

# National Impact of the High Energy Prices

Roundtable Discussion by CP WG Members



# Measures taken by the government



- Declaration of a state of emergency on 8 October 2021, effective until 15 April 2022 including an emergency PSO act which dedicates all electricity produced by KESH to the universal supplier. Based on this act, the surpluses of KESH shall be stored via a commercial agreement and used by the universal supplier.
- EUR 100 mln for 2021, in the form of sovereign guarantee to the OSHEE Group to guarantee the import of electricity with high prices and an additional EUR 100 mln for Q1 2022.
- TSO / DSO are requested to postpone non urgent investments;
- Albanian Power Corporation (KESH) announced the call for expression of interest for the technical and economic opportunities for leasing a thermal power generation asset that can be easily integrated into the country's transmission grid. Already, KESH has signed a contract for leasing 2 floating thermo power plants, which are expected to start generation in Q3 2022.
- Albanian Power Corporation (KESH) will cover all the electricity supply needed by the Universal Service Supplier to supply all households and commercial customers connected at 0.4 kV voltage level.

# Measures taken by the NRA

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- ERE Board has decided to leave in force the electricity price for households and commercial customers connected at 0.4 kV voltage level for the year 2022.
- ERE is monitoring the market and assessing the potential impact on tariffs.
- No other specific measures undertaken so far by ERE.

# Hot topics/ related issues related to high energy prices

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- Timeline for ALPEX to become operational.
- The need to boost the diversification of power generation assets, including photovoltaic and wind power plants
- The need to increase the electricity produced from small self-generators (prosumers).

# Measures taken by the government

- The tariff is uniform throughout the national territory. It's set by CREG.
- There is a part of the tariff called "social segment" for all residential consumers (<125kW for electricity et <1125Th for gas).
- Government contributes in the payment of the electricity bill for the benefit of low and medium voltage customers located in the South of Algeria (because of severe climate conditions, desertic climate).
- Government participates in financial investment in transmission and distribution of electricity and gas, rural electrification and public distribution of gas.
- The low voltage/pressure consumer participates in 65% of the connection costs, while the high voltage/pressure consumer participates in 90% of connection costs. The remaining 35% and 10% are supported by the distributor (legal provision);

# Measures taken by the NRA

- The price lists for connections and technical and commercial services are set by Minister's decision in order to ensure equity of treatment on the national territory (submitted by the distributor and approved by the CREG). These scales are subject to audit by the CREG, to verify their application by the distributor.
- Drafting and publishing standard contract templates for the connection and supply of electricity and gas (for all types of customers), to insure the equilibrium between the consumers and the operators and to avoid any takeover from the operator.
- Acting on the regulation as an advisor to the public authorities, making sure that the provisions are taking into account consumers rights.
- Publication of useful information for the defense of consumer interests using all possible communication channels (website, brochure, its magazine "Equilibre", meetings, leaflet, ...).
- Organising meeting on regular basis (CREG, consumer, distributors).

# Hot topics/ related issues related to high energy prices

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- A project is underway at CREG on the concept of vulnerable consumer, in terms of definition, measures and mechanisms of aid and support granted to consumers, the entity in charge of the definition and protection of vulnerable consumers.

This project will serve to put in place targeted policies to protect consumers and, in particular, the most vulnerable ones and those in precarious situations, who are really in need of State aid and subsidies and should benefit from them.

# Measures taken by the Public Services Regulatory Commission (PSRC)



*The tariff policy pursued by the Public Services Regulatory Commission is aimed at ensuring the normal economic activity of the entities regulated in the field of public services, as well as balancing the interests of the consumers and these regulated entities, while enabling the implementation of modernization and perspective development programs.*

## **Electricity**

According to the RA Law on Energy, electricity tariffs can be revised not earlier than 6 months, but the Commission usually reviews the tariffs of large power plants and service companies on an annual basis.

For the period from 1 February 2022 to 1 February 2023 the influencing factors on the tariffs of the power system may be classified into the following main groups:



# Factors affecting electricity tariffs

## Positive effects

Change in the structure of production and consumption, tariffs for gas stations, gas prices and foreign exchange rates

Reduction of nuclear fuel consumption

The difference between the estimated and actual ENA tariff margin

Reduction of operation and maintenance costs

## Negative effects

Change in the repayment and service costs of loans

Activities of "Hrazdan-5" station

Increase in depreciation and profit as a result of new investments

**Electricity tariff**

Overall impact  
+4.7 AMD/kwh



# Measures taken by the PSRC

- Due to these factors, at the end of 2021, the Commission recalculated the electricity tariffs supplied by the major electricity generating stations, the electricity distribution service tariffs, as well as the electricity tariffs sold to final consumers. And as a result, the Commission in December 2021 issued new tariffs on electricity. These came into effects from 1 February 2022.
- The Commission in cooperation with the RA Government invested a new consumption tier to differentiate between customers.
- By the decision of the Commission the tariffs remained unchanged for the low-come or socially disadvantaged population (11 percent of households). The daytime tariffs for them are 29.99 AMD and nighttime tariffs are 19.99 AMD.

