

Reporting on energy regulation issues around the world

Global Energy Regulation

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European News

UK

CC Finds Competition Weak In Domestic Bulk LPG

The Competition Commission (CC) has provisionally found that features of the markets for the supply of domestic bulk liquefied petroleum gas (LPG) in Great Britain and Northern Ireland prevent, restrict or distort competition. They say weak competition is illustrated by sustained differences between average prices of suppliers for similar customers, low switching rates, low discounts and high rates of return. The CC is now consulting on remedies.

Competition Commission News Release, 23/8/05

Utility Blames Watchdog For Jeopardising Takeover; Energy Regulator Responds In E Surrey Dispute

East Surrey Holdings, a UK gas and water utility, has formally lodged a complaint against Northern Ireland Authority for Energy Regulation (NIAER) with Angela Smith, parliamentary secretary of state for Northern Ireland. The complaint refers to the proposed withdrawal of a takeover offer for East Surrey Holdings following a statement from NIAER that it may reconsider the regulatory framework in view of the acquisition. NIAER said in response that it had to take into account the value of the bid the company had received when determining a new operating license. Terra Firma Partners Ltd. had bid US\$622 million for East Surrey, a 30% premium over the company stock price at the time.

Guardian Unlimited, 19/8/05; Dow Jones Capital Markets Report, 21/8/05

UK Weighs Up Grid Links

Ofgem and the DTI have launched a joint consultation on meeting the cost of linking offshore wind turbines to the national grid. The consultation comes after reports from analysts that uncertainty over the financing of grid extensions has hindered the growth of offshore wind farms. The consultation proposes two mechanisms to fund connections: in the first option the grid operator owns the offshore link; in the second the owners of turbines own the links and hold a transmission licence for them.

Upstream, 5/8/05



Residential Energy: Tier One Accounts Still Dominate

Datamonitor have reported that, as of the latter half of 2004, 74% of UK residential dual fuel customers hold accounts with “tier one” (incumbent) suppliers and hence that in-area accounts still prevail despite market liberalisation. Tier two, or out-of-area, customers made up just 26% of the UK dual fuel market. This result is largely due to Centrica’s effect on the market as it alone possesses 41% of these tier one dual fuel accounts.

Datamonitor News and Comment, 3/8/05

Million Households Receive Help To Be More Energy Efficient

A new Ofgem report estimates that 10 million British households, including six million on low incomes, have benefited from energy saving measures over the last three years. The report reviews the Energy Efficiency Commitment (2002–2005) which was established by Defra and is administered by Ofgem.

Ofgem press release, 2/8/05

Austria

Regulator Warns About Lack Of Competition In Gas Market

Austrian regulator E-control warned dominant gas company OMV and its subsidiary Econgaz that their reluctance to increase supply-side competition was wasting potential savings. Many municipal suppliers have no access to upstream gas and OMV is delaying plans for a new pipeline and to develop gas trading at the Baumgarten import station.

Global Insight Daily Analysis, 23/8/05

E-Control Concerned About Low Customer Switching Levels

The chairman of Austrian regulator E-control, Walter Böltz, expressed his concern about low competition in electricity supply to households. A review undertaken by the regulator revealed consumers’ disinterest in switching suppliers. Less than 1% of households have switched their electricity suppliers since liberalisation in 2001 and few more have done so for gas. Utilities claimed that this was a sign of the good service they provide rather than the lack of competition.

Platts EU Energy, 12/8/05



Belgium

“Tax Elia” Could Be Suppressed

The Flemish energy ministry might suppress the current tax, “tax Elia”, that compensates local authorities from the losses arising from electricity liberalisation. Tax Elia is now collected as a surcharge on electricity transmission tariffs in Flanders to all domestic and industrial electricity consumers. The reason the government intends to eliminate the tax is that the proceeds from the sale of the authorities’ stake in Electrabel to Suez might offset the initial losses incurred by the local authorities.

Agence Belga, 17/8/05

Government To Foster Competition In Electricity Generation

The Belgian government is considering several measures to promote competition in electricity generation, including the reduction of Electrabel’s dominant position in the market. Coinciding with the intention of French utility Suez to buy the remaining stakes in Electrabel, the company may be forced to relinquish control to new entrants of 2,000 MW of plants not currently in operation. Additionally, Electrabel could be prevented by new legislation from investing in new facilities.

