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Israel Public Utility Authority Chairman

Title- Background and topics on the future of the electricity market in Israel Background

The PUA is Israel's independent electricity regulator according to electricity law as of 1996.

The PUA is responsible for setting electricity regulations according to the governmental policy determined by Israel's government and by the Minister of natural resources.

Evolution of the electricity sector in Israel

Israel's electricity market has been going through major changes since 1996 when the electricity law was introduced.

The major mile stones since 1996 are the following:

1996- Electricity law introduced and IEC (Israel's electricity company which is a vertical monopoly at all segments (distribution, transmission, generation, supply) receives it's licenses and the PUA is established.

1997-2000 First governmental decisions taken with regard to the policy to introduce competition in generation segment to allow up to 20% of generation to be private and not held by IEC

2001-2002 IEC signs the first gas contracts with Egyptian company for purchasing gas from Egypt and with an Israeli company that found gas within Israel's territorial water

2004- IPP's receive licenses from the Ministry of natural resources to build and operate power plants and sell electricity to end users

2005- Regulations for IPP's and suppliers to be able to make bilateral physical contracts is determined by the Ministry of natural resources and by the PUA

2008-2009 Regulations that was defined by the PUA in 2005 is updated to meet requirements for financing of IPP's in a project financing method.

Regulations included two types of models:

Bilateral physical model between IPP's and suppliers including high financial safety net through high capacity payments for availability not utilized as energy in bilateral contract or in offers to the system operator (IPP that sales to suppliers can offer the non sold availability to the system operator through energy offers with a CAP and if his offers are not accepted still receive capacity payments of up to 87% of his fixed costs. The cost model is normative)