# Tariffs of Electricity for the consumers

№	The groups of consumers	2021` tariffs AMD/kWh	by 01.02.2022` tariffs AMD/kWh	The difference/AMD
1.	According to the decision of the RA Government, socially vulnerable families			
	the daytime tariffs	29.99	29.99	0.00
	the nighttime tariffs	19.99	19.99	0.00
2.	Residents consuming up to 200kw/h per month			
	the daytime tariffs	44.98	46.48	1.50
	the nighttime tariffs	34.98	36.48	1.50
3.	Residents consuming from 201 to 400 kw/h per month			
	the daytime tariffs	44.98	48.48	3.50
	the nighttime tariffs	34.98	38.48	3.50
4.	Residents consuming from 401 and more kw/h per month			
	the daytime tariffs	47.98	53.48	5.5
	the nighttime tariffs	37.98	43.48	5.5

Exchange rates published by the Central Bank of Armenia:

1 \$ - 474.84 AMD

1 €- 518.15 AMD

# Measures taken by the PSRC

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- The background of the slide features a wooden gavel resting on a wooden block with the word 'REGULATION' carved into it. The gavel and block are placed on a surface with some papers and a pen, suggesting a legal or regulatory context.
- At the January 5, 2022 sitting of the Commission, a number of draft decisions on making changes and additions to the model rules of electricity wholesale market and retail market, as well as in the exemplary forms of electricity market contracts were discussed and adopted, according to the regulations of which are envisaged to make a gradual transition to the new model of the electricity market from February 1, 2022.
  - The purpose of the mentioned regulations is to create the necessary legal and economic preconditions for the liberalization of the RA electricity market and the introduction of competitive components.

# Measures taken by the PSRC



## Gas

- Around 85% of Armenia's gas supply is procured from Russia. The remainder is imported from Iran, though Iranian gas is currently used only for the production of electricity at one power plant in a gas-for-electricity swap. Gas for domestic consumption is therefore fully sourced from Russia.
- The price of the natural gas currently imported to Armenia is determined based on the agreement between the RA Government and Russian Federation Government signed on December 2, 2013.
- On January 21, 2022, the Commission initiated the process of reviewing the tariffs for the gas supply system operator, natural gas transportation and distribution services, taking into account the implementation of investment programs, other factors affecting the economic activity of companies, and the application of "Gazprom Armenia" CJSC for reviewing natural gas tariffs for consumers.
- At the March 1, 2022 sitting of the Commission, the issue of setting tariffs for natural gas sold to consumers was discussed. In results, decided to set the following tariffs for natural gas sold to consumers:

# Tariffs of natural gas sold to consumers

*(Gas set tariffs came into force on April 1, 2022)*

№	The groups of consumers	2020 tariffs AMD or \$ / thousand cubic meters (including VAT)	01.04.2022tariffs AMD/ thousand cubic meters (including VAT)	The difference AMD or \$
1.	According to the decision of the Government of the Republic of Armenia, socially vulnerable consumers			
1.1	up to 600 cubic meters of natural gas per year <i>(AMD/ thousand cubic meters)</i>	100000	100000	0
1.2	for natural gas exceeding 600 cubic meters per year <i>(AMD/ thousand cubic meters)</i>	139000	143700	4700
2.	Other consumers` for each month			
2.1	For natural gas consumed up to 10,000 cubic meters <i>(AMD/ thousand cubic meters)</i>	139000	143700	4700
2.2	For natural gas exceeding 10, 000 cubic meters <i>(\$/ thousand cubic meters)</i>	255.91	265.81	9.9

# Measures taken by the Government



The Armenian government approved the Energy Sector Development Strategic Programme in January 2021, setting the path for the sector's transition through 2040.

According to this Strategy, the Government's priorities in the energy sector through 2040 are:

- Maximum use of the country's potential for renewable energy and energy efficiency;
- Extending the life of the ANPP beyond 2026, as well as construction of a new nuclear power plant to replace it;
- Construction of a "North-South Corridor" by increasing power transmission links between Armenia and Georgia and between Armenia and Iran;
- Gradual liberalization of the domestic electricity market.