Le Figaro, 15/8/05; DJ Bourse, 11 /8/05

Bulgaria

SAC Cancels Electricity Price Hike, Court Cancels Increased Power Prices

The Bulgarian Supreme Administrative Court (SAC) has, once again, cancelled an electricity price hike planned for 3 August 2005. The Court ruled that the State Water and Energy Regulatory Commission illegally set higher prices, which should have come into effect on 1 July 2005. The ruling was based on the use of an incorrect exchange rate in calculating the new prices.

Bulgarian News Digest, 4 August 2005; PARI Daily, 4/8/05

Bulgarian Privatisation Agency To Appeal CPC Decision On TPPs; Bulgaria Delays Sale Of Two Power Plants To RAO UES By 30 Days

The Bulgarian Privatisation Agency will appeal a decision by the Competition Protection Commission (CPC) to attach stipulations for the privatisation of the Varna and Russe thermal power plants at the SAC. The CPC decision means that buyers may acquire either, but not both, of the two TPPs. The privatisation has also delayed the sale of the two power plants to RAO UES by another 30 days in order to resolve outstanding issues.

SeeNews, 17/8/05; Manila Standard, 9/8/05; Bulgarian News Digest, 8/8/05



EU

European Central Bank Asks For Additional Liberalisation Measures

The European Central Bank (ECB) has issued a report analysing the degree of liberalisation of a number of sectors in countries of the European Union. In relation to the gas and electricity sectors, the ECB concludes that the liberalisation processes, especially in some member states, have not been completed. The ECB considers that, by increasing competition, further liberalisation of these sectors could lead to a reduction in prices of 22-30% and 23-36% in electricity and gas respectively.

Expansión, 27/8/05

EU Commission Approves The Acquisition Of Edison

The European Commission has approved the acquisition of Italian utility Edison by the French company EDF and the Italian municipal company AEM. The Commission considers that the operation does not raise competition concerns because it will not significantly affect competition in the common market. The Commission has based its decision on the fact that AEM generation capacity amounts to about 1,300 MW in the Northern part of the country and that EDF has virtually no power plants in Italy.

<http://europa.eu.int>, 12/8/05

France

Prime Minister Announces Measures To Shelter The Economy From High Oil Prices

The French Prime Minister has signalled government intentions to protect the most sensitive sectors from high oil prices. In addition, he has announced that the energy ministry will promote the construction of new nuclear and renewable energy installations, and has invited French oil companies to invest in refineries in France.

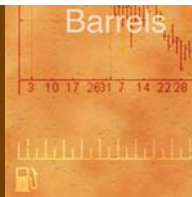
Agence France Presse, 16/8/05

Germany

Federal Cartel Office Investigates Pricing At EEX

The Bundeskartellamt (Federal Cartel Office), following a request by industry group VIK, will investigate whether the two dominant energy companies are abusing their market power at the energy exchange EEX. RWE and EON claim recent increases in energy prices are caused by high input prices and the extra cost of emissions trading. Jürgen Trittin, Minister for the Environment, asked RWE CEO Harry Roels to verify these claims by making trading accounts public. Should the probe indicate abuse of market power the inquiry may be extended to EnBW and Vattenfall Europe.

Financial Times Deutschland, 19/8/05; Frankfurter Allgemeine Zeitung, 18/8/05



Federal Cartel Office: EON Grid Charges “Fit And Valid”

EON Energie announced that the Bundeskartellamt (Federal Cartel Office) had dropped charges against EON subsidiaries Eon Edis, Eon Mitte and Eon Avacon. FCO stated that EON’s grid access fees were calculated in a “fit and valid” way. The Bundeskartellamt’s decision reinforced an earlier decision by the higher regional court in Düsseldorf.

Dow Jones Newswires, 8/8/05

Ireland

Energy Efficiency Scheme Shows Some Success

While electricity demand in Ireland continues to grow, ESB National Grid has apparently managed to reduce the rate of growth in winter peak demand through an energy efficiency scheme. The scheme encourages major industrial users to reduce usage during peak hours. The scheme has managed to achieve reductions in demand of up to 100 MW in peak hours during the winter of 2004/05.

