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EUROPEAN NEWS

European Union

ENTSO-G Publishes Its 10-Year Network Development Plan 2017

The European Network of Transmission System Operators for Gas (ENTSO-G) published its Ten-Year Network Development Plan (TYNDP) for 2017. The document looks at the next twenty years, and shows a highly resilient European gas infrastructure, which is well equipped to support Europe in achieving its energy and climate ambitions. The TYNDP 2017 analyses projects in specific areas where further investment is needed and notes that most of them are already at an advanced stage of development. The document estimates the investment costs required to complete the integration of the European gas infrastructure to be less than €20,000 million (US$ 21,100 million). The document is open for public consultation until 3 February 2017.

ENTSO-G, 20/12/16

ENTSO-E Publishes Its 10-Year Network Development Plan 2016

Following a public consultation earlier in 2016, the European Network of Transmission System Operators for Electricity (ENTSO-E) released its Ten-Year Network Development Plan for 2016. This document estimates that, to achieve Europe's climate objectives by 2030, the network will require investment of around €150,000 million (US$ 159,000 million), in around 200 grid extension projects. According to ENTSO-E, despite the expansion of local generation, demand response, storage, and energy efficiency, these grid extensions are needed to transmit large quantities of renewable output to the main consumption centres.

ENTSO-E, 20/12/16

CEER Issues A Report On The Independence Of Energy Regulators

The Council of European Energy Regulators (CEER) has published a report examining the powers and resources of Europe's energy national regulatory authorities (NRAs), as well as their independence, accountability, and transparency. In the report, "Safeguarding the Independence of Regulators", CEER finds that EU energy legislation on the independence of energy regulators has not been fully implemented. In some countries, NRAs: (1) are not independent of both industry and government; (2) can be given instructions by the government on regulatory decisions; (3) require governmental approval of their budget or are subject to government interference in the use of their budget. The CEER report includes recommendations on how to safeguard the independence of regulators.

CEER, 19/12/16

EC Approves German Network Reserve And Renewable Energy Auction Schemes

The European Commission (EC) approved German plans to set up, over a four-year period, a capacity mechanism intended to ensure sufficient electricity capacity in Southern Germany. Under the Network Reserve scheme, German power plants that notify their intention to cease operations, but that are required to keep the electricity system in balance, are granted a cost-based revenue for remaining available to the network. Foreign power plants located in Austria and Italy, for example, are eligible to participate in the scheme. The EC also approved amendments to the German renewable energy law, aimed at generalising the use of auctions for selecting the renewable electricity producers eligible for aid. Previously, auctions were used only in the pilot phase for solar ground installations, but beginning January 2017, auctions will be organised for offshore and onshore wind installations, solar, biomass, and biogas technologies.

European Commission, 20/12/16

EC Approves Support Schemes For Renewable Energy In France And Belgium

The EC found the French and Belgian support schemes for renewable energy to be compliant with EU state aid rules. The French government will pay a feed-in tariff for the output of small installations of less than 500 kW, whilst installations of 500 kW or more will receive support in the form of a premium paid on top of the market price. The scheme will cover installations using geothermal energy, biogas, hydroelectric plants of less than 1 MW, and wind farms,if they submitted a complete application for aid in 2016. In Belgium, offshore generators will receive certificates for their energy, which can be sold to the transmission system operator, Elia, and will receive a fixed premium on top of the market price. In addition, the EC also approved Belgium's planned support for the construction of the Rentel (296 MW) and Norther (350 MW) offshore windfarm projects.

European Commission, 20/12/16, 12/12/16

EC Approves Amendments To Romanian Green Certificate Scheme

The EC approved, under EU state aid rules, amendments to the Romanian green certificate scheme. The changes will slightly reduce the producers' revenues over the duration of the support, but will increase the predictability of support by limiting the number of certificates likely to remain unsold. The scheme was initially approved in 2011 and was first amended in 2015.

European Commission, 19/12/16

EC Proposes New Rules To Minimise The Risk Of Black-Outs

The European Commission (EC) published a new set of proposals on "risk preparedness", designed to ensure that EU countries have in place measures to prevent and to manage electricity crisis situations. According to the EC, each EU country has a different approach to crisis situations and national rules and practices tend to focus on the national context, disregarding what happens across borders. The proposed rules set out common ways to assess security of supply risks and common rules for managing crisis situations.

