

Challenges: Electricity Business in Brazil

Goret P. Paulo

FGV EAESP

 COUNCIL on
BUSINESS & SOCIETY
A GLOBAL ALLIANCE OF SCHOOLS OF MANAGEMENT



2015 INTERNATIONAL FORUM
ENERGY, BUSINESS, AND SOCIETY

General Overview

- Regulatory “rollercoaster “
 - 2012=>
 - Decree 579,
 - Tariff reduction,
 - Subsidies from the government,
 - Thermal generation dispatch
 - 2013=>
 - More subsidies,
 - Financial support to distribution companies
 - 2014 =>
 - Additional financial support to distribution companies,
 - Revision of the spot market price floor and ceiling
 - 2015=>
 - Tariff increase to consumers

“The Battle of Five Armies”



Image source: Mario Veiga PSR

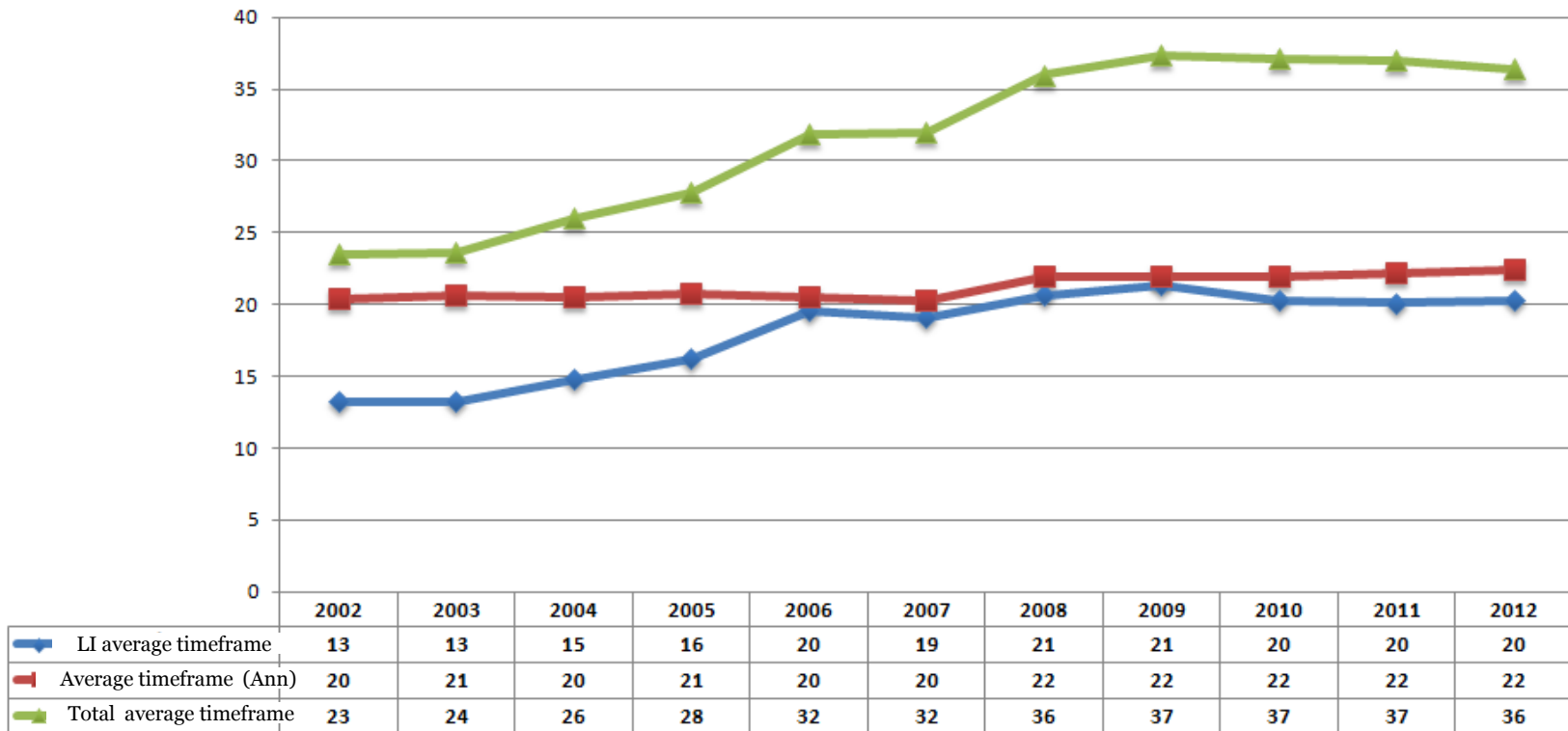
1. Legal fight
2. Default of 50% at CCEE
3. Generation structural unbalance
4. Transmission companies challenges
5. Distribution companies financial situation

