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Reporting on energy regulation issues around the world

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Global Energy Regulation

Contents

EUROPEAN NEWS

European Union

The Council And The European Parliament Reach Agreement On The Revised Security Of Gas Supply Regulation

The Council of the European Union and the European Parliament reached a provisional agreement on a revised draft regulation on security of gas supply. The new rules are intended to improve cooperation among Member States and to ensure a regionally coordinated and common approach to security of supply, with the aim of minimising the impact of any potential disruption to the gas system. Key elements of the regulation are: (1) enhancing regional cooperation and coordination around groups of Member States facing common risks; (2) mandating regional preventive action plans and emergency plans, as well as regional risk assessments; (3) establishing a solidarity mechanism; (4) increasing the monitoring of gas supply contract terms; and (5) defining specific obligations of EU Member States towards the Energy Community. Once the agreement is confirmed by the Permanent Representatives of Member States, the text will have to be formally approved by the European Parliament and the Council of the EU and then will enter into force after being published in the Official Journal of the European Union.

Council of the EU, 27/04/17; European Commission, 27/04/17

Insight in Economics™

Commission Asks Hungary To Fully Comply With The Third Energy Package

The European Commission (EC) has sent a reasoned opinion to the Government of Hungary requesting the correct implementation and application of the Electricity and Gas directives. The EC, which had already issued a reasoned opinion in December 2016, found that Hungary was not yet compliant with EU law. In addition, the EC found that recently adopted amendments to Hungary's energy legislation jeopardise the right of market operators to a full judicial review of the national regulator's decisions on network tariffs. Hungary has two months to inform the EC of the measures taken to remedy the situation, following which the EC may decide to refer the case to the EU Court of Justice.

European Commission, 27/04/17

ACER Survey Identifies Barriers To EU Gas Wholesale Market Trading

The Agency for the Cooperation of Energy Regulators (ACER) published the results of a survey asking wholesale market participants across the EU to weigh in on the remaining barriers to trading on wholesale gas markets. The report says that market participants identified the following main barriers to trade in established, advanced, and emerging hubs: (1) non-competitive transmission tariffs, for both short- and long-term capacity, and non-competitive short-term capacity products at interconnection points; and (2) the lack of, or insufficient, regulatory transparency particularly related to tariff methodologies and calculations, as well as to the overall regulatory framework. According to market participants, the main barriers in illiquid hubs are related to: (1) weak political support to wholesale market development and the absence of an organised gas hub; and (2) insufficient flexibility in the products offered at the hub or at the exchange, as well as the lack of a reference wholesale price or unclear price formation mechanisms. At this stage, the results of the survey reflect only the opinions of shippers, suppliers, traders, and energy intensive customers.

ACER, 10/04/17

ACER Calls For Further Improvements In Union-Wide And National Electricity Network Development Plans

The Agency for the Cooperation of Energy Regulators (ACER) issued two opinions, one on the draft EU-wide Ten-Year Network Development Plan (TYNDP 2016) prepared by ENTSO-E and the other on the plan's consistency with national network development plans. ACER found the draft TYNDP 2016 to be an improvement on previous plans, but it nonetheless provided recommendations for additional improvement, including: (1) providing greater transparency regarding the plan-making process and the calculation of target capacities; (2) describing the process for selecting projects within the plan; (3) explaining the link between projects and infrastructure investment needs; (4) providing target capacities for each boundary based solely on technical-economic assessments; (5) assessing the benefits of each project for system resilience and security of supply; (6) forecasting adequacy and linking it to the plan; and (7) enhancing the overall suitability of the plan for selecting projects of common interest. Regarding the EU-wide plan's consistency with national network development plans, ACER notes: (1) one-third of the national parts of the TYNDP 2016 "clusters" (linked investments) do not appear in the respective national network development plans; (2) a few projects considered relevant by national energy regulators, as having cross-border relevance, do not appear in the EU-wide plan; and (3) the credibility and feasibility of many clusters included in the "future project" category raise a number of concerns (being still "under consideration" or not expected to be commissioned within the next 10 years).