European Commission, 14/12/16

Austria

E-Control Publishes New Network Tariffs For Gas Transmission And Distribution

The Austrian energy regulator, E-Control, published on 22 December 2016 new tariffs for gas distribution and transmission system operators in Austria. On the distribution level, network tariffs rose in the eastern part of the country by an average of about 9%, while they fell in the western part by about 4%.

For transmission network operators, the E-Control published a revised cost determination methodology for the third regulatory period, which will run from 2017 to 2020. The new cost determination methodology largely follows E-Control's 2012 decision for the second regulatory period. The allowed return on equity fell from 9.33% to 8.92%, primarily driven by a lower risk-free rate and mitigated by an increase in asset beta from 0.325 to 0.4. The return on equity continues to include a mark-up of 3.5% for the volume risk that Austrian transmission system operators have to bear. In total the determination allows a real weighted average cost of capital of 4.60% pre-tax. The new methodology leads to an overall decline in transmission tariffs in 2017.

E-Control, 22/12/16

Belgium

Belgium Signs Nuclear Agreement With Germany

On 19 December 2016, Belgium signed a nuclear agreement with Germany to facilitate discussions about safety and exchange of information concerning the Belgian nuclear power plants in Tihange and Doel, both of which are located near the Belgian-German border. After the German environment minister called for a temporary shutdown of reactor blocks Doel 3 and Tihange 2, German residents pointed out that the agreement was not far-reaching enough to achieve any improvement in safety. The Belgian interior minister and the Belgian agency for nuclear supervision (FANC) responded that a temporary shut-down was not necessary for any safety-related reasons and that the authorities would react immediately if there was ever any indication of safety problems.

FAZ.net, 19/12/16; WDR.de, 19/12/16

France

French Regulator Publishes Draft Decision On Tariffs For LNG Terminals

On 8 December 2016, the French energy regulator, CRE, published a draft of the fifth period tariffs for LNG terminals (ATTM5). For the LNG terminals at Fos Cavou and Montoir-de-Bretagne (operated by Elengy) and at Fos Tonkin (operated by Fosmax LNG), new tariffs will apply from 1 April 2017 for a period of about four years. Compared with tariffs in the previous decision (ATTM4), the allowed annual cost of capital (a real, pre-tax WACC) drops from 6.50% to 5.25%. This value corresponds to the CRE's draft decision for gas TSOs (ATRT6, see November 2016 edition of *GERN*). The capital allowance of 5.25% is close to the upper end of the range (4.75% to 5.25%) put out to public consultation in September 2016 (see September 2016 edition of *GERN*). Like the previous decision (ATTM4), the draft decision includes a premium of 2% added to the real pre-tax WACC to compensate investors for the specific risks of operating regulated LNG terminals.

CRE, 08/12/16

French Regulator Aims At Industrial Deployment Of Smart Grids

On 8 December 2016, the French regulator CRE published a document taking stock of the current state of smart grid roll-out in France and giving 17 new recommendations to network operators. The recommendations address the supervision and support of new technologies and the interplay of smart grids with public gas and electricity networks. In addition, CRE requested that operators of smart grids coordinate publication and processing of consumption data. Most of the more than 120 French smart grid projects are related to demand-side management, energy storage, and improved integration of renewables. CRE now aims to take smart grids from experimentation into a new phase of industrial deployment.

CRE, 08/12/16

Germany

EC Approves Renewable Energy Law And Network Reserve

On 20 December 2016, the European Commission (EC) approved the new German renewable energy law (EEG), as well as the German network reserve, under its state aid laws. The new EEG will introduce auctions for allocating subsidies for renewable energy sources. The network reserve will consist of decommissioned and/or mothballed power plants and is intended to mitigate regional bottlenecks in electricity transmission networks. Both policies can now be implemented without further amendment.

BMWi, 20/12/16

German Parliament Approves Energy Policies

The upper chamber of the German parliament (the Bundesrat) approved on 16 December 2016 new legislation on CHP plants, consumption of own generation, and nuclear waste disposal, following its approval by the lower chamber of the German parliament (the Bundestag) one day earlier. All three initiatives were subject to intense discussion in recent months. The new legislation on CHP plants foresees that subsidies for new CHP plants will be auctioned off beginning in 2018. The new rules on own consumption continue to exempt electricity produced by pre-existing plants from incurring the renewable energy levy. Only after substantial remodelling of such plants will they become subject to the levy, and even then only part of it will be applicable.

