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Global Energy Regulation

Contents

EUROPEAN NEWS

European Union

European Commission Approves German And Italian Reductions To Cogeneration Surcharges For Energy-Intensive Companies

The European Commission approved, under EU state aid rules, a German plan for energy-intensive companies to enjoy reductions in the charges levied on consumers in Germany to finance support for cogeneration. The commission also approved similar reductions in surcharges used to finance support for cogeneration and renewables in Italy. EU state aid rules allow for reductions in such surcharges when they refer to schemes supporting renewable energy, but in these cases, the commission also allowed reductions in surcharges to support cogeneration, as both measures further EU goals in energy and climate change policy, and they ensure the global competitiveness of energy-intensive industries, whilst preserving competition within the EU Single Market.

European Commission, 23/05/17

Central Eastern Europe´s TSOs Publish Their Gas Regional Investment Plan 2017

The Gas Transmission System Operators (TSOs) of the Central Eastern Europe region released the Gas Regional Investment Plan 2017 (CEE GRIP), which offers a comprehensive outlook for gas infrastructure projects in the region. Key areas analysed in the plan include: (a) the future development of gas transmission infrastructure in the CEE region; (b) specific simulations using network models to assess market integration and security of supply; (c) the development of a regional approach to the security of supply and demand; (d) N-1 analysis of the CEE GRIP region over a 10-year time frame; and (e) a detailed focus on the potential for natural gas in the transportation sector. A consultation process is open and stakeholders are invited to provide comments on the plan.

ENTSOG, 19/05/17

General Editor
Tomas Haug

Regional Editors
Amparo Nieto: North America
Oscar Arnedillo: Spain, Portugal, European Union, and Latin America
Marco Schönborn: Italy

Insight in Economics™

European Commission Finds Portugal’s Compensation For The Extension Of Hydroelectric Concessions Is Not State Aid

In a formal investigation begun in 2013 into payments for the extension of hydroelectric concessions granted to Electricidade de Portugal SA (EDP), the European Commission concluded that such payments do not involve state aid. In 2007, 25 hydroelectric plants were granted extensions to their concession contracts, which allowed them to operate until 2020. These extensions involved the payment of €704 million (US$ 793 million) by the national incumbent electric utility, EDP. According to the commission, the financial methodology used to assess the price for extending the concessions was appropriate and led to a fair market price, which did not involve state aid.

European Commission, 15/05/17

Regulators Call For European Commission To Remove Priority Dispatch For Existing Renewables

The Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) published a Regulatory White Paper on “Renewables in the Wholesale Market”, requesting that EU legislators bring Renewable Energy Sources (RESs) fully into the market. The document recommends three changes to the European Commission’s “Clean Energy” proposals: (1) remove priority dispatch for renewable generation from existing plants and not only from new ones, (2) avoid non-market approaches to redispatch and curtailment of RESs; and (3) avoid net metering and ensure fair cost allocation. This Regulatory White Paper is the first in a series of white papers by European energy regulators on the Clean Energy proposals covering wholesale, network, and consumer issues.

ACER, 11/05/17

Austria

Congestion Management At The German-Austrian Border

The regulatory authorities responsible for energy networks in Germany (the BNetzA) and Austria (E-Control) agreed to introduce congestion management procedures for the electricity grid at the German-Austrian border starting in October 2018. Germany and Austria have been part of a single bidding zone for about 15 years but increasing trade volumes in the joint market zone and unrestricted trade between the two countries have strained neighbouring countries' networks. This situation had been criticised for some time by ACER, which had called for the introduction of congestion management. Until now, however, E-Control strongly opposed a split and repeatedly questioned ACER's authority to rule on the matter.

