

Electricity Market and Regulatory Risk Review

April 2018

Summary

- **MAP Procurement – the clock is ticking**
 - Each Disco has a 120-day window from 3rd April to procure one or more MAPs.
 - We are available to assist Discos to comply with the Regulation in procuring a MAP and meeting the Preparation stage, Pre-qualification stage and Proposal stage.
- **Azura IPP – looking like an unfair deal**
 - Azura IPP is on stream fully now. Under NERC's interim arrangements the successor Gencos and NIPP plant are (generally) only being paid for capacity when they generate. In contrast the IPPs are paid capacity when they are available.
 - The effect of this is that the MO is incentivised to run the IPPs ahead of NIPPs and Successor Gencos when gas or transmission is rationed, as it currently is.
 - The average tariff of Azura could be around 32.96 £/kWh . It is curious at this price why a PPA with Azura was signed when there is surplus generation capacity connected to the grid that is constrained off.
 - NBET and NERC may need to explain why due process was not followed in procuring this additional power and to the extent that extra costs are passed onto Discos through the Vesting Contract there could be potential grounds for legal redress.
- **Mini Grid – potential to boost loss reduction plans**
 - Several Discos have completed their Energy Demand Study (EDS) and are subsequently undertaking network expansion planning in line with the Performance Improvement Plan (PIP) expectations, which NERC is yet to formally issue but was presented to investors by ANED. One area with potential to boost performance improvement, meet suppressed demand and reduce losses is investing in Mini Grids.
 - The Mini Grid regulation issued by NERC in August 2017 presents both an opportunity and a threat for Discos (refer to our September 2017 Risk Report for