

Competition and Law in Electricity Markets: Lessons from Network Access Charge Regulation in Germany

TODA, Naoko

Germany and Japan, after mistakenly deciding to open up their electricity markets without separating the vertically-integrated monopolistic incumbents, have been struggling to stimulate non-competitive markets attributing to the high network access charge. Vertically-integrated incumbents can exclude newcomers by charging high network access fees that are newcomer costs, but not incumbents'.

While Germany chose to introduce price cap regulation in the hope of raising the efficiency of the incumbents and thus lowering the network access charge, Japan has stuck to the minimum regulation, i.e., cost-based regulation, which allows incumbents' inefficiency and therefore leads to a high network access charge.

This article analyses the development of choice and competition in the German and Japanese electricity markets, describes the main approaches that are being developed, discusses the key issues in the effective reform of electricity markets and provides suggestions to the Japanese approach to reform.