The new agreement between the BNetzA and E-Control introduces congestion management at the border and allows long-term cross-border capacity of at least 4.9 GW (which amounts to about half of Austria's peak load). The German Federal Ministry for Economic Affairs and Energy estimates that the new measures will save German consumers several hundred million euros per year. E-Control called the agreement "a good outcome" and expects that costs for Austrian electricity consumers resulting from the trade restrictions will be much lower than originally expected. The agreement will now be discussed with the affected neighbouring countries and with the European Commission.

e-control.at, 15/05/17; bundesnetzagentur.de, 15/05/17; bmwi.de, 15/05/17

France

French Gas Network Operators Warn Of Potential Supply Shortages During Winter Season

A few weeks after French gas storage operator Storengy issued a warning of insufficient storage capacity bookings for the next winter season, the gas transmission network operators GRTgaz and TIDF published a joint message pointing to the risk of potential supply shortages next winter unless suppliers increase their storage bookings very soon. Storage capacity subscriptions in France have reached a level of about 80 TWh for next winter, more than 30 TWh below the levels seen at the beginning of the last three winter seasons. Capacity bookings have to be made in time to allow shippers to inject the necessary quantities of gas during the summer months.

According to calculations conducted by the two network operators, the supply shortfall might reach approximately 350 GWh per day in case of a 1-in-50 winter (a severe winter that is expected to occur with a probability of 2%). The low level of storage capacity bookings reflects the fact that the spread between gas prices in summer and winter has narrowed substantially over recent years, such that shippers now prefer to rely on trading rather than physical storage of gas to cover peak demand. This trend is one of the principal reasons behind recent French efforts to impose regulation on storage, a policy reform that is now to be taken up by the new French government.

LesEchos.fr 01/06/17; lefigaro.fr 31/05/17

Regulator Accompanies Expansion Of Small-Scale LNG Capacities In France

Recognising an increasing demand for small-scale liquefied natural gas (LNG) services, French energy regulator, the CRE, is consulting on the expansion of small vessel bunkering activities at the Fos Cavou LNG terminal in Southern France. Specifically, the regulator is investigating the technical feasibility of servicing vessels with a volume of 5,000 to 7,500 m^3, when the current minimum vessel volume is 15,000 m^3. Terminal operator Fosmax LNG is seeking a revision to the current tariff regime for small-scale LNG services. The consultation also is concerned with the definition of rules on the sale of small-scale bunkering services.

cre.fr, 18/05/17

Germany

Changes In Network Access For Gas

On 24 May 2017, the German Federal Cabinet adopted draft changes to the regulation on network access in Germany (Gasnetzzugangsverordnung, GasNZV). Under the new regulation, the two existing market areas (Net Connect Germany and Gaspool) will merge by April 2022. Furthermore, gas TSOs would become obliged to offer within-day transport capacities at all entry and exit points to increase flexibility in the gas market. The current regime allows TSOs to decide on a voluntary basis and only obliges them to do so at interconnection points.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), a single integrated market area will further increase liquidity and improve security of supply in the German gas market. It also should prepare the gas market for future developments in Europe, e.g., a cross-border market zone, and prevent discrimination inside Germany. Additionally, the concept of "first come, first served" for the allocation of transport capacities at storage sites will be removed and the relevant German law adapted to fit current European regulation.

The draft regulation on network access has yet to be approved by the Federal Council.

bmwi.de, 24/05/17

On-Shore Wind Auction Dominated By Citizens' Energy Companies

Germany's networks regulator, the BNetzA, announced the results of the first auction for onshore wind energy. In this first round, the BNetzA awarded support to 70 bids accounting for 807 MW, out of a total of 256 bids with a combined volume of 2137 MW. The auction design distinguished between citizens' energy companies (Bürgerenergiegesellschaften, BEGs) and other bidders. BEGs are given an advantage in comparison to "regular" bidders in three respects: (i) they may submit bids before being approved under the federal emission control law, (ii) their implementation deadline is extended by two years, and (iii) they receive support equal to that of the highest winning bid (clearing price) while other bidders receive prices equal to their own bid (pay-as-bid).

Two-thirds of the bids submitted in this first tender came from BEGs, accounting for 71 % of volume. As a result, 65 of the 70 winning bids, accounting for 96% of the winning volume, were awarded to BEGs. The awarded prices range between €52.50/MWh and €57.80/MWh (US$58.70/MWh and US$64.60/MWh), with an average subsidy level of €57.10/MWh (US$65.70/MWh). Only 5% of the BEGs had been approved under federal emission control law.

bundesnetzagentur.de, 19/05/17; bmwi.de, 19/05/17

Greece

Greek Public Power Utility Receives Shareholder Approval To Spin Off Power Grid Operator

On 23 May 2017, Greece's state-controlled power utility, PPC, secured shareholder approval for its proposed spin-off of the electricity transmission system operator, ADMIE, in keeping with terms of an international bailout. As proposed by Athens and agreed upon by lenders from the European Union and International Monetary Fund, PPC will sell a 24% share of ADMIE to the State Grid of China for €320 million (US$360 million), with 25% to be transferred to a Greek state holding company for €296 million (US$333 million). The remaining 51% will be transferred for free to a new entity owned by PPC's current shareholders.