Irish Times, 30/8/05

CER Retains Gas Supply Tariffs For Further Year

The Commission for Energy Regulation (CER) has retained the Regulated Tariff Formula (RTF) applied by Bord Gáis Energy Supply (BGS) for gas customers using between 5.3 and 264 GWh per year. CER said that the formula remains “a transparent and cost-reflective basis for customer pricing and continues to provide a means for independent suppliers to compete against BGS in this sector”. BGS presently supplies about 65% of gas volumes to customers falling in the RTF sector.

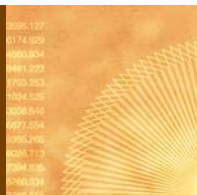
Gas Matters Today, 19/8/05

Italy

Incentives For Unification Of Ownership Of The National Grid

AEEG (the Italian regulator) has launched a consultation document including its proposals to encourage unification of ownership of the national grid, which, at the moment, is split among several owners. Unification of ownership of the national grid is to be included in the more general process for unification of ownership and management of the national grid (the so called Terna-GRTN merger) provided for in a Decree issued in 2004. Terna, a company of the Enel group, currently owns more than 90% of the grid and is intended to become the only owner of the whole grid. AEEG proposes that efficiency gains deriving from unification of ownership would be assigned to Terna for a regulatory period of 4 years, thus allowing for an increase in the value of assets sold to Terna and for owners refusing to sell their assets to be charged for inefficiencies that might derive from the split in ownership of the grid.

AEEG’s web site, 22/8/05



AEEG Sends To Government Proposals For Liberalisation And Development Of Storage

AEEG has sent proposals to the Government and the Parliament for enhancing competition in the storage activity and increasing storage capacity. According to AEEG, new investments are urgently required to increase storage capacity, which proved insufficient to meet storage demand at peak times, as shown from the gas emergency in winter 2004/05; AEEG also claims that more competition is needed to reduce the role of Stogit (ENI group), which controls about 98% of storage capacity. To this end, AEEG proposes to reduce Eni's role in Stogit to a minority stake.

AEEG's web site, 18/8/05

Italy Proposals On Virtual Power Plants.

AEEG launched a consultation document including its proposals on temporary actions to be taken in 2006 (and possibly up to 2008) in order to enhance competition on the supply side of the Italian market. According to AEEG's proposals, Enel and Endesa would be required to release commercial control of a share of their capacity (via Virtual Power Plants or VPPs) that would be allocated to other operators through tenders. VPPs would decrease concentration on the supply side thus increasing competition and decreasing prices.

AEEG's web site, 8/8/05

Italy AEEG Approves Gas Transportation Tariffs And Set Criteria For Regasification Tariffs.

AEEG approved gas transportation tariffs submitted by transporters on the basis of criteria set by the regulator. It has also set the criteria for determination of regasification tariffs for the second regulatory period, which has been shortened to 3 years. The tariffs mechanism has not changed with respect to the previous regulatory period, but remuneration of capital (real pre-tax WACC) has decreased from 9.15% to 7.6% and the capacity/commodity split has been modified to 80/20.

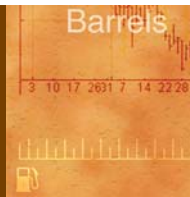
AEEG's web site, 5/8/05

Netherlands

NMa encourages efficient gas transportation

The Dutch competition authority (NMa) has set out the method for calculating the allowed revenues for the transportation functions of GTS (Gas Transport Services), operator of the national gas network. The aim of the method is to encourage efficient behaviour by GTS and to establish reasonable tariffs for consumers.

DTe website, 31/08/05



Unbundling of Energy Companies

On 30 August 2005, the cabinet sent the Second Chamber of Parliament a proposed law intended to guarantee the independence of electricity and gas networks in the Netherlands. The law would change the current Electricity and Gas Laws to require the still integrated energy companies to divide into two separate companies: a network company to operate the network and a commercial company to handle all production, trading and retail activities in electricity and gas. The proposal would also require network operators to carry out all “strategic functions” themselves and that the national network would operate all networks of 110kV and above.

Ministry of Economic Affairs website, 30/08/05

Decision to Establish Gas Tariff Code

This decision process (101928-22) establishes a Tariff Code for gas which sets down the tariff elements and their method of calculation for network users, including consumers.

DTe website, 19/08/05

Consultation on Reasonable Tariff for Purchase of Electricity

The Electricity Act 1998 determines that licensed suppliers must buy back from consumers (up to 3*80A) any electricity they produce from sustainable energy sources at a reasonable price. In this consultation document, the Steering Council of the NMa (Dutch competition authority) has set out the principles for deciding a reasonable price.

