

Global Energy Regulation

Reporting on energy regulation around the world

August 1999

EUROPEAN NEWS

Northern Electric Warned by Regulator on Electricity Billing British electricity supply and distribution company Northern Electric plc and Northern Electric & Gas Limited (NE&G) have been told by the regulator to improve their billing operations immediately. OFGEM has declared that "NE&G will not be permitted to market gas to customers until it can bill them properly." OFGEM Press Release, 31/8/99

British Energy Regulator Consults on Revised Incentives for Transmission Operator Energy regulator OFGEM has issued a consultation on the scope, duration and form of a revised transmission services incentive scheme for the grid operator NGC. The scheme encourages NGC to manage the costs associated with balancing the electricity system and operating the grid. OFGEM believes that the current incentives are not aligned with the objective of minimising the total costs ultimately paid by consumers.

OFGEM Press Release, 20/8/99

OFGEM to Consult on Transco Restructuring OFGEM has issued a consultation on BG PLC's proposals to establish Transco, its regulated gas pipeline business, as a separate subsidiary. The move would require licence modifications.

OFGEM Press Release, 16/8/99

British Gas to Reconsider Complex Method of Auctioning Pipeline Capacity British gas pipeline operator Transco has been asked to re-consider the proposed design of an auction mechanism for allocating terminal capacity, after industry objections that the proposals were too complicated. Transco had proposed the simultaneous and sequential "Ausubel II" method. The regulator Ofgem is also backing the calls for a simpler auction process.

Utility Week, 13/8/99

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British Electricity Distribution Price Control Harsher Than Expected

The 14 electricity distribution companies in Great Britain will face headline one-off cuts averaging 25-30% in their regulated prices, and on-going annual real reductions of 3%, if draft proposals announced by OFGEM are confirmed. The price cuts derive from a combination of reallocating costs to other businesses, passing through to customers efficiency gains achieved so far, and setting ambitious targets for future efficiency gains. Drawing heavily on benchmarking analysis, the regulator claims to have identified potential efficiency savings of up to 40% in operating costs for some companies. On hearing the news, the UK stock market downvalued UK groups owning distribution companies by up to 7%.

Financial Times, 13/8/99, pages 1, 9, 16.

Great Britain: Detailed Proposals for New Wholesale Electricity Trading Arrangements Announced

GB energy regulator OFGEM has announced further details of the new wholesale electricity trading arrangements. The centralised Electricity Pool, through which almost all power is currently traded, will be replaced by greater reliance on bilateral trading. A centralised but voluntary balancing mechanism will open four hours ahead of real time, to allow the System Operator to keep the system in balance. OFGEM claims that these changes will reduce prices to consumers. Others warn that the balancing market is likely to be small, and therefore volatile, necessitating higher prices to encourage generators to participate.

Utility Week, 6/8/99; The Times, 3/8/99

Regulator Claims British Gas Customers Save £1bn

In its last annual report, gas regulator OFGAS (now part of the merged energy regulator, OFGEM) claims that gas customers saved around £1 billion with the introduction of full retail competition in 1998. British Gas, the former monopoly supplier, has now lost approximately 20% of the domestic market to new entrants.

UK Gas Report, 30/7/99

Germany: Court Stops RWE Advertising Campaign

With a temporary injunction, the district court of Braunschweig, Germany, has stopped RWE's latest advertising campaign. Braunschweiger Versorgungs AG, a subsidiary of the Braunschweig municipal services, took legal action and argued that RWE's advertising campaign tries to give the impression that nation-wide they are the cheapest electricity supplier. However, according to a spokesman of Braunschweiger Versorgungs AG, the company was able to prove that they offer cheaper electricity for a majority of households in the city of Braunschweig.

