

Global Energy Regulation



Contents

- 1 Europe
- 13 North America
- 16 Central & South America
- 17 Asia Pacific
- 18 Middle East

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EUROPEAN NEWS

European Union

EC Presents Energy Package

The European Commission (EC) presented a package of measures aimed at fulfilling its commitment to cut CO₂ emissions by at least 40% by 2030 while modernising the EU's economy. The "Clean Energy For All Europeans" Communication has three main goals: energy efficiency, global leadership in renewable energy sources, and providing a fair deal for consumers. The proposals cover energy efficiency, renewable energy, the design of the electricity market, security of electricity supply, and governance rules for the Energy Union. Among other proposals, the revised Energy Efficiency Directive proposes a binding energy efficiency target of 30% for 2030. The revised Renewable Energy Directive identifies six key areas for action: (1) creating a framework to favour further deployment of renewables in the electricity sector; (2) "mainstreaming" renewables in the heating and cooling sector; (3) decarbonising and diversifying the transport sector; (4) empowering and informing consumers; (5) strengthening the EU sustainability criteria for bioenergy; and (6) making sure the EU binding target is achieved on time and in a cost-effective way. The new market design proposal sets out general principles and technical details for public authorities and energy market participants, and also specifies the rights and responsibilities of different energy players. This "rulebook" contains: proposals for reforming electricity regulation; a revised Electricity Directive; revised regulations on the European Agency for the Cooperation of Energy Regulators (ACER); and new regulations on risk preparedness in the electricity sector.

European Commission, 01/12/16; 30/11/16



EC Releases Final Report Of The Capacity Mechanism Sector Inquiry

The European Commission released the final report of its sector inquiry on capacity mechanisms, launched in April 2015. In this report, the Commission concluded that capacity mechanisms must be accompanied by appropriate market reforms, such as those proposed in the “Clean Energy For All Europeans” package (e.g., removal of price caps, enabling market participation of demand response, and matching bidding zones with congestion). It says that capacity mechanisms must always be economically justified and backed by a robust generation adequacy assessment. Additionally, their design must be adequate for the problem at hand: for long-term adequacy problems, a market-wide mechanism may be most appropriate, while temporary adequacy concerns are better addressed through transitional measures such as a strategic reserve. The Commission also concluded that interruptibility schemes may be appropriate for encouraging flexible demand as long as they do not become a subsidy for energy-intensive users. From now on, new capacity schemes will be assessed in light of the guidelines identified in the report.

European Commission, 30/11/16

EC Approves Czech Support Scheme For Renewable Energy

The European Commission approved a support scheme remunerating all types of installations generating energy from renewable sources built in the Czech Republic between January 2006 and December 2012. The scheme, which is based on feed-in tariffs and premiums, will have a total budget of €30,950 million (US\$32,920 million) over its lifetime and will be financed through the combination of a surcharge levied on electricity consumers and contributions from the state budget.

European Commission, 28/11/16

EC Approves Romanian And Polish Support For Closing Coal Mines

The European Commission found the Romanian and Polish schemes for supporting the closure of uncompetitive coal mines by 2018 is in line with EU state aid rules. Romania will provide financial support totalling €99 million (US\$105 million), while Poland will provide €1,790 million (US\$1,904 million). According to the Commission, financial support is justified in these cases because it will alleviate the social and environmental impacts of closing the mines and because competition would not be unduly distorted.

European Commission, 24/11/16; 18/11/2016



ACER Decides In Favour Of A New Electricity Bidding Zone Border Between Germany And Austria

ACER issued a binding decision on the electricity Transmission System Operators' proposal regarding the determination of "Capacity Calculation Regions", which defines the number and shape of regions for allocating transmission capacity. In this context, ACER confirmed the proposal to create a new bidding zone border between Germany and Austria, basing its decision on the finding that the German-Austrian interconnector is usually and structurally congested. According to ACER, a direct merger of the Central West Europe and Central East Europe regions is needed because of the strong interdependency between the two regions and because implementation of a coordinated capacity allocation procedure will help to address the current congestion problems.