# Measures taken by the Government

## ***Liberalisation electricity market***

- The government has taken decisive steps towards implementing a liberalized electricity market, with a launch in February 2022 featuring a new wholesale market model, direct contracts, a balancing mechanism and long-term direct capacity contracts. Free and open trade, as well as cooperation among all energy market participants, as envisioned by these reforms, would help promote investments from the international community and strengthen regional integration.
- As part of the first stage of market reforms, the government plans to improve protection mechanisms for vulnerable customers. This and other improvements to consumer protection, such as a complaints mechanism with legal recourse, will help enable consumers to participate fully in the new market structure. The government also plans to improve the efficiency of tariffs, which are set by the Regulator (PSRC).

# Measures taken by the Government

## ARMENIA LEAST COST ENERGY DEVELOPMENT PLAN: 2020 – 2036 (USAID)

- The U.S. Agency for International Development (USAID) Market Liberalization and Electricity Trade (MLET) Program supports Armenia's efforts to make the country's energy market more attractive to private investment, to expand electricity trade with Georgia to promote greater energy security for Armenia, to diversify Armenia's energy supply, and to make the country's energy markets more efficient and transparent.
- The Least Cost Energy Development Plan (LCEDP) for Armenia is realized using The Integrated MARKAL-EFOM System (TIMES) software developed by the International Energy Agency. The LCEDP for Armenia covering the period up to 2036 allows to examine scenarios and to analyze various pathways to:
  - ❖ Strengthen the energy security and independence of the country
  - ❖ Bring a reliable supply of energy to meet all consumer needs at the lowest cost possible
  - ❖ Realize energy efficiency and renewable energy potentials
  - ❖ Assess the effectiveness of existing generation and consumption technologies available in the market.



# Measures taken by the Government

## *Reimbursement of social assistance by the Government*

- For the provision of social assistance to the residents of the border communities the Government of the Republic of Armenia has approved a decision, according to which the residents of the mentioned settlements are charged 50% of set tariffs in case of the annual electricity consumption up to 5040 kWh.
- For the provision of social assistance to the residents of the border communities the RA Government has approved a decision, according to which the residents of the mentioned settlements are charged 50% of the set tariff in case of annual natural gas consumption up to 360 cubic meters.

# Measures taken by the government



- In order to protect customers and public interest Government of Federation of BH proposed amendmends on Law on Electricity of the Federation of BiH. The amendmend on Law was adopted in Parliament of Federation of BiH and entered into force on January 6, 2022.
- Amanded Law implies that if there is a disruption on the electricity market that will cause increasing the price of electricity supply for a qualified customers up to more than 20% compared to the previous year, the Government is obliged to limit increasing electricity supply prices up to 20% maximum. Same rule applies for contracts with an annual duration or longer.
- As a part of legislative amandmands the Government also adopted Decision on limiting the increase in electricity supply prices. This decision stipulates that the Government of the FBIH during 2022 limits increasing electricity supply prices for a qualified customer up to 20% maximum compared to the previous year. The same rule applies to contracts with an annual duration or longer. Also, Federal government asked the competent ministry to make an analysis of the effects related to application of this decision for the period of three months after entry into force and to propose some corrections based on it if necessary.

# Measures taken by the NRA



FERK received complaints from customers who did not signed contracts with the distribution system operator but with other traders who informed them that they will not supply them in 2022 year. Please find bellow some cases that FERK was facing on related high energy prices issue.

- The customers did not want to sign contracts with the traders who had been supplying them in the period before increacing electricity prices, so they were transferred to the reserve supplier. Complaints were made on electricity bill.
- Given the high electricity price customers were asking for clarification of what is considered under term "electricity supply prices,, and does total price includes distribution network charges too or only price of energy components.

# Hot topics/ related issues related to high energy prices

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- FERK has limited competencies after opening electricity market, since electricity supply is carried out according to the rules governing market relations in which quantity, price and terms of electricity supply are freely agreed. These relations are defined by short-term and long-term contracts or by direct participation at organized market.
- FERK cannot interfere in legal relations between contracting parties on electricity market and also cannot control the prices of electricity on open electricity market.
- Protection of the rights of customers and other participants in the energy sector is exclusively related to the legally prescribed competencies of FERK
- Higher electricity prices already affected everyday living costs and we can expect to have new increasing in further period too.