Frankfurter Allgemeine Zeitung, 6/8/99

Germany: RWE Starts Aggressive Advertising Campaign

RWE started its nation-wide advertising campaign with the slogan "You have a right to the cheapest electricity in Germany". The Board of Directors announced at its headquarters in Essen that anybody who can prove that they have received a better offer than the RWE tariff of 25.87 Pfennig per kWh will get a better offer from RWE. With this campaign RWE hopes to double its market share in Germany from 6 percent (2.3 million households).

Frankfurter Allgemeine Zeitung, 4/8/99

Electricity Tariffs in Italy Set to Fall 17% in 4 Years

Pippo Ranci, president of the Italian Authority for Gas and Electricity (Autorità per il gas e l'energia elettrica), announced the approval of a new mechanism for regulating electricity tariffs. The new mechanism, based on a price cap, dictates that electricity tariffs will fall by 17% within the next four years, with a first price cut of 6.7% taking place in January 2000. Analysts are now trying to evaluate the impact of the price cut on the value of Enel, whose privatisation will take place soon, and on customers' electricity bills.

Il Sole 24 Ore, 1/8/99

Spain: New Rules for the National Commission for Energy

A new *Reglamento* covering the Spanish National Commission for Energy (Comisión Nacional de la Energía, CNE) came into effect on 24 August, following its publication in the Official State Bulletin (Boletín Oficial del Estado, BOE). The CNE, which will absorb the National Commission for the Electricity System (Comisión Nacional del Sistema Eléctrico, CNSE), will oversee "effective competition in energy systems and objectivity and transparency in their operation". However, the CNE will only have powers to authorise mergers and take-overs if they occur within a regulated sector. Other functions include preparing reports for the Ministry of Industry (including reports on tariffs and prices), and alerting the Competition Defence Service (Servicio de Defensa de la Competencia, SDC) to possible infractions of the Competition Law.

Expansión, 25/8/99

Spain: Oil Companies Accused of Oligopolistic Practices

Consumer associations have alleged that Spanish oil companies engaged in oligopolistic practices that affected the retail price of refined oil products. The Competition Defence Service (*Servicio de Defensa de la Competencia*, SDC) has opened 15 investigations of these alleged practices.

At the same time, the European Commission has decided to monitor more closely the evolution of oil supply costs and the retail prices of oil products. The Commission has set up an oil bulletin to provide a representative picture of the market in member states. The member

states will have to report wholesale prices for refined oil products to the Commission each Monday, with retail prices of those products and the cost of crude oil being reported each month. The new EU Directive supersedes a similar rule established in 1977.

El País, 23/8/99, 15/8/99; ABC, 18/8/99; Expansión, 13/8/99

Spain: Iberdrola, Hidrocarbónico and Gas de Euskadi to Receive Supply Licences The government indicated that it will shortly award gas supply licences to Gas Natural and three of its potential rivals – Iberdrola, Hidrocarbónico Energía and Gas de Euskadi - even though legislation to regulate supply to qualified customers is not yet in place.

The Spanish government concedes that only Gas Natural is currently in a position to make use of the licence since it is the only company which has gas supply contracts. However, it believes the other licensees will be able to bid to future eligible customers. In particular, the licences will allow their holders to negotiate to supply the numerous gas-fired power stations which are in the process of construction, but which will not need gas supplies until their inauguration, long after the market to supply gas to large consumers is opened to competition. In preparation for this development, the government is also working on plans to appoint an independent regulator.

European Energy Report, 13/08/99

Spain: The European Commission Begins its Investigation of Stranded Costs (CTCs) The European Commission has begun its investigation of the 1.3 trillion pesetas (approximately US\$ 8 billion) that the Spanish government awarded to Endesa, Iberdrola, Unión Fenosa and Hidrocarbónico, as the Costs of the Transition to Competition (CTCs). The Commission's Competition Directorate decided in July that the CTCs are state aids, which means that they need to be approved by the Commission. The Commission has sent a list of 20 questions to the Spanish Minister for Industry, Josep Piqué, asking for clarification of the method by which the CTCs were calculated. The Commission seems to be focusing its attention on the CTCs associated with nuclear plants.

