

# Global Electricity Deregulation

## Ed 1 2012

### What's in this report and analysis?

- Overview of the state of the electricity sector
- World Survey of Electricity Privatisation and Deregulation
- Coverage of electricity privatisation and deregulation at the country and regional-level

### NRG Expert Market Intelligence Report Highlights:

A shortage of installed generation capacity rather than supplies of fossil fuels for power generation is more of a pressing issue for the electricity supply sector. NRG Expert has found that due to a lack of generation capacity in operation, under construction or in the planning stages 2032 is a critical date where world electricity supply will not meet electricity demand. This critical date may be earlier in North America and Europe. It may be exacerbated following recent announcements by some European countries to abandon nuclear power.

#### Private sector involvement and deregulation

To meet the growing demand for electricity and increase coverage, private sector involvement is expected to increase, along with the import and export of electricity between countries.

#### Europe and the CIS

Full market opening in the EU has taken place in all of the original 15 EU member states and new ascension countries except Estonia and Hungary.

Further grid integration is occurring between the countries resulting in more import and export of electricity. There are now eight major electricity exchanges in the region and many minor markets, some of which have expanded to include more European countries in recent years. For example, the Nord Pool expanded to open the Kontek bidding area in Germany in 2005. Then five years' later opened a bidding area in Estonia and delivered a technical solution for a new Lithuanian market place.

Private sector involvement has been increasing in the CIS in the form of independent power projects (IPPs) and the market is opening up in order to attract funding to the sector, but there has been little progress towards market liberalisation. For example, in Azerbaijan the Law of the Republic of Kazakhstan on Electricity was implemented in January 2009, which includes the free pricing of energy generating organisations.

#### Middle East

The private sector is mainly involved in IPP projects, and now the electricity grids of major countries in the region are interconnected.

#### Americas

A shift in ownership is occurring from regulated utilities to competitive suppliers in North America. There is increasing privatisation in Latin America and the sector is fully privatised in Chile.

#### Asia

The private sector is mainly involved in IPP projects, and in some countries a more attractive market has been created. For example, in China, in 2009, the electricity pricing system was altered to allow

electricity producers and wholesale end-users to negotiate directly with each other, and the electricity price for all sectors, except residential, were raised, but only to \$0.04/kWh. Electricity rates were raised further for energy-intensive industries were raised by 50% to 100% in June 2010.

### **Africa**

The power sector is mainly government owned in Africa. Of the potential markets for liberalisation, South Africa is the most promising after the government announced plans in February 2010 for an independent system and market operator independent from Eskom.

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