# Hot topics/ issues related to high energy prices

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- Discontinuation of one of the biggest electricity and gas suppliers with almost 1 million supply points
- „Stress-test“ of suppliers of last resort (SOLR) both in electricity and gas

# Measures taken by the government

## Social policy tools

- Housing allowances
  - Higher limit for standardised housing costs, wider range of beneficiaries
- Extraordinary immediate financial support
  - To tackle extremely high bills for electricity/gas supplied by SOLR
  - To tackle extremely high deposits

## Taxes and other fiscal tools

- Value-added tax
  - 21 % to 0 % for November and December 2021
- Fee for support of renewable energy sources – not implemented because of political change in government in Autumn/Winter 2021



# Measures taken by the NRA

- Market monitoring and resistance testing of standard suppliers
- Consumer protection support (special Consumer Protection Unit at ERO)
- Regulated electricity and gas price – increase below the inflation rate
- Lowering of deposits consumers paid for supply by SOLR – voluntary tool, implemented by all SOLR
- Working on energy law amendments – higher consumer protection, more control over suppliers, improvements and clarification of SOLR legislation
- Price caps – not implemented, no legal authority

# Measures taken by the government

## What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?

- The state is trying to absorb a large part of the rise in the prices of some commodities to ease the effects on the citizens through the following :
- There is a daily follow-up of the market prices of goods , and no monopoly or hoarding of any goods is allowed.

# Measures taken by the government – cont.

- Early application of the salary increase in the first of April instead of the first of June.
- Increase pensions by 13%, starting from next April.
- Increasing the tax exemption floor limit from 24 thousand L.E. to 30 thousand L.E.
- The government also decided to add 450,000 new families to the "Takaful and Karama"'s pensions program. (Takaful and Karama: A Social Safety Net project that Promotes poor People and people with disabilities).
- Setting the customs dollar at a rate of 16 L.E. for basic commodities and production requirements.
- Urgent package of stimulus measures to support the country's stock exchange.

# Measures taken by the government – cont.

## In Addition to some measures that were already taken in response to COVID-19 in March 2020 which includes :

- The reduction of natural gas and electricity prices to industries.
- The postponement of repayment of loans for small and medium-sized companies by 6 months and the cancellation of ATM withdrawal fees for the same period.
- The central bank's allocation of 20 billion Egyptian pounds (\$1.2bn) to support the country's stock exchange.
- A 3 percent cut in interest rates.
- The increase of the daily withdrawal limits for credit and debit cards by the central bank.
- The grant of an “immediate” financing for the import of key commodities.

# Measures taken by the NRA

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- **What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?**
- No action was taken as the Gas Regulatory Authority is concerned with gas prices not oil prices.

# Hot topics/ related issues related to high energy prices

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- Egypt is “negatively affected” by soaring oil prices in the global market, as a net importer of crude oil and petroleum derivatives, but for Natural gas , Egypt is a net exporter , this potentially provides an opportunity for Egypt to offset some of the pain caused by the oil price spike, by maximizing LNG exports, gas exports will compensate for part of the cost of importing oil and petroleum products.



# Measures taken by the government

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Regulation of the Minister of Economic Affairs and Communications (No 62; 5th November 2021).

„Conditions and procedure for partial compensation of the final price of electricity and gas.“



# Measures taken by the government

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Compensation period: January to March 2022.

A price limit has been established for electricity and gas bills, the remaining part of which is automatically compensated by the state to private consumers.

# The price cap for electricity price

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The price cap for household consumers is 12 cents per kWh (+ VAT) for electricity consumption up to 650 kWh per month.

This means that if the price of electricity (either the stock exchange or fixed-price package) exceeds 12 cents/kWh, the state pays that part of the electricity bill.

The price cap is set for the cost of electricity as a commodity and VAT is added to it.

12 cents/kWh does not include the cost of network service, excise duty or renewable energy charges.

# The price cap for gas price

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Price cap for household consumers was set 6.5 cents per kWh or 0.6792 €/m<sup>3</sup> (+ VAT) for gas consumption up to 2.75 MWh per month.

The part exceeding the price ceiling will be compensated.

The consumer does not have to do anything to receive compensation, an invoice is received from the energy seller, where the part exceeding the price ceiling has already been deducted.

# Reimbursement of electricity network charges to consumers

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Compensation period: October 2021 to March 2022.

The electricity network fee is reimbursed in the amount of 50% to all electricity consumers - this is automatically reflected in the electricity bills as a lower cost towards the network service.

Until December, 50% of all consumers were reimbursed, from January 2022, institutions and companies will be reimbursed 100% of the electricity network fee.

# Reimbursement of gas network charges for all consumers

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Compensation period: December 2021 to March 2022.

All gas consumers are reimbursed 100% of the gas network service fee.

In order to receive the discount, consumers do not have to do anything.

Invoices received for gas consumption are covered by the state for the end user of the network service, and the bill received by consumers is correspondingly lower.