The electricity companies stated that they are not concerned about the investigation because the CTC calculations were carried out with "rigor and transparency".

Expansión, 10/8/99; La Gaceta, 10/8/99; El País, 10/8/99

Spain: Endesa Restructures in Line with Deregulation Endesa, Spain's largest electricity utility, completed a major overhaul of its corporate structure in response to regulatory requirements governing the separation of the supply/distribution and generation businesses. Endesa has done much more than create a separate

generation division; it has completely reformed its own corporate structure and those of its subsidiaries. Each of the regional electricity companies owned by Endesa – Sevillana de Electricidad, Fecsa/ Enher, ERZ, Viesgo, Gesa and Unelco - have been split into separate generation and distribution arms.

Each of the new regional distribution companies will come under the direct control of a new corporate distribution subsidiary, Endesa Distribución. Likewise the regional generation businesses have been placed under the control of a new corporate generation division, Endesa Generación.

European Energy Report, 30/7/99

Netherlands: Reliant May Call off UNA Deal, but EZH Deal is Approved

Due to uncertainty over the treatment of stranded costs, Reliant Energy of the US has threatened to call off its 4.5 billion Dutch guilder (US\$ 2.2 billion) take-over of UNA, one of the country's four large generators. Reliant needs to secure approval for the deal from the Dutch Ministry of Economic Affairs before it can be finalised. Until now, the Ministry has refused to grant such approval on the grounds that Reliant is unwilling to set aside funds to pay its share of stranded costs in the liberalised Dutch electricity sector.

The precise amount of stranded costs involved will only become known once an especially appointed Government commission has published its conclusions on the stranded costs issue. The commission's report is expected in October this year. Current estimates of the total amount of stranded costs involved vary from 6 to 20 billion Dutch guilders. The Dutch Minister of Economic Affairs needs to decide by 3 September 1999 whether or not to approve the UNA deal, but she is unlikely to grant approval in the absence of further assurances from Reliant.

In contrast, the Minister has in the meantime approved the 2.4 billion Dutch guilder (US\$ 1.2 billion) take-over of generator EZH by Preussen Elektra of Germany, only two days after a request for approval was submitted. According to the Ministry, EZH is providing sufficient assurances for the stranded cost issue by setting aside 1 billion Dutch guilders in an escrow account. If EZH turns out to be liable for more than this figure, the excess will be subtracted from the 2.4 billion Dutch guilders EZH's shareholders will receive from Preussen Elektra.

Het Financieele Dagblad, 28/8/99, 27/8/99; <http://info.minez.nl>, 27/8/99

Netherlands: SEP Fined for Abuse of Dominant Position The Dutch competition authority, NMa, has fined SEP 14 million Dutch guilders (around US\$ 7 million) for abuse of its dominant position on the high voltage electricity network. SEP is the Dutch association of electricity generators that used to own and operate the high voltage

transmission network, but which is now due to be abolished (with TenneT already having taken over as the new network operator). SEP allegedly refused Norwegian company Norsk Hydro access to the network. At the time, the market was not yet liberalised but the (old) Electricity Law nevertheless allowed foreign companies to access the network under certain special conditions. The fine is the first to be imposed by NMa since it was set up.

Het Financieele Dagblad, 27/8/99; <http://www.nma-org.nl>, 26/8/99

Netherlands: DTe Approves APX Request for Firm Import Capacity

The Dutch electricity sector regulator, DTe, has approved a request by the Amsterdam Power Exchange (APX) for TenneT to keep 250 MW of high voltage import capacity available for trades on APX, and to give priority to such trades in case of capacity reductions. The new arrangements apply from 27 August to 31 December 1999. The APX operates a day-ahead market in electricity. Under the old arrangements, unforeseen reductions in import capacity led to immediate cuts in the amount of capacity available for cross-border trades on the APX. On several occasions APX trades had to be cancelled at the last minute due to lack of capacity.

