.

CREG *website, 04/04/14*

Belgian Regulator Issues Positive Evaluation Of Safety Net Mechanism

The Belgian energy regulator, the CREG, has evaluated the safety net mechanism (méchanisme du filet de sécurité), which was introduced progressively from April 2012, following the federal government's intention to reduce Belgian electricity and gas tariffs to levels in line with those observed in neighbouring countries. With the introduction of the safety net mechanism, the CREG assumed new responsibilities, including the monitoring of price indexation and comparing Belgian energy tariffs with those in neighbouring countries. The regulator's recently published evaluation of this mechanism examined primarily the repercussions on market structure and price developments, finding no evidence that the safety net mechanism would adversely affect market functioning. Rather, the regulator observed a significant

increase in competition on Belgian energy markets and a reduction in energy prices, with an average decrease of 24% in household electricity prices and 15% in gas prices in 2013. In addition, price movements have become more correlated with neighbouring countries' electricity prices. The CREG observes, however, that Belgian electricity prices remain approximately €1/MWh above average prices in neighbouring countries, and concludes that the recent evolution towards increasing competition deserves further support.
CREG *website, 09/04/14*

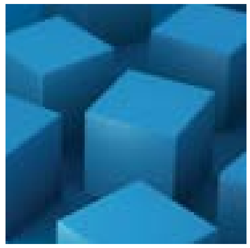
European Union

European Commission Adopts Environmental And Energy State Aid Guidelines For 2014-2020

The European Commission has approved new guidelines on State aid for projects in environmental protection and energy for the period from July 2014 to December 2020. These new guidelines replace the ones that entered into force in 2008 and extend the scope of application to the energy field. Key features in these new guidelines include: (1) a gradual introduction of market-based mechanisms for renewable energy support, with a progressive replacement of feed-in tariffs by competitive bidding processes, (2) reductions in the charges to support renewables for a limited number of energy-intensive sectors, (3) criteria for approving aid for energy infrastructure projects having a cross-border impact or promoting infrastructure in Europe's less developed regions, and (4) the introduction of capacity mechanisms to ensure sufficiency in generation capacity.
EU Press Release, 09/04/14

European Commission And Germany Reach Agreement Over Exemption From Renewable Surcharge For Energy-Intensive Companies

The European Commission has agreed to allow Germany to grant tax exemptions to certain energy-intensive companies. The German government had been applying reduced rates of the renewable energy tax to a wide range of energy-intensive users, which the Commission had considered as a possible case of illegal State aid. In its decision, the Commission reduced the number of beneficiaries of this tax break from 2,000 to 1,600.
Xinhua, 10/04/14; Tax-News.com, 14/04/14



France

French Court's Decision On Retroactive Tariff Increase Followed By Political Intervention

On 11 April, the French State Council (Conseil d'Etat) ruled that baseline regulated electricity tariffs applied to more than 28 million households were not valid and asked the government to issue a new order on tariff levels. To support French households' standard of living, the government had limited the increase in electricity prices to 2% in 2012. The French energy regulator, the Commission de Régulation de l'Énergie (CRE), estimated the tariff increase necessary to allow EDF cost recovery would be at least 5.7%. Between 2002 and 2012, regulated electricity tariffs in France have fallen in real terms by 8%. The French minister in charge of the environment, sustainable development and energy, Ségolène Royal, reacted to the ruling by announcing a reform of the methodology used to calculate tariffs. The minister insisted that the legal framework must be changed so that it does not prevent the government from pursuing its policies. The tariff-setting methodology would be reviewed in the near future, in light of the energy transition law, to protect consumers from energy price increases, claims the minister. Consumer protection agencies are less critical of the court's decision, but emphasize the need for better auditing of EDF's costs. While the government seeks to limit tariff increases, the CRE has repeatedly indicated that it expects electricity prices to increase by about 30% between 2012 and 2017.

lemonde.fr, 11/04/14; La Correspondance Economique, 14/04/14

French Regulator Provides Assessment Of Cost And Returns Of Renewable Energy Investments

A recent study published by the French energy regulator, the Commission de Régulation de l'Énergie (CRE), assesses the costs and returns associated with investments in renewable energy generation, with a particular focus on the adequacy of public support mechanisms. The CRE sought to ensure that (1) public support did not lead to excessive profit margins and that (2) public purchasing obligations were adequate, both in amount and structure.