# Measures taken by the government



When Balance is Achieved

- What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?
- In Georgia the Social Services Agency develops and uses a united database of socially vulnerable families to provide targeted social assistance to them. There are several types of energy subsidies in Georgia. Such as:
  - **Tariff subsidy (SVF)** - a welfare score less than 70,000;
  - Subsidizing Electricity and Natural Gas for **high mountainous areas** - The state covers 50% of the electricity bill up to 100 kWh per month for each household;
  - The families with **four or more children**
  - Assistance to families living in the **conflict zone**

## State subsidy during the Covid pandemic

For households consuming 200 kWh or less of electricity per month, and 200 m<sup>3</sup> or less of natural gas per month on a monthly basis.

# Measures taken by the NRA



When Balance is Achieved

- What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?
- In Georgia, the NRA reflected the prohibition cases of power outages in the rules of supply and consumption. The supplier has no right to disconnect a consumer if It's dangerous for the customer's life and health.

In order to create additional guarantees for the social protection of the population and to promote the rational use of electricity, for household customers ( 220/380 volts per day) have Universal electricity service tariffs (30 calendars) – step tariffs:

- 101 kWh - 4,453 tetri / kWh;
- From 101 kWh to 301 kWh - 7,853 tetri / kWh;
- From 301 kWh and up: - 11,653 tetri / kWh.

# Hot topics/ related issues related to high energy prices

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When Balance is Achieved

Long-term support mechanisms will be given priority in terms of energy poverty reduction in Georgia.

Nowadays, government of Georgia planning support mechanisms, such as:

- Improving the energy efficiency of buildings;
- Energy efficiency incentives such as installing high efficiency light bulbs, or using energy efficient products;
- Raising public awareness of energy efficiency and energy saving.



# Measures taken by the government

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- MEKH shall issue its forthcoming decision on electricity network tariffs 6 months later than initially planned (new deadline: 1st July 2022). According to the decree, this postponement has to be taken into account by the subsequent price decisions.
- The eligibility for universal supply (US) in electricity – which has regulated prices – was extended to include certain SMEs. The universal supply contracts for these consumers shall only be signed for a fixed term, with the latest expiry being 30 June 2022. The Governmental Decree entered into force on 5 December 2021 and foresees its expiry on 1 January 2022. The universal supply contracts concluded by the eligible SMEs during this period cannot be renewed.
- Central budgetary institutions cease to be entitled to universal electricity US and to SOLR. This interim measure applies from 1 February 2022 till 1. June 2022.
- A government decree was introduced on 22 December, 2021, which forbade gas suppliers from unilaterally terminating their contracts with municipalities, district heating providers and public service providers (e.g hospitals).

# Measures taken by the NRA

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- As a result of the exceptionally high natural gas prices experienced on the international and Hungarian natural gas markets lately, MEKH has decided to revise the level of the small adjustment, which plays an important role in the development of the daily balancing gas price. MEKH has reduced the level of the small adjustment from its former level of 6% to half of its previous value, 3%, beginning from 1 November, in order to support the moderation of natural gas prices. With this measure MEKH aims to protect the financial stability of natural gas traders and to restrict further increases in their risks and in the level of their required security deposits. MEKH will continue to monitor the effect that the level of the small adjustment has on the market while constantly evaluating trading data from the natural gas market and will revise the level of the small adjustment again if necessary.
- SOLR procedure was initiated in 1 case of a natural gas supplier.

# Hot topics/ related issues related to high energy prices

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Government introduces new financial support program in order to boost the energy efficiency developments of SMEs with 12 billion HUF (approx. 31 746 031 EUR). SMEs can apply for the support in order to upgrade their heating and lightning systems, to install a solar panel or a heat pump. SMEs can be awarded a sum between 75 – 500 million HUF (approx. 198 000 – 1 322 751 EUR).

The goal is to reduce the overhead costs of enterprises and strengthen their competitiveness.

# GOVERNMENT MEASURES

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-Kenya has a regulated electricity market, with a significant and growing presence of independent power producers (IPPs) following the unbundling and partial privatisation of Kenya Power and Lighting Company (Kenya Power). All electricity generation, transmission and distribution services in Kenya have been unbundled progressively from Kenya Power. The Energy Act has opened up the market by authorising EPRA to license other distributors, generators, transmitters and retailers of electricity:

a) Kenya Power is now responsible for the distribution and supply of electricity.

b) KETRACO is responsible for the transmission of electricity.

c) KenGen and IPPs are responsible for generation.

-Kenya has expanded generation capacity of a well-diversified mix, with close to 70% of energy being generated from clean sources (mainly geothermal, hydro and wind). The installed generation capacity currently stands at 2,791MW compared to the peak demand of 1,926MW, giving a margin of over 30%.

