



Israel Electric Efforts To Effectively Recover Lost Revenues

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Israel Electric Corporation

Overview



- Israel Electric Corporation (IEC) - update
- Smart metering at IEC horizon
- Electricity prices hike
- Theft cases
- Israel's gas bonanza
- The Photo Voltaic fever and how it affects RP efforts
- Grow houses
- What lies ahead ?



Israel Electric Corporation



customer base:

7.2 million population

2.5 million customers

Total electricity sales

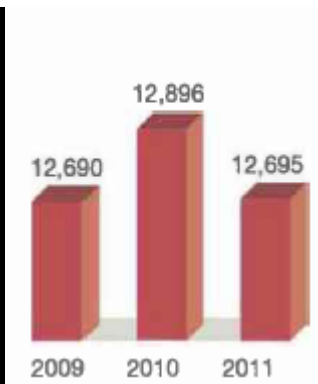
in 2011 : 6.7 billion USD

Israel's size :

2% of South Africa



Number of employees



IEC Smart Metering Project status :

8,000 AMR Meters deployed
Around the country

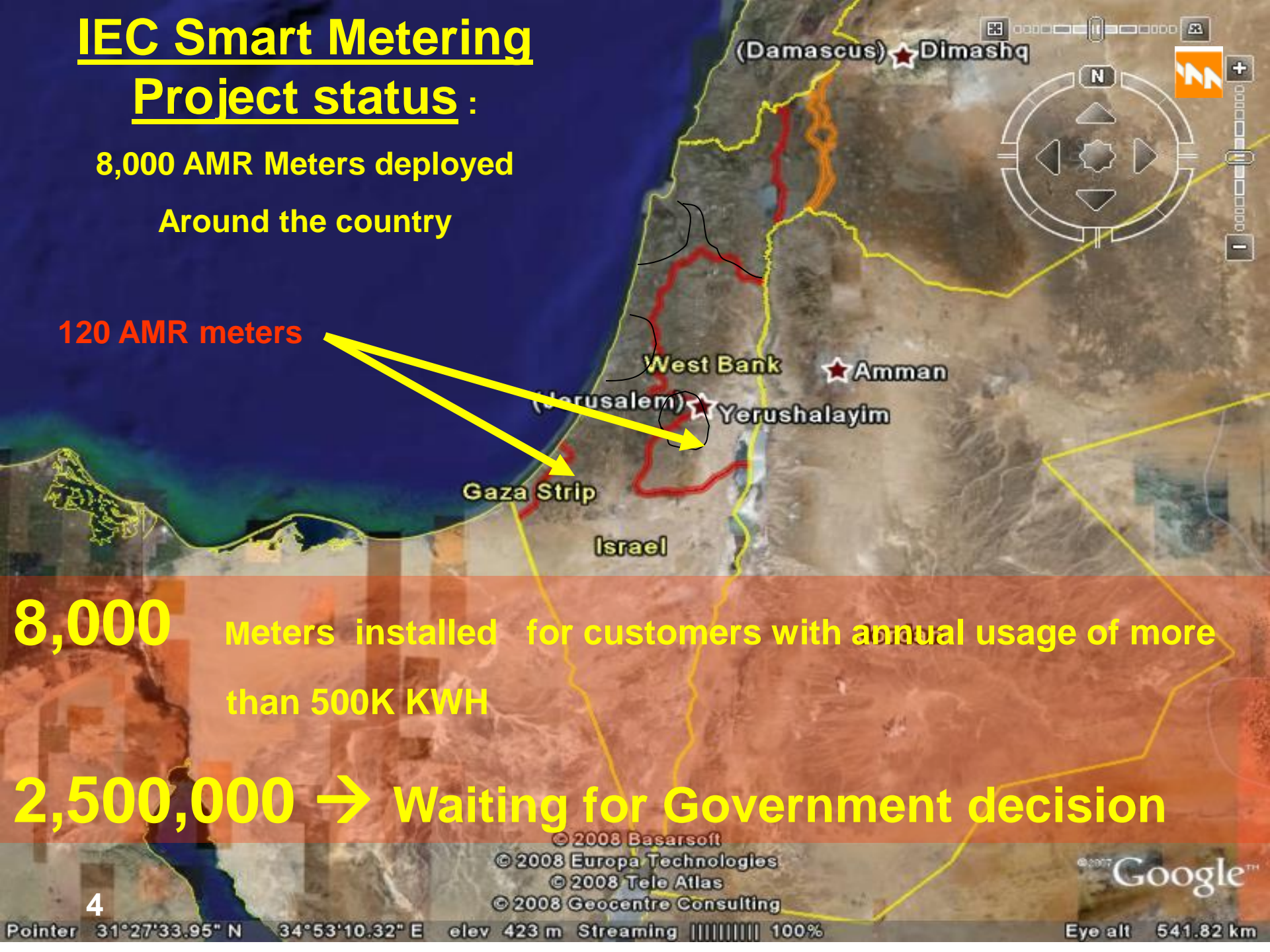
120 AMR meters



8,000

Meters installed for customers with annual usage of more than 500K KWH

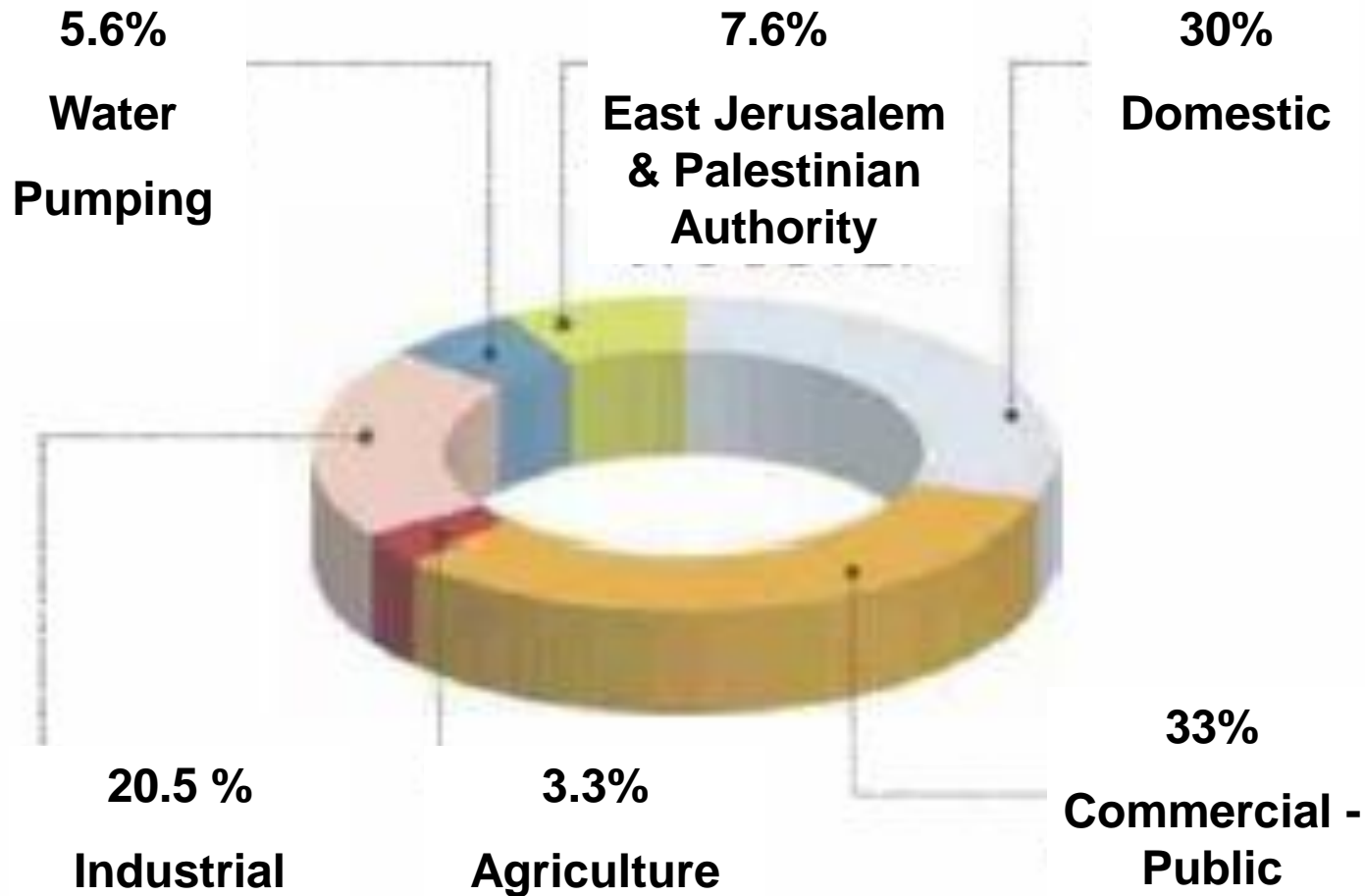
2,500,000 → Waiting for Government decision



Electricity Usage In Israel



Segmentation – 2010





Crisis At IEC Horizon

