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October 2008 | Electricity Market Updates

Israel Electric Corporation (IEC)

- The Public Utility Authority has authorized a 2.5% electricity price increase to help finance the emergency electricity program. The PUA has set as a condition though that a separate company needs to be established by IEC to carry out the emergency program – set up and operate the new power stations - as per the approved structural reform in the electricity sector.
- The Ministry of National Infrastructures plans to appeal the decision by the Public Utilities Authority (Electricity) to make a 2.5% electricity rate hike to finance IEC's NIS 7 billion emergency plan subject to IEC restructuring. Specifically, the PUA insists that IEC establish a subsidiary that will be responsible for the construction and operation of power stations. Minister of National Infrastructures Benjamin Ben-Eliezer said that “there is no logic in the decision that links the emergency plan to restructuring”.
- IEC is to publish a tender for the purchase of 2 billion shekels worth of fuel (fuel oil and diesel) for IEC's power stations for 2009, rather than use options it has to buy larger quantities of such fuels from abroad. Another tender will be published for the provision of the logistics and transportation services to transport these fuels to the power stations. The total quantity of fuel oil and diesel to be purchased by the end of 2008 will be 2.7 billion shekels.
- The Ministry of Finance rejected any option of the government providing finance to IEC for the emergency plan which is due to amount to 7 billion shekels. The MOF claims that IEC can fund the program itself explaining that IEC has a 5 year development budget of 28 billion shekels and that IEC also keeps 20% of its budget available in case of need, which it can now use to fund the emergency program
- IEC stated at the end of the month that it would be willing to be responsible for the emergency generation plan if it receives 3 billion shekels worth of funding via an increase in the electricity tariff approved by the PUA, rather than the 7 billion they have been demanding to date. The issue is currently being debated internally by the regulator. IEC said that it is imperative to reach a decision imminently in order to enable them to go ahead with the purchase of the Siemens turbines as ordered.