Energy regulation the dutch case

Jacques de Jong

Director Dutch energy regulator

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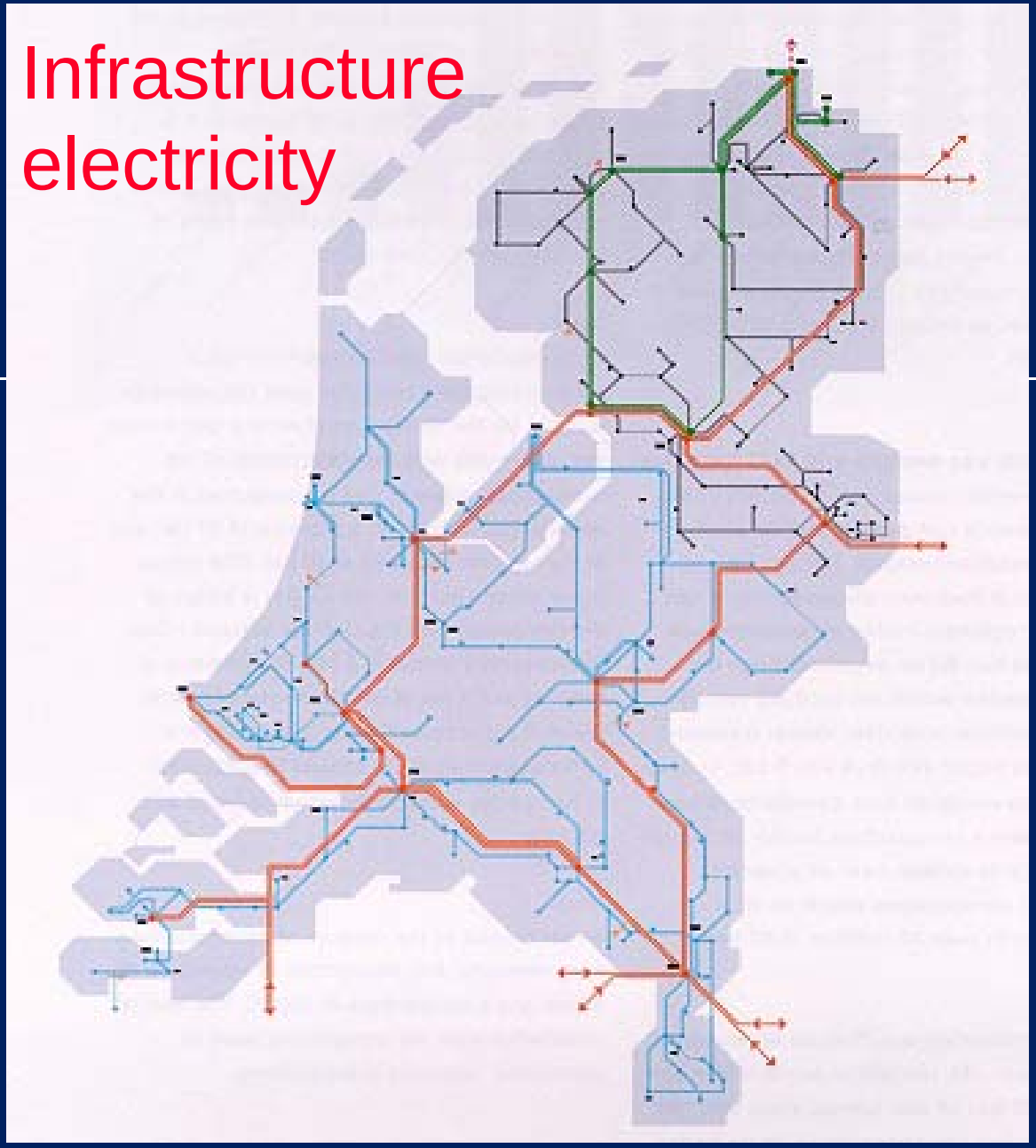
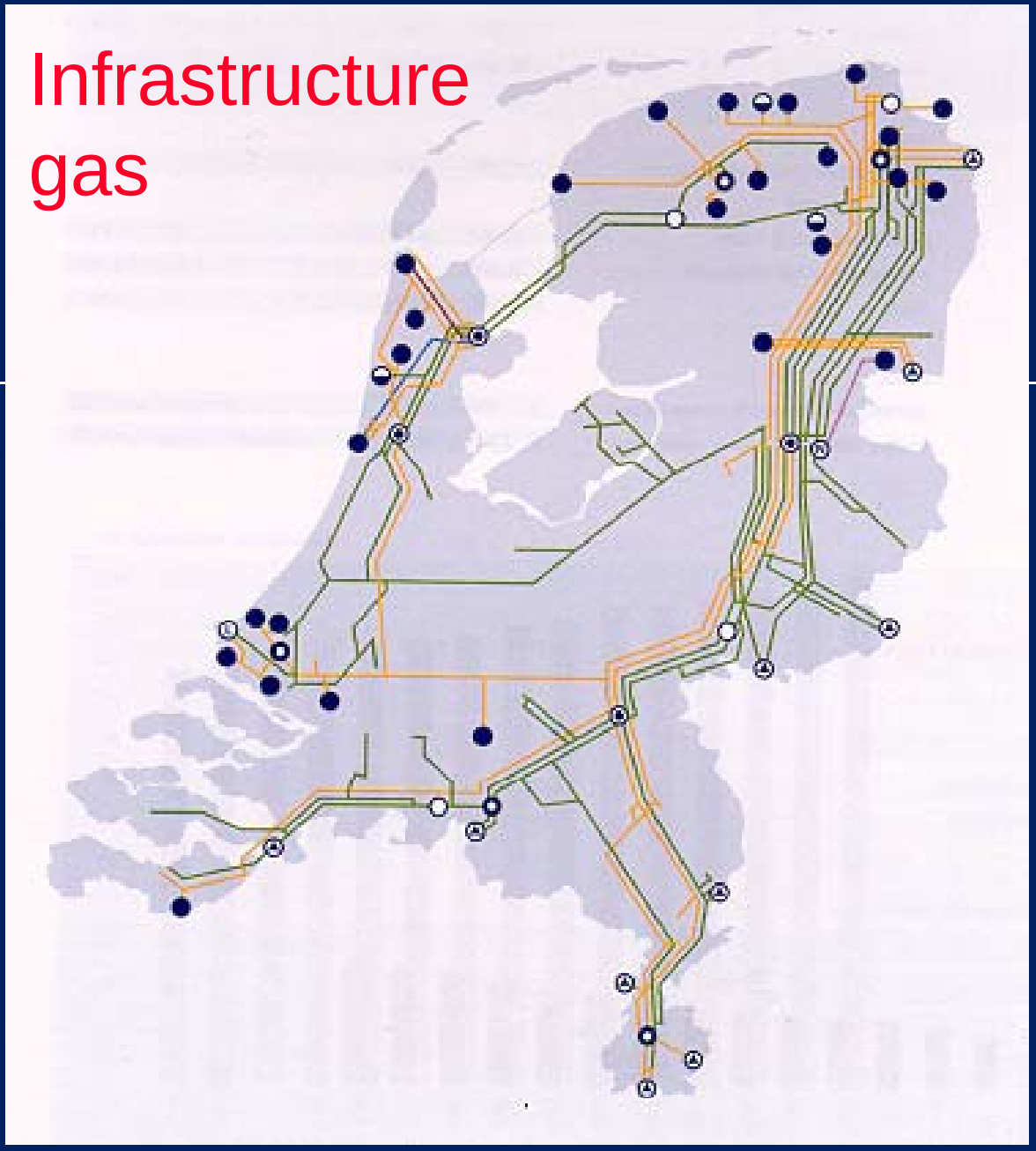
Infrastructure electricity