ACER, 18/11/16

ENTSO-E Publishes Implementation Guidance Documents On The Network Code On Requirements For Grid Connection Of Generators

The European Network of Transmission System Operators for Electricity (ENTSO-E) published the Implementation Guidance Documents (IGDs) to support the implementation of Regulation 2016/631 of 14 April 2016, which establishes a network code on requirements for grid connection of generators. The IGDs themselves are 18 documents of non-binding guidance, which explain the technical issues, conditions, and interdependencies to be considered when complying with the requirements of the regulation at the national level.

ENTSO-E, 17/11/16

ACER Calls For Limits On Discrimination Between Internal And Cross-Zonal Electricity Exchanges

ACER published a recommendation addressed to all transmission system operators (TSOs) and regulatory authorities on the common capacity calculation and the cost sharing methodologies applied to redispatching and counter-trading. The recommendation contains a set of high-level principles aimed at ensuring that cross-zonal electricity exchanges do not suffer undue discrimination relative to internal exchanges. The recommendation proposes that, unless duly and transparently justified by reasons of overall



market efficiency and operational security, cross-zonal capacities should not be reduced to solve congestion created by internal electricity exchanges. According to ACER, the ever-increasing congestion created by electricity exchanges inside bidding zones has led to significant reductions in cross-zonal capacities on several interconnections in Europe.

ACER, 14/11/16

ACER Publishes Its First Report On Implementation Of The Balancing Network Code

ACER published its first Report on implementation of the Balancing Network Code. This report describes the implementation status of gas balancing regimes across the EU Member States since the code took effect on 1 October 2015. The report found that full implementation has not yet been achieved and will require further efforts across the EU. The United Kingdom, France, Belgium, Denmark, Germany, the Netherlands, and Poland are implementation frontrunners, whilst Bulgaria, Romania, and Greece are lagging significantly behind. The main recommendations of the report include: (1) regulators and stakeholders in each country should regularly monitor progress; (2) it is necessary to improve knowledge sharing and dialogue across the EU; and (3) the European Commission may consider taking enforcement actions in the coming years.

ACER, 07/11/16

Austria

ACER Calls For Split Of Austro-German Market Zone—Austrian Energy Regulator Appeals

On 17 November 2016, ACER published a decision that the Austro-German market zone should be split. In response, the Austrian energy regulator, E-Control, announced it would file a complaint against the decision at ACER's Board of Appeal. (ACER had previously published a recommendation to this effect, but it was non-binding and not subject to appeal.) E-Control will base its complaint on two arguments. First, E-Control sees the bottleneck as lying not at the Austrian-German border, but rather inside Germany, between generation in the North and consumption in the South. Second, E-Control understands that the competence (power) to decide the future of the market zone lies not with ACER, but with ENTSO-E, following a review of possible bottlenecks between Germany and Austria. The European Commission has stated that a final decision on market zones should be taken by ENTSO-E. E-Control has until 17 January 2017 to submit its complaint against ACER's decision.

E-Control, 18/11/16



France

EDF To Propose ARENH-Like Regime For Hydropower To European Commission

Approximately one year after the European Commission notified the French government of the measures required to open the allocation of hydroelectric concessions to competition, the French government and EDF (the incumbent operator of hydro power plants) are reported to be proposing a compromise. Under their proposal, EDF would commit to making certain quantities of hydro-generated electricity available to competitors—very much like under the current ANREH regime, which is intended to curtail EDF's dominant position in nuclear generation. Hydroelectric generation accounts for about 20% of total French generation capacity, but it provided slightly less than 11% of total French generation output in 2015. The recently published *programmation pluriannuelle de l'énergie* (PPE), which sets out France's multi-year energy plan, is silent on the debate around hydro-concessions.