Tornos News, 24/05/17; Reuters, 23/05/17

Netherlands

ACM Approves The Common Network Models For TenneT And BritNed

The Dutch Consumer and Market Authority (ACM), which regulates the Dutch energy networks, approved the common network models submitted by TenneT and BritNed, the two electricity transmission system operators in the Netherlands. European network operators cooperate to calculate the available cross-border transport capacity using a mathematical description of the European electricity network. To this end, they have drawn up a Common Grid Model Methodology, in accordance with the Capacity Assistance and Congestion Management (CACM) Guidelines. All of the national regulatory authorities in Europe must approve this methodology, and ACM has provided this approval on behalf of the Netherlands.

ACM, 26/05/17

Amended 2017-2021 X-Factor Decision For TenneT's Electricity Transmission Business

On 18 April 2017, ACM amended its decision on the x-factor of TenneT's electricity transmission business for 2017-2021, in line with the amended method decision of 13 April 2017. ACM has now published the amended decision and the revised calculation of TenneT's x-factor. These amendments replace the x-factor decision previously set out by ACM on 30 August 2016 (ACM/DE/2016/205075) and the calculation published on 17 November 2016. The amendment was made necessary by a judgement of the Industry Appeals Tribunal (CBb).

ACM, 09/05/17

Amended 2014-2016 X-Factor Decision For GTS

On 19 April 2017, ACM amended its decision on the x-factor for Gasunie Transport Services BV (GTS) for 2014-2016, in line with the amended method decision of 19 April 2015. GTS is the national gas transmission system operator in the Netherlands. ACM has now published the amended decision and the revised calculation of GTS's x-factor. These amendments replace the x-factor decision previously set out by ACM on 23 September 2013 (ACM/DE/2013/204361) and the calculation published on 2 October 2013. The amendment was made necessary by a judgement of the Industry Appeals Tribunal (CBb) issued on 5 March 2015.

ACM, 09/05/17

Portugal

ERSE Launches Consultation To Review Electricity Sector Regulations And Quality-of-Service Regulation For Electricity And Gas

The Portuguese energy regulator, ERSE, launched a public consultation on a proposal to amend certain regulations that govern the electricity sector, such as the Network Access Regulation, the Network Operation Regulation, the Commercial Relations Regulation, and the Tariff Regulation. In addition, a public consultation will consider a proposal for a Quality-of-Service Regulation for the electricity and gas sectors and an associated quality-of-service procedures manual. Key issues in the proposal include: (1) the implementation of European electricity network codes; (2) improvement of the regulatory framework applicable to the retail market; (3) developments in regulatory models; (4) harmonisation of electricity and natural gas cross-sectoral regulations; (4) the promotion of innovation and active participation by consumers; and; (5) the stability of the regulatory framework and of the expectations of operators, market agents, and consumers. The consultation period ends on 3 July 2017.

ERSE, 17/05/17

Spain

Government Holds Renewable Capacity Auction

The Spanish government held an auction for the installation of 3,000 MW of new renewable capacity. The auction was technologically neutral, in the sense that all winners obtain the same level of support, regardless of their generation technology. Of the 3,000 MW eligible to obtain support, 2,979 MW were awarded to wind projects, 1 MW to photovoltaic, and 20 MW to other technologies. The auction attracted three times as much capacity as required and awarded the lowest level of support allowed by the auction rules. Given current wholesale market price forecasts, winners will not receive any premia on top of market prices. The new capacity must be in operation by 2020 and is expected to require investments of €3,000 million (US$3,378 million). Given the results of this auction, the Spanish government has announced that it will hold a new auction before August 2017 to award support to an additional 3,000 MW of photovoltaic and wind projects.