Infrastructure gas



To secure, promote or to design competition

- Generic and specific competition laws and authorities
- Ex ante versus ex post; regulatory and/or corrective action
- Sector specific regulation, for ever or not for ever?
- Independent authorities

A consistent approach

- Competiton law 1998
- Electricity Act 1998
- Gas Act 2000

  As a general rule: Market where possible, regulation where necessary

Organisational set-up

- Competition law: NMa
- Energy laws: DTe
- DTe: NMa-chamber
- Synergie with NMa
  - competence, information, facilities

Liberalization in dutch energy markets

- Generation & production
- Supply, step-by-step
- Networks, pipes & wires & services

Electricity & gas, generation and production

- Free market, full competition
- Ex post correction; ex ante merger control
- Complicated markets, structure and behaviour

Electricity and gas supplies

- Captive users, protection by ex ante regulation, tariffs and quality
- Free users, ex post correction; ex ante merger control

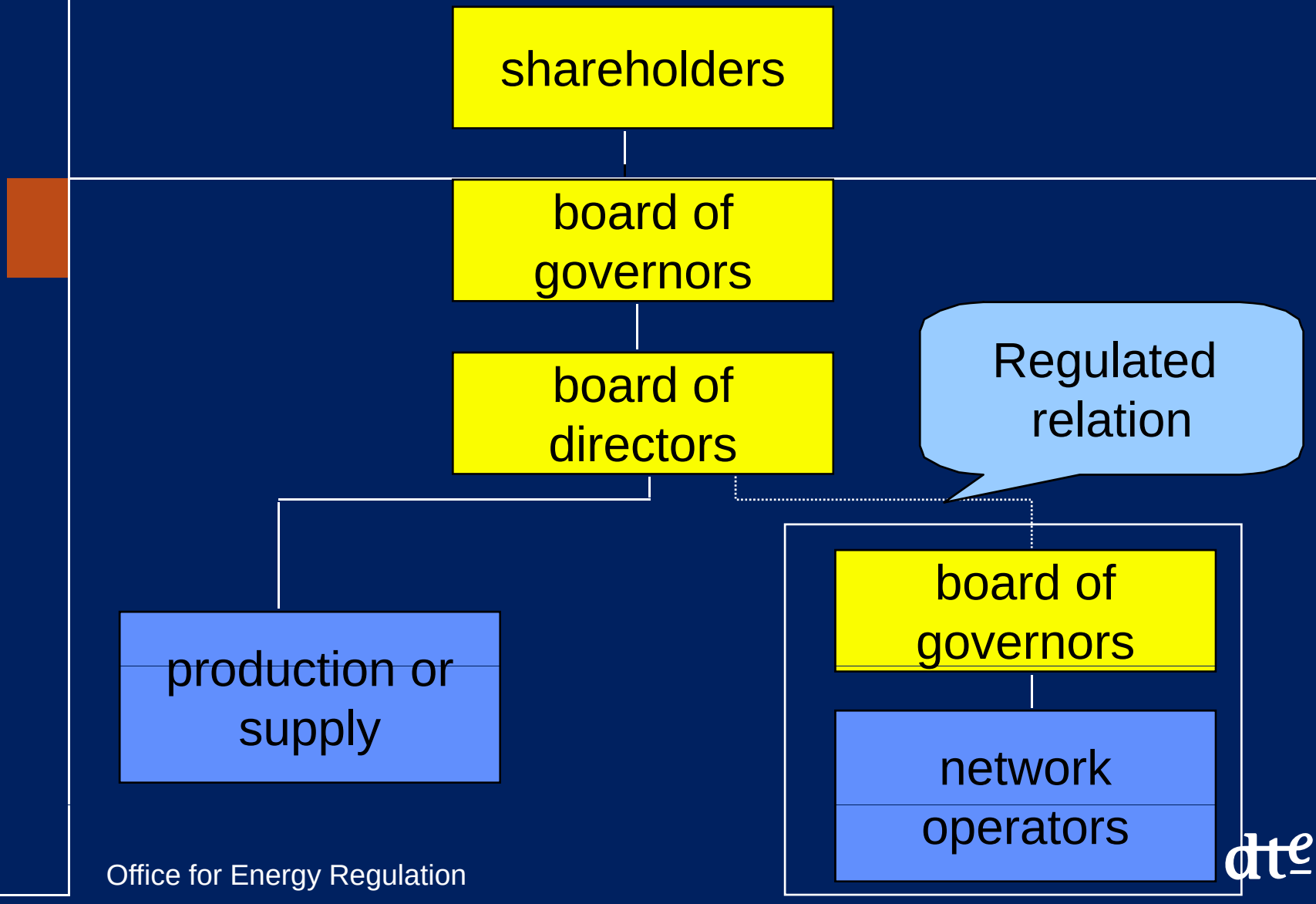
Electricity and gas networks

- Natural monopolies?
- New networks; transmission, distribution
- Network access regimes; to regulate or not
- Rtpa, ntpa, hybrid regimes
- Transmission versus distribution?
- Access conditions and tariffs

Network has a key position

- Open and transparent
- Independent from supply and production:
  - both electricity T&D, gas D
  - not for gastransmission

Position of the networks



Market forces & network services

- Limiting monopoly functions:
  - losses, connection, metering, new networks
  - Energy balancing, electricity
- Engineering competition:
  - capacity trading gas, electricity;
  - role of spot markets

Technical access conditions

Electricity:

- Network code
- System code
- Metering code

Operators propose, DTe decides

Net Code

- Connection to the grid
- Operation of the grid
- Quality of the grid
- Allocation interconnectors

Netcode, interconnectors

- Transparancy in capacity: netting M&X
- Allocation via auction
- day, month, year
- Role APX
- Market monitoring system

System Code

- Balancing responsibilities
- Back-up/black-start
- System reliability
- Access conditions for generators

Metering Code

- Meter location & quality
- Rules for data collection & use

Network pricing (electricity)

- Separate tariffs, one structure
  - connection
  - transportation
  - system services
- Operators propose, DTe decides

Network pricing system

Transportation:

- transmission & distribution
- cost orientation
- cascading system
- postage stamp

