



# Regulatory Issues in the Electricity Market in Israel

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November -2008

# Market Structure

- ✓ **Israel Electric Company ( IEC ) – Vertically Integrated Company- 12,000 employees**
- ✓ **11,500 MW installed capacity, 2.7 million customers, Peak Load 10,200 mw**
- ✓ **Public Utility Authority- Electricity**
- ✓ **Ministry Of Infrastructure**
- ✓ **Government Owned Companies - Authority**

# Public Utility Authority- Electricity

## Electricity Market Law-1996

**“To regularize electricity market activities for best interest of public good by means of reliability, availability, quality and efficiency, and all by creating conditions for competition and cost minimization”**

# Roles of - PUA

- ✓ **Tariff Setting**
- ✓ **Determination of service level based on quality of service provided by the electricity provider (IEC)**
- ✓ **Inspection**
- ✓ **Issuing Licenses**
- ✓ **Consumer complaints settlements**

# PUA structure

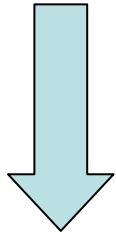
- ✓ **Non political unbiased body**
- ✓ **5 members in the board inc. chairperson**
- ✓ **Professional divisions: Economical, Accounting, Engineering, Law, Licensing, & Consumers affairs.**
- ✓ **30 professional employees**



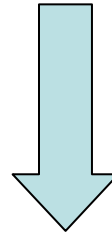
# Electricity Crisis in Israel

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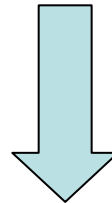
Accounting uncertainty



IFRS



Regulatory environment



Capital Market Supervisor  
Public Sector Wage Supervisor  
Gov. Owned Companies Authority

# Undisciplined Monopoly

- Budget is not used based on tariffs signals
- Unbalanced Headcount
- Unauthorized money transfer to pension plans

## Result:

- Large Debt ( 12 B\$ )
- No money left for Infrastructure development  
I.E : Power plants, Transmission & Distribution.

# New IPP's Uncertainty

## Governmental policy Uncertainty

- ✓ Financial Safety net changed to 95/90
- ✓ Frequent Electricity Act Changes
- ✓ Monopoly (IEC) Privatization
- ✓ Short and Long Gas supply uncertainty
- ✓ No new Gas supply agreements
- ✓ Fluctuation of cost for new power plants construction
- ✓ Interventions between governmental bodies

A photograph of four children, two boys and two girls, standing in a room covered in colorful paint splatters. They are all smiling and holding a large white rectangular sign in the center. The sign has the words "Thank You" written on it in a bold, red, serif font. The children's faces and clothes are also splattered with paint. The background is a white wall and floor, both heavily decorated with colorful paint splatters in various colors like red, blue, yellow, green, and purple.

**Thank You**

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