

Reporting on energy regulation issues around the world

Global Energy Regulation

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Great Britain

Regulator Approves Hive-Down Of Gas Distribution Networks

Energy regulator Ofgem approved the “hive-down” (separation) of the four gas Distribution Networks (DN) which National Grid Transco (NGT) has agreed to sell. Ofgem confirmed that the relevant conditions had been established, or will have been, 1 May 2005, thereby enabling NGT to hive-down the four relevant DN businesses into four wholly owned subsidiary companies. At the same time, the Office of Fair Trading concluded that Scotia Gas Networks’ purchase of the Scotland and South of England gas DNs may not be expected to result in a substantial lessening of competition within a market in the UK.

Ofgem website, 29/4/05; OFT website, 29/4/05

Regulator Approves Exemption From Third Party Access To Gas Interconnector

Energy regulator Ofgem announced its final view that the Balgzand-Bacton Line (BBL) gas interconnector, between the Netherlands and the UK, met all the necessary conditions to be granted an exemption from the requirement for regulated third party access to new interconnectors under the EU Gas Directive. Under the Directive, the European Commission has two months in which it can veto Ofgem’s decision to grant an exemption.

Ofgem website, 8/4/05

Competition Commission Concerned About Effectiveness Of Competition In LPG

The Competition Commission (CC) published an “Emerging Thinking” document which identifies a number of features in the market for the supply of bulk Liquefied Petroleum Gas (LPG) for domestic use that could be restricting competition. The CC has received evidence showing: (1) customers face difficulties in switching supplier and only a small number do so; (2) the market is concentrated and static, with the four main suppliers accounting for 90 per cent of the supply and a small number of new customers; (3) suppliers charge a



range of prices to different customers with limited justification; and (4) a lack of clear information on prices makes it difficult for customers to compare suppliers and obtain the best deal. The CC has yet to reach a decision on whether there are any adverse effects on competition and whether it needs to propose remedies.

Competition Commission press release, 1/4/05

Austria:

Pull-Out From Austrian Power Solution

Austria's largest power producer and transporter, Verbund, decided not to sign contracts with the five EnergieAllianz regional utilities in the "Austria Power Solution" merger. Verbund said the decision reflected the altered general conditions on the European and Austrian power market and criticism of the development of competition in the domestic power market by the federal competition authority and E-Control. Verbund added that Booz Allen Hamilton consultants had criticised the proposed merger's limited potential for synergies. While the "Austria Power Solution" will now not be implemented in its current form, Verbund does not rule out alternative cooperative arrangements with EnergieAllianz or other utilities.

European Daily Electricity Markets, 25/4/05

Final Round Of Grid Cuts

The Austrian regulator E-control cut the grid access charges of Steweg-Steg (Styrian regional supplier) by 12-15% and of EAG (supplier to Upper Austria) by 11%. This completes the regulator's series of grid fee reductions this year.

Platts, 21/4/05

Belgium:

Former Belgian Electricity Monopolists Dominate Market In 2004 - Survey

A survey by the Belgian federal and regional regulatory authority of electricity and gas has estimated market shares in the Belgian electricity and gas markets. The report shows that the Belgian power utility Electrabel, electricity and natural gas supplier Luminus and natural gas supplier Distrigas continued to dominate the market in 2004. Electrabel, Luminus and the Walloon and Brussels public utility companies supplied 90.7 percent of the electricity in the country. Electrabel and Distrigas held 74.5% of the gas market. New electricity suppliers sold only 9.3% of the total electricity volume. The study also notes that the electricity market is fully liberalised only in the Flanders region of northern Belgium.

Belgian News Digest, 14/4/05



Bulgaria:

Coal Miners Strike To Protest Planned Power Plant Sale

11,000 coal miners have launched a series of one-hour strikes across Bulgaria. The strikers want a guarantee that the planned sale of state-owned power plant Bobov Dol will not trigger pit closures. Eight international firms are expected to bid for Bobov Dol. The winner is expected to be obliged to buy local coal until 2014. However, the head of the mining union within the Confederation of Free Trade Unions has claimed that the regulatory framework of the privatisation deal does not support this expectation.

SeeNews, 19/4/05

CEZ Wants Higher Electricity Price

CEZ, which owns power distribution utilities in metropolitan Sofia and Pleven, said that the current electricity price is so low that it cannot cover investments in the electricity grid. Although the utilities have attracted annual investments of approximately US\$35 million from 2001 to 2004, this amount was insufficient to maintain the electricity network in good condition. CEZ is ready to increase annual investment in grid modernisation by two to three times. However, the exact amount of the increase in electricity price is still not fixed.