According to data provided by EPRA, as at April 2020, the renewable energy mix was as follows:

Geothermal: 48.4%, Hydro: 35%, Thermal: 4.2%, Wind: 10.4%..Imports: 1.1% and Solar: 0.9%.

-There is a proposal to amend the Feed-in Tariff (FiT) Policy to set up an energy auction mechanism for the solar and wind energy markets. This will promote competitive bidding and lead to a cost-effective renewable energy programme in Kenya. The transition is part of the recommendations listed in the Updated Least Cost Power Development Plan for the study period 2017-2037.

# CONT. GOVERNMENT MEASURES

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**-Tax incentives.** Due to the current oversupply of electrical power in Kenya, the government has reduced the tax incentives previously offered to players in the renewable energy sector. However, the Tax (Amendment) Act 2020 provides a few incentives, for example:

Green bonds are exempt from withholding tax. Kenya's first green bond worth KES4.3 billion was listed for trading on the NSE in January 2020.

Specialised equipment for the development and generation of solar and wind energy, including deep cycle batteries that use or store solar power, are exempt from VAT.

Inputs or raw materials supplied to solar equipment manufacturers for the manufacture of solar equipment or deep cycle-sealed batteries that exclusively use or store solar power are exempt from VAT.

All inputs or raw materials for solar batteries are classified as zero-rated.

If a person incurs capital expenditure relating to machinery used to generate electrical energy to supply the national grid, or to transform and distribute electricity through it, an investment allowance can be deducted when calculating that person's gains or profits (50% in the first year of use, and 25% per year on the reducing balance thereafter).

# Measures taken by the NRA

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- Drafting of various regulations to operationalize the Energy Act, 2019 and Petroleum Act, 2019 to attract investment and create competition.
- Diversify of licenses to increase players and electrification such as mini grid licenses.
- Participating in the least cost development planning under Economic Regulation
- Establishing a fully staffed Enforcement and Consumer Protection Directorate with the mandate of consumer awareness, settling complaints and ensuring compliance of licence and permit obligations by licencees.
- In liaison with the Minister, provide tariffs for both petroleum and electricity tariff charges.

# Hot topics/ related issues related to high energy prices

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- High electricity and petroleum prices.
- Requests for more players in distribution to increase competition and reduce prices.

# Measures taken by the government (1)

- The Trade Service of a Protected Customer - provided by applying to a protected customer a payment reduction of the bill amount for **electricity**, system services and the mandatory procurement component every month:
  - for a poor or low-income household (person) - EUR 5;
  - for a family (person) which takes care for a child with a disability - EUR 5;
  - for a person with the group I disability or his or her trustee - EUR 5;
  - for a large family - EUR 10.
- From 1 November 2021 to 31 December 2022 all protected groups of customers receive additional 10 EUR support to cover electricity bills.
- From 1 January 2022 to 30 April 2022 the Government reimburses 100% of the costs of the electricity distribution system service and 100% of mandatory purchase costs (RES support scheme) for all consumers.



# Measures taken by the government (2)

- From January 2022 to the end of April 2022 the Government compensates the increase in the price of **gas** for households. The amount of the fee reduction per kWh depends on consumption.
- If the average monthly consumption over a 12-month period is from 221 kWh to 5269 kWh (21 m<sup>3</sup> – 500 m<sup>3</sup>), the reduction of the fee for gas is compensated in the amount of 0.03045 EUR per kWh (excluding VAT).
- For those whose average monthly consumption over a 12-month period is over 5269 kWh (500 m<sup>3</sup>), the reduction of the fee for gas is compensated in the amount of 0.02279 EUR per kWh (excluding VAT).

# Measures taken by the NRA

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- The PUC does not have the jurisdiction to introduce support measures to reduce energy prices.
- However, the PUC monitors that gas and electricity traders and system operators apply support measures set by law to all consumers.

# Hot topics/ related issues related to high energy prices

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- With regard to customer protection, more targeted support mechanisms need to be considered in order to reach those customers who need it most.
- The PUC, in co-operation with the NRAs of neighboring countries and TSOs, takes measures to ensure the supply of natural gas and electricity - creation of a common Baltic States and Finland natural gas market, optimal use of the Lithuanian LNG terminal and the Latvian natural gas storage, adequacy of interconnection capacities, synchronization with the European electricity grid etc.