ACER, 07/04/17

Austria

Regulator Works Towards Modernisation Of Electricity Network Tariff Framework

The Austrian energy regulator, E-Control, announced plans for a modernisation of the electricity network tariff framework, on the basis that the current tariff structure no longer adequately reflects the energy market structure that is increasingly being shaped by digitalisation and decentralisation. The regulator cites the use of electric heat pumps and photovoltaic (PV) installations by an increasing number of people in Austria, observing that network capacity, rather than volume of energy deliveries, is becoming a central criterion for sizing electricity networks. Also, smart grids provide the opportunity for more efficient use of the network by optimising the consumption profile. Against this backdrop, the regulator presented a position paper setting out its view on required modifications to the current tariff system, based on principles of economic efficiency, incentive compatibility, sustainability, cost adequacy, non-discrimination, and transparency.

e-control.at, 19/04/17

Belgium

Divisions Over Nuclear Waste Disposal

According to a leaked letter addressed to the ministers of the economy (Kris Peeters) and energy (Marie-Christine Marghem), Ondraf, the national body charged with the management of nuclear waste, strongly objects to the ministers' proposed method of identifying the place and technique for storing Belgium's nuclear waste. The ministers intend to proceed in several steps, beginning with identification of the appropriate technical method, followed by a deeper study of the relevant geological conditions, and finally, negotiations with the communities best suited to accommodating the waste storage site. Ondraf suggests that the process should start instead by identifying the communities that would be willing to accept waste storage in their area, since otherwise the government is likely to run into political obstacles. Ondraf also points out that it is becoming increasingly urgent for Belgium to define a long-tern solution for the storage of its nuclear waste.

lesoir.be, 18/04/17; levif.be, 18/04/17

France

Expansion Of Sizeable Energy Efficiency Programme

The French energy and environment minister, Ségolène Royal, signed a decree that almost doubles the energy efficiency objectives of the system of Energy Efficiency Certificates (certificats d'économies d'énergies, or CEE) over the period 2018-2020. The CEE framework, established in 2005, requires French energy providers to ensure that certain energy savings are realised by households, businesses, and public entities through renovation and modernisation measures. The energy providers affected by this framework must carry out the corresponding work, purchase further certificates, or incur penalties. Although relatively unknown to this point, the CEE framework is expected to have a quite significant annual cost, around €2,000 million over the next three years.

LesEchos.fr 27/04/17; dossierfamilial.com 27/04/17

Own-Consumption Of Electricity On The Rise; Requires Network Operators To Adapt

The number of households consuming electricity produced from their own renewable energy sources ("own-consumption") has until now been very limited and significantly less than the number of French households injecting their own production into the network through feed-in arrangements. Since the passage of the French energy transition law, however, consumption of electricity produced by one's own resources has been rising, and major French energy companies like Engie and EDF are increasingly offering innovative products to households in this new segment. This development creates challenges for electricity network operators RTE and Enedis, whose tariffs for electricity distribution (TURPE) are based on the volume of electricity transported over the network, which is reduced by increasingly local production and consumption of electricity. Enedis, the distribution network operator, is a partner in several microgrid projects exploring the potential for small-scale production and consumption, and is also playing a prominent role in this area through its deployment of Linky smart meters across France.

lemonade.fr, 19/04/17; actu-environnement.com, 19/04/17

Germany

Offshore Wind Auctions Yield Record-Low Subsidies

On 13 April 2017, Germany's energy regulator (BNetzA) announced the results of the first auction for subsidies to offshore wind projects. Of the four winning projects, three did not request any subsidy on top of wholesale electricity prices. Energy company DONG (majority owned by the Danish state) secured three projects in the North Sea with an overall capacity of around 600 MW, of which 480 MW will be delivered for a zero market premium. German utility EnBW (also majority state-owned) pledged to deliver 900 MW of capacity in the North Sea for a zero market premium. The fact that several successful bids do not entail any explicit subsidy suggests that bidders expect substantial cost reductions to occur over the next years, well beyond what the market was expecting before the auction. It remains to be seen, however, whether the projects will actually be delivered, given that penalties for non-delivery are comparatively low, so the successful bidders might withdraw from the projects if the expected efficiency gains do not materialise.

