

# Interim Review on Policy Responses to the Ongoing Energy Crisis

An overview of the experience of select ERRA Member Organizations

Ardian Berisha

Regulation Specialist at the ERRA Secretariat



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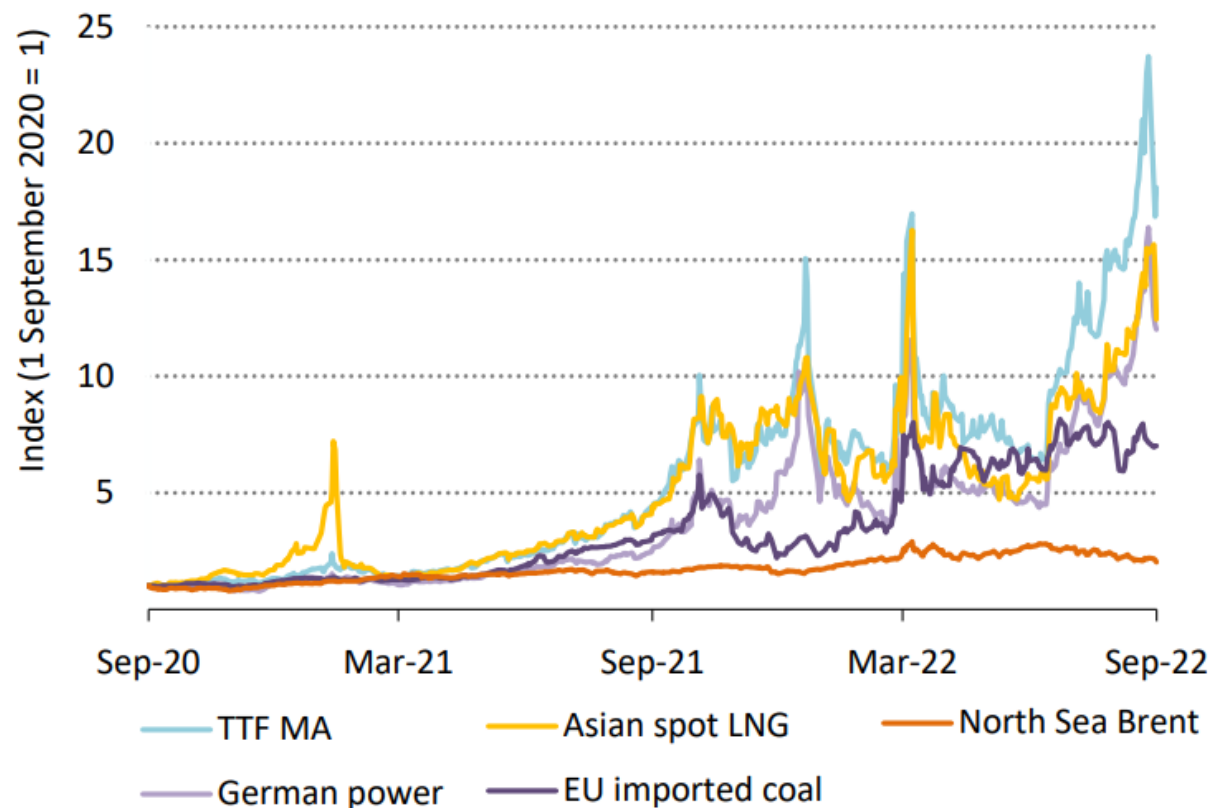
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- An overview of the energy crisis
- ERRA's activities related to the crisis
- Scope of the consultation with the member organizations
- Overview of the main findings

# Overview of the current energy crisis

- The ‘perfect storm’ in energy markets, resulting in unprecedented increase in prices
  - Drought in Latin America, low RES production in the North Sea
  - Post-covid recovery, Increase in LNG demand in South-East Asia
  - Low natural gas storage levels in 2021
  - Russia seeking to gain political leverage in Europe
    - Curtailing gas supplies
    - Exposing customers to higher energy bills

Evolution in select energy price indicators since September 2020 (IEA WEO)