The CRE examined onshore wind power, solar power, biomass and cogeneration on the basis of verified cost and profit data from 80 generation sites.

The regulator found onshore wind power to be a relatively mature industry conducive to competitive market conditions. The study points out that a lack of differentiation in the current tariff systems lets the best wind farms earn profits significantly above their weighted average cost of capital (WACC) and proposes more extensive use of public tendering as a potential solution. The default amortization period for wind turbines should be extended from 15 to 20 years to match their actual useful life more closely. As for solar power, the CRE noted that production costs have decreased significantly and that the widespread use of tendering mechanisms has driven down rates of return to levels close to the WACC.

CRE website, 17/04/14; Journal de l'Environnement, 17/04/14

Germany

BNetzA Publishes Methodology And Criteria To Evaluate Investments Projects Of Common Interest And Associated Risks

The EU regulation No. 347/2013 on guidelines for trans-European energy infrastructure provides that Member States and national regulatory authorities (NRA) shall grant appropriate incentives, where a project promoter incurs higher risks for the development, construction, operation and maintenance of a project of common interest (PCI), compared to the risks normally incurred by a comparable project. The BNetzA has now published its methodology and criteria for evaluating investments in gas and electricity infrastructure and the potentially higher risks they incur. Among other conditions, the BNetzA states that the evaluation must take into account existing regulations that mitigate risk, and the risk already recognised in the BNetzA's determination of the cost of equity for the second regulatory period. In general, the risk has to be higher than for comparable infrastructure projects and regulatory intervention has to be justified by an overall positive net impact, given the type of risk and the probability of it occurring.

BNetzA website, 31/03/14

BNetzA Consults On Draft Gas Network Development Plan 2014

The BNetzA launched a consultation on the draft 2014 gas network development plan (NEP 2014) prepared by the 17 gas transmission system operators. The NEP 2014 contains more than 50 projects to expand the German gas infrastructure over the next 10 years, and envisages the construction of 760km of pipelines and 358 MW of compressors. The planned investments amount to €1,800 million by 2019 and total of around €3,100 million by 2024. One focus of the NEP 2014 is the gradual conversion of L-gas areas to H-gas. This change will be required as L-gas production declines in Germany and L-gas imports from the Netherlands fall after 2020. Further expansion measures are required due to increased demand for H-gas and an increased requirement for gas storage capacity. Major upgrades are planned in the southeast and

northwest of Germany. The consultation is open until 6 June 2014. The TSOs will then incorporate any required amendments and modifications into the final NEP.
FNB Gas website 01/04/14; BMWi website 02/04/14

Government Approves Draft Law Of The Amended Renewable Energy Act (EEG)

The German cabinet approved the draft law amending the Renewable Energy Act (EEG) and published the final version of the proposals ("EEG 2014") on 8 April. They are due to become law in August 2014. In recent years, renewable subsidies paid under the EEG have risen significantly, but network expansion lagged behind the construction of new renewable generation and uncertainty surrounding the supply of energy increased. To correct this trend, the EEG 2014 will establish binding "target corridors" for the expansion of renewable energy sources, to make the "Energy Transition" more predictable for all parties involved, to trim the EEG subsidies, and to integrate renewable technologies more closely into the market. The EEG 2014 will introduce new targets and caps for the support of renewable power plants and will make it compulsory for new plants to market their renewable energy directly. In addition, the government is considering the introduction of competitive auctions to set the level of support for renewables projects after 2017, with details yet to be published.
The proposed EEG 2014 will be in line with the new guidelines on state aid in energy and environment which the European Commission (EC) published on 9 April. A key area of dispute between Germany and the EC had been exemptions from the renewables levy for energy-intensive industry.
The new guidelines allow the granting of exemptions to continue under certain conditions, although the outcome of the EC's formal investigation into state aid is still pending.
BMWi website 08/04/14