NERA recently published a white paper on the lessons to be learned from the auction results, which draw on insights from real options theory; the paper can be accessed here.

bundesnetzagentur.de, 13/04/17

German Energy Ministry Publishes Draft Ordinance For Joint Wind And Solar Auctions

The German Energy Ministry (BMWi) published a draft ordinance setting out the framework for auctioning subsidised renewable energy capacity, including joint auctions for solar and wind energy projects. In the past, subsidies have been auctioned separately for each technology. According to the draft ordinance, the BNetzA would conduct biannual auctions for 200 MW of generation capacity (i.e., an annual total of 400 MW) over the period 2018-2020. The capacity will be allocated to the bidders requiring the lowest subsidy, with no minimum for either technology. The auction mechanism would also include penalties on projects that require an expansion of local network capacity, in order to take into account the additional costs to consumers.

bmwi.de, 11/04/2017

European Commission Doubts Compatibility Of German Capacity Reserve With Internal Market

In a letter dated 7 April 2017, the EC informed Germany that it was launching a state aid investigation into the planned capacity reserve. In light of the EC's environmental and energy state aid guidelines (EEAG) and the results of its recent sector inquiry (see NERA publication), the EC doubts the capacity reserve is compatible with the internal market. The EC questions whether the planned measure is necessary, appropriate, and proportional, and avoids undue negative effects on competition and trade. The *de facto* exclusion of demand response, the severity of adverse assumptions made to demonstrate the necessity of the measure, and the absence of an established security of supply standard are among the elements contributing to the EC's assessment. The EC requested that Germany submit further information and comments on the EC's view. Interested parties are also invited to submit their comments.

ec.europa.eu, 07/04/2017

Greece

Greek Public Power Utility In Final Stage Of Selling Off Power Grid

On 7 April 2017, the Greek Energy Ministry announced that its state-controlled power utility, PPC, was close to concluding a deal to sell off its power grid operator, ADMIE, following the end of the period for stakeholders to state their objections. As proposed, PPC will sell a 24% share to the State Grid of China for €320 million (US$350 million). Another 25% will be transferred to the Greek State, and the remaining 51% will be transferred to a new entity, which will then be sold. The plan is subject to the approval of the EC.

Tornos, 08/04/17; Ekathimerini, 07/04/17

Italy

Aeegsi Publishes Further Plans To Reform The Transitional Arrangements For Calculating Electricity Market Imbalances

On 21 April 2017, the Italian energy regulator (Autorità per l'Energia Elettrica il Gas e il Sistema Idrico, or Aeegsi) published a consultation document (277/2017/R/eel), proposing changes to the transitional imbalance calculation methodology, to take effect starting 1 July 2017. Aeegsi plans to change the methodology used to calculate the aggregate imbalance for each of the two "macro" zones (North and South), to overcome shortcomings of the current method. Aeegsi will also reinstate a single-price system for the imbalances of small-scale dispatchable generating units, in line with the EU regulation on electricity balancing. Finally, Aeegsi plans to introduce a new "anti-arbitrage" compensation mechanism for each "macro" zone, to reduce arbitrage opportunities between day-ahead and balancing prices. Interested parties have until 22 May 2017 to submit comments.

Aeegsi, 21/04/2017

Netherlands

Modification Of Method Decision 2017-2021 For TenneT's Transport Business

On 13 April 2017, the Dutch consumer and market authority, the ACM, amended the Method Decision applying to TenneT's transport business over the regulatory period 2017-2021. This update changes the safety margin on the efficiency appraisal of TenneT from 5% to 10%. The amendment is required by a ruling of the Industrial Appeal Tribunal (CBb) issued on 8 December 2016 (ECLI: NL: CBB: 2016: 374), concerning the corresponding Method Decision for the 2014-2016 regulatory period. For the same reason, the same amendment will apply to the Method Decision 2017-2021 for TenneT's System Operator business.
ACM, 14/04/17

Code Decision On One-Off Connection Fees

The ACM decided to amend the Electricity Tariff Code in Article 2.1.7, which refers to the work that a network operator must carry out to hook up a (third-party) connection to its network. The amendment fulfils an instruction to the ACM by the CBb, requiring the ACM to ensure that the Electricity Tariff Code obliges the network operator to specify the labour costs per hour and per task of constructing the link to its network. The purpose of the amendment is to increase the transparency of pricing.