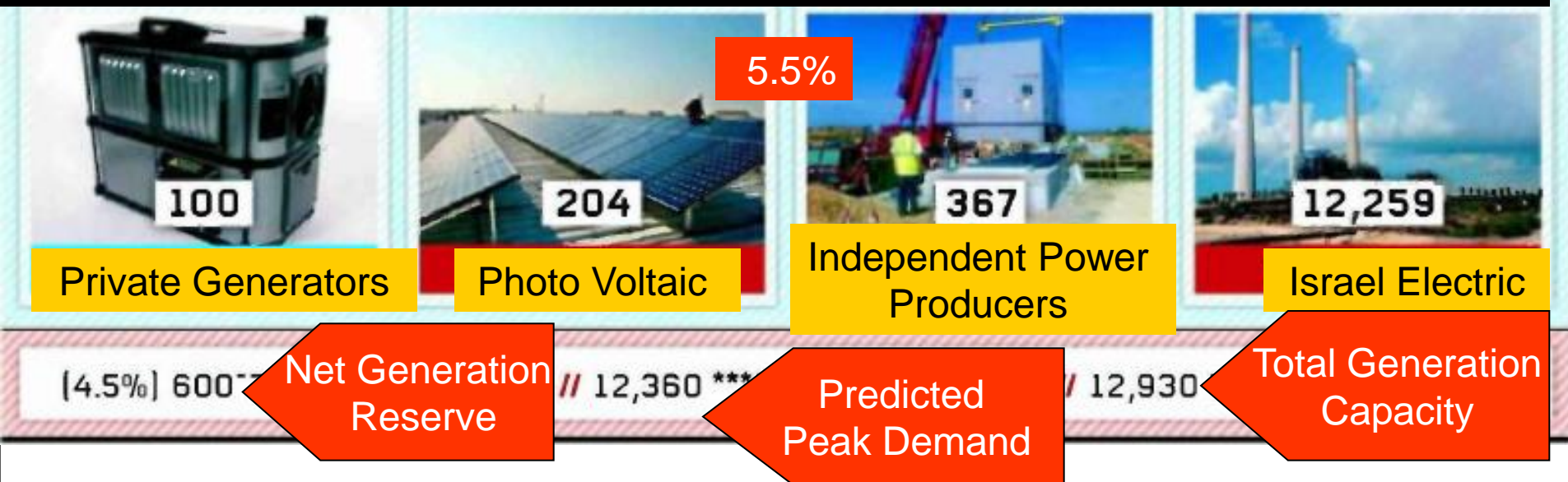
- Generation shortage
- Generation fuels drought
- Electricity rates hike
- Electricity theft rate soon to follow





The Electricity Generation Crisis

Electricity Generation Resources (Megawatts)



'IEC prepares for electricity drought'

Week long exercise examines whether Israel's power production capabilities are summer-ready ahead of expected energy shortages

Generation Fuels Drought



Egypt gas pipeline bombed for the 13th time

Published March 6th, 2012 - 08:08 GMT via SyndiGate.info



Egypt's 20-year gas deal with Israel, signed during the Mubarak era, is unpopular with some Egyptians, with critics accusing Israel of not paying enough for the fuel

An Egyptian pipeline carrying gas to Jordan and Israel was bombed on Monday, the 13th such attack since president Hosni Mubarak was toppled in 2011, witnesses said. The attack on the installation that crosses the increasingly volatile Sinai region occurred in the Massaeed area west of the Mediterranean coastal town of Al Arish, in north Sinai.