Ministry of Energy, Tourism and the Digital Agenda, 18/05/17; Cinco Días, 25/05/17, 19/05/17

ICSID Rules Against The Government Of Spain Over Renewable Energy Legislative Changes

The International Centre for Settlement of Investment Disputes (ICSID) issued a decision declaring that amendments that the Spanish government made to the regulatory framework for renewables since 2010 contravened the Energy Charter Treaty. This is the first international arbitration process lost by the Spanish government, which now must pay €128 million (US$144 million) to British investment fund Infrastructure Limited and Energía Solar Luxembourg to compensate for the loss of value in three solar thermal generation units caused by revenue reductions mandated by the government. The ICSID has not issued decisions yet for about 30 pending claims against the Spanish government regarding changes to the regulatory framework for renewable generation.

Europa Press, 05/05/17; Cinco Días, 06/05/17

Switzerland

Swiss Vote For Energy Transition, Against Nuclear Energy

In a national referendum held on 21 May 2017, a majority (58.2%) of Swiss voters expressed their support for the government's proposed new legislation prohibiting the construction of new nuclear reactors in Switzerland and promoting the transition towards increasing use of renewable energy sources. The new legislation also will impose stricter limits on CO_2 emissions by cars and create new support programmes for energy efficiency in the construction sector. The measures will be financed in part through surcharges on electricity prices.

The new law is expected to become effective in early 2018 and is intended to achieve a reduction in energy consumption of nearly 50% by 2035 relative to the level in 2000, and to implement a gradual transition towards the use of renewable energy sources by 2050. The five existing nuclear reactors in Switzerland will remain operational for the time that their safe operation can be ensured. (In a referendum in late 2016, Swiss voters decided against the early decommissioning of the existing reactors by 2029.)

zeit.de, 21/05/17; lesechos.fr, 22/05/17

Turkey

Construction Begins On Turkish Stream Pipeline

On 7 May 2017, Russian energy giant Gazprom began construction on the Turkish Stream pipeline, following roughly two years of negotiations interrupted by a diplomatic crisis between Turkey and Russia in late 2015. The respective leaders of Russia and Turkey, Vladimir Putin and Recep Tayyip Erdogan, formally signed an agreement on the project in October 2016.

The plan comprises two lines, both of which deliver gas from Russia to Turkey under the Black Sea. The first will deliver gas to end users in Turkey while the second one will deliver gas to the European Union at the border between Turkey and Greece. The project, scheduled to be commissioned in late 2019, is expected to cost €11,400 million (US$ 12,700 million) and deliver 15.75 billion cubic metres of gas per year in each line.

Hellenic Shipping News, 11/05/17; RT, 08/05/17

UK

Engie Enters UK Domestic Energy Market

French utility company Engie entered the UK domestic energy market, supplying electricity and gas to homes across the country. With a considerable presence already in the UK in the supply of energy to businesses, Engie is the biggest supplier to enter the UK domestic energy market in the last 15 years. In order to differentiate itself from the “Big Six” incumbent energy suppliers, Engie promised to charge customers its cheapest tariff automatically whenever their fixed-term contracts come to an end—rather than imposing a “standard variable tariff”.

Financial Times, 11/05/17; Utility Week, 11/05/17

Centrica Invests £60 Million To Boost UK Gas Production

British utility Centrica will spend £60 million (US$78 million) to unlock an extra three billion cubic feet (bcf) of natural gas from fields under the East Irish Sea. The project, which is expected to take nine months, will simplify the process for bringing gas from offshore fields to the North Morecambe Terminal. The decision comes amid concerns about tight gas supplies in the winter of 2017-18 due to continuing outages at Centrica’s Rough gas storage facility.

Reuters, 03/05/17; Energy Live News, 03/05/17

NORTH AMERICAN NEWS

US

California Senate Passes Bill To Mandate 100% Renewables By 2045

On 31 May 2017, the California State Senate passed a new bill (SB 100) that, if approved by the California Assembly, will require all Load Serving Entities in the state to acquire their electricity needs exclusively from renewable resources by 2045. The bill would also accelerate the timeline for meeting California's Renewable Portfolio Standard (45% of retail energy sales to come from renewable energy resources by 2023, 50% by 2026, and 60% by 2030). If the bill becomes law, California will become the second state after Hawaii to commit to a requirement that 100% of electricity needs be met with renewables-based generation resources by 2045.