<http://www.dte.nl>, 26/8/99

Netherlands: DTe Issues Modifications to Proposals for Network Tariff Structure

DTe has issued a request for modifications to the network operators' joint proposals for the structure of network tariffs. These proposals were submitted to DTe on 4 July 1999 in accordance with Article 25 of the Electricity Act 1998. DTe's request contains a detailed list of amendments it wants the network operators to implement. Network tariff structures have to be finalised by 1 October 1999. DTe has also indicated in its request for modifications that it intends to undertake a full evaluation of how the adopted network tariff structures have worked in practice before 1 January 2002.

<http://www.dte.nl>, 26/8/99

Netherlands: DTe Explains Process for Determining Tariff Levels

In a letter to all electricity network operators and licensed suppliers of regulated customers in the Netherlands, DTe has explained its process for assessing their proposals for network tariffs and tariffs for regulated customers, and for determining final tariffs. The proposals have to be submitted by 1 October 1999, and new tariffs are due to go into effect on 1 January 2000. In its letter, DTe explains that the new Electricity Law requires tariffs for the year 2000 to be set on the basis of the integrated electricity tariffs that applied in 1996. In principle, individual companies' overall tariff income in the year should not be higher than the comparable income in 1996. DTe intends to assess the proposals in four steps: (1) allocation of

integrated tariffs between network and supply companies, (2) effect of external factors, (3) effect of new structure for network tariffs, and (4) check of proposed tariffs against price cap.

<http://www.dte.nl>, 24/8/99

Netherlands: DTe Consults on Interconnector Capacity Allocation

DTe, the Dutch electricity sector regulator, has published a consultation paper on interconnector capacity allocation. Under the new Electricity Law, which was adopted on 1 July 1999, DTe is responsible for deciding an allocation procedure for interconnector capacity, as part of its work on determining rules for network access. DTe intends to implement a transparent, non-discriminatory procedure for allocating capacity on the interconnectors, which gives every user an equal chance to be able to import or export power over the interconnector. DTe will decide new capacity allocation arrangements to apply from 1 January 2000. For 1999, procedures for allocating interconnector capacity been set up by TenneT, the company that operates the high voltage network in the Netherlands.

<http://www.dte.nl>, 9/8/99

Norway: Statoil Fears about Contract with SEP Statoil fears that the Dutch association of electricity generators, SEP, may not abide by its contract to take gas from the Norwegian oil and gas group, Troll. The contract runs from 1996 to 2015 but, during this period, SEP plans major reform of its company structure and a reallocation of contracts. Statoil has already failed to win a legal guarantee that SEP will honour its contract after its restructuring. Statoil is now awaiting a ruling from Amsterdam's Commercial Court, expected on the 30th of September. The liberalisation of the European gas market in August next year may create similar situations where companies are restructured and there is uncertainty over who is the contracting party.

Power in Europe, 16/8/99

Norway: Fight for State's Oil Reserves Norway's two largest energy companies, Statoil and Norsk Hydro, are both claiming rights to the enormous oil reserves owned by the Norwegian state, Statens Direkte Økonomiske Engasjement (SDØE). According to analysts, the reserves are worth around kr500-700 billion. The conflict between the fully state-owned Statoil and the half state-owned Norsk Hydro erupted, when both companies prepared to take over part of the reserves in the context of the restructuring of the Norwegian energy system. Statoil's management has agreed that the company is to be partly privatised. However, it will have full management responsibility for SDØE, as it does today. Therefore, the organisation of SDØE requires reform. Around the start of September, two weeks after

Statoil's management presented details of its plans for part-privatisation and the future organisation of SDØE, Norsk Hydro will present its own plans.