# ERRA activities related to the crisis

- November 2021 Budapest meeting on the causes of the crisis
- April 2022 hybrid Chairmen meeting on energy price increases
- ERRA Customer Protection working group study on the end-use measures undertaken by MOs to mitigate the impact of the crisis
- ERRA bilateral discussions with select MOs to review market interventions or considerations for future mitigation

## ERRA study on energy price impact mitigation measures

**ERRA**  
ENERGY REGULATORS  
REGIONAL ASSOCIATION

**BENCHMARKING REPORT:  
MITIGATING IMPACTS OF  
PANDEMIC AND HIGH ENERGY PRICES  
IN THE PERIOD 2019 – 2022 Q1:  
MEASURES AND APPROACHES BY SELECT ERRA MEMBERS**

ERRA Customer Protection Working Group

October 2022

Abbrev.	THE
AL	S
AM	pective
BIH – FERK	2021 and/or
	ed on the
	each of the
CZ	s, support
EE	efficiency
GE	laboratory
HU	campaign
XX*	assessed.
LV	
LT	
MD	ence
MK	ence
SA	
TR	
	tion on the Kosovo

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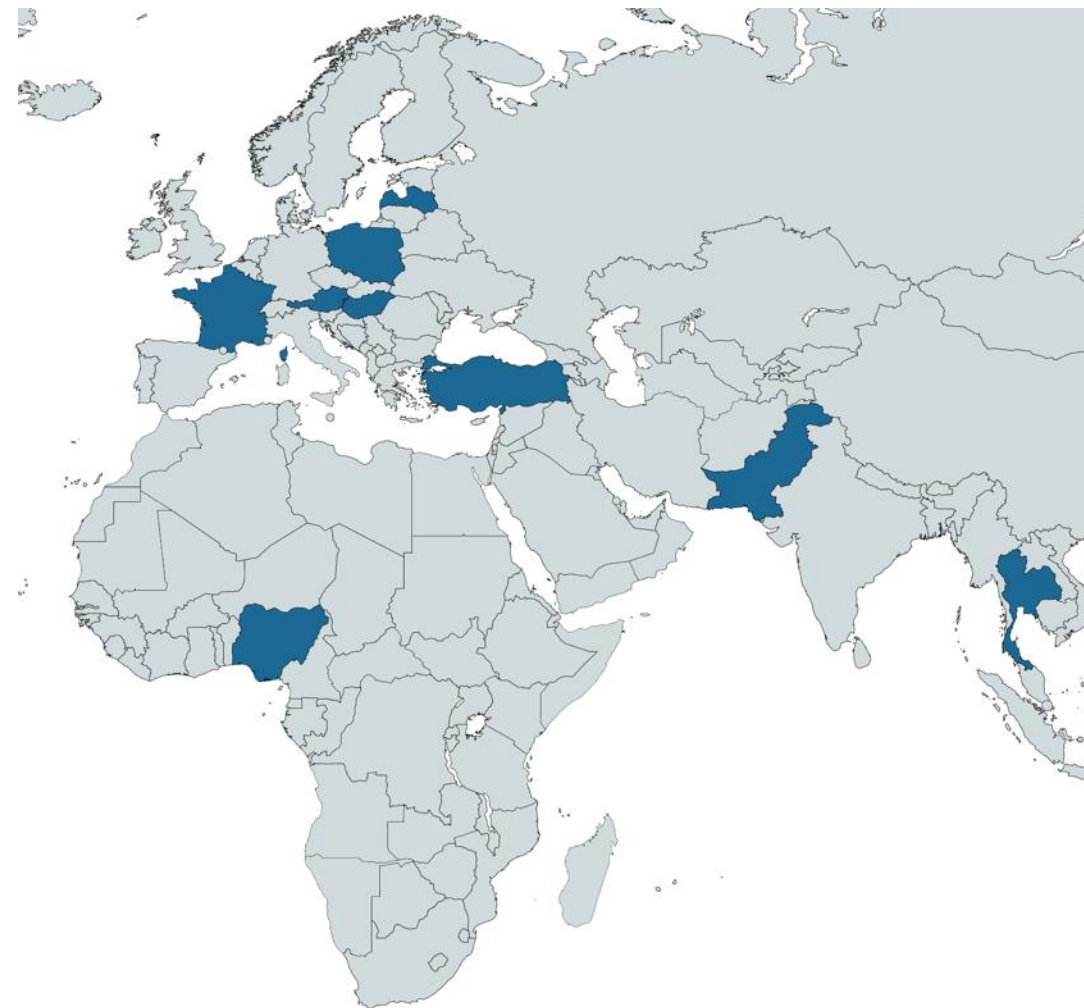
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# Scope of the discussions with MOs