California State Government, 31/05/17; RTO Insider, 01/06/17

New York Commission Allows Power Export From Battery Into The Grid

On 18 May 2017, the New York State Public Service Commission (NYPSC) approved the request by Consolidated Edison Company of New York Inc. (Con Ed) to export battery power into the network. The order allows customers to export energy from their installed battery storage systems to the network during demand response events in the Brooklyn/Queens Demand Management ("BQDM") program. The commission has stated that using battery storage in utility programs to manage and reduce demand can lower the costs for ratepayers and, thus, will play an important role in New York's green energy future. The order is expected to provide regulatory certainty to battery storage providers.

The regulatory commission directed Con Ed to consider expanding the use of battery storage systems, commercial demand response programs, and programs offered by the New York Independent System Operator (ISO) to other parts of New York City. Additionally, it called upon New York state utilities to study the reasonableness of allowing distributed energy resources (DERs), including battery storage, to export power to the network using dynamic load management programs and to report their results by 1 December 2017. The compensation for battery storage technologies and DERs other than net energy metering-eligible technologies will be considered in phase two of the proceeding on the value of DERs.

NYPSC, 18/05/17; SNL, 19/05/17

US–China Agreement Signals Support For LNG Trade

An agreement between the United States and China indicates that the US will treat China no differently than other countries without free trade agreements ("non-FTA countries") when it comes to authorising exports of liquefied natural gas (LNG). The US Department of Energy authorises LNG exports for non-FTA countries on a case-by-case basis. Cheniere Energy Inc., owner of the Sabine Pass terminal in Louisiana, the only terminal in the US currently exporting LNG, indicated that it has been in talks with the Chinese government and private companies about future off-take agreements. China has already received natural gas from the US through trades in spot LNG markets and from portfolio suppliers.

SNL, 12/05/17; Platts, 12/05/17

Nominees Chatterjee And Powelson To Establish Quorum At FERC

The White House announced two nominees to the Federal Energy Regulatory Commission (FERC) on 8 May 2017 who, if confirmed, would once again allow the commission to have a quorum. The nominees are Neil Chatterjee, currently energy advisor to US Senate Majority Leader Mitch McConnell, and Robert Powelson, member of the Pennsylvania Public Utility Commission (PUC) and president of the National Association of Regulatory Utility Commissioners (NARUC). Prior to joining Senator McConnell's staff, Chatterjee was a lobbyist for the National Rural Electric Cooperative Association (NRECA). Powelson has served as a commissioner for the Pennsylvania PUC since 2008 and was elected president of NARUC last year.

SNL, 09/05/17; Utility Dive, 09/05/17

CAISO Proposes Rules To Facilitate Integration Of Distributed Resources Into Its Markets

On 4 May 2017, the California Independent System Operator (CAISO) issued its third revised straw proposal for the Energy Storage and Distributed Energy Resources Phase 2 (ESDER 2) initiative, aiming to encourage grid-connected resources, including rooftop solar, energy storage, plug-in electric vehicles, and demand response, to participate in the CAISO's market operations to create more system flexibility and reduce carbon emissions. The proposal discussed issues including improving the accuracy of DER contributions through alternative energy usage baselines, distinguishing between charging energy and station power for storage resources, and developing a net benefit test for DERs that participate in the energy imbalance market.

The main update in the proposal is to expand the baseline options for enhanced demand response. Under this proposal, commercial baselines would maintain the current "10-in-10" methodology with a 20% adjustment cap and residential baselines would be based on four-day weather match methodology which estimates what electricity use would have been on event days in the absence of the demand response dispatch, using the electricity use data on similar but non-event days. Stakeholder comments on the third straw proposal were due on 18 May 2017, and the draft final proposal for ESDER 2 will be posted on 8 June 2017, with stakeholder comments due by 23 June 2017.