Project Development Scenario

- Auctions:
 - Construction period and start of operation
 - Environmental Permits: process and costs
 - Price/revenue ceiling
 - Investment
 - WACC
 - Labor costs
 - Risk allocation
- Regulatory Governance (several institutions without coordination)
- Financing restrictions

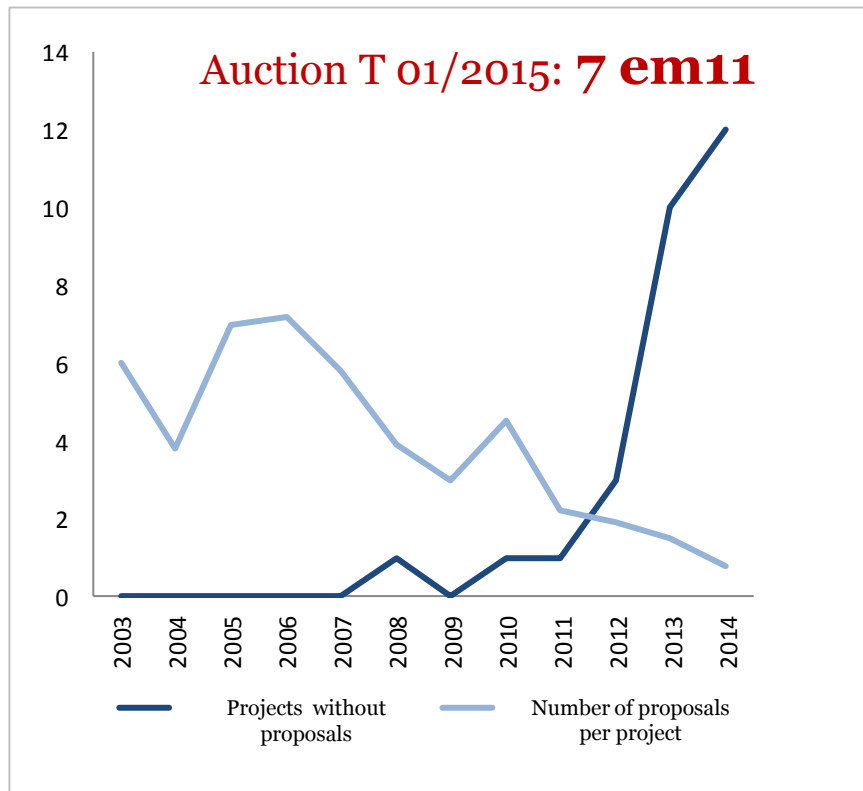
Environmental Permits and Construction Period

Installation License and Beginning of Commercial Operation of Transmission Lines
(months)

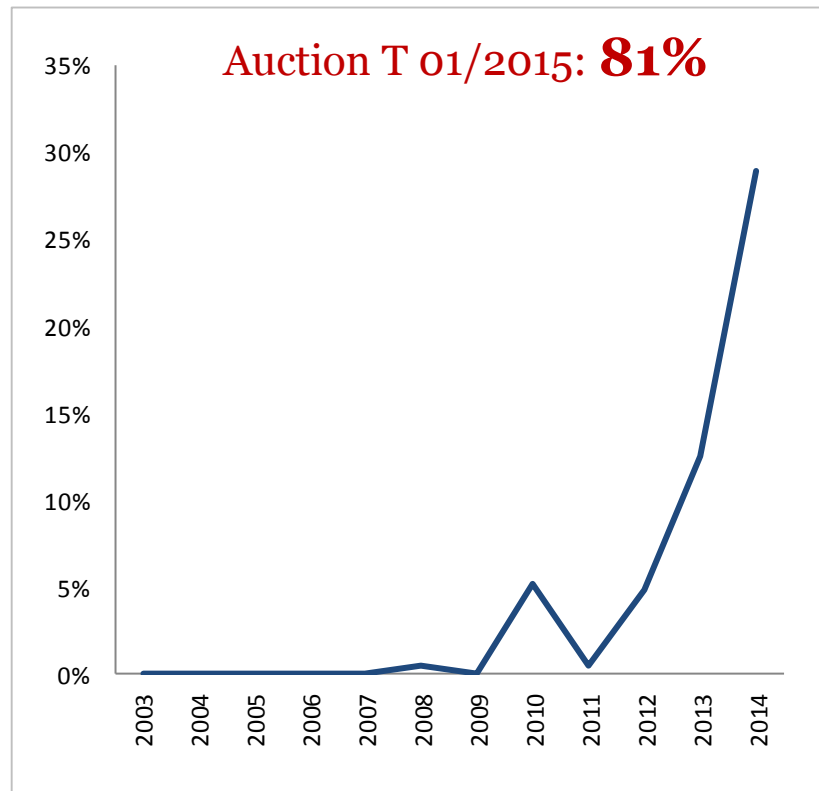


Transmission Auctions

Number of proposals



Projects with no contract



What We Need....

- Political and Economic Stability
- Regulatory Stability
- Respect to the Contracts
- Planning and Coordination