# Measures taken by the government



**Compensation on natural gas price** for household consumers for cold period (01.11.2021 – 31.03.2022).

- In the period 01.11.2021 – 31.12.2021, for first 50 m<sup>3</sup> – 67% from the price; for next 100 m<sup>3</sup> – 50% from the price.
- In the period 01.01.2022 – 31.03.2022, for first 50 m<sup>3</sup> – 79% from the price, for next 100 m<sup>3</sup> – 69% from the price.

**Compensation on natural gas price** for non-household consumers – for first 500m<sup>3</sup> – 100% from price (01.01.2022 – 31.03.2022)

**Compensation on heating** – 67% from the price (period 01.11.2021 – 31.03.2022)

**Prohibition on disconnections and penalties** in case of non-payment for electricity, heating or natural gas.

*\* In the period indicated above, in the country was instituted a state of emergency due to energy issues. During such period, all the extraordinary measures (including measures indicated above) have been taken by the Comision for Emergency Situations, which has the possibility to make derogation from the law.*

# Measures taken by the NRA

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All the measures that were adopted by the Government were consulted with ANRE, and there was no necessity to adopt new measures by the Agency.

Need to be mentioned that ANRE monitors the execution of the measures indicated in previous slide and impose sanctions if it is necessary.

# Measures taken by the government

## Formation of a strong Legal framework

### 1. Electric Energy

Decree no. 29/2003 of 23 June - which approves the tariff system for the sale of electricity by Electricidade de Moçambique.

### 2. Liquid Fuels

Decree n° 89/2019, of 18 November, which approves the Regulation on Petroleum Products, which defines the regime that regulates the activities of production, import, reception, storage, handling, distribution, marketing, transport, export, re-export, transit and **pricing of petroleum products** in the national territory - Stabilization fund for fuel prices.

### 3. Natural Gas

Ministerial Decree no. 210/2012, of 12 September, which establishes the mechanism for setting the maximum reference price for natural gas, to be practiced by the natural gas distribution concessionaires, in the supply to final consumers in the concession area.

by Gildo Chigoi

Energy Regulator Authority (ARENE), Mozambique

# Measures taken by ARENE

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- Updating and elaboration of the regulation for the methodology of the electricity tariff system;
- Elaboration of the Tariff Regulation for Mini Grids in Off Grid;
- Reduction of operating fees in the fuel market to mitigate the final price.
- Establish a relationship between quality of service standards and key performance indicators so that tariffs are in accordance with these measures;
- Creation of bases for cross-subsidies between electricity consumers of different categories.

# Hot topics/ related issues related to high energy prices

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## High Energy Prices vs operating and investment costs – Cost of service.

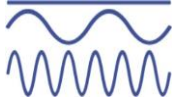
### Question:

Based on your rich experience, how the reduction of losses can influence electricity prices.



# Measures taken by the government

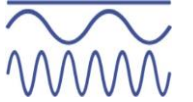
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- Increased the range of vulnerable consumers
- Simplification of prosumers criteria – ongoing
- The obligation for the universal supplier to buy energy from preferential producers has been removed
- All the available generation capacities in the country were activated properly
- Actively working on providing new generation capacities
- State aid

# Measures taken by the NRA

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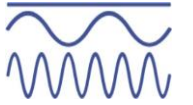
- ERC was actively included in most of the proposals for the measures taken by the government
- Block tariff introducing – ongoing

To protect consumers from the consequences caused by price increases ERC made:

- Decisions for undertaking measures for compliance of the operation, whose non-compliance may lead to misdemeanor proceedings
- Notifications that a procedure will be initiated and decisions to initiate a procedure for revoking a supplier's license, which manipulate the electricity provided for balancing

# Hot topics/ related issues related to high energy prices

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- Regulation review of the conditions for construction of photovoltaic power plants for production of electricity, as a result of the increased interest from both small companies and large industries, as well as from state-owned companies

# Reasons for High Energy Prices in Pakistan

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- **Imported fuel**
- **Currency devaluation**
- **High International fuel prices**
- **USD based contracts**
- **Contracts on Take or Pay basis**
- **Relatively less reliance on renewable**
- **High fixed cost**
- **Demand is lesser than contracted capacity**

# Measures taken by the government



- What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?