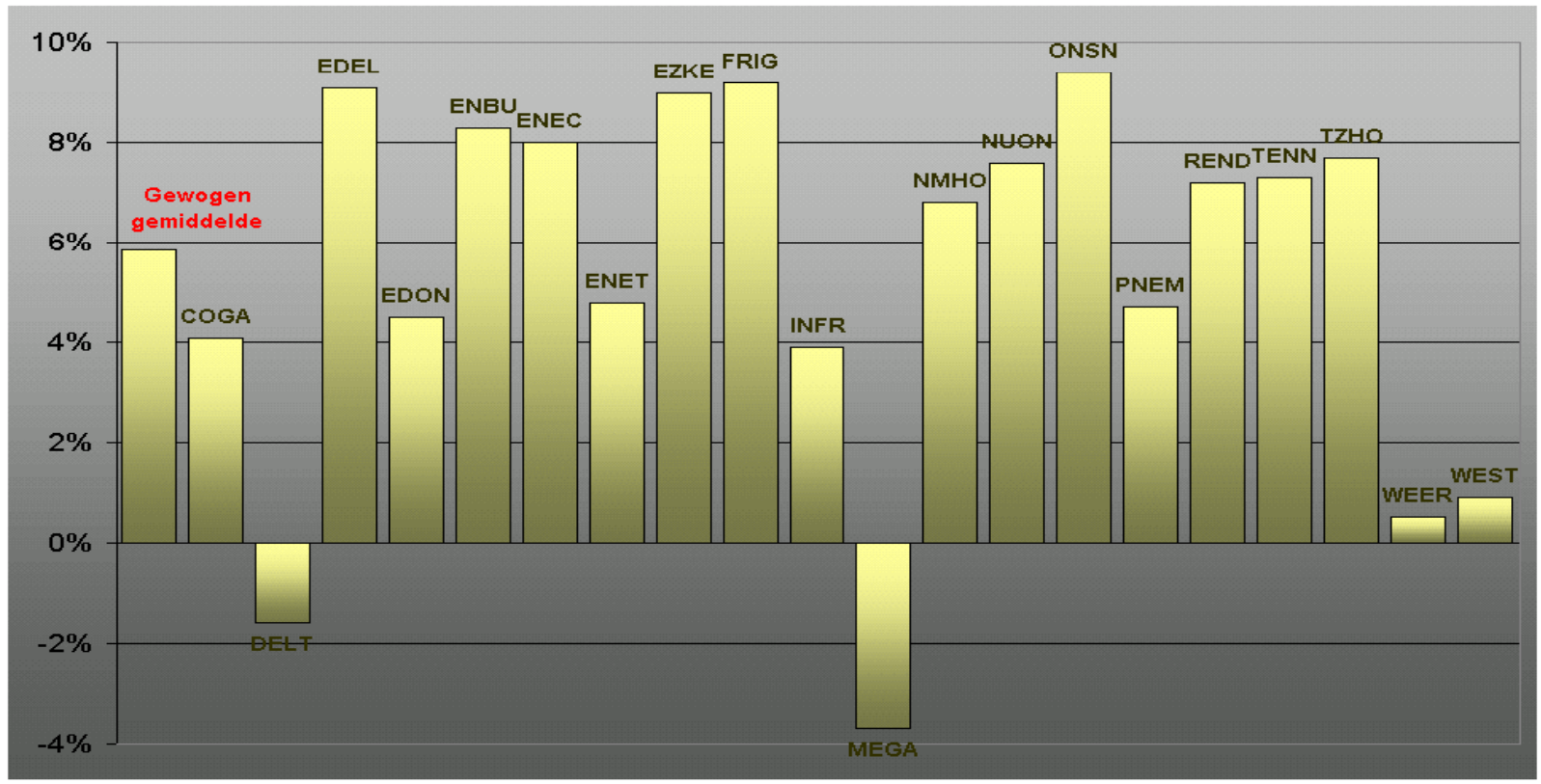
RPI-X methodology

- All regulated tariffs
- Tariff change = RPI - X
- X to be set 3-5 years