- ERRA bilateral discussions with MOs to understand policy level measures undertaken on wholesale-market, cooperation with the government and/or end-use level to address the crisis:
  - Review data on the magnitude of the crisis
  - Status quo of the crisis and the way it is impacting each MO
  - Future considerations, impacts on RES policy, market prospects, deregulation and security of supply

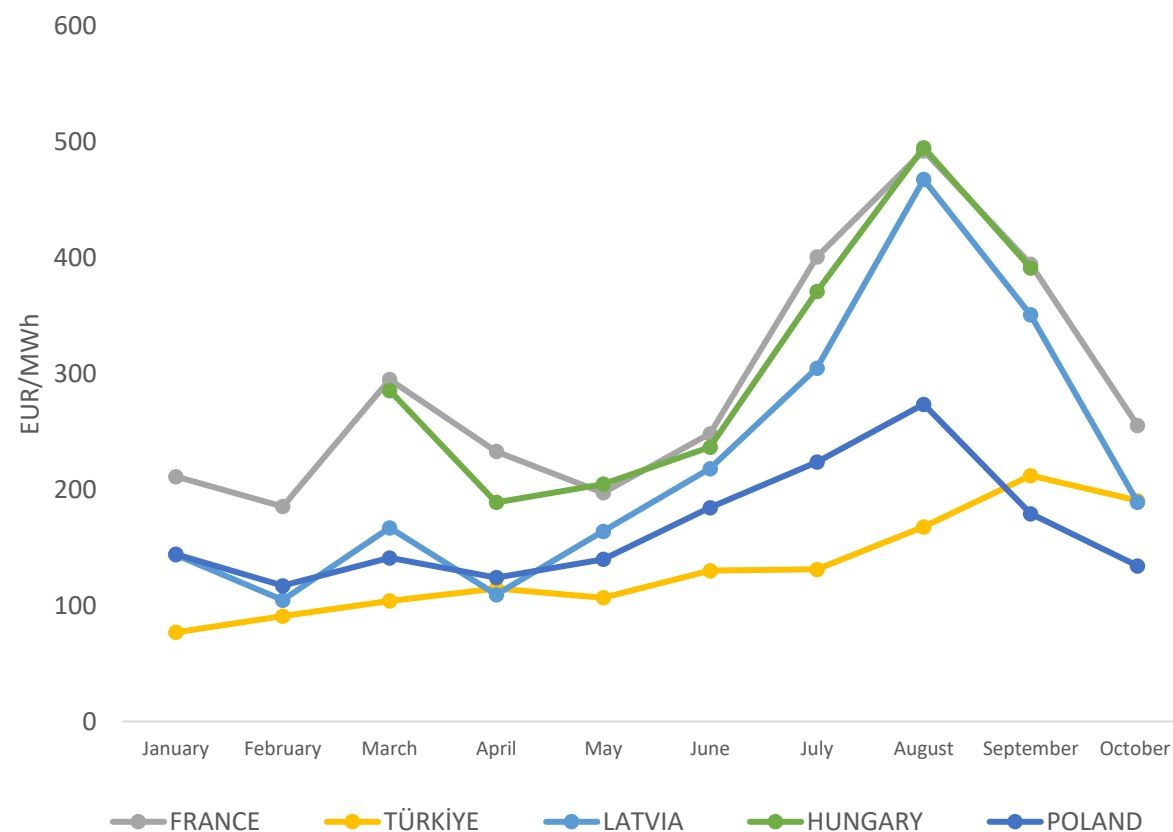
Countries included in the review



# Main findings

- Emphasis on importance of preserving price signals
- Magnitude of the crisis more severe for European countries
- Crisis impact on prices dependent on the market model
- For EU countries, wholesale market interventions based on guidance from the European Commission
- No clear tendency towards deviation from deregulation and market-focus
- Pipeline RES projects affected negatively (increase in technology costs, cost of financing) however long-term positive effect on energy transition