PARI Daily, 11/4/05

EU:

EC To Focus On Supply In Energy Competition Probe

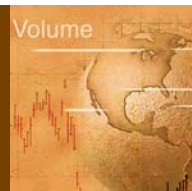
The European Commission will focus on supply and wholesale markets in the competition probe into the gas and power sector according to the Energy And Water Unit at the Competition Directorate General. The EC will look at market players' behaviour, conditions for the use of market power, and supply of wholesale power and gas markets. The unit also noted that earlier discussions on network tariffs will not be followed up.

EU Energy, 22/4/05

EDF-Enel Deal Encounters Problems In Brussels

Following an objection by the European Commission to EDF's plan to offer Italian energy group Enel a stake in the EPR reactor project EDF is said to be looking for European groups with an interest in the sector. The Commission objected to EDF's plan to offer Enel a stake of around 10% because they believe that such an investment, combined with Enel's proposed acquisition of 35% of French electricity company Snet, would breach EU regulations on cartels and market sharing. Both transactions are thought to be concessions which EDF offered Enel to persuade the Italian government to lift a 2% limit on EDF's voting rights in Italy's second-biggest power group Edison.

Les Echos, 21/4/05



EU OKs Takeover Of Unipetrol by Polish Oil Co PKN Orlen

The European Commission has approved the acquisition of a majority stake in Czech oil group Unipetrol by Polish oil company PKN Orlen. PKN Orlen plans to acquire a 63% stake in the oil group from the Czech government. PKN made an initial offer of US\$560 million but may end up paying more if Unipetrol's assets increase by more than 5% before the day the deal is closed. The Commission said the deal "will lead to the creation of a large regional player in the oil sector." But it said it doesn't pose competition concerns "due to the limited overlaps and the presence of multinational competitors."

Dow Jones Emerging Markets Report, 20/4/05

The Gridlock In Electrical Cyberspace

The European Union has published a series of recommendations aimed at increasing internet access via power sockets. In October 2003 Endesa and Iberdrola began offering their customers the possibility of connecting to the internet via their power sockets. However take-up has been limited, with only 6,000 of a possible 2.7 million households using the service. The European Union supports the use of power line connections due to its accessibility to all households. The European Commission also stated that "the lack of alternatives to telecommunication infrastructure in Europe is holding back competition and increasing the price of broadband. PLC [power line connections] could stimulate greater competition in the market."

El Pais, 18/4/05

Electricity Production

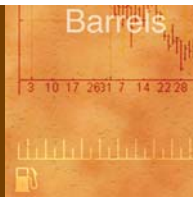
The European Commission is set to decide the Czech companies' carbon dioxide emissions quota. The Czech cabinet originally demanded a quota of 107.9 million tonnes a year whilst the EC insisted on a reduction to 91 million tonnes. Negotiations resulted in the Czech cabinet agreeing to limit emissions to 97.6 million tonnes. The reduction in emissions is not expected to restrict electricity production in CEZ's coal-fired power plants.

CIA - Weekly Industry Profiles, 15/4/05

Green Light For Acquisition Of Edinfor By EDP And LogicaCMG

The European Commission has granted clearance to the acquisition of joint control of Edinfor Sistemas Informáticos (ESI) of Portugal by LogicaCMG Corporate Holdings Ltd, controlled by LogicaCMG of the UK, and Energias de Portugal (EDP) of Portugal. EDP's core business is the generation, distribution and supply of electricity. LogicaCMG group provides IT services to clients on a worldwide basis and will buy 60% of ESI from EDP for an estimated US\$105 million. The operation was examined under the simplified merger review procedure.

Agence Europe, 7/4/05



France:

Calendar 2006 Base Up 17% This Year

Between 4 January and 12 April, baseload electricity prices for Calendar 2006 rose 17%. Mid-term power prices have also seen large increases, but peak prices rose just 10% over the same period. The increases are thought to reflect rising prices for carbon emissions certificates.

Platts Power in Europe, 25/4/05

GDF Share Sell-Off Anytime Now

The French Industry Ministry has announced that state-owned utility Gaz de France will open its capital to private investments when market conditions permit. According to a press source, 9 May is the date envisaged, although this remains uncertain. Recent reports in the French press had suggested the government was reconsidering the timing of GDF's partial privatisation, following growing fears it would clash with the EU referendum.