- 1996 = 2000 (electricity)
- 1999 = 2001 (gas)

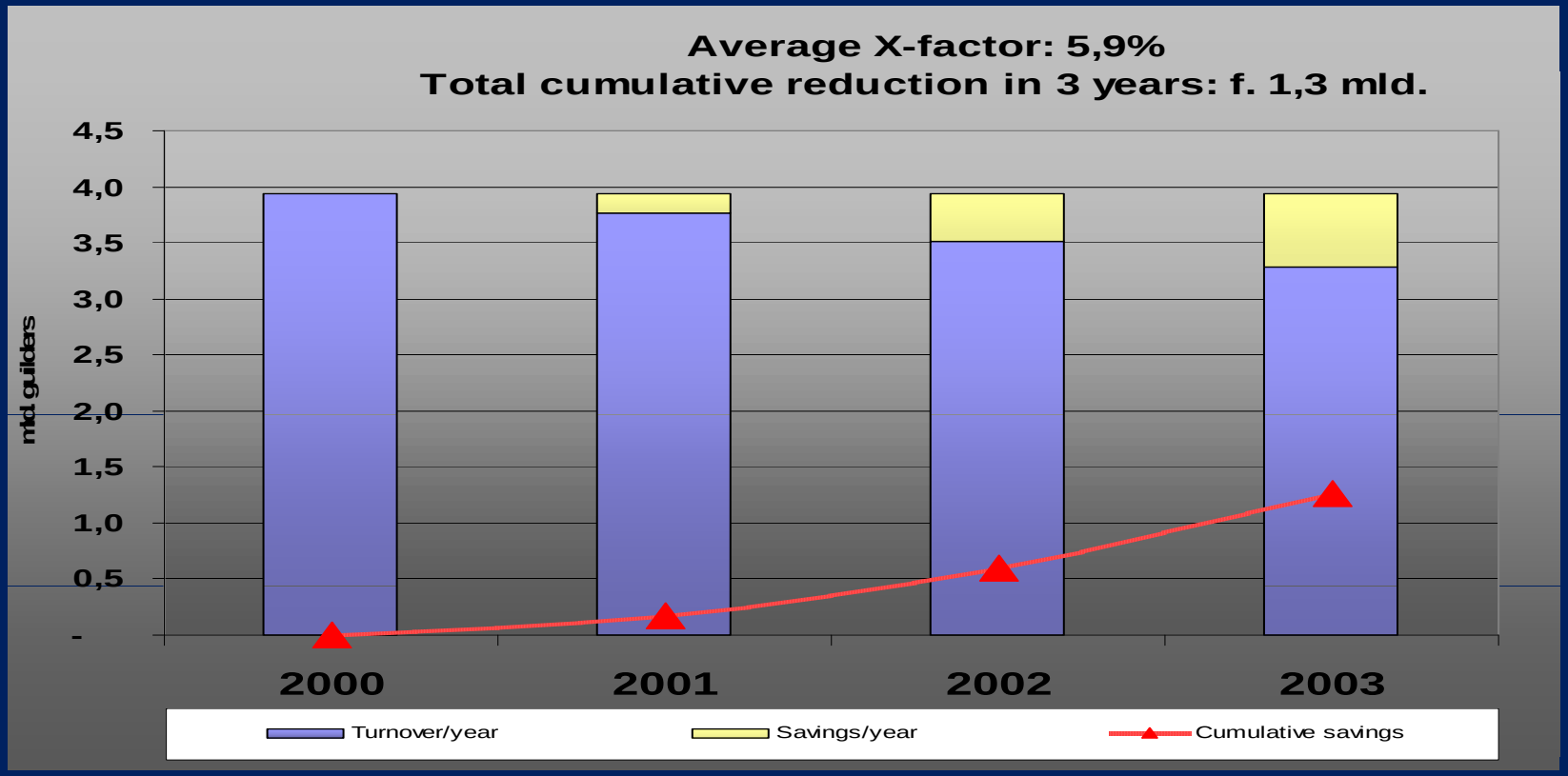
RPI-X
(instruments)