ACM, 07/04/17

The ACM Approves Day-Ahead And Intra-Day Arrangements For Multiple NEMOs

To enable Europe-wide electricity trading, all supply and demand in Europe must be linked. The so-called NEMOs (Nominated Electricity Market Operators) arrange cross-border day-ahead and intraday trading, a function previously performed by electricity exchanges. In the Netherlands, both EPEX Spot and Nord Pool are designated as NEMOs.

Because there is more than one NEMO in the Netherlands, the Dutch Transmission System Operators (TenneT TSO B.V. and BritNed Development Limited) had to agree on additional rules on how the two NEMOs would work together, in day-ahead and intra-day markets. Their proposals include provisions on data exchange, shipping, and clearing and settlement. The ACM approved these proposals, allowing both NEMOs to operate in the Dutch electricity market.

ACM, 03/04/17

Spain

Renewable Energy Auction Scheduled For 17 May 2017

The Spanish government announced a new auction process for the installation of new renewable capacity in mainland Spain. In this auction, 2,000 MW of renewable capacity will be awarded a regulated rate of remuneration, which it will receive for a period of 25 years. This auction is technology-neutral, as all renewable technologies will compete with each other for the regulated remuneration, which will be paid on top of wholesale-market revenues. The auctioned capacity may be increased, to up to 3,000 MW, depending on the results of the auction, but the government has not revealed the conditions to be met for such an increase. The auction will be held on 17 May 2017 and will be managed by the electricity market operator, OMIE. Selected projects will have to be in full operation by 1 January 2020.

Ministry of Energy, Tourism and the Digital Agenda, 07/04/17

UK

National Grid Signs Cross-Border European Balancing Agreement

National Grid, the electricity TSO for Great Britain, signed an agreement with 18 other TSOs around Europe to implement a platform for exchanging balancing energy across the continent. The project, which is known as the Manually Activated Reserves Initiative (MARI), aims to create a pan-European system for trading balances via cross-border interconnectors. The TSOs started working on the project in 2016, with the goal of meeting a 2022 start date set by the EC.

Utility, 13/04/17; Network, 13/04/17

UK Launches Second Contracts For Difference Auction

The UK government launched a second auction of Contracts for Difference (CfDs) for renewable technologies. Under the CfDs, renewable energy providers will compete for £290 million (US$375 million) worth of contracts, which guarantee them a certain price for the low carbon electricity they produce for 15 years. The auction represents the first step in the government’s commitment to provide up to £750 million (US$970 million) of green energy projects annually during the course of its term. The result of the auction is expected by autumn 2017.

BEIS, 03/04/17; Energy Live News, 04/04/17

NORTH AMERICAN NEWS

US

National Grid Files Request For Update To Rates For Niagara Mohawk Gas And Electricity Utility

On 28 April 2017, after more than a decade of stable energy bills and US$6,000 million in infrastructure investments, National Grid filed a proposal to reset the electricity and natural gas delivery prices for the customers of its subsidiary, Niagara Mowhawk, in Upstate New York. The current delivery price freeze for upstate electricity and natural gas customers will remain in effect until 31 March 2018, so the filing requests a rise in rates starting 1 April 2018. Under New York public service law, rate cases require regulatory approval and must undergo an 11-month review process that includes a number of opportunities for public input. This filing represents first full rate review for this utility since 2013. Under a multi-year agreement, the proposed three-year capex plan would total US$2,700 million. Annual revenues would rise by US$326 million for electricity and by US$81 million for gas.