La Tribune, 22/4/05; European Daily Electricity Markets, 12/4/05

GDF Charges To Be Indexed To Costs

Gaz de France's public service contract for the company for the period 2005 to 2007 is due to be signed by the government. The contract will outline the long-term development of gas charges. Once the contract is in place, a new tariff system is to be introduced, applying to the 10.7 million private customers. The system will allow the company to pass on supply costs to users, which in the past the Finance Ministry had prevented.

La Tribune, 22/4/05

Germany:

New Energy Law Referred To Mediation Council

The Bundestag (Upper House), in which the governing coalition holds the majority of seats, passed the new energy supply law on 15 April. The Bundestag (Lower House) has not yet ratified the draft law. Instead, it referred the draft law to the mediation council on 28 April. The mediation council is charged with working out a compromise on remaining contentious issues (e.g. the role of the Bundesländer in energy regulation) between Bundesrat and Bundestag.

Dow Jones-VWD 29/4/05; Welt, 16/4/05



Status of Bundeskartellamt Actions Against Gas Companies

The Federal Cartel Office (Bundeskartellamt) has closed proceedings against the Mitgas Mitteldeutsche Gasversorgung GmbH and the SWU Energie GmbH (Stadtwerke Ulm), after both companies agreed not to raise prices until 30 September. Mitgas had also pledged only to pass on its own input cost increases to domestic and small business customers after that date and introduce a more economic product package. Two other gas suppliers, E.On subsidiary Thüga AG Erdgas Allgäu-Oberschaben and EnBW Ostwürttemberg, also under pressure from the Bundeskartellamt, had already made concessions earlier this month. A fifth case, against MVV Energie in Mannheim, was transferred to the regional cartel office and shelved. The Bundeskartellamt initiated new proceedings against RWE Westfalen-Weser-Ems AG, Dortmund, and Rhenag Rheinische Energie AG, Siegburg. The legal basis for the Bundeskartellamt's actions was that some companies' use of long-term gas contracts might breach German competition law.

Nachrichten auf Deutsch, 28/4/05; International Oil Daily, 7/4/05

Nuclear Energy Plant At Obrigheim To Be Switched Off

According to the operator, the Obrigheim nuclear energy plant will go off the network at the latest at the beginning of May. It will be the first nuclear plant to be switched off to implement Germany's "nuclear exit". From a technical point of view, the nuclear plant could have continued operation.

Frankfurter Allgemeine Zeitung, 7/4/05

Ireland:

Viridian Enters Gas Supply Market

Viridian's supply arm, Energia, has entered the Republic of Ireland gas supply market by signing up several gas customers in the industrial and business sectors. Viridian already supplies electricity in the Republic, but says it has no plans to supply gas to domestic customers.

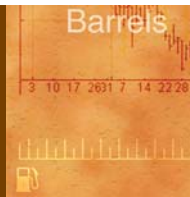
Irish Times, 27/4/05

Italy:

Ministry of Productive Activities Grants Transmission Concession.

In view of the merger between Terna (the owner of the grid) and GRTN (the TSO), the Ministry of Productive Activities has signed a 25-year concession for transmission and dispatching that would become effective after the transfer of GRTN's activities to Terna. The concession is one of the requirements for the Terna-GRTN merger.

Staffetta Petrolifera, 29/4/05



AEEG Closes Its Enquiry On Electricity Market Prices

AEEG has closed its enquiry into the rises in electricity market prices observed in June 2004 and January 2005. The enquiry found anomalies in the formation of prices that might be due to abuse of market power and anticompetitive behavior by some operators. AEEG has sent the results of the enquiry to the Antitrust Authority for evaluation.

AEEG's web site, 12/4/05

AEEG Lists New Indices To Improve Monitoring Of The Electricity Market

The market operator (GME) and the transmission operator (GRTN) will have to provide the regulator with new data and indices on bilateral contracts, the wholesale electricity market and the market for dispatching services in order to increase market transparency. New data and indices would allow the regulator to monitor market operators' behavior on both the supply and demand sides.

AEEG's web site, 8/4/05

Netherlands:

Gas Network Operators Submit New Technical Codes For Consultation

The gas network operators submitted a joint proposal for new technical codes, on which DTe will now conduct a consultation, including open hearings.

