

Electricity Industry Deregulation in Taiwan

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I. Summary of the Framework of Electricity Industry Liberalisation

- I) Total liberalisation of the integrated businesses of power generation, transmission, and distribution, as well as the generation, transmission, and distribution businesses, to free competition.

The business area of the integrated electricity business and distribution businesses shall be based on that approved by the central authority. The central authority may, based on the applications filed by integrated electricity business or distribution businesses or based on its authority, review the following issues to allocate and adjust the business areas: administrative zone, population distribution, economic benefit, natural geographic conditions, fair competition, and other special requirements.

The electricity generated or purchased via wholesale trade by the integrated electricity business shall be sold, via the electricity grid, to consumers within its business area or sold via wholesale trade to electricity companies outside of the transmission industry. Electricity generated by the generation businesses may, in accordance with Article 12, paragraph 2, be supplied either via electricity grid or directly to consumers or sold via wholesale trade to electricity companies from outside of the transmission industry. Distribution companies may purchase via wholesale trade electricity from electricity companies from outside of the transmission industry, and sell such electricity to consumers or other electricity distribution companies in its business area through its own electricity grid or that of the integrated electricity business at its location.

- II) Establishment of an Electricity Dispatch Center to ensure fair and open distribution of electricity.

To enforce the aforementioned regulation on power distribution, the central authority shall, within two years after the enforcement of the amended Electricity Law, provide guidance and financial assistance for the establishment of an Electricity Dispatch Center. The Center, which shall be a judicial person, shall have duties and responsibilities to be determined by the central competent authority. Prior to the establishment of the aforementioned Center, allocation of power resources shall be carried out by the integrated electricity business. The Center may commission its power distribution operations to professional agencies selected and approved by the central competent authority.

The Electricity Dispatch Center shall carry out operations in a safe, fair, open, and economical manner consistent with the government's energy policies. The electricity dispatch operations shall include at least high-voltage transmission lines for 69,000-volt electricity. The range, scope, procedures, standards, and emergency handling of electricity dispatch shall be regulated by the guidelines on electricity dispatch as formulated by the central authority.

The electricity grids of the integrated electricity business and distribution businesses shall be inter-connected. The following electricity grids and electricity generating plants shall operate in conjunction with the Electricity Dispatch Center; provided, however, that those with just cause and approved by the central authority shall be exempted:

1. Electricity grids and power plants owned by the integrated electricity business.
2. Electricity grids owned by the electricity distribution businesses.

Where electricity grids are required by the electricity generated from generation companies, the Electricity Dispatch Center may be requested to carry out distribution operations in accordance with electricity dispatch regulations.

III) Establishment of an Electricity Dispatch Monitoring Committee.

The central authority shall establish an Electricity Dispatch Monitoring Committee to monitor the electricity dispatch activities and handle relevant disputes. The Committee shall be composed of representatives from government agencies, electricity businesses, consumer protection groups, relevant professional organisations, scholars, and experts. Electricity dispatch activities shall be carried out in accordance with electricity dispatch regulations. In the event of disputes arising from such activities, the Electricity Dispatch Center shall request for mediation assistance from the Committee. In the event of failure in mediation, a determination shall be made by the central authority.

IV) Liberalisation of transmission and distribution grids for public use.

Where electricity grids are required by the electricity generated from generation businesses, the Electricity Dispatch Center may be requested to carry out electricity dispatch activities in accordance with electricity dispatch regulations.

Integrated electricity business and transmission businesses shall not refuse requests for inter-connection with their electricity grids from other electricity businesses or operators with their own generators. The electricity grids of the integrated electricity business and distribution businesses shall be provided for use to other electricity businesses consistent with the principle of fairness and openness, and shall not be discriminatory against specific parties. Requests for the provision of such services shall not be refused without just cause and approval from the central authority. The fares to be collected from the electricity businesses requesting such transmission services shall be in accordance with the fares approved by the central authority.

V) Progressive increase of the consumers' options.

Consumers may request for electricity supply from the integrated electricity business or distribution businesses at their locality. The integrated electricity business or distribution businesses shall not decline such requests without just cause and approval from the central authority. Consumers may request electricity businesses to supply electricity either via electricity grids or directly. The appropriate scope of use of electricity transmitted via electricity grids shall be determined by the central authority.

VI) Ensure a steady supply of electricity.

To satisfy the electricity of consumers' demand within their business areas, integrated electricity business and distribution businesses shall be responsible for the planning, construction, and maintenance of electricity grids within their respective business areas. Public utility electricity shall be available at all times each day. However, such period of electricity supply may be limited in the event of special circumstances and upon approval from the central competent authority.

VII) Regulation of public electricity rates.

The method of calculating the electricity rates of the integrated electricity business and distribution businesses, along with the fees of the electric utilities and Electricity Dispatch Center, shall be

determined by the central competent authority and approved by the Executive Yuan. Changes to such fees shall likewise take effect after undergoing the same processes. When formulating or revising the different rates and fees, the electric utilities and Electricity Dispatch Center shall carry out calculation based on the aforementioned method of calculation. The calculated fares shall be announced publicly after approval by the central competent authority.

The central authority may create an electricity price and fares review committee to review the public section's electricity prices, fares, method of calculation, and other relevant issues. The review committee shall be composed of representatives from government agencies, electric utilities, Electricity Dispatch Center, consumer protection organisations, relevant professional organisations, scholars, and experts.

VIII) Long-term measures (five years after the passage of the Electricity Law) include providing guidance to the electricity businesses for the establishment of a voluntary electricity pool.

The Council for Economic Planning and Development under the Executive Yuan in the year 2000 invited the Fair Trade Commission and Ministry of Economic Affairs to convene a meeting to discuss the Draft Amendment for the Electricity Law. During the meeting, it was resolved that five years after the passage of the Electricity Law, guidance will be provided to the electricity businesses for the establishment of a voluntary electricity pools, the operations of which will be governed by bilateral agreements. Based on market requirements and upon consent of the majority of the electricity businesses, a further determination will be made whether to establish a single electricity pool.

II. Role of the Fair Trade Commission During the Process of Electricity Industry Liberalisation

In conjunction with the government priority on “competition policy supplemented by industry policies,” the Fair Trade Commission has actively participated in the planning of electricity market liberalisation. To expedite competition mechanism within the electricity industry and establish fair competition, the Commission forwarded timely recommendations on major issues such as industry restructure, market structure, and the creation of relevant agencies in the electricity market.

In the event the electricity market attains full liberalisation from its current status, the different rights and obligations of the electricity businesses and consumers will become increasingly complex. Relationship between electricity businesses and consumers will become different compared with that which existed in the past within a simple market structure and a single supplier. Creation of an independent monitoring and regulatory agency can help monitor market operations and foster a fair, competitive environment to prevent businesses from abusing market power and raising electricity prices. This will ensure fair and just allocation of resources and resolution of disputes in a timely, efficient, and fair manner.

In the future, the independent monitoring and regulatory agency will be in charged of the enforcement of the Electricity Law while the Fair Trade Commission is in charge of Fair Trade Law enforcement. The intents of the two agencies are different. The Electricity Law aims to develop and conserve national electricity resources, while the Fair Trade Law aims to safeguard order in trade and ensure fair competition. Since the Fair Trade Commission is the authority on competition, it is mandated to exercise its authority in accordance with the relevant provisions of the Fair Trade Law without restriction from the Electricity Law. Within the confines where the Electricity Industry Law is consistent with the spirit of the Fair Trade Law, the Fair Trade Commission, understanding that each administrative agency has its own authority, will respect the administrative decisions of the independent monitoring and regulatory agency of he electricity market.