Witnesses in Al Arish told Reuters that two blasts were set off within 15 metres of each other using remote-controlled explosive devices. The bombs were planted by at least six armed men who arrived in two pickup trucks, witnesses added. Security in Sinai was relaxed after Mubarak's fall as police presence thinned out across Egypt.

No group has claimed responsibility for the pipeline attacks. Egypt's 20-year gas deal with Israel, signed during the Mubarak era, is unpopular with some Egyptians, with critics accusing Israel of not paying enough for the fuel.

Israel's Gas Bonanza

A string of recent large offshore natural gas discoveries, and the likelihood that more will follow, has triggered a gas rush in Israel that could transform the historically energy poor country into a hydrocarbon heavyweight. Below are Israel's gas discoveries so far.

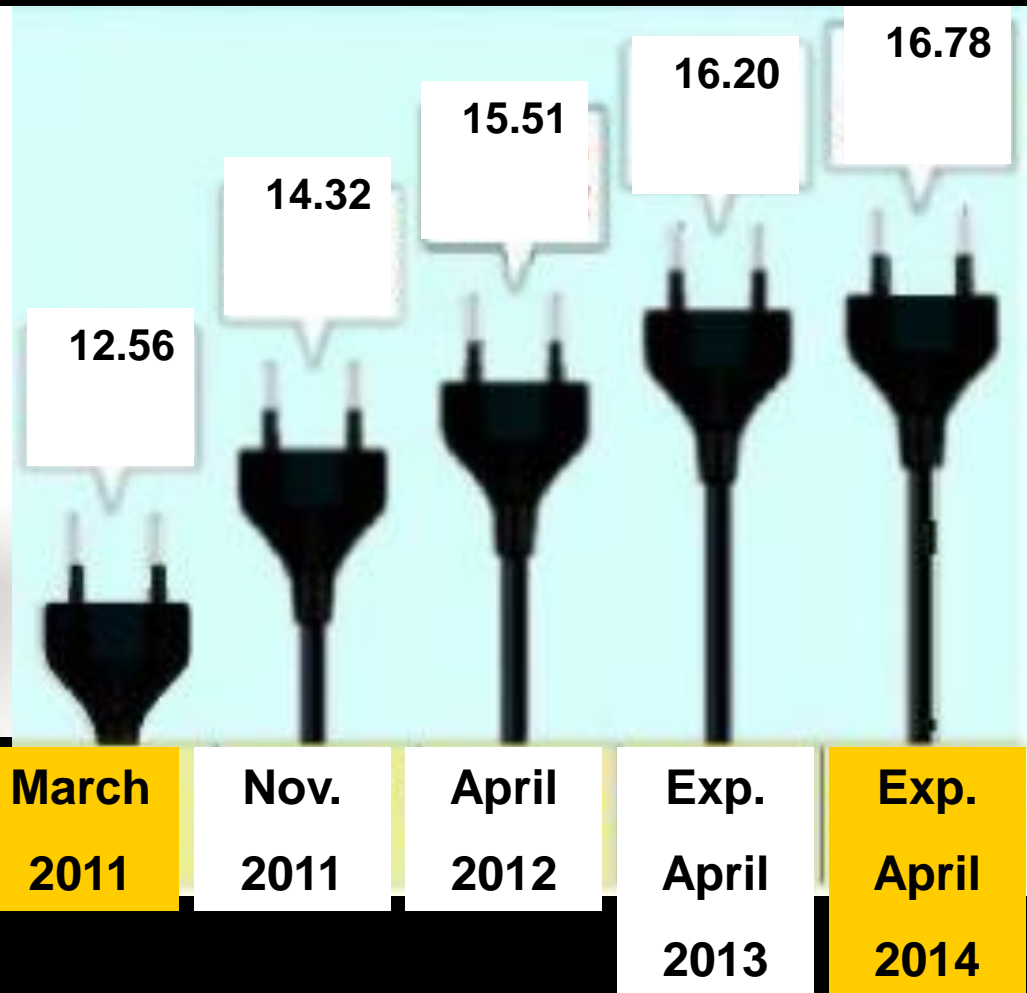


**Tamar gas field
begins supplying
In April 2013**



Israel - KWH Price Hike

(US cents)





Electricity Theft Rate Expected To Leap



Jerusalem, we have a problem !



- Hiking electricity prices – a growing tendency for “free electricity”
- Stagnation – doing the same instead of more of the same
- Priorities – Service districts are loaded with new connections orders – Revenue protection is not a first priority
- IEC in a very serious financial jam
- Government pushing to re-organization no matter what
- Smart Metering around the corner – are we ready ?
- Incentives program frozen
- Grow houses