Lesechoes.fr, 03/11/16; *lamontage.fr*, 18/11/2016

CRE Publishes Draft Of New Gas Transmission Tariffs

The French energy regulator, the CRE, published its draft tariffs for the use of the gas transport network (ATRT6), which applies to the two French gas TSOs, GRTgaz and TIGF. ATRT6 will become effective on 1 April 2017 and apply for a period of approximately four years. ATRT6 will bring a reduction of tariffs in 2017 (by 3.1% for GRTgaz) and slight increases in later years (with an average rate of change over the period of -0.4% for GRTgaz). The tariff reduction is mostly due to a fall in the cost of capital. The regulator adopted a (real pre-tax) weighted average cost of capital (WACC) of 5.25%, down from the current level of 6.5%. The effect of the lower cost of capital is partly offset by substantial new capital investments required for the creation of a single balancing zone in France by 2018.

CRE, 17/11/16

French Network Operator Reacts To Outages Of French Nuclear Reactors

France is facing a shortage of supply and turmoil in electricity markets, after the French nuclear safety authority ordered testing in 18 of France's 58 nuclear power plants (NPPs) for safety reasons (see October issue of this newsletter). In November and December 2016, 12 NPPs were disconnected from the grid. In January and February 2017, nine NPPs will be affected. As a result, prices have risen on the spot and forward markets. Day-ahead prices exceeded



€800/MWh on 14 November 2016. For several days in November, baseload futures for delivery in December 2016 and January 2017 traded at more than €100/MWh, up by more than 100% from last year.

The French shortage is affecting neighbouring countries. France, previously one of Europe's major electricity exporters, saw electricity exports drop by 523 GWh (89%) in October 2016, compared with the previous year. Exports to the UK have been replaced by imports from the UK. Day-ahead prices in the UK and Belgium have also exceeded €100/MWh, for a total of 44 and 34 hours, respectively.

In view of the supply shortage, the French electricity TSO, RTE, asked consumers to reduce electricity consumption. RTE also notified 21 operators of large industrial plants that they may be disconnected from the grid with five seconds' notice, which would immediately reduce electricity consumption by 1,500 MW. RTE could also decrease the voltage in distribution networks, after which RTE's final measure would be to cut off French regions on a rotating basis for two-hour periods.

LesEchos.fr 28/11/16; Handelsblatt.com, 24/11/16

Germany

BNetzA Publishes Results Of First Cross-Border Auction Of Subsidies For PV Power Plants

On 28 November 2016, the German energy regulator, the Bundesnetzagentur (BNetzA), published the results of the first cross-border auction of subsidies for freestanding photovoltaic (PV) power plants. The auction was open to German and Danish bidders and offered subsidies for PV plants with a total capacity of 50 MW. The uniform pricing auction resulted in subsidies of €50.38/MWh (US\$54/MWh) for all successful bids. These subsidies are about €20/MWh (US\$21.50/MWh) lower than the average successful bid of the last national auction in August 2016. All of the successful bids came from Danish bidders offering PV installations on agricultural land. (In Germany, bids from PV installations on agricultural land are not currently permitted to enter the auction.) The cross-border auction followed a June 2016 ordinance allowing international bidders to participate in the German auctions given certain contractual requirements which are currently met only by Denmark. In exchange for the opportunity to bid in the German auction, the next Danish auction (requiring bids by 8 December 2016) is open to German bidders as well.

Bundesnetzagentur, 28/11/16; Danish Energy Agency, 11/11/16



Greece

Greece Fails To Reach Agreement On Sale Of Gas Operator Desfa

On 30 November 2016, the Greek Energy Ministry announced that it had not reached final agreement with Socar, the Azeri state energy company, to sell a 66% stake in its natural gas operator, Desfa. Plans for the privatisation of Desfa were set out in Greece's second bailout in 2012. Socar initially agreed to purchase 66% of the company for €400 million (US\$426 million) in 2013, but the agreement hit two obstacles. First, the European Union raised antitrust concerns and required Socar to keep its stake at or below 49%. Socar, therefore, agreed to sell at least 17% to Snam SpA, an Italian company. Second, the Greek government passed a law imposing a limit on gas tariffs. Socar argued that the new law would reduce Desfa's profits by between 40% and 50%, with a corresponding loss of value to the company. Socar and the Greek government entered into negotiations, and Socar twice renewed its letter of guarantee. The company, however, declined to renew the letter for the third time upon its expiration on 30 November 2016. The Greek government is considering its next step.