National Grid, Reuters, 28/04/17

California Utilities Propose New Methodology To Allocate Generation Procurement Costs

The three investor-owned utilities (IOUs) in California–Pacific Gas and Electric, Southern California Edison, and San Diego Gas & Electric filed a joint application with the California Public Utilities Commission (CPUC) for approval of the Portfolio Allocation Methodology (PAM) for all customers. The PAM is used to calculate how communities that choose to implement Community Choice Aggregation (joint purchasing) pay for these clean energy costs. The proposal aims to address the issue of cost-shifting between “bundled service” customers and “departing load” customers who do not purchase power from the three IOUs.

Utilities indicated that under the current methodology, departing load customers are charged a Power Charge Indifference Adjustment (PCIA) and Competition Transition Charge (CTC) that are based on hypothetical projections of future market costs. Such estimated costs are not trued-up later on for actual costs. The proposed PAM will require departing load customers to pay a Portfolio Allocation Charge (PAC) as well as the CTC. Under the PAM, all departing load customers and remaining bundled service customers will be allocated the actual value and pay the actual costs of the generation portfolios procured or built on their behalf. Additionally, PAC and CTC rates will be retrospectively trued up. Utilities believe that the PAM is a fair, equitable, scalable, and auditable methodology that will prevent cost-shifting and ensure all customers pay for the costs of the generation resources procured on their behalf.

CPUC, 25/04/17; SNL, 27/04/17

ISO New England Proposes New Plan To Accommodate Subsidised Generation In Forward Capacity Market

New England's regional grid operator (ISO New England) filed a proposal to use two-part capacity auctions to accommodate state-subsidised resources participating in its Forward Capacity Market. The plan is to pay existing, high-cost capacity resources to permanently exit the Forward Capacity Market and to transfer their capacity obligations to new subsidised generation resources. This exchange of obligations is coordinated by conducting the annual Forward Capacity Auction using a two-stage, two-settlement process. The new proposal is part of the ISO's Integrating Markets and Public Policy (IMAPP), which was launched in 2016 to address stakeholders' concerns over increasing volumes of new, state-subsidised generation harming both consumers and the competitive Forward Capacity Market. The grid operator's plan is to accommodate the entry of significant subsidised resources over time, while maintaining competitively based capacity prices for non-subsidised resources, by closely coordinating the entry of subsidised new resources with the exit of unsubsidised existing capacity resources.

SNL, 18/04/17; Utility Dive, 18/04/17; ISO New England, 14/04/17

Alaska LNG Project Application Filed With FERC

The Alaska Gasline Development Corp. (AGDC), a state-owned company, filed an application with the Federal Energy Regulatory Commission (FERC) for a Section 3 permit, under the Natural Gas Act, to construct a pipeline and liquefaction plant to access and export currently-stranded North Slope gas reserves. The project includes a liquefaction plant in Nikiski, an 800-mile pipeline, and a gas treatment plant in Prudhoe Bay. Plans include five pipeline offtake points for in-state delivery and a request to export 20 million tonnes per year of liquefied natural gas. Previously a private venture put together by BP, ConocoPhillips, and ExxonMobil, the venture is expected to cost between US$40,000 million and US$45,000 million.

SNL, 17/04/17; Natural Gas Intelligence, 17/04/17

Mexico

SENER And CENACE Announced 2017 Long-Term Electricity Auction

On 28 April 2017, the Mexican energy ministry, SENER, and the Mexican electricity market operator, CENACE (National Centre for Energy Control), announced the third long-term electricity auction. As in the previous two auctions, three products will be on offer: energy, capacity, and “CELs” (environmental certificates). The main innovation in this auction is that load service entities other than the “Basic Service Supplier” will be able to participate through a clearinghouse (to be established). The bid documents will be issued on 8 May 2017, offers to buy from the Basic Service Supplier will be published on 31 July 2017, and from other buyers on 14 August 2017. Bidders will present their technical offers in September 2017 and their economic bids in November 2017.

SENER, 28/04/17

First Capacity Balancing Market Auction Is Held

CENACE held the first auction within the so-called Capacity Balancing Market, one of various markets operating within the Wholesale Electricity Market (Mercado Eléctrico Mayorista, or MEM). The energy regulator, Comisión Reguladora de Energía (CRE), is responsible for setting the amount of capacity to be purchased in the auction for each load centre. The main objective of the auction is to ensure that the whole system has sufficient generation capacity to cover electricity demand. These auctions offer additional revenues, which are necessary to allow generation units to cover their fixed costs.