The new legislation on nuclear waste disposal shifts the responsibility for long-term storage of nuclear waste from nuclear power plant operators to the

German government. In exchange, the power plant operators must invest about €23,000 million (US$24,300 million) in a dedicated fund to cover the costs of finding and developing a final storage facility for nuclear waste.

BMWi, 16/12/16

Results Of Sixth Tender Of Subsidies For Photovoltaic (PV) Power Plants Published

On 8 December 2016, the German networks regulator, the Bundesnetzagentur (BNetzA), published the results of the sixth and final round of bidding in the pilot project to allocate subsidies for freestanding PV power plants. In this tender, the BNetzA received 76 bids with a total volume of 423 MW and awarded subsidies to 27 successful bidders offering 163 MW. The highest successful bid in the pay-as-bid auction was 7.17 cents/kWh, while the lowest successful bid was 6.29 cents/kWh. The weighted average subsidy for this round was 6.90 cents/kWh – 0.35 cents/kWh less than in the last auction. This auction was the last round of a pilot project, which started in 2015 and investigated the effects of auctioning off renewable energy subsidies. Beginning in 2017, nearly all subsidies for renewable energy in Germany will be allocated through auctions under a revised renewable energy law, which took effect on 1 January 2017.

Bundesnetzagentur, 08/12/16

Italy

Aeegsi Publishes Consultation On Reforming The Intra-Day Electricity Market

On 28 December 2016, the Italian energy regulator, Autorità per l'Energia Elettrica il Gas e il Sistema Idrico (Aeegsi), published a consultation document (798/2016/R/eel) proposing a reform of the intra-day electricity market in Italy, in light of the new EU Capacity Allocation and Congestion Management (CACM) network code. Aeegsi's proposed reform of the intra-day market falls within the broader context of the XBID project, launched by Nominated Electricity Market Operators (NEMOs) and transmission system operators (TSOs) in 12 EU countries, aimed at developing a joint integrated intra-day cross-border market at the EU level. As part the proposed reform, Aeegsi envisages introducing a portfolio bidding system separately for generation and consumption (as opposed to the current system of bidding by unit), as well as shifting gate closure closer to real-time. Interested parties may submit comments until 28 February 2017.

Aeegsi, 30/12/2016; ICIS, 28/12/2016

Aeegsi Suggests Imposing A Cap On The Premium Payment In The Italian Capacity Market

On 1 December 2016, Italian energy regulator Aeegsi published a consultation document (713/2016/R/eel) setting out its views on specific features of the Italian capacity market scheduled to be launched in the second quarter of 2017. Aeegsi's main suggestion is to introduce a yearly cap on the premium payable to existing and new power plants by Terna under the capacity market. According to the Italian regulator, such a cap would limit the possible adverse effects on competition, especially during the initial stages of the capacity market when the role of new entrants might be limited, given the tight planning horizons. The suggested annual cap would be €75,000/MW, reflecting the costs of an Open-Cycle Gas Turbine (OCGT), the marginal technology at peak hours in Italy, according to a study performed by Terna. The consultation process closed on 3 January 2017.

Aeegsi, 01/12/16

Aeegsi To Set Up Joint Working Group On Defining A Standard Cost Approach To Capex Allowances In The Gas Distribution Sector

Under Decision 704/2016/R/gas of 1 December 2016, Italian energy regulator Aeegsi confirmed that it will set up a joint working group with network companies and industry associations to define and implement a standard cost approach to setting regulated allowances for capital expenditure in the gas distribution sector. This decision follows responses from stakeholders to Consultation Document 456/2016/R/gas of August 2016. Aeegsi expects the joint working group to cover, among other items: the asset register list; the methodology for setting the standard (or benchmark) cost; definition of capex volumes; and adjustment factors. Aeegsi expects to approve a final decision on this matter by October 2017, following a public consultation earlier in the year, and to set allowances for capital expenditure incurred by gas distributors in 2018 using the new standard cost approach.

