

At A Glance

German Infrastructure

Overview

The energy and infrastructure sectors are undergoing a period of dramatic change. Industry participants grapple with contradictory trends: regulation and deregulation, consolidation and asset spinoff, growing demand and constraints on supply. For more than half a century, NERA experts have helped clients around the globe successfully navigate their most critical regulatory, litigation, and business challenges. Our presence in Germany includes offices in Berlin and Frankfurt, which form part of our European Energy Network comprising more than 40 economists with deep knowledge of the German and European infrastructure landscape.

NERA's energy and infrastructure experts have comprehensive knowledge of the economics of gas and electricity markets, industry structures, and the methods of regulation used by government and regulators. We have extensive practical experience working in and with the gas and electricity industries themselves, key regulatory agencies, and government departments. We leverage our expertise by taking into account the specific knowledge and innovation our NERA colleagues bring to other network industries, including communications, transportation, and water.

Key Areas of Expertise

Regulation

NERA has deep expertise in regulatory economics and vast experience in German and European energy, telecommunications, and transport regulation. Having helped to shape many of the European regulatory regimes, we have a comprehensive understanding of network regulation applied across Europe including incentive mechanisms, cost analysis, and benchmarking. We help our clients understand regulation, assess the risks and implications of new regulatory developments, and advocate good regulation. When needed, NERA supports our clients with expert testimony before regulatory authorities, competition authorities, or domestic and international courts.

In Germany, we have recently advised a number of power, gas, and telecommunications network operators as well as DB Netz (the rail network) on different aspects of price/

revenue regulation, including cost definition, tariff design, and cost benchmarking. For BDEW and VKU, our experts established a best-practice methodology for the calculation of water tariffs including capital cost and the appropriate rate of return. We have assisted network companies, their investors, and the BDEW during consultations with the German regulator BNetzA, and also in appeals before the Higher District Court Düsseldorf.

Litigation & Commercial Arbitration

Our team is composed of experts covering all areas of energy, telecommunications, and transport economics. As such, we offer gold standard economic support to lawyers and companies in litigation and arbitration cases. Many of our experts have significant experience with testifying in court.



NERA helps our clients understand the economic questions in a case, assess the risks of the case, develop a strategy as claimants or defendants, anticipate and appraise the arguments offered by opposing parties. We provide expert witness statements and appear as witnesses where needed, setting out our analysis in a way that is comprehensible to non-specialists but stands up to expert scrutiny.

We have supported clients in arbitrations over long-term gas import contracts and contract breaches, and in litigations over pricing formulae in downstream gas supply contracts. NERA also supported Ontras, Thyssengas, Gasunie, and a number of Stadtwerke in appeals against the regulator's cost of equity decision, and prepared an expert report on the appropriate risk-reflective cost of equity for German energy network operators. NERA further supported TransnetBW in an appeal against the regulator's determination of allowed investment budgets.

Valuation and Transaction Support

We have deep understanding of and expertise in the economic and regulatory issues surrounding major transactions in the infrastructure industries, including mergers and acquisitions and divestments. The support we provide includes regulatory due diligence, asset valuations, market and financial modelling, risk assessments, and lender information as part of approval procedures.

Our experience includes:

- Providing regulatory due diligence in relation to German gas and power networks including Open Grid Europe, Creos, 50Hertz, BEB, and EMGTG.
- Providing market and regulatory due diligence and valuation for a portfolio of new CCGT-CHP plants in Germany.
- Providing regulatory and commercial advice on offshore transmission investments and the sustainability of the renewables support system.
- Providing regulatory advice on a German airport transaction.
- Valuing gas storage assets and "swing" in long-term gas contracts, and providing long-term portfolio optimisation and risk management within the German gas market.

Market Design and Public Policy

We have been present from the outset of European utilities' deregulation, beginning with Great Britain, and have helped influence market design all across Europe.

NERA works with companies and public bodies to develop access rules and tariffs for regulated networks for electricity, gas, water, telecommunications, and railways, and to design competitive markets. We help companies develop strategies for exploring new opportunities and respond to new regulatory challenges.

In public policy, we have advised a German State Ministry on the European Energy Exchange and the OTC markets with a view to identifying any significant deficiencies in the transparency of the German electricity market. We have also advised KfW on the potential for white certificates as a market-based tool for encouraging energy efficiency.

Publications

NERA's experts publish their thought leadership regularly in trade and academic journals, as well as on NERA's website. We produce three newsletters on the infrastructure sector:

GERN

The *Global Energy Regulation Newsletter* aggregates energy regulation news from around the world.

ERI and EMI

Energy Regulation Insights and *Energy Market Insights* give NERA's insight on the economics behind topical developments in the energy (and other infrastructure) sectors.

View our most recent publications at www.nera.com/publications, and subscribe to our newsletters at www.nera.com/newsletters.

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 25 offices across North America, Europe, and Asia Pacific.

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