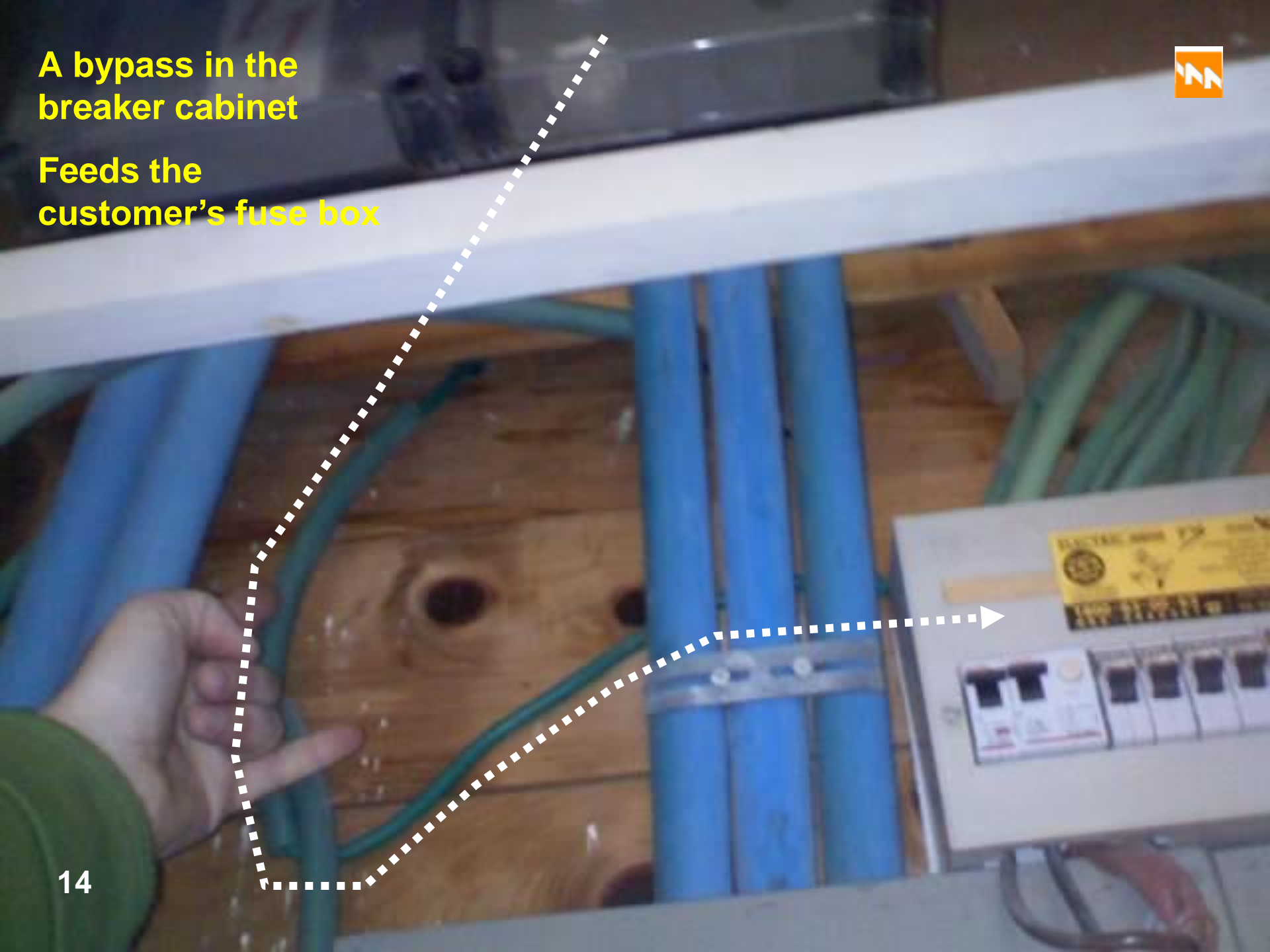


Hiking Electricity Prices = More Incentives To Steal



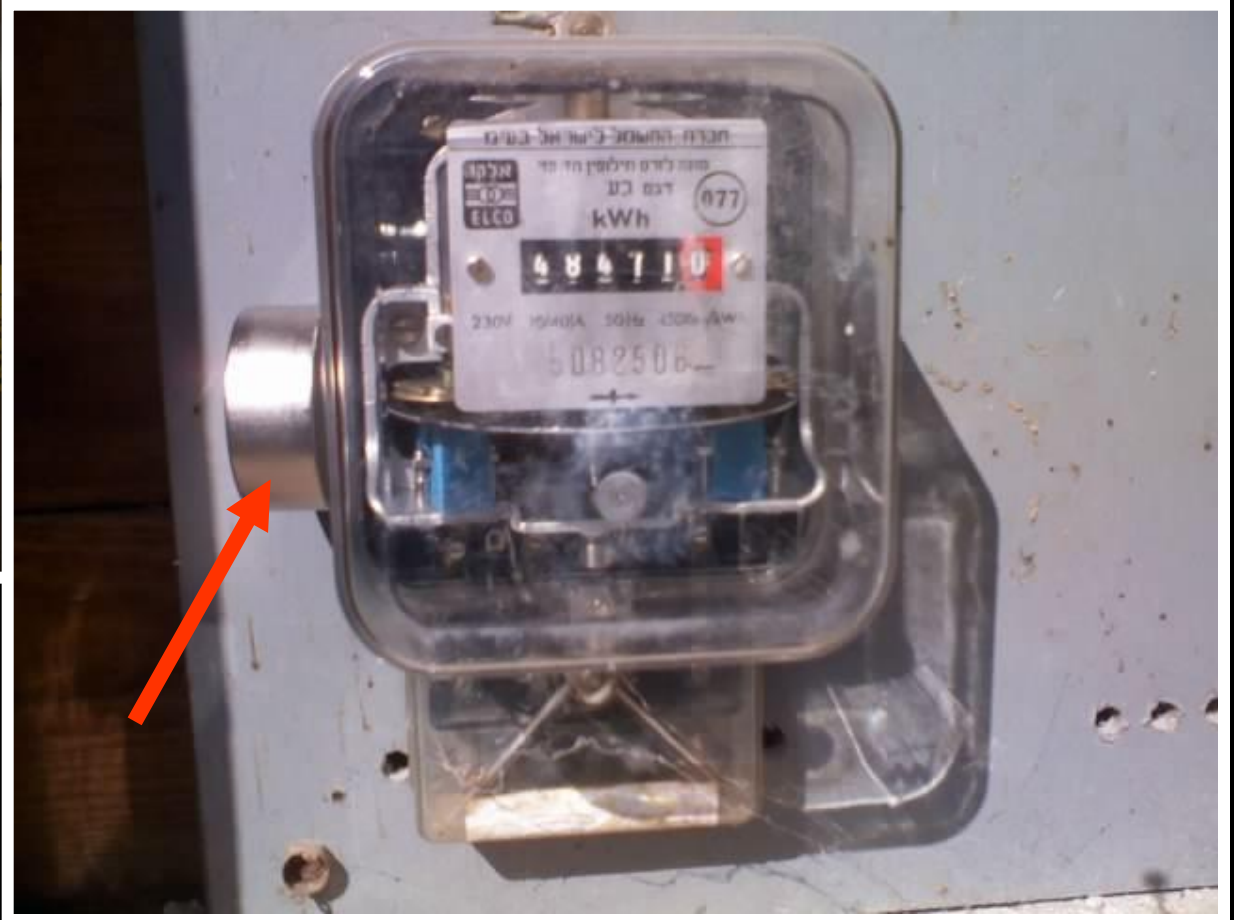
**A bypass in the
breaker cabinet**

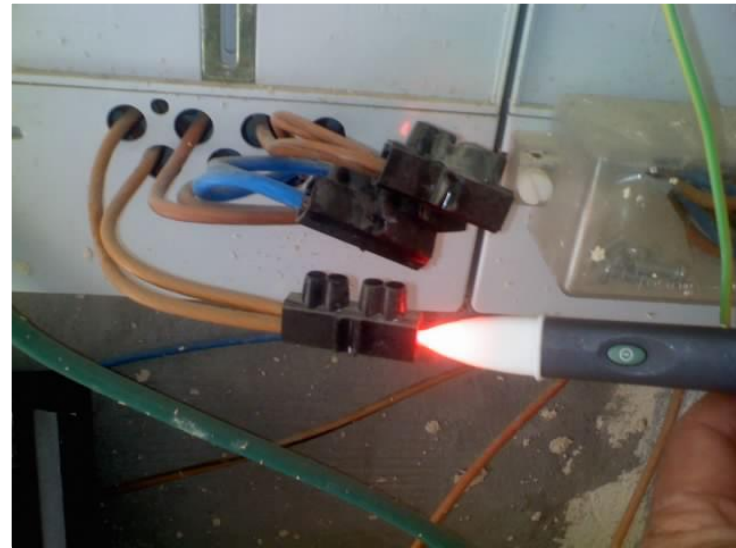
**Feeds the
customer's fuse box**

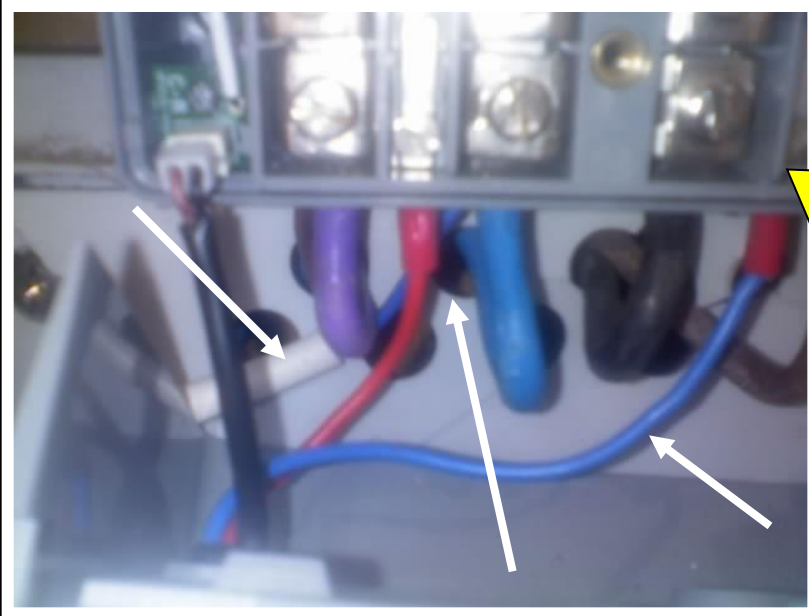




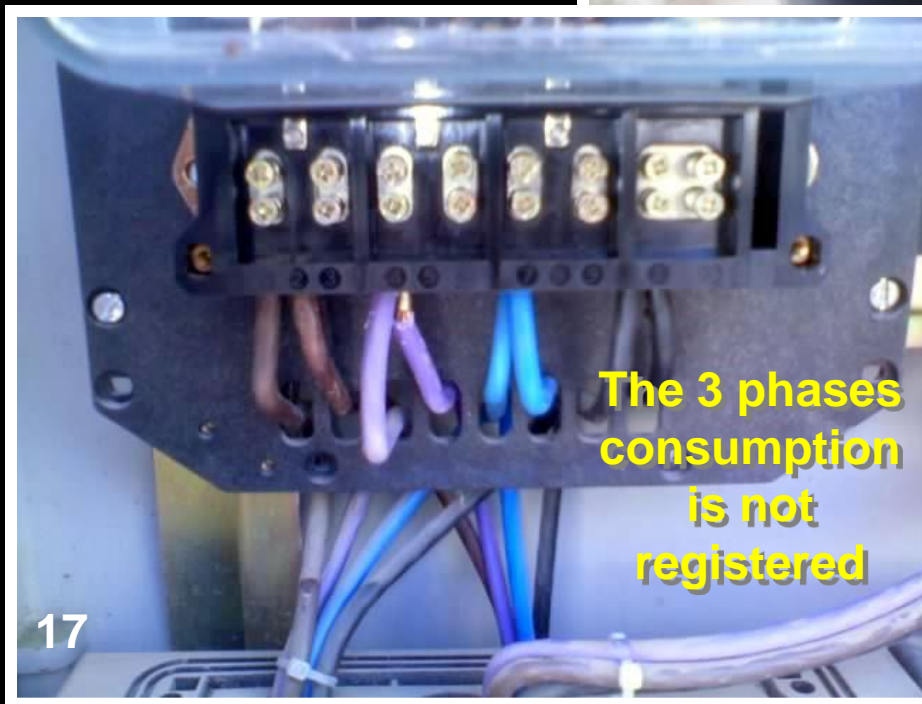
Magnets



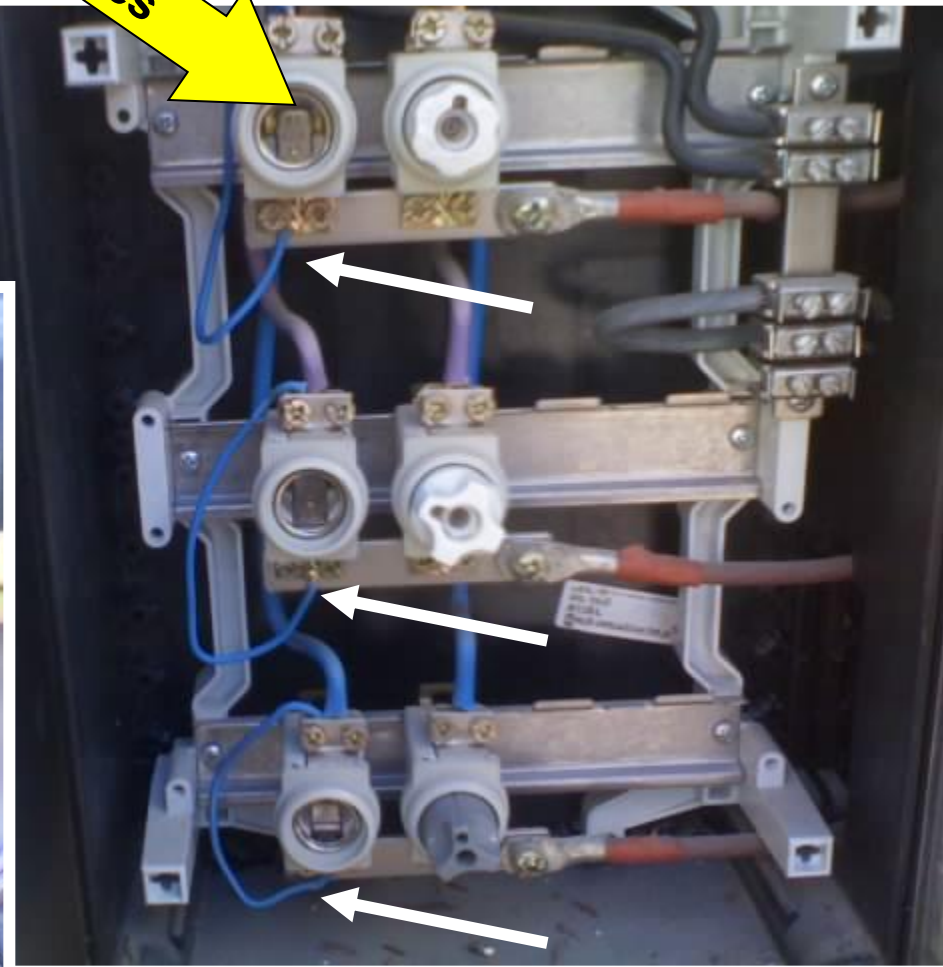




Bypasses



17





23 Amps !!



Bypass





Underground bypass

Tampering with Pre-Pay meters



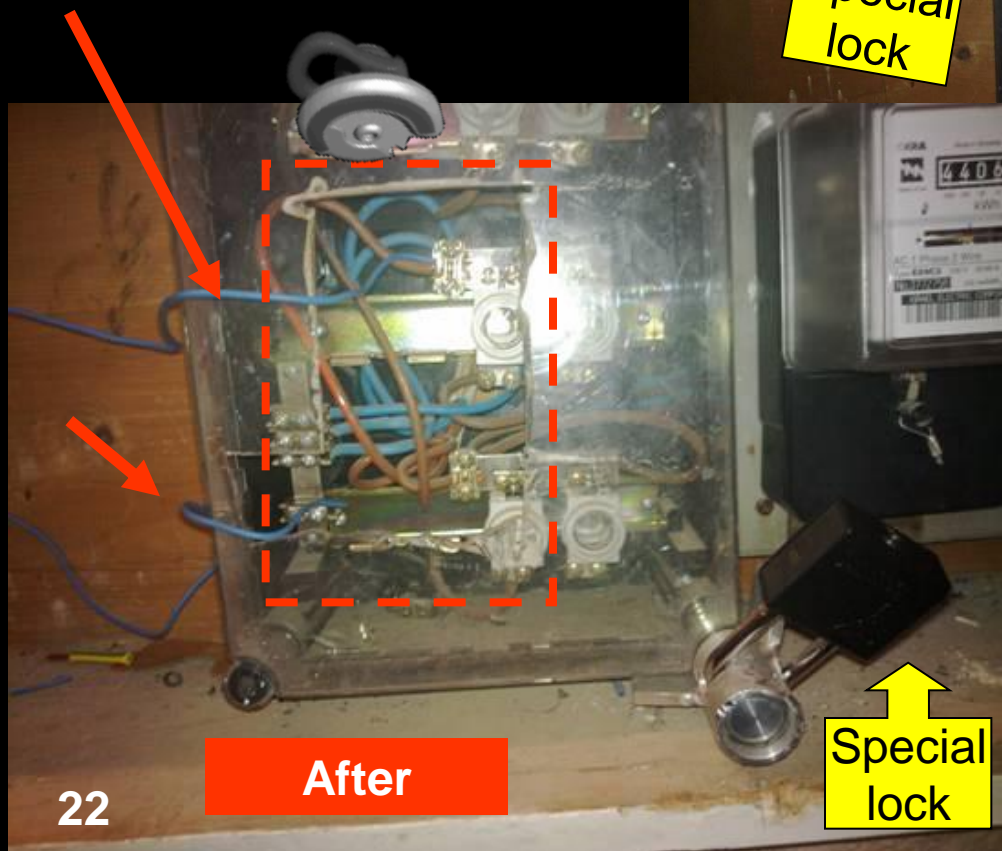
Bypass