Aeegsi, 01/12/16

Netherlands

Caribbean Netherlands: Decision On Producer Prices For Electricity And Water In 2017

The Consumer and Market Authority (ACM) determined the production prices for electricity in the three territories of the Caribbean Netherlands: Bonaire; St Eustatius; and Saba. The new prices take effect on 1 January 2017. Specific decisions concern: (1) the two companies on Bonaire, Water- en Energiebedrijf N.V. Bonaire (WEB) and ContourGlobal; (2) the St Eustatius Utility Company N.V. (STUCO); and (3) the Saba Electric Company N.V. ACM also issued decisions on the production prices of drinking water in Bonaire (for WEB) and St Eustatius (for STUCO).

Consumers and businesses in Bonaire, St Eustatius, and Saba will not know the final prices they will pay for electricity and drinking water until ACM also sets the distribution prices, which ACM has proposed to implement by the summer of 2017. Distribution prices are the final prices that customers (consumers and businesses) pay WEB, STUCO, or Saba Electric. They include the production prices for producing electricity and water (and the production price that WEB pays ContourGlobal for its production of electricity), as well as other costs. ACM is currently consulting the relevant Dutch ministries on the new distribution tariffs and any potential impact they might have.

ACM, 20/12/16

2017 Tariff Decision For TenneT TSO

The ACM set the maximum tariffs that TenneT TSO BV may apply in 2017 for operating the national electricity network and the associated statutory duties. TenneT charges fees to consumers and regional network operators who, in turn, pass on the cost to other businesses and consumers. In this decision, ACM set TenneT’s maximum allowable income for the transmission and system operation businesses at just over €507 million (US$530 million).

ACM, 16/12/16

Appeal Tribunal Overturns ACM Decision On Benchmarking Of TenneT (Again)

On 8 December 2016, the Business Appeals Tribunal (CBb) of the Netherlands issued its decision on an appeal by TenneT, the operator of the Dutch high voltage electricity network, against a tariff decision issued by the ACM. In a previous appeal in 2015, the CBb ordered ACM not to adopt, without adjustment,

the efficiency score for TenneT of 85% that emerged from a particular benchmarking model, given that another benchmarking model awarded TenneT an efficiency score of 100%. The latest appeal concerned the scale of the adjustment, with ACM proposing to add a 5% margin for error, and TenneT arguing that 10% better reflected the impact of differences in the cost of capital (WACC) used to estimate total costs. The CBb noted that the WACC was a cost outside the control of TenneT, and decided that the adjustment should indeed be 10%.

rechtspraak.nl (uitspraak: ECLI:NL:CBB:2016:374), 08/12/16

Spain

Supreme Court Rejects Government's Appeal On Social Electricity Tariff Decision

The Spanish Supreme Court rejected the Spanish government's appeal against its October decision revoking the scheme for financing the discounts applied to the electricity bills of vulnerable consumers. The five largest utilities had borne the cost of this scheme and the Court's decision recognised their right to recover around €500 million (US$524 million) for the discounts applied in 2014 and 2015. The Spanish government now has two months to comply with the decision and to compensate the affected companies.

El Economista, 29/12/16; Cinco Días, 28/12/16

Government Approves New Financing Mechanism For Social Tariffs

The Spanish Council of Ministers approved a Royal Decree-Law, establishing a new financing mechanism for social electricity tariffs and reinforcing the protective measures for vulnerable energy consumers, for instance, by prohibiting disconnection of extremely vulnerable consumers. The new law modifies the financing of social electricity tariffs so that the costs will be borne by all electricity retail companies. The Supreme Court revoked the previous mechanism in October 2015, as it allocated these costs to only the five largest utilities. Within the next three months, the Government must approve the new regulations and set out the terms of the new consumer protection measures.

La Moncloa, 23/12/16; El País, 23/12/16

Switzerland

Outage Of Nuclear Power Plants Increases Wholesale Electricity Prices

The recent increase in electricity wholesale prices across Europe has affected Swiss electricity generation and electricity trade flows into and out of Switzerland. While mainly caused by the non-availability of French nuclear generation capacity, the effect on Swiss electricity prices was enhanced by overrunning maintenance at Leibstadt and a temporary shutdown of Beznau 1, both Swiss nuclear power plants. In November and December 2016, Swiss wholesale prices doubled relative to summer 2016, exceeding US$75/MWh on average. The price increases coincided with increased generation in gas-fired and coal-fired power plants. Moreover, Switzerland started to import electricity from Italy and exported hydroelectric power to France during peak hours, representing an inversion of normal trade flows. The tightening in supply may be relaxed when the nuclear power plant at Leibstadt restarts operation in February 2017, after oxidised fuel assemblies are replaced.