Azertac, 01/12/16; The Wall Street Journal, 30/11/16

Italy

Aeegsi To Postpone Reform Of The Electricity Market Imbalance System Until 2018

On 25 November 2016, the Italian energy regulator, the Autorità per l'Energia Elettrica il Gas e il Sistema Idrico (Aeegsi), published a consultation document (684/2016/R/eel) proposing changes to the current transitional imbalance calculation methodology. The document announced a comprehensive review of the imbalance system based on nodal pricing to take place throughout 2017, with implementation planned for 2018. It asked the Italian electricity TSO, Terna, to present a reviewed Ancillary Service Market (MSD) pricing system by the end of the first quarter of 2017.

Aeegsi, 25/11/2016



Aeegsi Publishes Final Regulatory Regime For 2G Smart Meters In Electricity Distribution

On 11 November 2016, Aeegsi published the final regulatory framework, setting allowed revenues for second generation (2G) smart meters in Italy starting in 2017. The approved regulatory framework draws on international best practice, and in particular on the British RIIO (Revenue=Incentives+Innovation+Outputs) model, to set allowed revenues for energy network companies. Features shared with the UK include, for example: (1) submission of 2G smart metering plans; (2) different tracks (fast track vs. slow track) for scrutiny by Aeegsi depending on the quality of the plan; (3) an “IQI menu” of allowed revenue formulas; (4) monitoring schemes; and (5) penalties for non-delivery. The approved framework sets the stage for further major reforms of the regulation of Italian electricity and gas networks.

Aeegsi, 11/11/16

Aeegsi Consults On X-Factors For The Gas Distribution And Metering Sector For 2017-2019

In 2013, Aeegsi published its decision criteria for determining regulated tariffs in gas distribution and metering services for the fourth regulatory period. The regulatory period will run for six years, from 1 January 2014 until 31 December 2019, with a mid-period review of key parameters, including X-factors, after three years. In a consultation document (629/2016/R/gas), Aeegsi illustrated the proposed X-factors for the period 2017-2019, which, when applied to the allowed unit costs, set the allowance for operating costs in gas distribution, metering, and marketing activities. The proposed X-factors for gas distribution range between 1.8% and 2% for large Distribution Network Operators (DNOs) and between 2.7% and 3.3% for medium and small DNOs. For gas metering businesses, the proposed X-factors range between 0.2% and 0.8%, whilst for gas marketing businesses, Aeegsi envisages either an X-factor of 0% or a *negative* X-factor between -1% and -2%.

Aeegsi, 07/11/16



Netherlands

ACM Determines 2017 Allowed Revenues For Offshore Network

In September 2016, TenneT, the Dutch electricity TSO, was designated as operator of the Netherlands' offshore network. The Consumer & Market Authority (ACM) published its decision setting TenneT's allowed revenue for this business in 2017 at €22,247,114. TenneT submitted a proposal for this revenue on 14 October 2016, which the ACM reviewed. The Ministry of Economy intends to provide a grant towards these allowed revenues. If the grant is insufficient to pay the whole allowed revenue, the shortfall will be taken into account when setting revenues for the national high voltage network.

ACM, 30/11/16

2017 Tariff Decisions For Regional Gas Networks

The ACM set the maximum tariff rates for 2017, for all of the regional gas networks, namely: Cogas Infra & Beheer; Enduris; Enexis; Liander; Rendo; Stedin; Westland Infra Netbeheer; and Zebra. These companies manage and repair faults on regional gas networks in the Netherlands. They submitted proposals in October 2016 for the rates they wished to charge in 2017, and ACM reviewed them. In August 2016, ACM issued method decisions, which provide the basis for calculating these 2017 tariffs.

