



6th WORLD FORUM ON ENERGY REGULATION

URUGUAY'S ENERGY REVOLUTION

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In Uruguay a true revolution has been underway
in the energy sector

based on institutional transformations and definition of
clear State policies



LEGISLATIVE AND INSTITUTIONAL TRANSFORMATIONS

Legislative and institutional transformations 1.



- **Energy Sector Regulatory Framework Law (1997)** – Created:
 - The Electric Energy Regulatory Agency (UREE)
 - The Electricity Market Administration (ADME)
 - The Wholesale Electricity Market (MMEE)
- The Law was **regulated by UREE** in 2002
- In 2002, it was created UREE's successor: **URSEA** (with powers in oil, gas and water sectors)



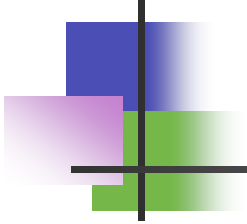
Legislative and institutional transformations 2.

- **Process to strengthen the National Energy Office – DNE** (Executive Unit of the Ministry of Industry, Energy and Mining)
- **Definition of three different State roles:**
 - **Policy design** (Executive Branch, through DNE)
 - **Regulation** (URSEA)
 - **Supply** - State-owned energy corporations: ANCAP for gas and oil, and UTE for electricity, both with Autonomous Entity standing



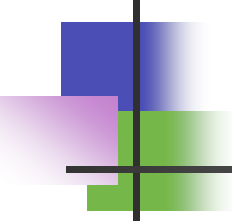
Legislative and institutional transformations 3.

- **ANCAP** holds a monopoly on importation and refining of petroleum and derivatives
- **UTE** is a vertically integrated company that engages in generation, transmission and distribution (generation is performed under a system of competition, while the other two are under a Public Service system)
- **URSEA is also in charge of defense of competition** in regulated sectors



STATE POLICY

State Policy 1.

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- Through **legal acts** and **directive acts**
 - Using tools such as **coordination, oversight powers over State-owned companies, encouragement and discouragement mechanisms** for private activity
 - **Energy Policy document (2008)**



State Policy 2.

Multi-Partisan Commission

- Satisfaction of all national energy needs, at costs that are appropriate for all social sectors and that afford the country competitiveness gains
- Promoting healthy energy use habits
- Seeking the country's energy independence in a framework of regional integration
- By means of economically and environmentally sustainable policies



State Policy 3. Multi-Partisan Commission

- Four strategic areas were defined
 - Institutional
 - Supply
 - Demand
 - Social



State Policy 4.

Multi-Partisan Commission

- **Institutional Area**

- **Executive Branch** as designer and administrator of energy policy, articulating diverse actors; **State-owned corporations** as chief policy implementers; **URSEA** regulating and overseeing security, quality and consumer protection
- **Private sector actors** who participate and contribute, avoiding dominant actors
- Clear, transparent and stable **regulatory framework** and **prices that reflect costs**



State Policy 5. Multi-Partisan Commission

- **Supply Area**
 - **Diversification of energy mix**, in sources and suppliers
 - **Reduction of costs**, with **decrease in oil dependence** and **use of autochthonous energy sources**, particularly **renewable** ones
 - **Technology** transfer, minimization of **environmental impact**, improvement of **energy infrastructure**



State Policy 6. Multi-Partisan Commission

- **Demand Area**
 - **Energy Efficiency** in all sectors and for all uses
 - Fostering a **cultural change** in relation to **usage habits** through **formal and informal education**
 - **Transport policies**



State Policy 7. Multi-Partisan Commission

- **Social Area**

- **Satisfaction of energy needs of disadvantaged people**, with social intervention measures
- **Safe energy access**, avoiding precarious connections
- **Promotion of responsible energy use**



State Policy 8. Multi-Partisan Commission

- **Short-term goals at 2015**
 - **50% participation of renewable autochthonous sources** in the total primary energy mix
 - **Universalization of access** to energy, reaching **100% electrification**
 - Existence of **national companies producing energy inputs and developing energy efficient processes**