Berner Zeitung, 03/01/17; Badische Zeitung, 20/12/16

Turkey

Turkish Energy Regulator Requires Turkish Companies To Use Turkish Lira In Gas Tenders

On 7 December 2016, the Turkish Energy Market Regulatory Authority (EMRA) announced that Turkish companies would be required to bid in Turkish lira in future tenders for projects and licences in the natural gas distribution sector. The move comes following the weakening of the Lira, which reached a historical low value of 3.54 per US Dollar. Turkish President Recep Tayyip Erdoğan subsequently called on the country to support its currency. The first of such tenders took place on 28 December 2016, for projects in Ağrı city centre and the province of Doğubayazıt, and two projects in Tunceli. Those submitting winning bids will be awarded distribution licenses for 30 years, with the distribution fee fixed in the tenders for the first eight years. At the end of that eight-year period, the EPDK will re-evaluate the fees.

Sputnik News Service, 07/12/16; Daily Sabah, 07/12/16, 27/12/16

UK

National Grid Sells Majority Stake In Gas Distribution Pipelines To Foreign Consortium

National Grid agreed to sell a 61% shareholding in its gas distribution pipelines to a group of foreign investors in one of the biggest infrastructure deals in recent British history. The deal, which is valued at £13,800 million (US$17,000 million), including debt, is backed by Australian investment bank Macquarie (which will own the largest stake of 14.5%), the China Investment Corporation (10.5%), Allianz Capital Partners (10.2%), and Qatar Investment Authority (8.5%). Completion of the deal is expected by the end of March 2017 and is subject to approval by the European Commission.

Financial Times, 08/12/16; The Wall Street Journal, 08/12/16

Capacity Market Auction Secures 52.4 GW Of Electricity Capacity

The electricity capacity market auction awarded 52.4 GW of capacity, out of a total of 69.8 GW, for delivery in winter 2020/21. The capacity market auction is the UK government's main mechanism for ensuring a continuous and reliable energy supply during times of high demand, such as in cold winters. In addition to conventional capacity, the auction brought forward a range of new capacity to the energy mix, including new gas power capacity and innovative low carbon capacity such as battery storage and demand-side response (DSR).

BEIS, 09/12/16; Energy Live News, 09/12/16

Ofgem Fines British Gas Over Advanced Meters

The British energy regulator, Ofgem, fined British Gas £4.5 million (US$5.5 million) for failing to supply advanced meters to some larger business customers by the April 2014 deadline. The UK government initiated the roll-out of advanced meters in 2009 as part of a national plan to modernise the energy sector. British Gas was given a target of installing advanced meters and supplying electricity through them to around 43,000 customers; at the time of the deadline, British Gas had only installed around 42,000 advanced meters. British Gas will pay the penalty to the Carbon Trust, an advisory body focused on the move to a sustainable, low carbon economy.

Ofgem, 07/12/16; Reuters, 07/12/16

NORTH AMERICAN NEWS

US

FERC To Review Income Tax Allowance And Rate-Of-Return Policies For Oil, Gas, And Electric Sectors

The Federal Energy Regulatory Commission (FERC) issued a notice of inquiry regarding the treatment of income taxes in cost recovery and rate design for pass-through entities, like master limited partnerships (MLPs). FERC's inquiry comes after the D.C. Circuit Court of Appeals found in *United Airlines, Inc. v. FERC* that existing policies as applied to MLPs may result in double recovery of income taxes. Changes in FERC policy could affect all sectors of the energy industry under FERC jurisdiction, including oil and natural gas pipelines, and electric utilities.

