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General

Minister of the Interior Meir Sheerit has instructed local authorities to lower their annual budget for electricity consumption by 1% per year for the next three years. The order, which is valid for three years, means that local authorities are being asked to reduce their budget for electricity by 1% in 2009, 2% in 2010 and 3% in 2011. Sheerit's order also comes in the wake of a government decision in September 2008 to utilize energy more efficiently and to lower energy consumption in Israel by 15%-20% by 2020.

Public Utility Authority Electricity (PUA)

The PUA has published the tariffs for medium size photovoltaic power stations, namely from 51 KW to 5 MW. The tariff for the first 50 MW to get established by 2011 would be 1.58 NIS Kwh. The tariff for home photovoltaic systems is 2 NIS per Kwh. As of 2011 the tariff will decrease by 5% each year. The tariffs will be linked 33% to the Euro, 33% to the \$ and 33% to the inflation index. The tariffs are not yet final and the public can comment on them.

The PUA has published the principles for regulations and rates for electricity generated by small wind turbines. Consumers will be able to generate their own electricity and sell the surplus to the national grid. The maximum output of a domestic wind turbine (household rate) will be 15 kilowatts, and the maximum output of a general customer's wind turbine (commercial and industrial rate) will be 50 kilowatts.

Israel Electric Corporation (IEC)

IEC and Afcon signed an MOU to jointly build wind farms in the Lower Galilee. IEC will design the wind farms and obtain the statutory licenses for them and Afcon will be the chief contractor that will build them. Afcon has an option to operate them. IEC's participation in the project is conditional on Afcon subsidiary Afcon EB Wind Energy obtaining the licenses and building permits for the wind farms. The wind turbines will be built at Ramat Sirin and on Mount Gilboa at an estimated cost of \$70-80 million and will generate 40-50 MW of electricity.

IEC undertook another private bond offering and raised NIS 500 million with Israeli institutional investors. The bonds are non redeemable with a 6.85% annual interest and which will mature in 2020. The bond issue came a month after IEC raised \$500 million in bonds in the US at a higher interest rate of 9.375%.

IEC's Hagit power station has been connected to natural gas. The station will continue working with diesel oil for a month during which it will undergo commissioning and will then start generating on natural gas.