<http://www.dn.no/>; <http://www.borsen.dk/>; <http://www.di.se/>; <http://www.dn.no/>

Sweden: Sydkraft Fights for Barsebäck I Sydkraft has not given up fighting the government's planned closure of its nuclear reactor in Barsebäck. The Swedish government refuses to negotiate any form of compensation with Sydkraft at present time. The company has now sent a report to the European Commission criticising the planned closure. In Sydkraft's opinion, the government needs the approval of the European Court and hopes for a temporary halt of the closure.

<http://www.di.se/>, 27/8/99

NORTH AMERICAN NEWS

Massachusetts Approval of Utility Mergers Criticised The Massachusetts Attorney General's Office has challenged the Department of Telecommunications and Energy's (DTE) rulings in two electric and gas utility mergers: Boston Edison's planned purchase of Commonwealth Energy, a \$4.4 billion merger into a new company called Nstar; and Eastern Enterprises' \$495 million purchase of Colonial Gas Co. The Attorney General appealed the rate ruling, asserting that the mergers included large shareholder premiums at the expense of ratepayers. The Attorney General will argue that company shareholders should share the costs, that utility rates should be cut after the merger, and that customers should receive stronger guarantees of savings. Associated Industries of Massachusetts (AIM, a 5000 member business lobbying group), Harvard University, the Massachusetts Institute of Technology, and Energy Consortium, a customer group, have joined forces with the Attorney General's office. They assert that regulators acted erroneously when they allowed companies to make customers pay for some of the merger costs, estimated at \$1.4 billion, without guaranteeing them expected savings. However, Boston Edison and Eastern Enterprises say that acquisitions will proceed as planned.

Bloomberg, 18/8/99; Boston Globe, 17/8/99; Reuters, 17/8/99, 16/8/99; Dow Jones Newswires, 16/8/99

US Commerce Department Rejects Anti-Dumping Claim against Foreign Oil Producers The US Commerce Department rejected a petition by US independent oil producers claiming that Mexico, Saudi Arabia, Venezuela and Iraq are selling crude oil in the US below production costs and that the governments of these countries are unfairly subsidizing oil production. The Department dismissed

the petition on the grounds that it was not supported by enough of the US oil industry to warrant an investigation. Had the Department accepted the petition, the US government would have investigated the pricing of oil imports from these countries. If prices were found to violate anti-dumping laws, 60% of oil imported into the US would have been subject to steep tariffs, possibly as high as 170%. The dismissal of the case comes as a major blow to Save Domestic Oil, the group of US independent oil producers who filed the petition. This case is the first anti-dumping case involving a commodity such as oil; since oil is traded and prices are often set on worldwide market, it would not automatically be considered subject to anti-dumping laws. The rejection of the petition prompted Mexico to lift its 4 percent tariff on natural gas. This action is expected to help US natural gas producers move ahead with plans to build pipelines linking Mexico to US.

Bloomberg, 16/8/99; Associated Press, 9/8/99; Dow Jones Newswires, 9/8/99; PRNewswire, 9/8/99; Reuters, 9/8/99

Chicago, US Blackouts Cause State to Reassess Power Provider

The Chicago, Illinois, area has experienced three major power outages in the last month, the third of which was so significant that the Chicago Board of Trade, the largest US futures market, was forced to stop trading early. The Illinois Commerce Commission, which regulates state utilities, will investigate Commonwealth Edison (ComEd), the power company responsible for the outages, possibly seeking fines and/or improvements. ComEd, which serves 3.4 million customers across northern Illinois, or 70% of the state's population, has responded to the crisis with an "action plan". This plan will unfold over 90 days and include 600 ComEd employees. During this time, ComEd will inspect equipment, monitoring and distribution systems, critical underground 69 kV cables in Chicago, and 253 network vaults in Chicago, the suburbs, and O'Hare International Airport. ComEd will work with outside experts as well, the Electric Power Research Institute and a construction company.