Tampering with Pre-Pay meters



Special Locking Device

Recidivist offenders

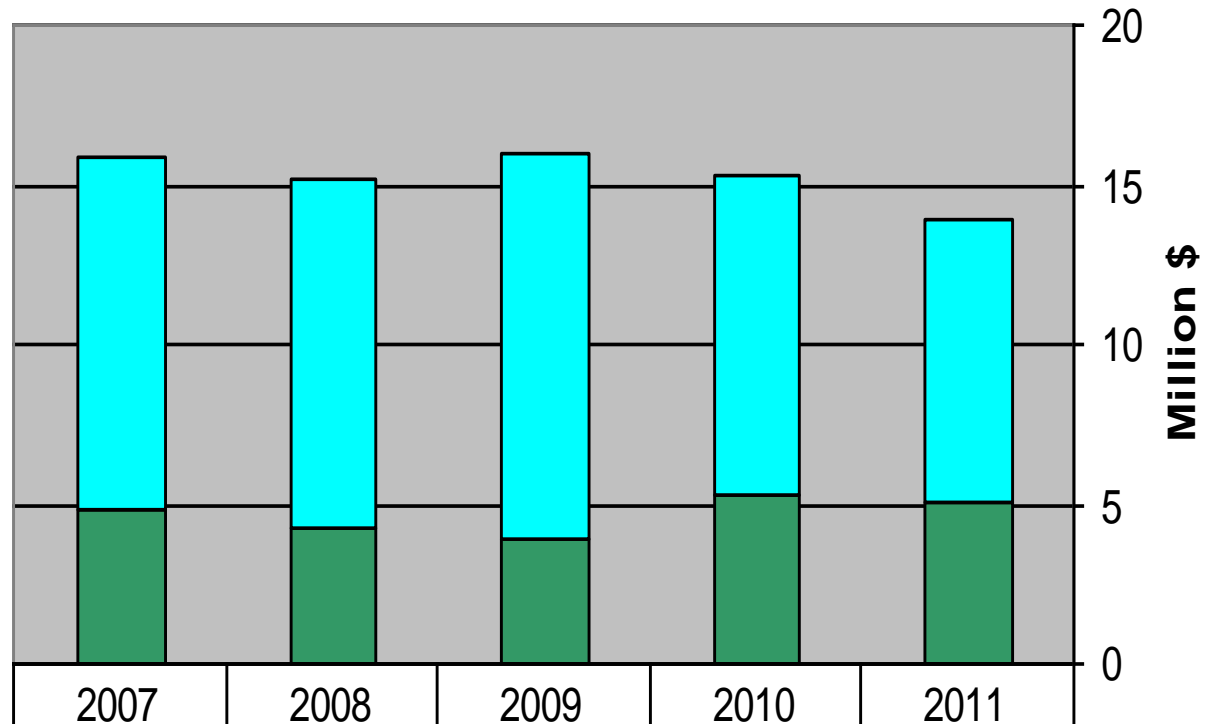


Stagnation – doing the same instead of more of the same

Recovered & Future Revenues



Average
annual RP
operation
costs
\$ 7 million



■ Future Revenues (5 years)	11.1	11	12.1	10	8.86
■ Recovered Revenues	4.8	4.2	3.9	5.3	5.1

Year

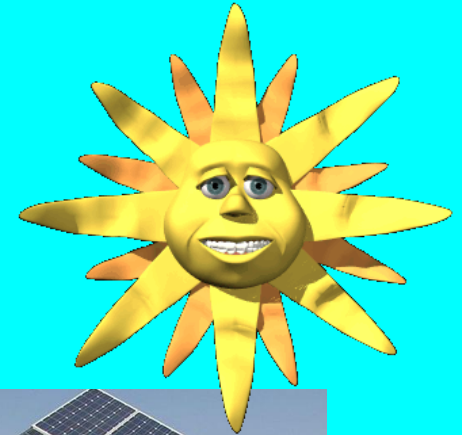
Priorities



Service districts are flooded with new connections orders, mainly PV generators



PV Fraud



IEC in a very serious financial jam



GLOBES: ISRAEL ELECTRIC CORP. LOST NIS 785M IN 2011

Published on Apr 01 2012 // [Business and Financial News](#)

April 1, 2012—Israel Electric Corporation (IEC) (TASE: ELEC.B22) posted a net loss of NIS 785 million in 2011, compared with a net profit of NIS 2 million in 2010. Revenue from electricity sales rose 23.7% to NIS 24.3 billion in 2011 from NIS 19.6 billion in 2010.

Electricity consumption rose to 53 billion kilowatt/hours in 2011 from 52 billion kw/h in 2010, and IEC's average income per kw/h rose 21.3% to NIS 0.4574 from NIS 0.377. However, fuel purchases rose 41% to NIS 12.8 billion in 2011 from NIS 9.1 billion.

Financing expenses rose to NIS 478 million in 2011...[Read More>>](#)

The IEC is facing serious cash flow difficulties and asked the state to allow it to offset the Palestinian debts by reducing its VAT payments.

26

7% of IEC annual electricity sales

\$ 162,000,000

Smart Metering is around the corner.



Are we ready ?

When ?

Rollout Deadline ?

Replacement of 2.5 million meters ! IEC or contractors ?

Metering along the electricity chain ?

No more eyes in the field – what will replace them ?