Law360, 21/12/16; SNL, 16/12/16

California PUC Orders Distributed Energy Resource Pilots To Replace Utility Capital Investment

The California Public Utilities Commission (CPUC) proposed a Decision on 15 December 2016, under Rulemaking 14-10-003 , requiring the state's three investor-owned utilities (IOUs), Pacific Gas and Electric (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE), to deploy pilot projects using distributed energy resources (DERs) to replace traditional distribution infrastructure. The Commission established a pilot regulatory incentive mechanism allowing the IOUs to earn a 4% pre-tax incentive on annual payments they make to DER providers, in lieu of adding rate base investment. Utilities are allowed to recover the value of the incentive in their next Energy Resource Recovery Account compliance application, if the DER measures resulted in the deferral of traditional distribution investment. In addition, the Decision directs the Competitive Solicitation Framework Working Group to develop a technology-neutral pro forma contract for future use, based upon the incentive pilot experience.

CPUC, 15/12/16; SNL, 15/12/16

Parties Are Concerned About MISO's Forward Resource Auction Plan

In its 1 November 2016 filing at FERC (ER17-284-000), the Midcontinent Independent System Operator (MISO) proposed a three-year forward capacity auction to meet the resource adequacy needs of competitive retail areas within its territory. MISO stated that its capacity resources in portions of Illinois and Michigan were likely to fall below the minimum reserve margins in 2018. The comment period on the filing closed on 15 December 2016. MISO's Market Monitor commented that using a sloped demand curve for competitive retail areas in the auction will not accurately represent the marginal value of capacity. As a result, such an auction will result in unstable prices that are either too low to retain necessary existing supply or excessively high, attracting unnecessary new resources. The Illinois Office of Attorney General is concerned that, because only 10% of MISO's footprint (the areas of Illinois and Michigan) will be procured in the auction, Illinois customers will end up paying higher prices for capacity. Others insisted that the proposal is premature since legislators in those two states are still attempting to address long-term resource adequacy concerns.

RTO Insider, 19/12/16; SNL, 20/12/16

Arizona Regulator Reforms Retail Net Metering In Value-Of-Solar Proceeding

On 20 December 2016, the Arizona Corporation Commission (ACC) voted in favour of a proposal to reform the practice of net energy metering for new solar customers, concluding a three-year investigation process that received inputs from a broad coalition of solar interests, utilities, consumer advocates, and customers. Under the existing practice, customers with rooftop solar systems are reimbursed for their excess generation at the utility's retail energy rate. The ACC approved a separate rate class for residential solar customers and a revenue mechanism for exports of excess solar energy. The Decision will be used to guide the rate design proceedings for Arizona Public Service and Tucson Electric Power. For the current utility rate cases before the Commission, decisions on the revenue for solar exports will be based on a "Resource Comparison Proxy" (RCP) that uses a five-year average of contract prices for utility-scale solar. In future rate cases, the export rate may be set based on RCP or on an avoided cost methodology specific to each utility that will also use a five-year timeframe. New customers with distributed generation will be able to lock in their export rates for up to 10 years. Existing solar customers remunerated under net metering will be grandfathered for 20 years from the date of interconnection.

Utility Dive, 21/12/16; SNL, 21/12/16

Mexico

Mexican Government Presents The Gasoline And Diesel Markets Flexibility Strategy

On 21 December 2016, the Mexican Energy Regulatory Commission (CRE) approved the schedule for opening the markets for gasoline and diesel. It includes five stages of regional opening that result in the free fluctuation of prices throughout the country during 2017, starting in March.

During 2017, gasoline and diesel markets will shift from a single supplier model to an open and competitive scheme in which several players will be able to carry fuels throughout the country. With this scheme, the price of gasoline and diesel will be determined by: the price of oil; refining, transportation, and storage costs; the commercial margin; taxes; and exchange rates. The Mexican Finance Secretary (SHCP) will set maximum regional prices and CRE will manage an information system to monitor retail prices.

SENER, 21/12/16

Congress Creates Renewable Energy Commission

The Mexican Congress created a special commission for renewable energy, which will be responsible for guaranteeing that the country will meet the clean energy targets established by the Energy Transition Law of 2014. Under this law, Mexico must reach a renewable generation share of 35% by 2024.