Second Monitoring Report "Energy Of The Future" By The Federal Ministry For Economic Affairs And Energy

The Federal government published on 8 April the second monitoring report of the Ministry for Economic Affairs and Energy, entitled "Energy of the Future". Using 65 indicators, it sets out the progress and remaining challenges in implementing the German Energy Transition, commonly known as the "Energiewende". The monitoring process is overseen by an independent expert commission which published its comments alongside the report on 8 April. The expert commission finds that the government's goal of increasing the share of renewable energy sources in total energy consumption to 18 per

cent by 2020 is attainable. It underlines the importance of energy efficiency for the "Energiewende" and believes that further action is needed in this area. The public is invited to comment on the second monitoring report and its accompanying documents.
BMWi website 08/04/14; BNetzA website 08/04/14

Amended Energy Saving Ordinance As Of 1 May 2014

An amended Energy Saving Ordinance came into force on 1 May 2014, bringing a number of important changes especially with regard to the energy performance certificate for buildings. The energy efficiency standards for new buildings will increase significantly – by 25% on average – from 1 January 2016. The government considers this a necessary step towards zero-energy buildings, which will be the obligatory standard from 2021 as per EU law. The new ordinance aims at improving transparency in the housing market and states that new energy performance certificates for residential buildings must include an energy efficiency rating (with efficiency classes from A+ to H). The ordinance requires that the energy performance certificate must be presented to any potential buyer or tenant no later than during a viewing for a sales or rental. Furthermore, inefficient boilers must be decommissioned after 30 years of operation.
BMWi website 29/04/14

Greece

The Greek State To Auction off Majority Stake In TSO By End of Year

As part of the Greek electricity market reform, Public Power Corporation (PPC), the state-owned incumbent, launched a process to auction off a 66% majority stake in the transmission system operator ADMIE, at present a wholly owned subsidiary of PPC. Investors can submit bids by 9 May. The tender is expected to be concluded by the end of the year. Despite protests in January, the Greek parliament approved the sale in March of this year. The sale implements the European Union's Third Energy Package, which requires that member states "unbundle", or separate the ownership of, transmission networks from the ownership of assets in generation, production and supply.
European Daily Electricity Markets (EURODE), 30/04/14

Italy

Natural Gas Regulated Tariffs: Setting Of Tariff Components Covering Costs Related To Wholesale Activities (CCR) And Raw Material Supply Costs (CMEM)

The Italian energy regulator – Autorità per l'Energia Elettrica e il Gas e il Settore Idrico (Aeegsi) – approved Delibera (Decision) 162/2014/R/gas, which sets the values of the CCR component of the standard regulated tariffs for thermal year 2014-2015. The Delibera provides that the CCR component – which covers costs related to wholesale activities for natural gas supply, including the related risks – gradually decreases over the four quarters of thermal year 2014-2015. The regulator also changed the data provider for the OTC quotations used to determine the CMEM component, which covers raw material supply costs. The new data provider will be ICIS-Heren rather than Platts. The decision follows stakeholders' comments gathered during a consultation in January 2014 on the different components of the regulated tariffs for natural gas.
Aeegsi website, 03/04/14

Natural Gas Distribution Concession Tenders: Information And Document Assessment

The Italian energy regulator – Autorità per l'Energia Elettrica e il Gas e il Settore Idrico (Aeegsi) – approved Delibera (Decision) 155/2014/R/gas, which sets rules and procedures for assessing the information and documents that the commissioning bodies are required to submit to the regulator when issuing tenders for natural gas distribution concessions. The Delibera provides that the commissioning bodies shall transmit all information and documents to the regulator 60 days before the publication of a tender. In order to promote transparency and efficiency, the regulator will prepare a dedicated "dashboard" on which information on the current status of the assessment will be reported. The dedicated dashboard will include at least information on (i) date of receipt of the relevant information; (ii) expected date of closure of the assessment; and (iii) requests for additional information to the commissioning bodies.
Aeegsi website, 03/04/14