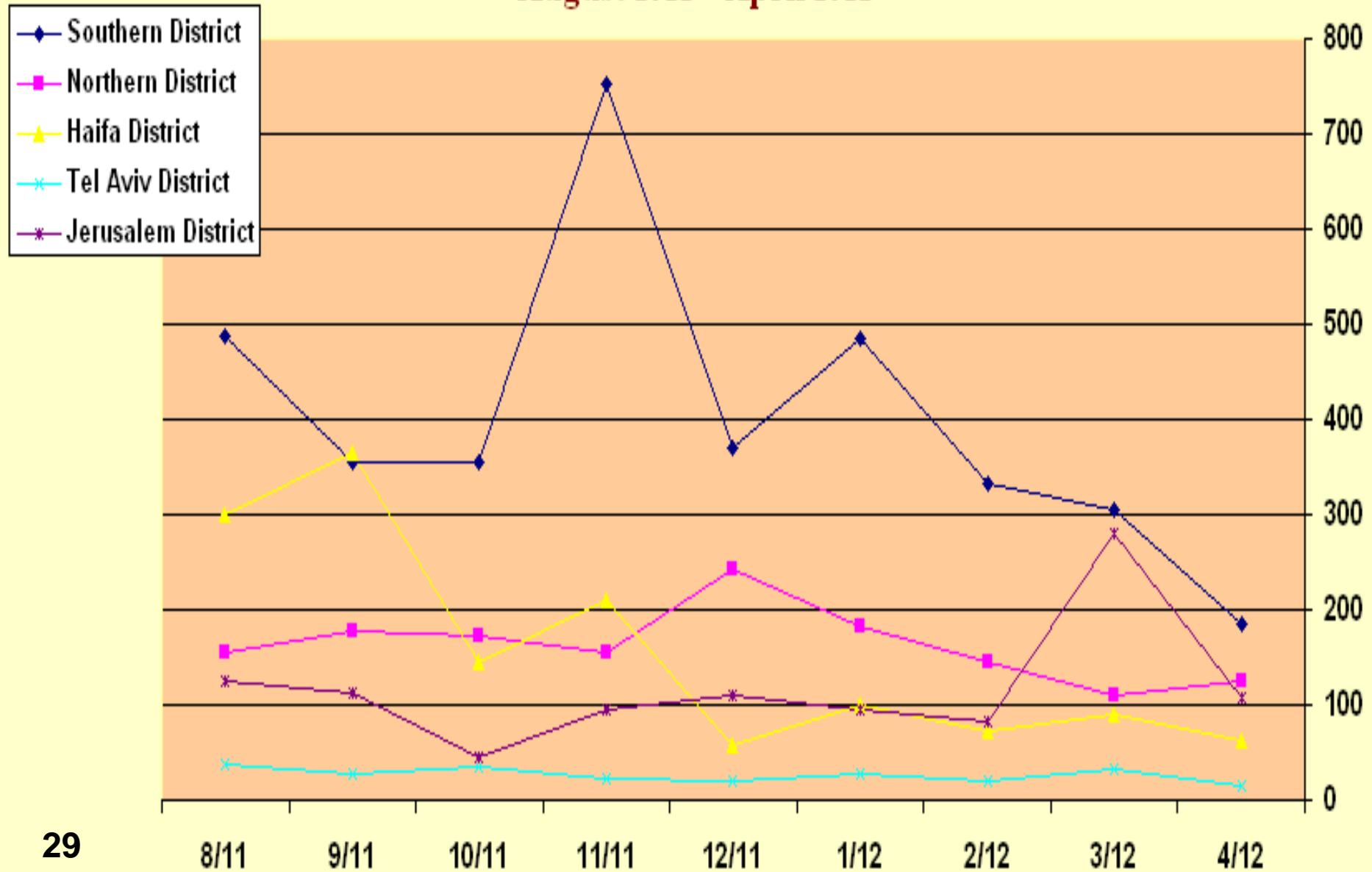
Incentives program frozen

- \$ 25 incentive for every verified theft suspicion.
- \$ 142,000 Average annual incentives paid = 3% of recovered cash revenues.
- December 2011 Incentives program frozen by the Ministry of Finance.
- Most meter readers are temporary employees, and are not enthusiastic to report suspicions.

Suspicion of electricity theft - meter readers reports



August 2011 - April 2012

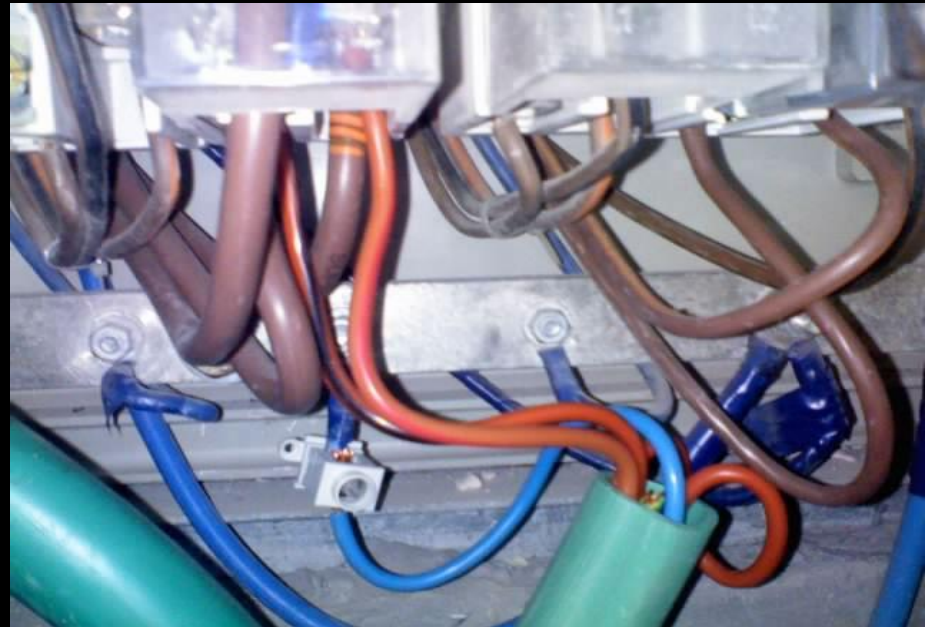




Canabis Grow Houses

Made
in
Israel







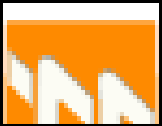
Conclusion:

What lies ahead ?





**THANKS FOR YOUR
ATTENTION**



**Itzick Michaeli
ISRAEL ELECTRIC**



The Company is the sole integrated electricity utility in Israel



The Company is approximately 99.85% owned by the State of Israel
Israel's credit rating was upgraded by S&P in September 2011



The Company benefits from strong ties with the State of Israel



The Company benefits from strong electricity demand growth in Israel,
driven by dynamic economy



The Company has a proven track record of managing growth and development plans,
continuous improvement of efficiency and reliability



Significant natural gas discoveries continue to pave the way towards energy independence



The Company pursue business initiatives through leveraging technological
and engineering capabilities