The Chamber of Deputies, 16/12/2016

Mexico Holds Fourth Auction Of Round One

Mexico’s energy regulator (SENER) held the fourth auction of Round One in the process of awarding contracts for deep-water exploration and production of oil and gas. In total, eight out of 10 blocks, with an associated investment of approximately US$34,400 million over the next 35 years, were awarded to 12 companies. The Mexican state will receive between 59.8% and 66.1% of the profits generated. In addition, the Trion oil and gas block, which must be exploited in partnership with state-owned company Pemex, was awarded to BHP Billiton.

CNH, 14/12/16

CENTRAL & SOUTH AMERICAN NEWS

Brazil

ANEEL Sets Limits For Generation Costs For 2017

The Brazilian energy regulator (Agência Nacional de Energia Elétrica, or ANEEL) set a ceiling of R$533.82/MWh (US$166/MWh) and a floor of R$33.68/MWh (US$10/MWh) for year 2017 on the Settlement Price of Differences (Preço de Liquidações de Diferenças, or PLD). The PLD is the regulated indicator of system marginal production costs and is used to settle differences between physical and contracted energy values. The maximum value of the PLD is based on the variable operating costs of centrally managed thermal units, whereas its minimum value is based on the operation and maintenance costs of hydro generation units.

ANEEL, 13/12/16

Chile

Coal Is Replaced By Solar Energy In Energy Matrix Plan

The Chilean energy regulator (Comisión Nacional de Energía, or CNE) replaced coal-fired projects with solar projects in its long-term energy plan, which spans the period of 2017 to 2027. The draft version of the plan, issued in April 2015, allowed for the entry of around 1 GW of new coal plants units, which represented 32% of total forecast entry up to 2027. In the new version of the plan, solar generation takes over this capacity and provides 65% of forecast new capacity.

PV Magazine, 28/12/16; Electricidad, 22/12/16

ASIA PACIFIC NEWS

Australia

The National Transmission Network Development Plan

Australia's gas and electricity market operator, the Australian Energy Market Operator (AEMO), released the *2016 National Transmission Network Development Plan (NTNDP)*. The *NTNDP* is an independent assessment of efficient transmission network development in the National Electricity Market (NEM) over the next two decades. The *NTNDP* aims to provide a solution that balances reliability and cost while meeting carbon emission reduction targets for the long term interests of consumers. The AEMO suggests up to A$3,000 million (US$ 2,193 million) will need to be spent on upgrading critical electricity connections; however, AEMO emphasised that interconnection between the regional networks does not necessarily solve all challenges and that local network and non-network options (non-network technologies) are also needed to maintain a reliable and secure supply.

RenewEconomy, 12/12/16; Australian Energy Market Operator, 12/12/16; Australian Broadcasting Corporation, 12/12/16

New Zealand

Commerce Commission Releases Final Decisions On Review Of Rules For Regulated Electricity, Gas And Airport Services

The Commerce Commission released its final decisions following its review of input methodologies (IMs) for regulated electricity, gas, and airport services. The Commission stated that it was not intending to change the IMs drastically, but to find key areas for improvement. The review looked at the impact of new technologies, particularly in the electricity sector, and the Ministry of Business, Innovation, and Employment will now focus its policies on this area. Other changes include tightening cost allocation rules and adjustments to the cost of capital.

Commerce Commission, 20/12/16

MIDDLE EASTERN NEWS

Dubai

Dubai To Build The First Hydroelectric Plant In The GCC

The Dubai Electricity and Water Authority (DEWA) has announced plans to build a 250 MW pumped storage plant in Hatta, the first hydro plant in the Gulf Cooperation Council, at the Al Hattawi Dam. Solar power will be used to pump water from an existing lower reservoir to a planned upper reservoir during off-peak hours, when electricity is most inexpensive. The water pumped uphill will be used to generate power during peak demand hours. The plant is scheduled to be completed within five years and will contribute to meeting Dubai's ambitious renewable energy targets. According to the Dubai Clean Energy Strategy 2050, the emirate plans to generate 75% of its electricity from clean sources. A key project launched to support the strategy is the Mohammed bin Rashid Al Maktoum Solar Park, the largest single-site solar park in the world, with a planned capacity of 5,000 MW in 2030. DEWA confirmed on 24 December 2016 that the second phase of the project, with a capacity of 200 MW is now 80% complete and is due to come online in April 2017.

Emirates News Agency, 24/12/16; TradeArabia, 20/12/2016

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 25 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/publications/newsletters-briefs.html**.

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