DTe website, 17/08/05

Draft Decision to Change Electricity Tariff Code: Supplier Guarantees

The Steering Council of the NMa (Dutch competition authority) wishes to create a level playing field for all suppliers, including new entrants. However, network companies require financial guarantees from independent retailers, to secure payment of grid access charges. The Council regards these guarantees as a barrier to entry. This Decision would remove the barrier to entry, by allowing network operators to recover network revenues lost due to default by a retailer, by adding the lost revenues to connection and transport tariffs.

DTe website, 18/08/05



Portugal

New Tariff Adjustment For Domestic Customers

The new tariff regulation recently passed by the Portuguese electricity regulator, ERSE, foresees that the frequency of adjustment of electricity tariffs for domestic customers will be quarterly rather than annual. The changes to the current tariff framework, which are set to coincide with the launching of the Iberian electricity market, will limit price increases to the inflation target.

Jornal de Negócios, 29/8/05

The Government Discontinues The Acceptance Of Proposals For The New Capacity Tender

The Economics Ministry has suspended the acceptance of applications for new generation capacity ahead of the September deadline. The interest of investors has exceeded the government target set in 2003. At the time of suspension, there were eleven applications for gas-fired power plants totalling more than 10,000 MW, a figure that will double the current thermal production capacity in Portugal.

Jornal de Negócios, 25/8/05

ERSE Approves New Regulation For The Electric Sector

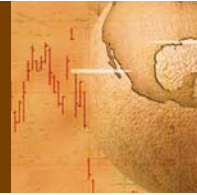
ERSE, the Portuguese electricity regulator, has issued its decision on the electricity regulatory framework that will apply for the 2006-2008 regulatory period. The new regulation includes the necessary modifications to allow customers to change supplier as retail liberalisation will start next year. These changes will come into effect together with the creation of the Iberian electricity market, MIBEL, and the substitution of long-term contracts for the stranded asset recovery mechanism approved by the European Commission, CMECs.

Jornal de Negócios, 23/8/05

The Government Suspends The Award Process Approved By The Former Administration

The current Portuguese government has suspended the process conducted by the former administration that awarded permissions to build thermal plants. The reason for the suspension is that the government intends to review the tendering rules applied to that tender process. As a result, the process started by Galp, Iberdrola, Tejo Energia, and EDP for construction of new CCGTs will have to await the government decision. This is the second time that a tender process for new capacity approved by the former administration (the former was a tender for wind generation) has been suspended by the new government.

Jornal de Negócios, 4/8/05, 3/8/05



Romania

Five Strategic Investors Interested in Privatising Romgaz, Strong Interest In Romania's Planned Romgaz Privatisation

Five international companies are reported to be interested in the privatisation of Romgaz, Romania's second largest gas producer. The Romanian Economy Minister said that the interested companies included Gaz de France, E.ON Ruhrgas, Hungary's MOL, Russia's LUKoil, and Germany's Wintershall. The privatisation announcement is expected at the end of Spring 2006 with the transfer of ownership expected by the end of 2006. The Romanian government has also invited initial bids for a controlling stake in Electrica Muntenia Sud, the regional power distributor for Bucharest. The government has said it will offer a 50% stake and that a strategic investor would then be required to make an additional share capital increase to bring its stake to 67.5%.

Mediafax News Brief Service, 2/8/05; Global Insight Daily Analysis, 3/8/05 and 29/7/05

Regulatory Watch

The natural gas market regulator (ANRGN) has announced that it intends to increase the degree of liberalisation on the local market to 65%, from the current 50%, as of 1 September. The liberalisation process started in 2001, when ANRGN set an initial target of 10% for directly negotiated supplies. At that time, 17 companies were authorised to sign individual contracts with suppliers. Full liberalisation of gas supplies is expected to be reached upon EU accession, in January 2007.

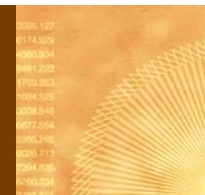
Economist Intelligence Unit—Business Eastern Europe, 8/8/05

Russia

Tariff Regulation Published

The Federal Tariff Service published the tariff growth rate caps for electricity and heat. Electricity prices in 2006 should not increase by more than 25% compared to the current level. This is based on the 11% cap of the gas tariff growth approved earlier this year. For most of the regions, tariffs will rise between 15% and 25%. The exception is the 12 regions in which the local governments negotiated rates of increase lower than 15%.