ACM, 30/11/16

2017 Tariff Decisions For Regional Electricity Networks

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ACM, 30/11/16

2017 Tariff Decisions For Electricity And Gas Metering

The metering tariff is the annual charge set by the ACM to cover the cost of managing and maintaining meters. For electricity meters, the rate for 2017 will be €28.28, the same for all small consumption meters managed by regional electricity networks (1- and 3-phase, single and double). For gas meters, the



rates for 2017 differ by meter type: for G6—€20.68; for G10 and G16—€52.72; and for G25—€181.30. These rates (which all exclude VAT) are slightly higher than the rates for 2016, but only by an adjustment for inflation of 0.2%.

ACM, 30/11/16

2017-2021 X-Factor Decisions For TenneT Electricity Transmission Business

The ACM published its decisions on the X-factor, standard volumes, initial revenue, and closing revenue for TenneT's electricity transmission business over the regulatory period running from 2017 until 2021, inclusive.

ACM, 17/11/16

Spain

Spanish System Operator Holds Auction For Interruptibility Service

The Spanish electricity system operator, REE, held a competitive auction to allocate interruptible capacity among large electricity consumers in 2017. The auction allocated 10 blocks of 90 MW and 415 blocks of 5 MW of interruptible capacity, making a total of 2,975 MW. In all, 138 bidders participated in the auction. Average equilibrium prices were €289,125/MW (US\$309,051/MW) for the 90 MW blocks and €127,536/MW (US\$136,326/MW) for the 5 MW blocks.

REE, 18/11/16

Spain Signs Agreement To Facilitate Exchange Of Renewable Energy Between EU And Morocco

The Spanish Ministry of Energy, Tourism, and Digital Strategy signed an agreement with representatives of Morocco, Portugal, France, and Germany in Marrakech, aiming to facilitate the exchange of renewable electricity between Morocco and the European Internal Electricity Market. The agreement, signed on Energy Day within the framework of the UN Conference of the Parties on Climate Change (COP 22), defines a roadmap for the progressive integration of both electricity markets. It calls for an analysis of the legal, technical, economic, and environmental aspects of energy exchanges between Morocco and the EU, and of the bottlenecks currently limiting the flow of electricity.

Ministry of Energy, Tourism and the Digital Strategy, 17/11/16



Switzerland

Swiss Vote Against Accelerated Nuclear Exit

In a referendum over an accelerated closure of nuclear reactors in Switzerland, a majority of Swiss citizens (54%) voted against a measure that would have limited the maximum lifetime of nuclear power plants to 45 years and implied the closure of three nuclear reactors in 2017. The Swiss decided to abandon nuclear energy production in the wake of the Fukushima accident but have not committed to a precise timeline for closure of its nuclear facilities. The rejection of the recent initiative was helped by some opponents of nuclear power who voted against the measure because they preferred a less abrupt exit. The Swiss government had also pointed to the security of supply risks associated with accelerated closure of nuclear reactors.

nzz.ch, 28/11/16; lesechoes.fr, 27/11/16

Turkey

First Fully Licenced Photovoltaic Power Plant Opens In Turkey

On 11 November 2016, Akfen Renewable Energies opened a 9.1 MW PV power plant called Solentegre in Eastern Turkey. Solentegre is the first PV plant to receive full governmental licensing in Turkey and is now the largest PV plant in Turkey. In spite of difficult terrain, Solentegre was constructed over just four months.

Solar Server, 13/11/16; Dow Jones, 11/11/16

Turkish Stream Pipeline Contingent On EU Guarantee

On 2 November 2016, Russian Foreign Minister Sergey Lavrov remarked that the Turkish Stream pipeline project would require firm guarantees from the EU before construction would proceed, following the EU's decision to block Russia's previous pipeline project. In order to supply Russian gas to the EU, Russia had initially proposed the South Stream project, which would have delivered gas to the EU through the Black Sea and into the EU in Bulgaria. Moscow, however, abandoned that plan in 2014 when the EU objected under Third Package regulations, which prohibit network owners from supplying energy.