- **Announcement of Industrial Support Package (low rates for incremental consumption)**
- **Re-negotiations with IPP's , resulting in reduction in return percentages.**
- **Some of the contracts are de-linked with USD.**
- **Plants running on imported fuel are shifted to local fuel.**
- **No more installation of imported fuel plants**

# Measures taken by the NRA



- What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?
- **NEPRA ensured allowed target of losses are reduced , as compared to previous years.**
- **Increase in costs due to inefficiency of DISCOs are not made part of Tariff.**
- **Timely recovery of prudent cost through monthly/ quarterly adjustment to minimize flow of circular debt.**
- **Subsidy rationalization (only deserving consumers can avail subsidy).**

# Hot topics/ related issues related to high energy prices

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- **Fluctuation in International fuel Prices due to unstable political conditions.**
- **Dependence on imported fuel**
- **Global Inflation**
- **Currency devaluation**
- **Circular debt**

# Measures taken by the government

- What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?
- • In order to protect the consumers that will be directly impacted, the Government made a Conclusion to freeze certain prices at which consumers are supplied in an open market. This is done through the national supply incumbent, EPS (state owned generation and supply company).
- • Initial measures:
  - (1) Consumers, whose supply agreement ended on 31 October 2021 are supplied until end of November 2021 under the same conditions by EPS.
  - (2) Consumers, whose last resort supply agreement ended on 31 October 2021 and have not yet signed the new agreement, EPS will offer an extension of last resort supply for another month.
  - (3) For consumers, who signed the new supply agreement as of 1 November 2021, the validity is extended to 1 December 2021.



# Measures taken by the government

- What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?

Latest measures:

- (1) The Government of the Republic of Serbia Recommended to EPS to conclude contracts with customers on the commercial market for the period January 1 – 30 June 30, 2022 at the price of 75 EUR/MWh and with military industry at 68 EUR/MWh. This decision may lead to price increase for some customers while for some others it could lead to price decrease.
- (2) The price of the supply-of-the-last-resort was increased from 67 to 97 EUR/MWh. A conclusion was also adopted related to the supply-of-the-last-resort where it was recommended to the EPS to enable the supply-of-the-last-resort to final electricity customers who are not entitled to the guaranteed supply after 1 January 1, 2022 at the price of 97.50 EUR/MWh without VAT, from previously 66.72 EUR/MWh.
  - The TSO reviewed its procedures for increasing the financial security required by the balance responsible parties in order to mitigate the risk from the higher exposure in the balancing market.

# Measures taken by the NRA

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- What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?
- There were no measures introduced by AERS explicitly. In line with its powers given by the Energy Law AERS approved market rules in which the TSO reviewed its procedures for increasing the financial security required by the balance responsible parties in order to mitigate the risk from the higher exposure in the balancing market.

# Hot topics/ related issues related to high energy prices

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- Liquidity of traders
- HHI at retail level
- Risks for Market operator

# Measures taken by the government

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- What measures were introduced to protect consumers by ministries/governments (e. g. price regulation, introduction/extension of benefits/allowances)?
  - In 2022, the upper limit of the amount of support given according to the number of individuals in the household was 137.33 Turkish liras. This upper limit value was increased to 206 Turkish liras.
  - As of March 1, 2022, 10% VAT reduction in electricity prices

# Measures taken by the NRA

- What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?
  - As of 2022, a gradual tariff implementation was introduced.
  - The goal of the gradual tariff is to protect our low-income citizens and to increase savings and efficiency in energy use.
  - With the transition to the efficiency-oriented gradual tariff, as of January 01, 2022, the final price for residential consumers for consumption amounts up to 150 kWh per month (5 kWh per day) is 1.37 TL/ kWh, and 2.06 TL/ kWh for the portion of monthly consumptions above 150 kWh. It was decided to apply in kWh.
  - As of March 1, 2022, the low level limit for residential consumers has been determined as 8 kWh per day (240 kWh per month).

# Measures taken by the NRA



- What measures were introduced by the NRAs to protect consumers supposed it has jurisdiction for that (e. g. reducing the network charges)?
  - As of March 1, 2022, the final price will be applied as 1.26 TL/kWh for the daily consumption of residential consumers up to 8 kWh, and as 1.89 TL/kWh for the portion of their daily consumption above 8 kWh.
  - With another regulation, a gradual tariff has also been introduced for consumers with business status. As of March, a 25 percent discount has been made for the consumption of relevant consumers up to 30 kWh per day (900 kWh per month). The final price for the consumption amounts of up to 30 kWh per day for business consumers at this level is 2.05 TL/ kWh.
  - The price limits applied in the day ahead market have been updated as 0-2500 TL/MWh.
  - In the natural gas market, studies are continuing to introduce a gradual tariff.

# Hot topics/ related issues related to high energy prices

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- ✓ Evaluation of market interventions
  - ✓ Windfall profit tax
  - ✓ Price caps
- ✓ Market design
  - ✓ Pay as bid
- ✓ Temporary support to vulnerable consumers
- ✓ Accelerating the transition to renewable energy
- ✓ Reducing reliance on fossil fuels
- ✓ Maintaining energy supply security
- ✓ Raising the tariffs of other consumers in order to protect residential consumers