DTe website, 28/4/05

Amendment Of Tariff Code

DTe Decision 101726-35 amends the tariff code to give embedded generators with annual production of more than 150 MWh a benefit for reducing losses on TenneT's network. This benefit replaces the exemption from LUP (the national uniform generator tariff), which used to be imposed on generators connected to the national grid, but which was set to zero from 1 July 2004. The Decision also reduced the upper limit on connections entitled to pay the standard connection tariff from 3 MVA to 1MVA, to give more users an incentive to seek competing offers for new connections.

DTe website, 21/4/05



Portugal:

New Tender Process In The Wind Sector

The Economics Minister will call for a new tender process to install wind capacity in Portugal after cancelling a previous tender which had resulted in more than 1,000 requests for clarifications. Some potential bidders also warned that they would file legal complaints if the tender was not made more transparent. The capacity is envisaged to be operating in the 2008-2013 period, so the delay in the tender process is not expected to have an impact on the availability of the required capacity.

Diario Economico, 27/4/05

New Energy Model For Portugal

The Economics Minister has decided on the reorganisation that should be carried out to increase competition in the energy sector. In the new model, Galp, the Portuguese oil company, will be provided with electricity generation capacity. It remains to be decided whether Galp will also operate in the gas sector. However, other aspects are unsolved, such as the position of Eni, the Italian oil group which owns part of Galp. The new model is completely different from the previous reorganisation proposal that was recently rejected by the European Commission.

Agencia Financiera, 21/4/05

Iberian Electricity Market Still To Be Defined

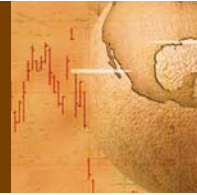
The Portuguese side of Mibel, the Iberian electricity market, is not yet ready to begin operation. The tentative date for the launching of Mibel is 30 June, but aspects of the regulation in Portugal remain to be defined and implemented before this date. However, the Portuguese Prime Minister, Mr Sócrates, stated that the market will be launched on time. The Spanish government and the system operators (REN and REE) have declared that they are ready for the launch of the market. The Portuguese government is also considering the possibility of including the gas sector within the Iberian market, as an extension of the electricity model.

www.diarioeconomico.com, 14/4/05, 12/4/05

Delay In Full Eligibility

EDP has stated that the effective liberalisation of domestic consumers could be delayed ten months until the Portuguese regulator, ERSE, develops the required regulations. In Portugal, about 65% of final consumption (industrial consumers and small companies) is currently able to select a supplier. EDP also explained that in order to guarantee the transparency, reliability and simplicity of the switching process it is essential to have computer systems that can manage it, and that some aspects of the design of the system cannot be developed until the procedures are published in the regulations.

Diario Economico, 12/4/05



New Regulatory Proposal

ERSE, the energy regulatory agency of Portugal, has issued a proposal for changes in the electricity codes. This proposal affects the regulations on tariffs, retail and network access. The proposal seeks to modify the Portuguese electricity regulation to ensure it is in line with both the European Directive 2003/54/CE and national legislation (including the creation of the Iberian electricity market), but also seeks to increase transparency and the efficiency of the regulations.

ERSE, 11/4/05

Romania:

Rompetro Managers Charged Over Refinery

Charges have been filed against the management of Rompetrol, Romania's biggest private oil group, in connection with the privatisation of one of its refineries. The allegations include claims that Rompetrol did not meet contractual investment obligations agreed as part of the sale and that there were a number of accounting irregularities.

Energy in East Europe, 1/4/05

Russia:

RAO UES Board Approves Reform Implementation

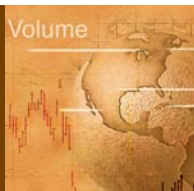
The Board of RAO UES approved the actions taken by the management to implement the December 2004 Government resolutions on the process of electricity sector reform. The actions included, among others, preparation of proposals on the formation of a Comprehensive Reform Plan for 2005-2008, on improving operations of FOREM (the federal wholesale energy and capacity market) and on eliminating cross subsidies.

SKRIN, 29/4/05

RAO UES Is The Highest Bidder For Two Bulgarian Power Plants

According to Bulgarian Privatisation Agency, RAO UES offered 120 million (US\$155 million) for District Heating Plant Russe and 389 million (US\$501 million) for the Thermal Power Plant Varna. The offer makes RAO UES the highest bidder. The other contenders are CEZ (Czech Republic), Enel (Italy) and Public Power Corporation (Greece). The Privatisation Agency has yet to evaluate the offers and will make a decision in due course.