PRNewswire, 14/8/99; Dow Jones Newswires, 12/8/99; Reuters, 12/8/99

Cinergy Default Raises Questions About Power Trading Market in US

On 30 July, 1999, Cinergy Corporation cut off the supply of electricity to eight power marketers for four to six hours during an extreme heat wave in the Midwest United States. Cinergy, which serves more than 1.4 million electric customers and 471,000 gas customers in Indiana, Ohio, and Kentucky, possesses 11,000 MW of generating capacity. On 30 July, demand for power reached 10,811 MW, approaching the company's 11,000 MW capacity. Prices soared from the normal \$20 to \$50 per megawatt hour to \$10,000 per megawatt hour. Cinergy's losses as a result of the default are estimated at \$73 million. Standard & Poor's has placed Cinergy on its credit watch list because of the contract defaults. Wholesale electricity

trading is a relatively new business, and some analysts argue that Cinergy's failures are emblematic of greater problems with wholesale trading, such as inefficient infrastructure, during this time of deregulation and increased competition in the electricity industry.

Wall Street Journal, 11/8/99, 6/8/99; PRNewswire, 11/8/99; Dow Jones Newswires 10/8/99, 9/8/99, 5/8/99; Business Wire, 10/8/99; Reuters, 9/8/99; Bloomberg, 9/8/99

US Energy Companies Dominion Resources, Inc. and Consolidated Natural Gas Co. Announce a Divestiture

In order to gain the Virginia State Corporation Commission's (SCC) approval of their merger, Dominion Resources, Inc. and Consolidated Natural Gas Co. will sell CNG's Virginia Natural Gas, Inc. (VNG) local gas distribution subsidiary. Dominion Resources has announced that it will purchase CNG for \$66.60 per share in cash and stock, and plans to have all of the necessary merger approvals by the end of the year. Dominion Resources must sell the gas distribution unit to a third party within one year. This divestiture will not hamper Dominion Resources' and CNG's goal of becoming one of the largest integrated energy companies in the US. The merged company will possess almost 4 million natural gas and electric utility customers in five states, 20,000 MW of electric generating capacity, and more than 3 trillion cubic feet equivalent of natural gas and oil reserves.

Dow Jones Newswires, 9/8/99; PRNewswire, 9/8/99.

New Hampshire Regulator Approves National Grid/NEES Merger

The New Hampshire Public Utilities Commission approved the merger of New England Electric Systems, (NEES), the parent company of Granite State Electric Co., with National Grid Group plc of the UK. National Grid announced last year that they would acquire NEES in a \$3.2 billion deal. NEES is, however, still waiting for approvals from the Securities and Exchange Commission and the Nuclear Regulatory Commission.

Dow Jones Newswires, 9/8/99

CENTRAL AND SOUTH AMERICAN NEWS

Venezuelan Draft Oil Law The Venezuelan Government is discussing a draft Oil Law. The Law would group all the current regulations concerning the oil business. The objective is to make the legal framework for the oil sector more transparent, to attract more private investors.

Economía Hoy, 24/8/99

Venezuelan Gas Law On 14th August, the Venezuelan Government approved a new Gas Law. The new Law creates a new gas regulatory body (Ente Nacional de Gas), and foresees the opening up of gas

exploration, marketing and distribution activities. The Law was criticised by the President of the Association of Gas Processors (Asociación de Procesadores de Gas) because it imposes a high royalty (20%) and provides little autonomy to the regulatory body. He also declared that the new Law does not state clearly what tax arrangements will be imposed on the industry.

Economía Hoy, 20/8/99; El Universal, 19/8/99, 16/8/99

Venezuela Approves a New Electricity Law The Venezuelan Government has finally approved a new Electricity Law. Under the new Law, electricity companies will be split into separate distribution, transmission, and generation businesses. The national transmission network will be held by a separate state-owned company. Hydroelectric plants will remain under state control.

BBC Worldwide Monitoring, 17/8/99

Encouraging the Use of Gas in Brazil To encourage the use of natural gas by Brazilian electricity generation plants, the Government has reduced gas prices by between 12.1% and 19.2% from 1st August. The reductions will apply to domestic and imported natural gas.