Subsequently, Russia announced the Turkish Stream project, which would deliver gas under the Black Sea, across Turkey, and into the EU in Greece. After a tense period of negotiations, interrupted by a diplomatic freeze between Moscow and Ankara, the two countries reached an intergovernmental



agreement on 10 October 2016. With the memory of the failed South Stream project fresh in Russia's mind, however, Mr Lavrov stated, “[w]e will be ready to extend this branch to the territory of the European Union only after we receive strong 100% guarantees from Brussels that the project will be implemented. We hope that Brussels will be guided by pragmatic, not political considerations”.

Kazakhstan Newslines, 08/11/16; TASS, 02/11/16

UK

UK Ratifies Paris Climate Deal

The UK government ratified the landmark Paris climate deal, after playing a major role in negotiations to reach the deal in Paris in December 2015. The deal, which commits countries to keep global warming well below 2°C, was signed by the UK as a symbol of continued commitment to climate action across the world.

BEIS, 18/11/16; Energy Live News, 17/11/16

Ofgem Reduces Energy Network Revenue Allowance

UK regulator Ofgem reduced the amount of revenue that energy network operators will be allowed to earn in the upcoming regulatory year, 2017/2018. This adjustment was the result of the annual iteration process under RIIO price controls, under which Ofgem adjusts the allowed revenue of network operators for certain changes in circumstances. The decision to reduce the revenue allowance this time was attributable to the networks requiring less expenditure to deliver outputs and to lower interest rates in debt markets (implying a lower allowance for the cost of debt).

Ofgem, 30/11/16; Energy Live News, 30/11/16

Ofgem Funds Six Smart Grid Projects

Ofgem has awarded £44.6 million (US\$56.2 million) of funding to six new projects through its annual Network Innovation Competition (NIC). The NIC, introduced as part of the RIIO price controls, is aimed at incentivising the development of smarter energy grids. Out of eight projects that entered this year's competition, Ofgem agreed to fund four electricity network projects and two gas network projects. The funding includes £20 million (US\$25 million) awarded to National Grid for, among other things, the exploration of lower carbon alternatives to natural gas.

Ofgem, 30/11/16; Energy Live News, 30/11/16



NORTH AMERICAN NEWS

US

FERC Approves Commencement Of Service For Rockies East-To-West Expansion

The Federal Energy Regulatory Commission (FERC) approved the plan of Rockies Express Pipeline LLC to put into service three compression stations in Ohio and one in Indiana for the company's east-to-west expansion project. The compressors will add 800,000 dekatherms per day (Dth/day) of natural gas transportation service to Zone 3. (One dekatherm equals 1 million Btu.) Six shippers agreed to 15-year firm transportation contracts for 700,000 Dth/day during the 2014 and 2015 open seasons for the project. The east-to-west expansion project will allow producers in the Marcellus and Utica areas to reach Midwestern markets. The company plans to place the compressors into service on 1 December 2016.

SNL, 29/11/16; FERC 28/11/16

FERC Stands By Approval Of Magnolia LNG

FERC will not reverse its approval of the US\$3,500 million Magnolia liquefied natural gas (LNG) export project in Lake Charles, Louisiana. The Sierra Club asked FERC to reconsider its authorization saying that the commission should consider the impact of increased gas drilling and demand caused by LNG projects. FERC, in its denial of the rehearing bid, cited recent DC Circuit rulings holding that FERC cannot be required to base its environmental review on LNG export decisions—which are ruled upon by the US Department of Energy.

Law360, 23/11/16; FERC 23/11/16

FERC Proposes New Rules To Encourage Participation Of Energy Storage In Wholesale Markets

On 17 November 2016, FERC issued a Notice of Proposed Rulemaking (NOPR) seeking to integrate electric storage resources more effectively into wholesale power markets. The NOPR stems from concerns that existing participation rules designed for traditional generation resources limit the participation of technologies such as electricity storage and distributed energy resources in the markets for capacity, energy, and ancillary services operated by regional transmission organisations (RTOs) and independent system operators (ISOs). Specifically, FERC is proposing to require each RTO and ISO to revise its



tariff to establish market rules that recognise the physical and operational characteristics of electricity storage resources and distributed energy resource aggregators. A technical conference was held on 9 November 2016 to explore issues such as the circumstances in which energy storage resources might provide multiple services, and the special provisions in wholesale market tariffs needed to accommodate them. Parties have 60 days to file comments on the NOPR after its publication in the Federal Register.