Vremia Novostei, 28/4/05



Spain:

New Requirements For The Installation Of CCGTs

The Spanish Government is drafting a regulation to reduce the number of applications for CCGTs installations filed with network operators (Enagás and REE) and the Industry Minister, to ensure that announcements of investment plans represent real commitments to build capacity. The new regulation will require investors in CCGTs to provide a guarantee equal to 3% of the expected investment cost. However, some consider that this requisite could constitute a discriminatory entry barrier to the electricity market, since it does not affect plants already licensed.

Cinco Días 25/4/05

Fears Of Gas Outages

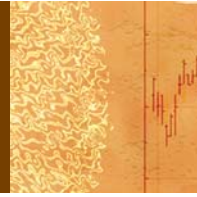
The Spanish Energy Regulator (Comisión Nacional de la Energía, CNE) has issued a report on gas reserves, in which it warns that the level of the reserves is below that established in regulations and that the lack of underground storage capacity is a problem in the Spanish gas system. According to CNE, the low capacity of current underground gas storage in Spain, together with the high demand growth levels, could lead to gas outages in the coming months. The Spanish gas transportation operator, Enagás, supports CNE's conclusions.

Expansión, 22/4/05

CNE Publishes Report On Tariff Deficit

The Spanish Energy Regulator (Comisión Nacional de la Energía, CNE) has published a report quantifying the electricity tariff deficit that has arisen during January and February 2005. According to CNE, the electricity tariff deficit in those two months amounts to EUR 186 million (US\$ 240 million). The deficit is blamed on electricity pool prices, which are above the reference price of EUR 36/MWh (US\$ 46/MWh) used to set full-service tariffs. The Spanish Government has expressed its intention to initiate discussions with the electricity utilities regarding the possible implementation of a mechanism to compensate for the deficit. Meanwhile, the utilities are also demanding that industrial tariffs be reviewed every three months, instead of annually, to ensure that tariffs more closely reflect the true cost of electricity in the market.

La Gaceta de los Negocios, 19/4/05



Regulator Endorses Current Liquid Hydro-Carbons Reserves System

The Spanish Energy Regulator (Comisión Nacional de la Energía, CNE) has published a report in which it concludes that the current requirement for reserves does not constitute an entry barrier to the market and therefore does not restrict competition. The report follows a consultation filed by the Unión de Petroleros Independientes (UPI), the independent oil retailers association. The UPI considered that the regulation on compulsory liquid hydro-carbons products reserves was more onerous for non-refinery companies (who do not have operating reserves), which UPI represents.

Cinco Días, 1/4/05

Government Will Create A Nuclear Waste Tax

Under a regulation approved by the Spanish Government last month, the Spanish utilities are obliged from 1 April 2005 to pay the costs of the nuclear waste treatment. A monthly levy will be paid by the utilities to Enresa, the public company in charge of nuclear waste. However, before the end of the year the Government will approve the creation of a nuclear waste tax. The Spanish utilities are only liable for the costs of the nuclear waste treatment, and not for the historic deficit of Enresa, R+D costs or the compensation paid to municipalities where nuclear plants are installed.

Cinco Días, 1/4/05

Switzerland:

No Wind Farm Zones On Ridges In The Jura Mountains

A ruling by the administrative court in Canton Neuchatel spelled the end of plans to construct wind farms zones on ridges in the Jura Mountain. The court argued that the damage to the landscape outweighed the benefits of wind power generation in this area. The decision came after the project had won the support of cantonal bodies, the municipality and local residents.

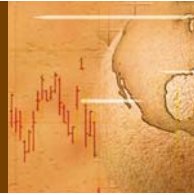
Platts - EU Energy, 22/4/05

Turkey:

Cracking The Privatisation Whip

Following the sale of a 15% share in Tupras to six institutional investors and the announcement of a block sale of the remaining 51%, a similar tactic is being used to see off Petkim. The approach of fixing the market price through a share sale in order to facilitate an ensuing block sale follows a challenge by the Pet Is trade union to a previous sale attempt on the grounds that it did not realise the true value of Tupras as it failed to include a round of competitive bidding. The OIB has announced that will hold a public offering of 30% of Petkim shares in April, followed by a block sale of the remaining 51% later in the year. Two previous attempts at selling the entire state-owned block failed.