Power in Latin America, 24/8/99

Nicaragua: Restructuring and Privatisation of ENEL Nicaragua's Government announced its intention to restructure and privatise the Nicaraguan Electricity Company (Empresa Nicaraguense de Electricidad, ENEL). Preliminary studies say that two distribution and three generation companies would be spun off from ENEL.

Power in Latin America, 24/8/99; Business News Americas, 5/8/99

ASIA-PACIFIC NEWS

Victorian Supreme Court Upholds Ombudsman's Award of Compensation Citipower, a private electricity distributor, was ordered by the Electricity Industry Ombudsman to pay A\$7,851 in damages to three customers after a power surge in 1996. Citipower sought to have the ruling overturned in the Victorian Supreme Court, on the basis that the Ombudsman had overstepped her powers, having determined that the electricity interruption was within the control of the Victorian Power Exchange (VPX), but not of Citipower. The Ombudsman only has power over members of the Electricity Industry Ombudsman (Vic) Ltd, and as the VPX is not a power retailer or distributor it cannot be a member. However, Citipower's appeal was rejected. The Ombudsman had found that Citipower still had responsibility for the damage suffered by its own customers.

The Australian Financial Review, 9/8/99

South Australian Independent Industry Regulator The South Australian (SA) Parliament passed the new South Australian Independent Industry Regulator Act 1999 (SAIIR) on 4 August. The new Act covers “regulated industries” as defined by Acts such as the Electricity Industry Act 1996. The new regulator has not yet been appointed. Independent regulation is a requirement of National Competition Policy and comes during the run-up to the leasing of the SA electricity system assets to the private sector.

The regulator’s functions include: regulating prices; licensing; monitoring and enforcing compliance with standards and conditions of service; monitoring and reviewing codes and rules relating to the conduct or operations of a regulated industry; providing and requiring consumer consultation processes in regulated industries; advising the Minister; and administering the SAIIR Act.

Independent Industry Regulator Act 1999

Greenhouse Targets Stay Throughout Australia The Federal Government has ruled out exempting States and Territories from greenhouse emission reduction efforts required by the Kyoto Protocol. This follows a meeting of State and Territory leaders calling for national abatement measures to be substantiated by cost-benefit analysis and to ensure greenhouse considerations did not block foreign investment in resource development projects. Western Australia and Queensland, both states rich in hydrocarbon fuels, have expressed concern that they will be disproportionately affected by policies that seek to control greenhouse gas emissions.

The Australian Financial Review, 30/7/99

New Zealand Commerce Commission Authorises Grid Security Rules The New Zealand Commerce Commission (CC) has authorised proposed arrangements that shift responsibility for determining the quality of electricity transmission from Transpower, the transmission network, to those buying and selling electricity. Quality covers matters such as voltage and system frequency. Prices to reflect any higher costs arising from higher levels of system security will be a matter of negotiation between Transpower and its customers. The CC considers the arrangements to include price fixing but was satisfied that the arrangements would cause no lessening of competition and so produce no detriment. The CC further expects public benefits to arise from lower transaction costs and improved security of supply.

The New Zealand Commerce Commission Media Release, 13/8/99

Thailand: Government Set to Approve New Power Tariffs The Thai Government looks set to implement a new set of power tariffs by the end of this year. The proposed new tariffs are advocated by NEPO, the de facto energy regulatory body in Thailand, and are

intended to be more cost-reflective than the current tariffs. As a result, commercial and industrial customers would see significant falls in their power charges, while residential users would see rises. The precise extent of the tariff falls and rises is still under debate, as is a new proposal for EGAT not to be able to fully pass through fuel costs to final customers via the tariffs but instead to retain 5 per cent of the associated risk. The final proposals will be sent to the Government for approval, and are expected to be implemented in November or December this year.

Power in Asia, 9/8/99

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