Consultation Document On Tariff Regulation For Gas Storage For The Fourth Regulatory Period

The Italian energy regulator – Autorità per l'Energia Elettrica e il Gas e il Settore Idrico (Aeegsi) – published a consultation document (189/2014/R/gas) containing its proposed methodology for setting allowed revenues for gas storage in the fourth regulatory period. The consultation falls within a broader set of provisions aimed at defining tariff and quality regulation for gas storage in Italy as from 1 January 2015. The consultation document covers in detail all aspects of the methodology for setting allowed revenues, including (i) regulatory period and scope of application; (ii) determination of the Regulatory Asset Base; (iii) determination of the Weighted Average Cost of Capital; and (iv) criteria for the annual update of tariff parameters.

Aeegsi website, 24/04/14

Netherlands

Decision On Value Of Domestic Consumers' Energy Meters 2014

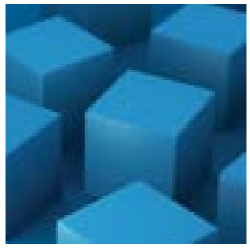
The Consumer & Market Authority (ACM) has determined a value for the energy meters of small consumers. ACM set out this value in a decision on 9 April 2014, which states the total current value of the energy meters for small consumers owned by regional networks. ACM needs to put a value on energy meters to determine the margins that network operators earn for installing, operating and maintaining energy meters for small consumers. Domestic consumers' energy bills include a fixed annual amount for the operation and maintenance of their energy meters. For each regional network, ACM has shown the margins within electricity meter tariffs each year since 2011 and within gas meter tariffs each year since 2012, in so-called "margin decisions".

ACM website, 11/04/14

Calculating The Margin For The Regional Network Operators' Metering Tariffs For 2011 And 2012

The Consumer & Market Authority (ACM) set out the calculations behind the energy meter "margin decisions" for 2011 and 2012. The margin decisions show the margin that regional operators earned for installing, operating and maintaining energy meters for small consumers. The appendix on calculating a margin for meter tariffs is attached to decisions on margins for the metering tariffs of each regional network in 2011 and 2012. ACM took these margin decisions on 9 April 2014 and has published them separately.

ACM website, 11/04/14



Decision On Essent's Fine For Ignoring "Call-Me-Not" Register

The Consumer & Market Authority (ACM) fined energy company Essent for violating the rules on telemarketing. Essent Retail Energie BV called large numbers of consumers to make them a commercial offer but failed to omit consumers listed in the "Call-Ne-Not" register ("Bel-Me-Niet"). ACM imposed fines on Essent totalling €47,500.

ACM Website, 17/04/14

Portugal

Government Sets Fund To Manage Energy Sector Extraordinary Contribution

The Portuguese government approved a decree setting a Fund for the Systemic Sustainability of the Energy Sector. The aim of this Fund is to manage revenues obtained from the energy-related "extraordinary contribution", a tax on energy assets of certain operators in the energy sector from which the government expects to collect €153 million (US$ 212 million) in 2014. The government plans to use these revenues to reduce the tariff deficit and to finance social and environmental policies in the energy sector. The tax was initially to be applied in 2014 only, but the Ministry of Finance has announced it intends to extend it to 2015.

