

Establishing a Market for Electricity at the Distribution Level

Presentation



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New Zealand example

- Electricity Authority – task – promote competition, efficiency and reliability of supply for the long-term benefit of consumers (NERSA?)
- 1993/94 Opened up distribution and retailing
- 25 Retail brands
- 9 or more competing brands in some areas
- 24 hrs for householders to switch supplier

New Zealand electricity markets

- Spot market
- Hedge markets
- Markets for ancillary services
- Wholesale market
- Retail market
- Futures
- www.ea.govt.nz

NZ Distribution Utilities

- Own and maintain the distribution grids
- Charge retailers for the delivery of electricity over the distribution grids
- Are not allowed to become involved in retailing
- NZ stock exchange has the contract to calculate the apportionment of retail sales between generators, distributors and retailers

SA's Electricity Supply Structure

- Vertical state-owned monopolies
- Monopolies inherited in 1994
- 21 years later – no real change in structure
- No fault of Eskom or municipalities
- They do not make the rules

South Africa is not unique

- Many countries have had vertical electricity monopolies
- All EU countries and those joining the EU
- UK and New Zealand
- Most have established competitive electricity markets

1998 Government White Paper

- Give customers the right to choose their electricity supplier
- Introduce competition into the industry, especially the generating sector
- Permit open, non-discriminatory access to the transmission system
- Encourage private sector participation in the industry

Competition gives best results

- EU mandated open access to grids
- Prices fell 20% – high level of openness
- UK broke up electricity monopoly – prices took 20 yrs to double
- US multi-competitors – integrity of grid managed by non-profit NERC

EU Electricity Policy

European union – Directive 2009/72/EC

Paragraph 8 - In order to secure competition and the supply of electricity at the most competitive price, Member States and national regulatory authorities should facilitate cross-border access for new suppliers of electricity from different energy sources as well as for new providers of power generation

EU Electricity Policy

European union – Directive 2009/72/EC

Paragraph 9 - Without effective separation of networks from activities of generation and supply (effective unbundling), there is an inherent risk of discrimination not only in the operation of the network but also in the incentives for vertically integrated undertakings to invest adequately in their networks

A better scenario

- Independent transmission grid
- Independent distribution grids
- Competing generating companies in an open electricity market
- Electricity trading
- Retail, wholesale, spot, hedge and futures markets (across Southern Africa)