State Policy 9. Multi-Partisan Commission

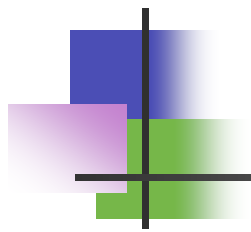
- **Medium-term Goals for 2020**
 - Achievement of **optimum level of renewable energy use**
 - Equilibrium in **use of waste to generate energy**
 - **Decrease of energy consumption by 20%** in relation to the trend scenario
 - **Adequate access to energy**



State Policy 10.

Multi-Partisan Commission

- **Long-term Goals for 2030**
 - **Uruguay as leader in use of certain sources and in development of certain energy technologies and processes**
 - **Regional energy integration**, with multinational projects in operation
 - **Uruguayan energy model** as model at world level and, in particular, **energy intensity among the best worldwide**



ELECTRICITY SECTOR

Electricity Sector 1.



- **Guiding principles**

- Transparency, equity in resolutions on energy dispatch, guarantee of performance of freely executed agreements, optimization of the Nation Interconnected System, economic energy dispatch, setting of maximum rates by the Executive, accounting separation for different activities of industries, shared use of the transmission system and free access to non-committed transport capacity, supply security, with regularity, continuity and quality
- The regulations contemplate the existence of large consumer marketers and generation marketers



Electricity Sector 2.

Promotion of renewable energy generation

- **UTE has received directives by Executive Branch Decrees**
 - To execute special electrical power purchase agreements (PPAs) with suppliers setting up in national territory to produce power via wind, biomass, small hydraulic or solar plants
 - Selection of contractors is done by competitive procedure, with the power supplier being assured purchase of power during a maximum 20 year contract term, with remuneration as deriving from the aforesaid procedure

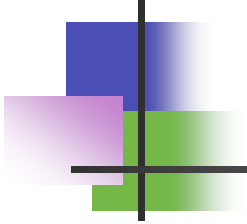


Electricity Sector 3.

Promotion of renewable energy generation

■ **PPAs**

- The price has been set in US dollars and comparison of bids takes into account the inclusion of national component and the time frames for startup
- The generator assumes the costs of connection and of expansion of the grid, but is exempt from payment of charges for use of it
- Dispute settlement includes arbitration and the contracts include guarantees for financiers such as informing of circumstances that may affect them during performance



OIL AND GAS SECTOR



Oil and Gas Sector 1.

Oil agreements

- Recent investigations, with discovery of source rock, have led to **supposition that the country may have oil and gas**
- **Supposed reserves** are the property of the State and **ANCAP** is competent under law to perform exploration and exploitation, both itself or by contracting third parties
- In 2012, **ANCAP executed Production Sharing Agreements (PSAs) with private companies**. The companies assume all the risk. If oil is found, the company recovers the capital invested (cost oil) and obtains a gain (profit oil), which it shares with the State. ANCAP has the right to associate with the contractor, paying the share of the costs



Oil and Gas Sector 2.

Oil agreements

- **For on shore activities** an open selection procedure has been used, being always possible to submit prospection and exploration-exploitation proposals to ANCAP. ANCAP reviews them quarterly, decides which is most advisable and negotiates the final terms of the agreement (six blocks have been awarded)
- **For off shore activities** the procedure has been of Rounds, with a call to select the best bid in line with the Bidding Conditions, for each of the continental shelf areas offered



Oil and Gas Sector 3.

Regas Project

- Uruguay has decided to introduce gas with installation of a **re-gasification plant**, providing thermal support for a matrix based on renewable energies
- **The LNG venture “Proyecto GNL del Plata” is being undertaken by a private company (Gas Sayago) with State capital, with UTE and ANCAP holding equal stakes**
- In October 2013, following a tender, **Gas Sayago and the French company GDF Suez** signed a **BOOT Agreement** with a 15-year term for services of liquefied natural gas storage and regasification



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Thank you for your attention