EIU ViewsWire; 30/3/05



North American News

USA:

Cinergy And Duke Energy Agree To Merge; Creates Energy Company With \$36 Billion Market Capitalisation

Cinergy and Duke Energy announced they have entered into a definitive merger agreement to create an energy company with approximately US\$36 billion in market capitalization and 5.4 million retail customers. The merger will create Duke Energy Corporation, a combined energy company with assets totaling more than US\$70,000 million and approximately 54,000 megawatts of electric generation domestically and internationally.

PRNewswire, 9/5/05

Atlantic City Electric To Re-Auction Generation Assets

Atlantic City Electric Company announced that it will again auction its electric generation assets (amounting to 555 MW) that lie within the PJM Power Pool. The sale is subject to the required regulatory approvals.

PRNewswire-FirstCall, 6/5/05

TXU's Dominance Cause For Regulatory Concern

According to a new report at the Texas Public Utility Commission, TXU can unilaterally drive up wholesale power prices, a situation that raises questions about defects in the electric deregulation law and whether the state needs better antitrust protections. Based on an examination of unusual price spikes during a six-week period late last year, the report characterises TXU's trading practices as "not consistent with competition."

Fort Worth Star-Telegram, Texas Knight Ridder/Tribune Business News, 6/5/05

SEC Judge Denies Commission's Previous OK Of AEP-CSW Merger

A Securities and Exchange Commission judge denied approval of a merger between American Electric Power Co., a giant Ohio power company, and Central South West Corporation of Texas, reversing an earlier decision by the commission. The judge found the combined utilities' systems don't meet the requirements of a "single integrated public-utility system" as required by a Depression-era law aimed at preventing the creation of nationwide utility trusts.

Dow Jones & Company, Inc., 3/5/05



AEP, Dominion Must Use Cost-Based Rates In Small PJM Market

Pointing to market power concerns, the U.S. Federal Energy Regulatory Commission has decided that American Electric Power Company and a unit of Dominion Resources Inc. cannot sell power in the PJM Interconnection grid operator's "regulation service" market at prices based on the market. The regulation service market is a small market that helps PJM balance supply with demand. The decision means the utilities will have to sell power at cost-based rates, which tend to be less profitable. The FERC order said that PJM failed to demonstrate sufficiently that the utilities lack market power, as required for permission to charge market-based rates.

Dow Jones & Company, Inc., 3/5/05

Regulators Open Investigation Of Aquila Energy Practices

The Kansas Corporation Commission has begun a general investigation into Aquila Inc.'s energy transaction practices. A number of large industrial ratepayers and consumer advocates had complained that the utility's operations are inefficient and make electricity rates higher than necessary. Aquila runs electric and natural gas distribution utilities with customers in Colorado, Iowa, Kansas, Michigan, Minnesota, Missouri and Nebraska.

The Associated Press, 29/4/05

New Carolina And West Virginia Gas Firms Plan Storage Field

The Columbia Gas Transmission Corp of Charleston (W.Va.) and Piedmont Natural Gas of Charlotte (N.C.) have filed a joint application with the Federal Energy Regulatory Commission to build a \$100 million underground gas storage field in Hardy and Hampshire counties. The Hardy Storage Project would use depleted gas well formations to store about 12 billion cubic feet of gas during warm months, for distribution during the winter.

Associated Press Newswires, 27/4/05

KeySpan LNG Terminal Must Meet Safety Code

The Providence Fire Department has told federal regulators that KeySpan LNG should comply with all current safety standards if it wishes to expand its liquefied natural gas terminal in Providence, Rhode Island. KeySpan wish to expand its Fields Point facility so that it can take deliveries of gas by tanker ship instead of by truck. KeySpan told federal regulators that the company is not legally required to meet current safety standards in order to expand. A spokeswoman for the company has said that KeySpan 'respectfully disagrees' with the fire department's position. Current safety regulations would require a



21-acre buffer zone around the facility to protect existing facilities and people from the heat of a fire at the LNG terminal. KeySpan has said that the current regulations don't apply and is looking at some less expensive measures that it believes would be adequate in the event of a leak or fire.

Dow Jones International News, 26/4/05

Electricity Up More In Deregulated Areas Of Texas

Texans living in areas with electric deregulation have faced steeper increases in their utility bills than those in areas without deregulation, according to an analysis by consumer advocate group, Public Citizen Texas. Whereas electricity costs went up 43 percent between 2002 and 2004 for customers living in areas with electric deregulation, customers served by investor-owned utilities under state regulation saw bills increase by about 17 percent. Customers of rural electric cooperatives in regulated areas saw increases of only about 9 percent.