CENACE, 01/04/17

CENTRAL & SOUTH AMERICAN NEWS

Argentina

Natural Gas Export Agreement With Uruguay Is Renewed

The Argentinian Ministry of Energy and Mining approved a decree that extends the permit to export natural gas to Uruguay. The new permit extends for two years the agreement that has been in place since 2002, which has now expired. Under the new permit, exports include a firm daily volume of 350,000 cubic metres, plus an interruptible volume of 250,000 cubic metres of gas. The permit includes a number of conditions to ensure that domestic natural gas reserves critical for supplying the Argentinian market are not exported.

Ministry of Energy and Mines, 26/04/17

Brazil

Government Publishes Guidelines For Auction To Buy Back Reserve Generation Contracts

The Brazilian Ministry of Mines and Energy published a decree detailing guidelines for the competitive auction to “buy back” reserve power projects, to be held before 31 August 2017. Generation projects awarded in previous reserve energy auctions that have not so far started operation in the test phase are eligible to participate in the auction. The energy regulator, ANEEL, will release a list of the projects eligible to participate 30 days before the auction.

Ministry of Energy and Mines, 20/04/17

Government Approves Guidelines For A New Natural Gas Regulatory Framework

The National Council for Energy Policy (CNPE) published a decision setting out strategic guidelines for the design of a new natural gas market. Within 120 days, a newly created Comitê Técnico para o Desenvolvimento da Indústria do Gás Natural no Brasil (Technical Committee for Developing the Natural Gas Industry in Brazil) will prepare a proposed set of urgent improvements to the legal framework of the natural gas sector in Brazil. The guidelines include: (1) implementation of measures to stimulate competition, limit market concentration, and foster competition on the supply side; (2) development of short-term secondary markets; and (3) integration of the natural gas and electricity sectors.

Ministry of Energy and Mines, 17/04/17

Government Announces 2017-2019 Schedule For Oil And Gas Auctions

The CNPE approved the technical and economic parameters of the third round of the “production sharing” auction. In this auction, four areas located in the Campos and Santos basins will be offered for exploration and production of oil and gas. The auction will be held in November 2017, and the government expects to collect up to R$4 million (US$ 1.3 million). The fourth round will be held in May 2018, while the fifth round is planned for the second half of 2019. The fourth and fifth rounds also concern exploration blocks in the Campos and Santos basins.

Portal Brasil, 11/04/17; Globo.com, 11/04/17

ASIA PACIFIC NEWS

Australia

Decision On Electricity Network Charges To Ease Pressure On Electricity Bills

The Australian Energy Regulator (AER) released its final determinations of the amount TasNetworks (Tasmania), Powerlink (Queensland), and AusNet Services (Victoria) can recover from electricity customers over the next regulatory period. Electricity distribution network costs will fall in Tasmania by around 21% and in Queensland by around 25%, starting 1 July 2017, helping to offset the impact of rising wholesale electricity costs in both states. Electricity transmission network costs in Victoria will also fall by about 6% in real terms. The AER accepted most of the regulatory proposals submitted by TasNetworks and Powerlink, including their capital and operating expenditure forecasts, and the proposed methodologies for calculating their rate of return. Most of the savings were identified by the companies after consulting their customers, and reflected continuing efficiencies in the operation of the network. AusNet Services was awarded about 10% less than it had requested. The determinations for Powerlink and AusNet Services apply for the usual five years, while TasNetwork’s determination applies for two years, to align the regulatory periods of its distribution and transmission businesses.

AER, 28/04/17

Network Tariffs In The ACT And NSW From 1 July 2017

On 20 April 2017, the AER published an open letter to all stakeholders, outlining its approach to setting the network tariffs of the electricity distributors in the Australian Capital Territory (ACT) and New South Wales (NSW) affected by the February 2016 decision of the Australian Competition Tribunal to set aside the AER's previous determinations. The electricity distribution companies concerned are: ActewAGL (in ACT); and Ausgrid, Endeavour Energy, and Essential Energy (in NSW). Any new tariffs will apply starting 1 July 2017.