FERC, 17/11/16; SNL, 17/11/16

California Regulator Approves Pilot Programs Offering Discounts On Energy-Water Linked Rates

In order to reduce both energy and water use during peak demand periods, the California Public Utilities Commission (CPUC) authorized Southern California Edison and San Diego Gas & Electric to offer pilot programs for demand response and Time of Use (TOU) pricing, to help balance supply and demand in the middle of the day and to help California best use its water and energy resources. The “Matinee Pricing” pilot programs are expected to encourage large water users in commercial, industrial, and agricultural sectors to shift their energy demand to times when generation from renewable sources and low-water using energy is abundant. This shift will help conserve energy at times of system-wide peak usage during the late afternoon and evening. The pilots for both utilities are expected to begin on 1 March 2018. The utilities are also required to file evaluation reports on the pilots before 31 October 2018.

CPUC, 10/11/16; SNL, 11/11/16

FERC Issues Environmental Approval To Convert Portion Of Gas Pipeline To NGL Transport

FERC’s Office of Energy Projects issued its environmental assessment of Kinder Morgan’s plan to convert segments of its Tennessee Gas Pipeline Co. system from interstate transport of natural gas to moving natural gas liquids (NGL) from Appalachia to the Gulf Coast. The company plans to disconnect segments of the system and to use them for its US\$4,000 million Utica-Marcellus-Texas Pipeline Project, which would add 200 miles of pipeline from Louisiana to Texas and 120 miles of laterals to the 964 miles of converted gas pipeline. FERC found that the company’s plan would not have a significant impact on the environment. Jurisdiction for approval of the Utica-Marcellus-Texas Pipeline Project lies with state agencies and the US Army Corps of Engineers.

SNL 03/11/16; FERC 02/11/16



MISO Proposes Forward Capacity Auction To Meet Resource Adequacy

On 1 November 2016, the Midcontinent Independent System Operator Inc. (MISO) filed a proposal called the “Competitive Retail Solution” (CRS) with FERC. If the CRS is approved, MISO would administer a three-year forward resource auction, to promote long-term resource adequacy in the competitive retail areas of the region. Increasingly, the retirement of coal generation resources has reduced reserve margins in the MISO and raised concern over potential generation capacity shortfalls by 2018, particularly in restructured areas with competitive retail choice and where no state or local authority has jurisdiction over long-term resource planning.

The forward capacity market would coexist with MISO’s current Planning Resource Auction (PRA) in other states. MISO claims that its current PRA construct will be unable to produce efficient or timely price signals for competitive retail areas that depend on market price signals to incentivise new investment. The proposed forward-looking auction plan is similar to the design of the capacity markets in ISO-New England and PJM Interconnection. A straight-line downward-sloping demand curve would be used to set the prices paid to capacity suppliers. MISO is requesting an effective date of 1 March 2017 to begin implementation of the capacity auction for the 2018/19 planning year.
MISO, 01/11/16; SNL, 02/11/16

Mexico

Government Presents Electricity Universal Service Fund

Mexico’s Secretary of Energy announced the creation of a Universal Electricity Supply Service Fund (Fondo de Servicio Universal Eléctrico). This fund aims to achieve an electricity supply coverage rate of 99.8% by 2021, compared to the current rate of 98.5%. The new wave of electrification would be carried out by extending distribution networks and through the installation of solar panels in isolated communities. Total expected investments from this fund amount to US\$582 million.