CAISO, 04/05/17; RTO Insider, 07/05/17

PJM Proposes Capacity Market Reform To Address Nuclear Subsidies

In response to an independent market monitor's concern that nuclear subsidies undermine the efficacy of PJM's capacity market, PJM Interconnection, its regional transmission organisation (RTO), issued a proposal on 2 May 2017 to modify its capacity auction process, aiming to send more appropriate price signals and to ensure the competitiveness of the wholesale market. Under this design, resources would submit a single set of offers as per the current process, but PJM would determine the amount of cleared capacity and clearing prices in two separate stages. The RTO proposed two options to achieve the goal. In Option 1, the first stage is to determine the level of cleared capacity, where subsidised resources that trigger re-pricing would be removed from the auction, along with a commensurate amount of related demand. Those resources would not receive any capacity commitments. The regulatory authority that subsidised the resources would be solely responsible for providing compensation to them. The second stage would determine the clearing price. The subsidised resources would be put back into the auction at reference prices that approximate a competitive offer without subsidies, along with the related demand. Resources that offer below the clearing price but did not receive a capacity commitment in the first stage would not receive any capacity commitment.

Option 2 has the same two stages as Option 1. However, in the first stage, offers from subsidised units would enter the auction subject to PJM's rules. The first stage of the auction would determine a "suppressed capacity price" and establish those resources that would ultimately receive a capacity commitment. In the second stage, PJM would recalculate capacity prices by removing and replacing offers submitted by subsidised units with reference price offers reflective of the unit's type and vintage. PJM would credit all cleared resources and charge all demand at the restated capacity price. States with subsidised resources would be able to choose how much compensation would flow to those resources.

PJM, 02/05/17; SNL, 03/05/17

Mexico

Mexican Electric System Planning Document 2017-2031

On 30 May 2017, the Mexican Energy Ministry (SENER) issued the National Electric System Development Program 2017-2031 (in Spanish, PRODESEN). This document contains the 15-year plan for the Mexican electric system, which covers generation, transmission, and distribution. According to the document, 56 GW of capacity will be added during that period, and by the end of the period, total installed capacity will reach 113,269 MW, of which 50% will come from clean energy sources.

SENER, 30/05/17

Sener And Cenace Publish Auction Rules For Third Auction Of Long-Term Electricity Supply Contracts

SENER and the Mexican Electricity System Operator published the bidding terms for the third long-term auction of energy, capacity, and clean energy certificates. This is the first time that agents other than the Federal Energy Commission (CFE) will be able to participate in the auction. According to Energy Secretary Pedro Joaquín Coldwell, the auction could lead Mexico to triple its renewable energy production. The bids will be published in September 2017, and the winners will be announced by November 2017.

CENACE, 09/05/17

CENTRAL & SOUTH AMERICAN NEWS

Brazil

ANP Holds 4th Marginal Fields Round, And CNPE Authorises ANP To Hold 2018-2019 Bidding Rounds

On 11 May 2017, the National Agency for Petroleum, Natural Gas and Biofuels (ANP) held the 4th bidding round for marginal oil and gas fields where eight out of the nine blocks offered were awarded at a price of R$7.9 million (US$2.4 million). In addition, the National Energy Policy Council (CNPE) published a decision authorising the ANP to hold the 5th and 6th bidding rounds for marginal fields as well as the 15th and 16th bidding rounds for concessions in exploration and production for oil and gas.

Ministry of Mines and Energy, 24/05/17; ANP, 11/05/17, 24/05/17

ASIA PACIFIC NEWS

Australia

Federal Court Judgement On AER Electricity And Gas Price Decisions For NSW And ACT

The Federal Court of Australia issued its judgement on the appeal by the Australian Energy Regulator (AER) of a 2016 decision by the Australian Competition Tribunal concerning the AER's 2015 determination of allowed revenues for Ausgrid, Endeavour Energy, Essential Energy, ActewAGL and Jemena Gas Networks (NSW) in 2014-2019. The Federal Court upheld the AER's appeal in relation to the cost of corporate income tax, but it upheld the Australian Competition Tribunal's findings in relation to the networks' operating expenses and the cost of debt. Much of the Federal Court's decision concerned the data and methods used in the AER's benchmarking of network operating costs and their unreliability for use as a sole determinant of allowed revenue. The AER said it would carefully consider the judgement, the next steps, and any implications for these and other network revenue determinations.