Kommersant, 25/8/05



Reform Of The Far East Energy Sector

The strategy and reform committee of the RAO UES Russia approved the reform plan for the far eastern subsidiaries of the energy holding company. By 2007, when RAO UES Russia will no longer exist, the company “RAO UES East” will incorporate the assets of 5 eastern energy companies. Of the total assets, 52% will be state property and the remaining 48% will be under minority shareholding. “RAO UES East” will then incorporate the separate generation and grid companies.

Interfax Information Services, 23/8/05

Gas Reform Working Group Meeting

The first meeting of the gas reform working group was chaired by the Minister of Industry and Energy. The working group discussed the draft government decree on Conducting the Experiment on the Sale of Gas at Free (Contract) Prices. In order to set up and test the trading systems, it is envisaged that the gas trades will commence from 2006 under the so called 5+5 scheme. Gasprom and its affiliates will be able to sell up to 5 billion cubic meters (5,000 million m³) of gas on the free market, the same amount as the independent producers. This experiment will be the first step towards the creation of the gas market in Russia. In September, among other issues, the working group will discuss non-discriminatory access to the pipelines.

AK&M Information Agency 23/6/05

Spain

Regulator Asks Electricity Suppliers For Information

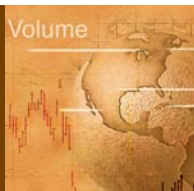
The Spanish energy regulator, Comisión Nacional de Energía (CNE), has issued two regulations asking Spanish electricity distribution companies and retailers for information about their clients and sales. According to the CNE, the information (which includes data on prices and switching rates) will allow the monitoring of the progress of retail competition.

Expansión, 29/8/05

New Objectives For Renewable Energy

The Spanish government has revised the Renewable Energy Plan. While the global objectives have not been modified (12.1% of energy consumption in Spain should come from renewable sources in 2010), the new version of the Plan significantly increases the target for wind energy (from 13,000 MW to 20,000 MW in 2010). To achieve these objectives, the Government forecasts investments of more than EUR 20,000 million (US\$ 24,700 million).

Cinco Días, 26/8/05



Nuclear Debate To Be Opened Next Autumn

The Spanish government will invite political parties, industry representatives and public authorities to participate in a debate around the future of nuclear energy in Spain. Nuclear installations, totalling 7,900 MW in Spain, have been subject to a moratorium since 1983. The debate, which will be held after summer holidays, will discuss the role of the institution charged with security and safety in the nuclear plants, Consejo de Seguridad Nuclear, and the destination of nuclear waste.

Cinco Días, 3/8/05

Switzerland

Communities Opt For Communally-Owned Utility Model

A number of communities in the canton of Solothurn have terminated their leases with incumbent electricity provider AEN and opted for a communally-owned model instead. The communities are now switching to their own supplies. Arguments about the costs of separating management of the municipal systems from AEN's grid are likely to be dealt with in court.

Platts EU-Energy, 12/8/05

Turkey

Turkey Prepares Legislation To Regulate LPG Market.

From September all companies dealing in LPG will be obliged to apply to Turkey's Energy Market Regulatory Authority (EPDK) for a licence to continue operating. Licenses will be issued based on conditions set out in a new law governing the LPG market. The EPDK will impose fines of US\$37,000-\$370,000 on LPG importers, distributors and retailers which fail to comply with a new license and legislation system.

Platts Commodity News, 18/8/05

All Consortia Seeking Tupras Stake Pre-Qualified—IHA; Tupras Sell Off

Turkey's Privatisation Agency has announced that all four of the consortia that have applied to participate in the privatisation of national oil refiner Tupras have pre-qualified. Labour unions foiled a previous US\$1,300 million sell-off attempt last year, when a court deemed it illegal.

Emerging Markets Daily News, 1/9/05; Dow Jones International News, 31/8/05



North American News

USA

NRC Reorganising Office Of Nuclear Reactor Regulation

The Nuclear Regulatory Commission (NRC) is reorganising its Office of Nuclear Reactor Regulation (NRR) to better position the office to address changes in the commercial nuclear power industry as utilities move toward building new reactors. The reorganisation prepares NRR for an expected increase in new reactor licensing activity.