Agencia Lusa, 09/04/14; Jornal de Negocios, 15/04/14

Spain

Government Denies Request To Shut Down A CCGT Plant

The Spanish Ministry of Industry has rejected Iberdrola's application to shut down and partly dismantle its combined cycle gas turbine generator at Arcos de la Frontera. The utility had requested permission to close the plant on the grounds that it is not financially sustainable at current gas prices in the light of falling electricity demand and massive penetration from renewables. In a recent interview, the Minister of Industry had stated that Spain currently has generation capacity well in excess of demand, yet the refusal was based on arguments from the system operator, Red Eléctrica de España (REE). According to REE, closing this plant would create power supply problems as another plant in the same area is scheduled to shut down for environmental reasons.

El Mundo, 28/04/14; Diario de Sevilla, 29/04/14

Switzerland

Swiss Council Of States Against Complete Electricity Market Liberalisation

The UREK, the Commission for Environment, Regional Planning and Energy of the Council of States, has taken a stand against a proposal to allow all providers and consumers free and equal access to the domestic electricity market, with transmission through a national grid operated by a single network operator. The UREK unanimously rejected the idea of a centralised transmission network, arguing that decentralised network operators would be more successful in balancing varying production levels.

parlament.ch, 08/04/14; AWP Swiss News, 08/04/14

Turkey

Turkey Begins Auctioning Of Expected 4GW Of Thermal Generation Capacity

The Turkish Privatization Administration (OIB) launched a competitive tender this month for 2 GW of thermal capacity currently owned by EUAS in the south-western and northern regions of the country. The first tender this month for the 630MW Kemerkoy and 420MW Yenikoy coal-fired power stations attracted six bidders. The auctions are part of Turkey's programme to privatise 16.5 GW of the generation capacity currently owned by EUAS, including 27 hydro and 18 thermal power plants.

European Daily Electricity Markets (EURODE), 16/04/14

NORTH AMERICAN NEWS

US

The Maryland State Commission Investigates Allegations Of Misleading Pricing Practices

In response to numerous customer complaints in the first quarter of 2014, the Maryland Public Service Commission (PSC) has ordered five competitive retail suppliers to respond to questions about their retail pricing programmes. The complaints were filed in response to large increases in monthly bills, some as high as $1,200, due to price spikes in wholesale markets during the extreme temperatures this past winter. The majority of complaints were allegations that retailers provided misleading information about price ranges under variable rate contracts, and did not provide enough information for consumers to make informed choices between electricity and natural gas services. The five firms will have to prove that they did not violate any laws in their customer

marketing, advertising or trade practices. Penalties may include suspension of license, civil penalties and/or refunds or credits to customers.
Maryland PSC Website, 01/04/14; Restructuring Today, 03/04/14

New England ISO Files Sloped Demand Curve For Capacity Market

The New England Independent System Operator (ISO-NE) has submitted a proposal before FERC to implement a downward-sloping demand curve for their Forward Capacity Market (FCM) in time for its ninth capacity auction, which is scheduled for February 2015. The curve, supported by all six New England states as well as the New England Power Pool, is intended to reduce the volatility of capacity prices by allowing prices to decline gradually as capacity offered into the market nears the required level. Currently, there is an implicit vertical demand curve that results in very high capacity prices when supply falls short of requirements and can trigger an administratively set (and much lower) floor price when supply exceeds the requirement. The new downward-sloping demand curve will use the Cost Of New Entry (CONE), determined by a combined-cycle unit, as a key parameter. Additionally, ISO-NE's filing establishes a seven-year period for generation resources to lock in a capacity price, as opposed to the existing five years.
SNL Financial, 02/04/14; Restructuring Today, 03/04/14

CENTRAL & SOUTH AMERICAN NEWS

Brazil

Brazilian Energy Regulator Approves Regulation on Pre-paid Electricity Bills

The Brazilian regulator, ANEEL, approved rules for a new system of pre-paid electricity bills expected to be available to small consumers by 2015. Consumers who opt for this system will have to purchase energy credits in advance, for a minimum of 5 kWh. According to the regulator, such consumers will be better able to manage their electricity consumption and to control their electricity bills.
ANEEL, 01/04/14; Globo, 01/04/14

Brazilian Government Announces A-5 Energy Auction

The Brazilian Ministry of Mines and Energy announced that the next A-5 Energy Auction is to be held on 12 September 2014. In this tender, the government will auction 30-year power supply contracts for hydropower projects, 25-year contracts for coal, natural gas and biomass projects, and 20-year contracts for wind farms and solar projects of at least 5 MW. Delivery of the contracted generation will start in January 2019. Companies willing to participate, must register their projects with state-owned firm Empresa de Pesquisa Energetica (EPE) by 16 May.