AER, 20/04/17

ACCC To Investigate And Report On Australian Gas Markets And Market Transparency

The Australian Competition and Consumer Commission (ACCC) will use its inquiry powers, including its ability to compulsorily acquire information, to increase transparency and address opaqueness in the gas market. Over the next three years, the ACCC will provide regular information to the market on the supply and pricing of gas, under the broad terms of reference issued by the federal government. The ACCC will also recommend longer term measures to increase transparency, facilitate competition, and support the gas market. This work will cover the full supply chain, including producers, transporters, and retailers.

In undertaking this work, the ACCC will liaise with energy agencies such as the Australian Energy Regulator, the Australian Energy Market Commission, and the Australian Energy Market Operator. The ACCC will release public reports on the state of the gas market every six months, in addition to providing more frequent market data. The first report is due to be released in October 2017.

ACCC, 20/04/17

AER Commences Review Of ElectraNet 2018-23 Electricity Revenue Proposal - Request For Submissions

The AER announced it had received a revenue proposal from ElectraNet, which runs the South Australian electricity transmission network. ElectraNet's proposal is for the five-year period commencing on 1 July 2018. The proposal sets out the revenue that ElectraNet proposes to collect from South Australian electricity consumers through transmission charges from 2018 to 2023. Interested parties are invited to make submissions on the regulatory proposal by the close of business on 7 July 2017.

AER, 12/04/17

AER Invites Submissions On Victorian F-Factor Draft Determinations And Explanatory Statement

The AER released its draft determinations on the Victorian f-factor and explanatory statement for the 2016-20 period. The f-factor is a regulatory instrument, which encourages distributors to reduce the risk of the type of instances that lead to bushfires. The original scheme was introduced by the Victorian Government in 2011. On 22 December 2016, the Victorian Government published the "f-factor scheme order 2016", which revoked the original scheme and provided for the establishment of a new one. Under the new scheme, the AER has a wider range of responsibilities, including determining the rewards and penalties for "fire starts" in the annual pricing approval process for distribution businesses. The deadline for submissions on the draft determinations is close of business of 26 May 2017.

AER, 03/04/17

New Zealand

Commission Invites Discussion On Related Party Transactions By Regulated Energy Networks

The New Zealand Commerce Commission released a paper seeking feedback on how it should approach the regulation of transactions between energy networks and other related businesses. Rules on related party transactions govern how the regulated entities may use related parties in the delivery of regulated services, as the costs of these transactions are included in the allowed revenue recoverable from consumers. The paper released by the commission provides an overview of the commission's initial findings. The commission is interested, in particular, in whether there are inappropriate opportunities under the current structure for regulated businesses to increase their overall combined profits by paying more to a related party than they would pay to an independent supplier. This review forms a part of the larger Input Methodologies Review being undertaken by the commission.

Commerce Commission, 12/04/17

MIDDLE EASTERN NEWS

Saudi Arabia

Saudi Arabia To Invest In Renewables

Saudi Arabia's energy minister announced on 17 April 2017 that the country intends for 10% of its electricity generation to come from renewable sources by 2023. To achieve this aim, the kingdom plans to develop 30 solar and wind power projects by 2023, with a total capacity of 9.5 GW and an estimated investment cost of US$30,000 million-US$50,000 million. These plans form part of Saudi Arabia's "Vision 2030" economic reform programme, aimed at diversifying the economy and developing the private sector in the kingdom.

On 10 April 2017, Saudi Arabia shortlisted companies for the first round of its renewable energy initiative. Energy companies such as France's EDF Energie Nouvelles, Japan's Mitsui, and Abu Dhabi's Masdar, as well as ACWA Power from Saudi Arabia, were invited to bid for the two initial projects: a 300 MW solar PV project in the North of the kingdom and a 400 MW wind farm in the Northwest.

Agence France Presse, 17/04/17; Reuters News, 17/04/17, 10/04/17

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

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NERA produces two newsletters that report and analyse energy matters around the world. *Energy Regulation Insights* summarises 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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