Fort Worth Star-Telegram, Texas Knight Ridder/Tribune Business News, 19/4/05

Supreme Court Rejects California's Case Against Energy Companies

The U.S. Supreme Court has declined to hear California's bid to reinstate lawsuits alleging that power companies doubled-billed during the state's power crisis. A July ruling by the 9th U.S. Circuit Court of Appeals said California courts don't have jurisdiction over the dispute between the state and several energy companies. California Attorney General Bill Lockyer argued the companies were paid US\$49 million between 1998-2000 to reserve electricity that was not delivered when requested, but was instead sold on the open market. The companies deny the charges.

The Associated Press, 18/4/05

Federal Panel OKs Interim Power Rule

Federal regulators approved a temporary change in California's electricity trading regulations after grid managers sounded a warning about potential market manipulation. The change in the rules will suspend a bidding incentive created by the ISO to encourage power imports, which may be allowing power sellers to collect money for wholesale electricity that is not actually provided. The California Independent System Operator, or ISO, has until 30 September to come up with a permanent solution to the problem,

Daily Breeze, 12/4/05



AGL Ties Rate Boost To Staffing Jobs, Benefits Could Be Cut, Utility Says

Atlanta Gas Light Co. announced that it could be forced to cut jobs and health care benefits, or increase the amount workers must pay towards the latter, if regulators don't grant the company a monthly base rate increase, the first base rate increase since 1993, that would raise the average monthly consumer gas bill by an estimated \$1.45. The Georgia Public Service Commission's adversary staff recommended that the five elected commissioners deny the base rate increase, arguing that Atlanta Gas Light is earning \$55 million more per year than it should under its current allowed rates. "Adversary staff's general approach of cutting company operations to the bone is not in the public interest," said Atlanta Gas Light's president, Suzanne Sitherwood.

The Atlanta Journal – Constitution, 12/4/05

Mexico:

Change In Pemex's Fiscal Regime

The Mexican Senate approved a new fiscal regime for the national oil company Pemex. The new regime guarantees savings of about US\$2,250 million in 2006 and will accelerate its capitalization.

Reforma 28/4/05

New Natural Gas Subsidy

The Ministry of Energy announced a 28% discount in natural gas prices for residential users consuming up to 47 m³ per month and a block discount for those consuming between 47 and 60 m³ per month. According to the Minister of Finance these subsidies will cost about US\$45 million during the 18 months of this program starting in May, and will benefit 67% of residential users.

Reforma, 20/4/05

CFE To Plan 50 Plants

Regardless of existing and forecast high natural gas prices, the Comisión Federal de Electricidad (CFE) will keep using natural gas for most of the 50 new generation plants to be built in the next 9 years in Mexico. Gas for these plants will come from new LNG plants.

Reforma, 13/4/05



Central and South American News

Brazil:

Results Of The Second Power Auction Under The New Regulatory Framework

The Brazilian power auction covering the period from 2008 to 2014 – the second organized under the new regulatory framework – concluded on 3 April, after 59 rounds of bidding. The range of final prices – from R\$ 81.55/MWh to R\$ 83.50/MWh (US\$ 30.66/MWh to US\$ 31.39/MWh) – was in line with market expectations. However, with 10 generators selling only 1,325 MW to 34 distribution companies, the total volume of electricity traded failed to cover half the distributors' demand for the contract period. This auction – like the first one – applied to “old energy”, i.e. electricity produced by plants which became operational before 2000. Forthcoming auctions will apply to more recent plants and might command higher prices.

Platts, Global Power Report, 7/4/05;

Chile:

Electricity Reform Bill Still Under Discussion In Congress

The Chilean electricity reform bill is still under discussion in the lower chamber of the congress, after the Senate failed to pass a controversial article limiting gas imports from Argentina. The bill provides incentives for investment in electricity generation capacity by allowing generators to sign long-term, fixed-price agreements with distributors. It also aims at reducing the Chilean dependence on gas supplies from Argentina by limiting to 85% the total volume of gas imports from any one source. The reform bill is now expected to be approved next month.

Business News America, 21/4/05



Asia Pacific News

Australia:

Large Expenditure Increases For Queensland Distributors Announced

The Queensland Competition Authority (QCA) has issued its Final Price Determination for state-owned electricity distributors Energex and Ergon for the period 2005-2010. Following negative publicity relating to the 2004 power outages in Queensland and the subsequent Somerville Report, the Determination allows for a total of A\$7,980 million (US\$6,190 million) expenditure by both companies to maintain and upgrade their distribution networks, a significant increase on the QCA's Draft Determination. These cost increases will not necessarily be passed directly on to consumers as the Queensland government has capped final price increases for small customers to the general rate of inflation.