Federal Court of Australia (Cases [2017] FCAFC 79 and [2017] FCAFC 80), 24/05/17; AER, 24/05/17

2017-18 Approved Electricity Distribution Network Tariffs In QLD, NSW, SA, and ACT

The AER published the approved 2017-18 pricing proposals for electricity distribution network operators Energex and Ergon Energy in Queensland, Endeavour Energy and Essential Energy in New South Wales (NSW), and SA Power Networks in South Australia, and also for Ausgrid in New South Wales and ActewAGL in the Australian Capital Territory (ACT).

On 19 April 2017, the AER published an open letter explaining to stakeholders the interim arrangements the AER was in the process of formalising to govern the setting of electricity network tariffs for the NSW and ACT distributors, while the appeals processes associated with the AER's distribution determinations for these networks is ongoing. At that time, the AER also published the "enforceable undertaking" for Endeavour Energy, which reflected these arrangements. On 16 May 2017, the AER published the "enforceable undertaking" for Essential Energy, and on 17 May 2017, the AER published the "enforceable undertakings" for Ausgrid and ActewAGL, all of which have now been finalised. Approved tariffs take effect starting 1 July 2017.

AER, 16/05/17

AER Reports On High Wholesale Electricity Prices In NSW And Queensland On 10-12 February 2017

The AER monitors and reports on the causes of wholesale electricity spot prices exceeding A$5,000 per megawatt hour (US$3,770/MWh).

At 5 pm on 10 February 2017, wholesale electricity spot prices reached A$12,915/MWh (US$9,700/MWh) in NSW and A$12,221/MWh (US$9,200/MWh) in Queensland. Prices rose at 6 pm to A$14,000/MWh (US$10,500/MWh) in NSW. The AER found that high temperatures (38°C in Sydney and 33°C in Brisbane) led to high demand for electricity in both states. A number of generators in NSW experienced technical difficulties and higher-priced supply was needed to meet the demand. To limit imports into NSW and to avoid interruptions to the demand of households and small businesses, the Australian Energy Market Operator instructed a large industrial customer in NSW to reduce its load temporarily by 290 MW.

In the 4.30-5.30 pm trading intervals on 11 February 2017, wholesale electricity spot prices in Queensland reached A$7,628/MWh, A$8,569/MWh, and A$8,372/MWh (US$5,750/MWh, US$6,450/MWh, and US$6,300/MWh, respectively. The AER again found that high temperatures (37°C in Brisbane) led to high demand for electricity, whilst two network outages (one planned and one unplanned) limited electricity flows from generators in NSW to customers in northern New South Wales. As a result, generation priced above A$5,000/MWh (US$3,770/MWh) from Queensland was required to meet local and northern NSW demand.

In the 5.30 pm trading interval on Sunday, 12 February 2017, the wholesale electricity spot price reached A$9,005/MWh (US$6,800/MWh) in Queensland. Again, the AER found that high temperatures (37.6°C in Brisbane) led to a record level of demand for electricity in Queensland, which was unusual for a Sunday. Furthermore, supply from neighbouring regions was limited by network constraints and low-priced local Queensland supply fell significantly and unexpectedly from around 4 pm, meaning that high-priced local Queensland supply was needed to meet demand.

AER, 05/05/17, 12/05/17, 17/05/17

AER Invites Submissions On Review Of Transmission Benchmarking

The AER published an annual benchmarking report that examines the relative efficiency and productivity of the transmission electricity network service providers. The report uses economic benchmarking techniques originally developed in 2013 and 2014. To improve the technique and in consultation with industry and other interested parties, the AER requested written submissions on a transmission benchmarking issues paper.

AER, 05/05/17

Gas Distribution Tariffs In NSW For Jemena Gas Networks From 1 July 2017

The AER published an open letter to all stakeholders outlining its approach to the setting of 1 July 2017 gas distribution reference tariffs for the NSW gas distributor, Jemena Gas Networks, in the context of the February 2016 decision of the Australian Competition Tribunal and on-going appeals process.