The Associated Press, 1/9/05

PJM Files Reliability Pricing Model; Plan Enhances Reliability, Ensures Adequate Power Supplies

Following a four-year process to develop a method to provide price stability to stimulate investment in supply, PJM Interconnection filed with the Federal Energy Regulatory Commission (FERC) for approval of a new capacity pricing method – the Reliability Pricing Model. The model aims to enhance reliability and ensure adequate electric supply for the transmission grid serving all or part of 13 states and the District of Columbia in the Mid-Atlantic, Midwest and South.

PRNewswire, 31/8/05

PSC Approves NorthWestern Rate Hike

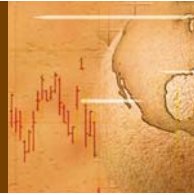
The state Public Service Commission has approved NorthWestern Energy's request to raise natural gas rates by nearly 27%, pending the final decision of the PSC. Commissioner Tom Schneider blamed the international market, saying that since 1 July, gas supply prices have risen by US\$2, to US\$8 a dekatherm. If a utility bought natural gas on the futures market today for the next 12 months, the price would top US\$10.60 a dekatherm.

Associated Press Newswires, 31/8/05

Progress Energy Making Plans To Submit A Combined Construction And Operating License For New Nuclear Plant

Progress Energy informed the Nuclear Regulatory Commission (NRC) that the company is making plans that could lead to submission of a combined construction and operating license for a new nuclear power plant. The company also indicated that it expects to select a potential site and reactor vendor by the end of 2005, and to apply for the license in early 2008. If approved by the NRC, construction could begin as early as 2010 and a new plant could be online around 2015.

PRNewswire-FirstCall, 29/8/05



State Regulators Quadruple Fines For PGW Shut-Offs

The Pennsylvania Public Utility Commission has imposed a US\$100,000 penalty on the Philadelphia Gas Works for causing two fatalities due to hypothermia following unannounced service terminations. The five commissioners dismissed the negotiated amount as too low to be in the public interest, and Chairman Wendell F. Holland warned utilities to expect maximum fines for violations of shut-off rules.

Associated Press Newswires, 26/8/05

Sale Of Mountaineer Gas Cleared By State Regulators

The West Virginia Public Service Commission has approved Allegheny Energy Inc.'s plan to sell Mountaineer Gas (MG) and West Virginia Power Gas (WVPG) to Mountaineer Gas Holdings, a partnership of IGS Utilities and affiliates of Boston-based ArcLight Capital Partners. The sale is expected to increase the average customer's bill this year by US\$2.47. The sale is part of a settlement submitted to the PSC in July that outlined the base rates customers of MG and WVPG would pay for natural gas when the two are sold.

Associated Press Newswires, 25/8/05

Nine States In Northeast Reach Preliminary Accord To Freeze Power Plant Emissions

Officials of nine Northeastern states have reached a preliminary agreement on an initiative to freeze power plant greenhouse gas emissions at current levels and reduce them by 10% by 2020. The final agreement would be subject to approval by the legislatures of the nine states. The regional initiative would create a market-driven system to control carbon dioxide emissions from more than 600 electric generators in the nine states. Utilities that came in under their targets for emission reductions could sell their excess emissions capacity credits to other utilities.

The Associated Press, 24/8/05

Laclede Reaches A Tentative Deal On Gas Hike But PSC Allows Details To Remain Secret Until Hearings Next Week

Laclede Gas Co. and the Missouri Public Service Commission have reached a tentative settlement of Laclede's request to raise gas prices by US\$39 million. However the final agreed terms will not be revealed until after public hearings have taken place, following a request to the Commission by Laclede to keep the agreement secret. No explanation was given for this decision. The Missouri Public Service Commission will hold two public hearings on Wednesday to hear comments on Laclede Gas Co.'s request to increase base rates by 4.1%.

St. Louis Post-Dispatch, 19/8/05



NJ Regulators Grant Increases In Natural Gas Rates

The state Board of Public Utilities has approved increases requested by the four utilities that deliver natural gas to the residents of New Jersey, which will raise average monthly bills by 10.6% for Public Service Electric & Gas, 4.4% for South Jersey Gas, 4.2% for New Jersey Natural Gas and 2.8% for Elizabethtown Gas. New Jersey regulations allow utilities to pass on the increased cost of a commodity and make a profit on delivery charges.

