

Regulation of distribution network business

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Abstract-

The traditional distribution function actually comprises two separate activities: distribution network and retailing. Retailing, which is also termed supply, consists of trading electricity at the wholesale level and selling it to the end users. The distribution network business, or merely distribution, is a natural monopoly and it must be regulated. Increasing attention is presently being paid to the regulation of distribution pricing. Distribution pricing, comprises two major tasks: global remuneration of the distribution utility and tariff setting by allocation of the total costs among all the users of the network services. In this paper, the basic concepts for establishing the global remuneration of a distribution utility are presented. A remuneration scheme which recognizes adequate investment and operation costs, promotes losses reduction and incentives the control of the quality of service level is proposed. Efficient investment and operation costs are calculated by using different types of strategic planning and regression analysis models. Application examples that have been used during the distribution regulation process in Spain are also presented.

Index Terms- Regulation, distribution, planning, power quality

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