AER, 04/05/17

New Zealand

Commerce Commission Decreases Revenue Allowance For Gas Pipeline Businesses

The Commerce Commission released its decisions on the default price-quality paths (DPP) for gas pipeline businesses (GBP), setting revenues and minimum quality standards for a five-year regulatory period starting October 2017. Maximum revenues recoverable by GBPs from users of their services are to fall by about 13% from current levels. The commission states that the reduction in revenue will still allow GBPs to maintain quality and reliability of services, and estimates that average household consumer gas bills will fall by roughly 6% in 2017-18. The commission also confirmed a decision to introduce a quality standard for gas transmission businesses requiring uninterrupted gas transmission at all times, reflecting the fact that interruptions in transmission can have large impacts on areas they serve.

Commerce Commission, 31/05/17

MIDDLE EAST

UAE

UAE Delays Startup Of Its First Completed Nuclear Reactor

The Emirates Nuclear Energy Corporation (ENEC) announced on 5 May 2017 that the operation of the first unit of the UAE's nuclear plant at Barakah will start in 2018, and not this year as had been planned. The nuclear project, led by the Korea Electric Power Corporation (KEPCO), will be the first nuclear power plant in the Middle East. Barakah is also the world's largest single-site nuclear project: KEPCO is constructing four APR-1400 reactors, each with a nameplate capacity of 1400 MW. When completed in 2020, the nuclear plant will generate up to a quarter of the UAE's electricity. While KEPCO has completed the initial construction of the first nuclear unit, the startup of the reactor has been delayed as the ENEC-KEPCO consortium set up to run the plant has not yet received an operating licence from the UAE's Federal Authority for Nuclear Regulation (FANR). According to ENEC, the delay will ensure sufficient time for international assessments and adherence to nuclear industry safety standards, as well as a reinforcement of operational proficiency among plant personnel.

Agence France Presse, 05/05/17; Reuters News, 04/05/17

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

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* 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**.

NERA
ECONOMIC CONSULTING

Office Contacts

EUROPE

Berlin
NERA Economic Consulting
Unter den Linden 14
10117 Berlin
Germany
Tel: +49 173 192 34 83
Fax: +49 30 700 1506 99
Contact: Tomas Haug

London
Marble Arch House
66 Seymour Street
London W1H 5BT, UK
Tel: +44 20 7659 8500
Fax: +44 20 7659 8501
Contact: Sean Gammons

Madrid
Goya 24, 6th Floor
28001 Madrid, Spain
Tel: +34 91 212 6400
Fax: +34 91 521 7876
Contact: Oscar Arnedillo

Paris
1, rue Euler
75008 Paris
France
Tel: +33 1 45 02 30 00
Fax: +33 1 45 02 30 01
Contact: Jeanne Lubek

Rome
Via Abruzzi, 25
00198 Rome, Italy
Tel: +39 06 488 8101
Fax: +39 06 485 838
Contact: Marco Schönborn

NORTH AMERICA

White Plains, NY
360 Hamilton Avenue
10th Floor
White Plains, NY 10601
USA
Tel: +1 914 448 4000
Fax: +1 914 448 4040
Contact: Jeff Makholm (Boston),
Chantale LaCasse (Washington, DC)

ADDITIONAL NERA OFFICES

Austin, TX	+1 512 383 4800
Auckland, New Zealand	+64 9 928 3288
Beijing, China	+86 10 6533 4395
Boston, MA	+1 617 927 4500
Brussels, Belgium	+32 2 282 4340
Chicago, IL	+1 312 573 2800
Denver, CO	+1 303 357 4781
Frankfurt, Germany	+49 69 710 447 500
Geneva, Switzerland	+41 22 819 94 94
Houston, TX	+1 832 871 5744
Los Angeles, CA	+1 213 346 3000
Melbourne, Australia	+61 3 9623 9800
México City, Mexico	+52 55 59993110
New York City	+1 212 345 3000
Philadelphia, PA	+1 215 864 3880
San Francisco, CA	+1 415 291 1000
Shanghai, China	+86 21 6103 5544
Sydney, Australia	+61 2 8864 6500
Tokyo, Japan	+81 3 3500 3290
Toronto, Canada	+1 416 868 7310
Washington, DC	+1 202 466 3510
Wellington, New Zealand	+64 4 819 2550

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