



Bundesnetzagentur

Evaluierungsbericht nach § 33 Anreizregulierungsverordnung

Short Summary

21.01.2015

I. Mandate

The Bundesnetzagentur has submitted a report to the Federal Ministry for Economic Affairs and Energy containing an evaluation and proposals for further developing the incentive regulation. The report contains details of the development of network operators' investment behaviour and of the need for further measures to avoid barriers to investment. The report has been drafted with the involvement of the Länder, academia and the economic sectors affected, and also takes account of international experience with incentive regulation schemes. It specifies the regulatory framework necessary for the distribution grids to meet the requirements of the Energiewende. Hence the report also forms the basis of the investment-friendly design of the general conditions for distribution systems as provided for in the coalition agreement.

II. Method

The evaluation process started in November 2013. The Bundesnetzagentur commissioned a scientific study on how the investment behaviour had developed since the introduction of the Incentive Regulation Ordinance; the study was based on the Bundesnetzagentur's own data and also on additional information provided by about 200 network operators. In addition, an analysis was carried out on the profitability of network investment as well as an examination of the problems that the individual procedures pose for the stakeholders. It was further analysed how comparable network operators are treated in other European countries. The extensive involvement of the Länder, academia and the economic sectors affected was achieved through workshops and expert discussions.

III. Current incentive regulation scheme

The incentive regulation provides network operators with incentives to operate the network efficiently by making a specific budget available to the network operators (revenue cap) for a period of five years (regulatory period) for the performance of their tasks. In addition, efficiency improvement targets are set for the network operators. The targets are determined on the basis of efficiency benchmarking between the network operators. Below the revenue cap, network operators are free to decide based on business considerations how they want to meet these efficiency targets. If they exceed the efficiency targets, they may retain the additional revenues throughout the remainder of that regulatory period.

IV. Findings

The current incentive regulation scheme has basically been successful. The incentive regulation has not had any negative impact on the investment activity of electricity and gas network operators. The quality of supply remains high despite the gains achieved in efficiency.

For the incentive regulation to remain viable as part of the Energiewende, especially in the electricity distribution system, some adjustments will have to be made to the current scheme.

To this end, the time delay between an investment and the revenue adjustment through the expansion factor, which maps expansion investment in the distribution system (equivalent to investment measures in the transmission network), will have to be abolished. This will allow the timely refinancing of investments and make investment conditions more compatible with the Energiewende.

Alongside this, rules are to be created that incentivise network operators to invest in intelligent solutions ("intelligence instead of power lines", the distribution system study carried out by the BMWi estimates potential savings of 10-20% through intelligent solutions as compared to conventional network expansion). To achieve this goal, the conditions will be created that allow a network operator to retain the efficiency gains, for example from intelligent solutions, beyond the term of a regulatory period (efficiency carry-over). Furthermore, the investment measure, which up to now has governed expansion in the transmission networks, is to be extended to those distribution system operators who are especially affected by the Energiewende so as to take appropriate account of their specific situation.

Models that provide for an annual adaptation of the cost of capital to improve the conditions for investment are dismissed. Although these models address the existing time delay between investment and refinancing, they create incentives for rather capital-intensive network expansion strategies. Incentives to save costs through intelligent and innovative solutions would be reduced. Such models would make the Energiewende unnecessarily expensive, increasing the costs by up to €8bn depending on the design.

Moreover, proposals are made with respect to simplifying procedures, which would reduce the administrative burden on network operators and regulatory authorities.