

12th SMART GRID FORUM LATIN AMERICA



September, 9 and 10, 2019
Frei Caneca Convention Center - Sao Paulo - SP - Brazil

"The distribution networks digitalization
and its impacts on companies, tariffs and consumers"

The modernization challenge in a sector with USD\$ 60 billion revenues and investments of more than USD\$ 4 billion per year.

It seems counterintuitive, but we are talking about the energy distribution utilities in Brazil and the immense challenge of their transformation, the need for the digitization of assets, in the face of the disruptive changes in the technologies involved in the business and the behavior and expectations of consumers, which has been quietly provoking significant impacts in companies and concerns about the sustainability of services and their impact on tariffs, by regulators.

ANEEL, the Brazilian regulatory Agency, recently launched Public Consultation No. 003/2019, through Technical Note No. 27 / SRM / SGT / SRP / SRD-2019 / ANEEL, of February 22, 2019, a very competent and innovative document with 150 pages that aim at to reflect on the effectiveness of the current regulation and to collect subsidies for the Regulatory Result Assessment (ARR) of the electricity distribution segment incentive regulation, evaluating the regulatory environment regarding the use of technologies in service improvement, energy efficiency and in business development.

The document demonstrates the significant improvement in the quality of services provided by the sector in the period 2001-2017 (measured by the frequency and duration of interruptions and the expansion of the service offer coverage), which simultaneously included a significant reduction of the costs involved and consequently provided the reduction of tariffs.

The technical note, at the same time, also recognizes that improving efficiency and reducing costs simultaneously sacrificed corporate margins and consequently their financial economic sustainability, especially in this time of profound technological transformation, where there is the challenge of modernization increasingly present.

Thus, although the expressive and strong collection figure amounts to USD\$ 60 billion annually, the average investments of more than USD\$ 4 billion in expansion and modernization of its systems have not yet been sufficient to provide adequate rhythm to the technological update of the sector, to address the growing penetration of distributed generation, dissemination of efficient technologies, massive adoption of tariffs and intelligent metering and implementation of advanced systems for network, service and process automation, towards smart grids. While the aforementioned technologies are already being progressively adopted by customers, companies have still not been able to afford resources for their adoption at the same speed, given the scale of their operations and the rules in force for the remuneration of these investments as well as for the continuity of the provision of current systems.

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The regular investments required by the companies include not only upgrading of conventional assets, such as equipment, components, materials and respective installation services and expansion of electric networks, but increasingly need to incorporate, every year, increasing portions of equipment devoted to automation and scanning of electrical systems, software, telecommunication and artificial intelligence systems, supporting all business processes. Smart Grids represent the new generation of electrical grids, evolved from conventional networks, but bring impacts and transformations across the range of services and processes in the distributor, going far beyond the networks themselves, to the provision of services to end users.

The technical note recognizes that the new technologies are not particularly favored by the existing regulations, in which investments are recognized and accrued in the asset base just on the tariff review cycles, discouraging systematic and regular investments in improvement and technological upgrading, since they are only captured in tariff revisions, when they have already been partially amortized, without adequate remuneration. In addition, the useful life of these technological investments is lower than that historically considered for conventional assets, a fact not yet properly recognized in the regulatory mechanisms in force.

Thus, the entire chain of suppliers of energy distributors has been impacted by the transformation of the nature of these necessary investments and by their lack of regularity and greater predictability and support in the regulations in force.

All parties interested in the modernization agenda are working in an articulated way to thoroughly evaluate the content of this technical note and to offer contributions to ANEEL by the end of June 2019, when the public consultation period ends. It is very complete, professional and deep material, and at the same time technically very complex and controversial. ANEEL deserves recognition for the innovative, transparent, humble and courageous approach adopted in CP 003/2019 and in its Technical Note, especially for the first time explicitly bringing the legitimate, timely and priority concern of regulatory predictability for the technological updating of the sector.

Parallel to this initiative of the Regulatory Agency, the Ministry of Mines and Energy (MME) published on April 5, 2019, Ordinance No. 187, which established a Working Group to improve proposals that enable the modernization of the electricity sector, based on the pillars governance, legal and regulatory stability.

The Working Group, which will have 180 days to complete the work, is made up of representatives of the MME, ANEEL, the Electric Energy Trading Chamber - CCEE, the Energy Research Company - EPE and the National System Operator - ONS. invited to attend the weekly meetings other representatives of civil society, associations and experts from other bodies and entities, who can contribute in the progress.

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SMART GRID's FORUM LATIN AMERICAN was created in 2008 to implement and accelerate the introduction of new energy technologies and innovations in a sustainable manner in Brazil and Latin America.

The Forum is a NEUTRAL, INDEPENDENT and INCLUSIVE vehicle, to mobilize the widest array of stakeholders possible, being maintained exclusively by its annual Conference. These Conferences have developed an important role of articulation and institutional synthesis, with a vision mainly guided by value for all interest groups and society, and not exclusively by technology, as well as provided priority guidelines for the sustainable advancement of these technologies in the sector.

The analysis and discussins of these regulations, which are fundamental to allow the modernization of electricity services in the country and their alignment with the global technological agenda will be carried at the 12th Edition of the International Conference and Exhibition of the Smart Grid Forum Latin America, to be held on 9 and September 10, 2019, in São Paulo, Brazil. The central theme of the 2019 edition will be: "The digitization of distribution networks and their impacts on companies, tariffs and consumers".

More information can be obtained at: www.smartgrid.com.br/Default.aspx

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