- Objective benchmark
  - simulation market results using international aknowledged benchmark techniques
- Reference companies
  - distribution companies: national comparison
  - TenneT: international comparison
- Other steps
  - correction performance, frontier-shift, effect corporation tax and cascade

Results X-factors 2001-2003



Savings RPI-X 2001-2003



Differences in networkregulation; electricity vs gas

Electricity

- Regulated third party access
- Tariffs set by regulator
- RPI-X incentive regulation
- Legal unbundling for TSO (TenneT) and regional companies (REC's)

Gas

- Hybrid third party access
- Tariffs set by companies
- Efficiency incentives driven by negotiations and new entrants
- Administrative unbundling for TSO (Gasunie), legal for REC's

RTPA — **NTPA**

DTe must find balance for H-Tpa

Office for Energy Regulation

dte

Principles “for the pipes”

- Principles for setting transportation tariffs:
  - Tariffs should be cost-oriented and based on historical costs (incl. reasonable ROI)
  - fixed costs in a fixed tariff-element: variable costs in a variable element
  - Causality: every customer pays for his cost
- Non-discrimination

gastrade

- Promoting gas-to-gas competition:
  - Standard contracts
  - Short-term contracts
  - Secondary market for buying transport-capacity
  - Transparency of information (costs, available capacity)
  - Market-oriented balancing regime
- Promoting competition in storage and flexibility-services

Negotiated Tpa ?

- Negotiations on tariffs and conditions for transportation and storage, but:
  - gas company has to publish indicative tariffs and conditions
  - based on guidelines set by director DTe
  - deviation from indicative tariffs and conditions only on non-discriminatory and objective grounds
- Conclusion: Dutch system is somewhere between Negotiated Tpa and Regulated Tpa ↯ Hybrid TPa

Dutch Supply Tariffs (1)

- Electricity and Gas
- Regulated tariffs captives
- licensing system for suppliers
- temporary basis 2004

Dutch Supply tariffs (2)

- Energy content (wholesale)
  - market oriented yardstick
- Supplier's cost (licensee)
  - rpi=x

Issues & challenges

- Monitor markets
- Instrument mix
- EU-proposals