El Economista, 30/11/16; *El Periódico de la Energía*, 30/11/16



CNH Announces Third Tender Of Round Two

Mexico's National Hydrocarbons Commission (CNH) approved the bidding and contracting terms for the third tender of Round Two, regarding the exploration and production of oil and gas in the Burgos, Tampico-Misantla, Southeastern, and Veracruz Basins, and in the region of Chiapas. In this tender, 14 blocks spanning 2,595 square kilometres will be offered under a licensing contract model. The contracts will last 30 years with two potential extensions, each of five additional years.

CNH, 14/11/16

CENTRAL & SOUTH AMERICAN NEWS

Argentina

Government Holds Round 1.5 Of RenovAr Program

The Argentinian Ministry of Energy and Mining held "Round 1.5" of the renewable energy development scheme known as the RenovAr Program. Participation in this round consisted of projects that were submitted in Round 1 but were not awarded contracts. In this new round, 30 projects were awarded contracts for a total capacity of 1,281.5 MW at an average price of US\$54/MWh (US\$7.3/MWh below the equilibrium price in Round 1). Of these, 10 projects are wind farms with a total capacity of 765.4 MW, while the remaining 20 are solar projects, which account for 516.2 MW.

Ministry of Energy and Mines, 25/11/16

Brazil

Energy Regulator Links Dividend Payments By Distribution Companies To Quality Of Service

Brazil's energy regulator, ANEEL, approved new regulations that limit dividend payouts by distribution companies if they fail to meet certain quality of service (QoS) standards. In particular, they will be limited to issuing dividends of at most 25% of their profits if they do not meet QoS targets in two consecutive years or three times in the past five years. The new rules are applicable to the 33 distribution companies that renewed their concessions at the end of 2015, as well as to companies that sign new concession contracts.

ANEEL 29/11/16



ASIA PACIFIC NEWS

Australia

Network Value Of Solar

The pricing regulator for the Victorian government, the Essential Services Commission (ESC), released a draft report for the second phase of the Victorian government's "Inquiry on the True Value of Distributed Generation". This phase investigated the network benefits of rooftop solar and other distributed generation. Network benefits flow primarily from reduced network congestion, but the inquiry also looked at benefits for network support services and "islanding" (black start) capability. The ESC estimated the network value of 1 GW of rooftop solar PV capacity in Victoria as approximately A\$3 million, or A\$3/kW.

The network value of distributed generation varies across time and location and may be zero in areas with little network congestion. It may increase substantially, however, if distributed generation is paired with other technologies such as battery storage, smart inverters, and energy management systems. The opportunity to manage household consumption and to disconnect it from the network adds network benefits by reducing peak demand.

Following the ESC's recommendations from both phases of the inquiry, the Victorian government amended the legislation on solar feed-in tariffs, adding factors for avoided transmission losses and for reductions in greenhouse gas emissions. These factors vary by time and location but increase feed-in tariff rates by between one and 1.5 Australian cents (between 0.75 and 1.12 US cents) per kWh.

RenewEconomy, 15/11/16, 25/11/16; Essential Services Commission, 15/11/16



MIDDLE EASTERN NEWS

Egypt

Egypt To Expand Renewable Generation Capacity

On 13 November 2016, Egypt's New and Renewable Energy Authority (NREA) invited engineering, procurement, and construction (EPC) companies to submit expressions of interest in the construction of a 20 MW PV solar plant in the Aswan Governorate in Southern Egypt. The project will be financed by the French Development Agency (AFD), with the solar plant expected to come online in the second quarter of 2018.

The government of Egypt also announced, on 30 November 2016, that it had secured financing of US\$251 million (from the AFD, the European Investment Bank, and the German Development Bank KfW) for a wind farm of at least 200 MW in the Gulf of Suez region. The European Union will also support the project with a grant of US\$30 million, and the Egyptian government will provide the remaining US\$83 million of required funding. The NREA is expected to launch a tender for the new wind farm in mid-2017, with the plant expected to come online in 2020. These projects support the Egyptian government's objective of generating 20% of Egypt's electricity from renewable sources by 2022.

Investing.com 30/11/16; SeeNews Renewables, 25/11/16, 14/11/16



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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.

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