Ministry of Mines and Energy, 16/04/14; SeeNews, 17/04/14

Government Approves Rules On Shale Gas Extraction

The Brazilian National Petroleum Agency approved a resolution establishing a framework for the extraction of shale gas using hydraulic fracturing (fracking). Companies planning to use this technique will be required to meet specific requirements and restrictions, such as a prohibition on extracting gas less than 200 meters from water wells used for irrigation or for consumption, as well as the obligation to seal wells with concrete to prevent natural gas from seeping out.

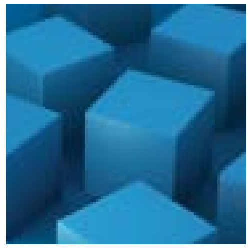
ANP, 16/04/14; EFE, 23/04/14

Bolivia, Colombia, Ecuador, Peru and Chile

Bolivia, Colombia, Ecuador, Peru and Chile Move Towards Regional Electrical Integration

In the context of the Meeting on Electrical Integration, the energy sector ministers and senior officials from Bolivia, Colombia, Ecuador, Peru and Chile agreed to speed up the regional electrical integration process initiated in 2011, and announced a road map for the electricity interconnection to be completed by 2020. The interconnection will start with bilateral interconnection agreements, with full regional interconnection among these countries following later.

Europa Press, 28/04/14; El Comercio, 28/04/14



ASIA PACIFIC NEWS

Australia

Final Determination Made On STTM Settlement Surplus And Shortfall

The Australian Energy Market Commission (AEMC) released its final determination on the request to change the rules on allocating settlement surpluses and shortfalls in the short term trading market (STTM). The amended rule adopts the principle of allocating STTM settlement surpluses and shortfalls to trading participants based on circumstances that are either within or not within their reasonable control.

AEMC website, 03/04/14

Final Report Published On Framework For Open Access And Communication Standards

The Australian Energy Market Commission (AEMC) has recommended open access and new communication standards for smart meters, to help establish a competitive market for innovative electricity services. The AEMC has recommended the creation of a shared market protocol to provide a common language for communicating with smart meters. The protocol would promote competition by: reducing software development costs; reducing unnecessary meter replacement; and removing barriers to switching retailers. The AEMC found that additional regulation is not required at this stage, but that a competition review of the energy services market should be conducted in three years' time.

AEMC website, 10/04/14

AEMC Recommends New Rules To Make Switching Retailers Easier For Customers

The Australian Energy Market Commission (AEMC) submitted its recommendations to the Standing Council on Energy and Resources (SCER) on electricity customer switching arrangements in the National Electricity Market. The report proposes improvements to the switching process, including allowing customers to transfer between retailers on the basis of estimated meter reads; developing standards for data used in the process; requiring the Australian Energy Regulator to increase its reporting on the timing and accuracy of transfers; requiring retailers to restore the original arrangements quickly when customers are incorrectly transferred; and introducing a periodic review of the effective operation of the customer transfer process by the Australian Energy Market Operator.