Australian Financial Review, 29/4/05; www.qca.org.au, 28/4/05

Price Determination For ETSA Utilities Released

The Essential Services Commission of South Australia released its Final Price Determination for electricity distributor ETSA Utilities for the next five-year period. A one-off adjustment in 2005 will impose a 4% drop in average revenue per customer, with the largest benefits going to households. While increasing allowance for capital expenditure by 40% since the last period to A\$753 million (US\$585 million), the Commission has decreased ETSA's allowable rate of return from 8.26% to 6.85%.

www.sair.sa.gov.au, 5/4/05; *The Advertiser*, 5/4/05

China:

Develops Draft Regulation On Auto Consumption Tax

A draft regulation on the levying of an auto consumption tax has been submitted for consultation by the Ministry of Finance. The new regulation is expected to lower the consumption tax rate for small cars and to raise it for large cars. The objective is to improve the consumption structure on the domestic automobile market.

Asia Pulse; 13/4/05

India:

Jaiprakash IPO Succeeds

The response to the initial public offering of Jaiprakash Hydro-Power Ltd has been bids totalling 1,118.1 million shares, when just 180 million were on offer. The price reached the top end of the offer range of 66–73 US cents. The response indicates that there is strong interest in infrastructure projects especially among foreign firms, which accounted for about 60% of the offers.

Platts Power in Asia, 14/4/05



Power Firms Miffed With Tariff Policy

A new draft tariff policy says that a national tariff framework which is sensitive to distance, direction, and related to the quantum of power flow must be developed by the Central Electricity Commission (CERC) and be implemented before April 2006. The policy also says that CERC may determine a ceiling on allowable interest rates. The ceiling will be based on the type of project, market conditions and credit worthiness of the borrower. Industry participants have complained about the new policies and in particular the uncertainty as to whether they will apply to future projects only or not.

Business Standard; 2/4/05

Japan:

Power Liberalisation Sparks Cuts

The liberalisation of the Japanese electricity market was expanded to 60% of the market on 1 April. All users that consume more than 50 kilowatts of electricity are now contestable, which includes most small companies, but not households and smaller stores. The liberalisation has intensified competition among power utilities, with new entrants eager to sell electricity to small-lot users and existing firms cutting rates to keep customers.

The Daily Yomiuri, 5/4/05

Philippines:

Philippine Dept Of Energy Seeks To Lessen Impact Of Power Rate Hike

The Department of Energy (DoE) has issued a set of guidelines designed to lessen the effect of the rate increases approved by the Energy Regulatory Commission, especially on the poorest households. They include strict implementation of the "lifeline" rates which will give households consuming less than 100 kWh a discount varying from 50% to 20%. The DoE is also encouraging users to bring down electricity costs by adopting time-of-use pricing.

Asia Pulse, 25/4/05

Philippines Asks Oil Firms To Explain Pump Price Rises

The Department of Energy (DoE) has ordered oil companies to submit a letter of explanation on their "unreasonable" pump price increase implemented over the weekend. Oil companies are required to file a notice with the DoE at least one day prior to effecting a price increase.

Asia Pulse, 18/4/05



Philippines Launches Time-Of-Use Electricity Pricing Scheme For Private Sector

The state-run National Power Corp has launched a time-of-use pricing formula which offers cheaper rates for electricity purchased during the night, when electricity demand is lowest. The new formula aims to enable Napocor to use less of its oil-fired plants. The government is also reported to be considering traffic management schemes and increasing tax on vehicles in order to decrease oil consumption.

AFX Asia, 4/4/05

Singapore:

LNG Cheaper Than Piped Gas: Experts' Report

The Energy System Review Committee (ESRC) has found that the cost of importing liquefied natural gas (LNG) is as much as 30% cheaper than piping natural gas from Indonesia or Malaysia, based on today's prices. However the ESRC added that Singapore needs to make a longer-term assessment based on expected future LNG and fuel oil prices in its study on LNG use.

The Business Times Singapore; 2/4/05

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NERA is at the forefront of the continuing transformation of the energy industries worldwide. We have pioneered in developing approaches for introducing competition in segments such as power generation (where competition is workable) and for improving the regulation of sectors (where it is not). We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

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