Electricity – wholesale DAM monthly averages 2022 (EUR/MWh)



# Overview of end-use measures

- Previous retail tariff shield applies only to residential consumers (only to a set level of average consumption) (Hungary).
- District heating – bills above the 68 EUR threshold – subsidized the state budget would compensate 51% of all that is above the 68EUR, but the latest measure from Oct 1 – if the tariff is above 150EUR/MWh, then the govt would compensate 90% (Latvia)
- Subsidies have been introduced for households of less than 300kWh/m consumption - they pay the same as for the last 4 months (Thailand)
- Frozen regulated tariffs can only be subscribed by households and microenterprises (France).
- Electricity price support mechanism – up to 2900 kWh per household per year will be supported, net price is 10c from Dec 1 until Jun 2024 (Austria)
- After the flood, vulnerable consumers facing tariff rise are compensated (Pakistan)
- Lowered VAT for households and agricultural irrigation users, introduction of increasing-block tariffs. Free electricity of up to 150 kWh for vulnerable customers (Turkiye)
- Retail tariff compensation for differences between price cap and actual tariff (Poland)

# Overview of wholesale market measures

- EU member organizations dependent on guidance provided by the European Commission (Latvia, Hungary, Austria, Poland, France)
- A form of regulation resembling ex-post revenue cap (revenues = costs + reasonable return) currently applicable in Poland
- Abolition of the obligation to sell electricity through the power exchange (Poland)
- Gas market to be fully liberalized in 2023. Gas tariffs presently reset twice per year however socio-economic concerns continue to be a factor (high price exposure) (Latvia)
- Single-buyer model in the wholesale electricity market, only a part of which is affected by the spot LNG price (Thailand)
- Continued commitment towards the market model in Turkiye. However there is a cap set on the wholesale market.



# Impact on renewables and energy transition

- Pipeline projects impacted adversely due to supply chain disruptions and increase in capital costs. Considering release of capacities to the market, capping Infra-marginal rents to 180 EUR/MWh or indexing awarded price upwards to match increase in costs (France)
- Across all jurisdictions, there is increased interest to participate in self-consumption schemes, dominated by solar production. Lack of small-scale RES installers an issue (Austria)
- Increased interest in large-scale IPP development (5000 MW of unsolicited applications in Hungary).
- Pakistan is fast-tracking a 10,000 MW solar project.
- Support to promote RES investment are being expanded. New auctions for RES capacities (Poland). New JSC established in Latvia to develop wind projects.
- However system stability continues to present a challenge. Turkiye policy change on storage increased interest for 40,000 MW of storage capacity within a few months.
- Connection refusals increasing, regulator working with 5 largest DSOs developing plans to accommodate 50 GW of RES by 2030 (Poland)

# Security of supply and energy efficiency

- Increasing imports from Laos and enhancing solar-rooftop participation, allowing p2p trade, extending the lifetime of coal-fired plants (Thailand)
- Solarization of all government facilities (Pakistan)
- Ambitious plans to increase the share of renewables to 100%. NG storage enough for whole winter however owned by foreign actors therefore storage enough only for two months. Procurement of extra 20 TWh of gas to reduce exposure (Austria)
- Reduced gas consumption, enhancing storage capacities (Hungary).
- Reducing barriers to cross-border trade, working with Lithuanian regulator to synchronize LV-LT interconnector (Latvia)
- Nuclear shutdown in France an issue for security of supply (France, Austria)
- Enhancing infrastructure to access gas from the Black Sea, expected by end of 2023, promoting policy stability to support investments in RES, new 1200 MW coal facility on the pipeline, as is a new NPP to be commissioned within 3 years (Turkiye)

**THANK YOU  
FOR YOUR ATTENTION!**