AEMC website, 10/04/14

AEMC Publishes Final Determination On Connecting Embedded Generators

The Australian Energy Market Commission (AEMC) published the final rule and associated rule determination on the connection of embedded generators to distribution networks. The new rule reduces the barriers to connection, and establishes clear and transparent connection processes with defined timeframes and report requirements.
AEMC website, 17/04/14

Honk Kong

Issue On Hong Kong Reliability As Required By Local Target

The mainland grid from which Hong Kong proposes to buy electricity has made significant progress in improving its reliability, but still falls short of the stringent standards set for local power firms, research by the South China Morning Post shows. In 2012, Shenzhen, the best-performing city in the grid, had an average of 1.12 hours of "system interruption" per consumer planned and unplanned – which represented a 77% improvement on the five hours of 2008. Guangzhou has also cut disruptions by 74%, with just 1.79 hours of unavailable service per consumer in 2012. Translating these interruptions into the internationally used Average Service Availability Index (ASAI), the percentage of time during the year that the average customer has power, Shenzhen's reliability reached 99.98% and Guangzhou's 99.97%. These results both lie above the national standard of 99%, but they still fell short of the minimum standard Hong Kong sets for its power firms of 99.99%. Under Hong Kong law, utilities performing below that level will be penalised. However, Macau, which imports about 90% of its power from the China South Grid, reported an ASAI of 99.9999% in 2012.
WorldNews, 27/04/14; South China Morning Post, 28/04/14

Philippines

Meralco Dealt Blow As Philippine Court Freezes Rate Hike Move

The Supreme Court extended indefinitely a freeze order on the petition by Manila Electric Co (Meralco), the Philippines' biggest power utility, for a rate hike of nearly 75%, or 4.15 pesos (US$0.09) per kilowatt-hour. The court issued a temporary restraining order on 23 December, but had already extended it for 60 days on 18 February. Meralco had asked for the tariff hike in compensation for higher prices in the electricity spot market, from where it was forced to buy electricity in the latter part of 2013 due to the temporary closure of several power plants that had been providing it with a steady supply.
Reuters, 22/04/14; The Philippine Star, 23/04/14

Singapore

Pilot Projects Using Water Sites To Generate Solar Power Launched

Singapore's national water agency, the Public Utilities Board (PUB), announced that it had kick-started two pilot projects to harness solar power by building rooftop solar panels at Choa Chu Kang Waterworks and by installing floating solar systems on Tengeh Reservoir. The S$2.3 million pilot at Choa Chu Kang Waterworks will produce energy from solar power to provide up to 50% of the facility's peak daytime electricity supply for water treatment equipment, lighting and air conditioning. Together, the projects will generate energy equivalent to the average annual energy consumption of about 1,000 Housing and Development Board households.

Channel NewsAsia, 02/05/14; TODAY (Singapore), 03/05/14

MIDDLE EAST NEWS

Iran

Iran Cuts State Fuel Subsidies

On 24 April, the Iranian government announced cuts to fuel subsidies, resulting in price increases of up to 75%. The new prices are US$0.39 per litre, up from US$0.27, with a ration of 60 litres per person per month at the semi-subsidised price of US$0.28 per litre, up from US$0.16. The increases are part of the second phase of government plans to reduce expenditure on utilities subsidies. Earlier this year, prices for electricity and water rose by 24% and 20%, respectively, as part of the same program.

Deccan Chronicle, 25/04/14; BBC News, 25/04/14

About Our Practice

NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

NERA helps our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions and providing strategy and valuation advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

About NERA

NERA Economic Consulting (**www.nera.com**) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 20 offices across North America, Europe, and Asia Pacific.

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NERA produces two newsletters that report and analyse energy matters around the world. *Energy Regulation Insights* summarise NERA's views on the economics behind topical developments in energy sector regulation. Previous issues have discussed regulators' use of "benchmarking", unbundling of networks, regulation of pipelines for CO_2 and other gases, and competition policy in electricity markets. The *Global Energy Regulation* Newsletter compiles brief summaries of news stories about energy regulation around the world. The coverage includes network regulation, industry restructuring, and the organisation of electricity and gas markets. The "GERN" allows energy sector professionals to easily keep in touch with looming problems, the latest developments in regulatory methods, and innovative solutions. To view the latest editions or to receive our newsletters each time they are published, click here: **www.nera.com/newsletters.asp**.

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