Dow Jones International News, 18/8/05

Utilities, Generators Against FERC Gathering Power Plant Data

Large investor-owned electric utilities and generators are arguing the US FERC doesn't have any authority to collect operational data about their power plants, according to filings. FERC is considering whether to require companies to turn over so-called generator-run status information – i.e. data on outages, generator capability and output levels. California imposed a similar requirement during the power crisis. The market situation is different now—oversupplied, rather than tight—but it seems FERC wants to get tools in place to guard against market abuses, or more specifically, generators withholding power from the grid.

Dow Jones & Company, Inc., 17/8/05

Reliant Settles With Californian Utilities For Over \$400 Million

Reliant Energy Inc. said it had reached a settlement valued at US\$445 million to resolve claims that it overcharged for electricity during the West Coast's 2000-2001 power crisis. California, Oregon and Washington officials were also parties to the settlement, but it is awaiting approval from the California Public Utilities Commission (PUC) and the FERC. It resolves claims against Reliant by three California utilities—Southern California Edison, Pacific Gas and Electric, and San Diego Gas & Electric. The settlement is additional to refunds of US\$65 million already ordered by the FERC.

Dow Jones Business News, 15/8/05



Xcel Seeks End To Penalties For Excessive Power Failures

Xcel Energy has asked Colorado regulators to end penalties for exceeding state limits on power failures and service complaints. Over the past five years, Xcel has rebated penalties of US\$27 million to customers, owing to the duration of power failures and the volume of complaints. In a filing with the Colorado PUC, Xcel said the fines are not necessary to encourage investment, but Denver officials disagree. Denver and other cities will ask the PUC to retain the financial penalties and add requirements for installing and repairing street lights, identifying the cost of placing power lines underground and correcting billing problems.

The Associated Press, 10/8/05

Electric Deregulation Termed Work In Progress

Ohio's experiment with allowing consumers to choose their electricity supplier has not attained its goal of establishing a fully competitive market, the PUC of Ohio said in a review of the program. Some progress has been made, but more time is needed to allow deregulation to work. The percentage of residential customers that have switched from their local utility to an alternative electric supplier is 22.5% in Texas, 17.4% in Ohio, 7.3% in New York state, 3.3% in Pennsylvania and 2.9 % in Maryland.

Dayton Daily News, 9/8/05

Bush Signs Massive Energy Bill Into Law

President Bush signed the Energy Policy Act, which provides billions of dollars in tax subsidies to energy companies. The act does little to ease immediate gas prices or lower America's reliance on foreign oil, but supporters say in the long run the new law will refocus the nation's energy priorities and promote cleaner and alternative sources of energy. The measure funnels billions of dollars to energy companies, including tax breaks and loan guarantees for new nuclear power plants, clean coal technology and wind energy.

The Associated Press, 8/8/05



Illinois Utilities Gearing Up For Changes In 2007

In 2007, utility companies of Ameren and Commonwealth Edison are expected to change the way they buy their electrical power and begin purchasing through a reverse or vertical tranche auction. Over the next few months Ameren and ComEd will present their cases for the auction process to the Illinois Commerce Commission, the state's utility board. The utilities will also propose new delivery rates, covering the cost of delivering electricity to the customer—line maintenance, bill processing, customer service and other costs. *Knight Ridder/Tribune Business News, The News-Gazette, Champaign-Urbana, 7/8/05*

Cinergy, Duke Seek Merger Approval From Kentucky Regulators; File Testimony In Indiana And Ohio Merger Applications

Cinergy Corporation and Duke Energy announced that they have filed a joint application and testimony with the Kentucky Public Service Commission seeking approval of their merger agreement. Testimony outlining the benefits of the merger has also been filed with the Indiana Utility Regulatory Commission and the Ohio PUC.

Business Wire, 2/8/05

PSNC Announces Increase In N.C. Gas Rates

PSNC Energy said it had received permission from the North Carolina Utilities Commission to increase the purchased gas component of the company's retail natural gas rates to about 9%. The increase will be effective on August bills and raises the company's total year-round residential rate from approximately US\$1.17 per therm to approximately US\$1.27 per therm.

Associated Press Newswires, 2/8/05

Wisconsin DNR Developing Rules to Cut Pollution at Power Plants

Facing a deadline imposed by the federal government, Wisconsin regulators are developing rules that require power plants to cut their emissions of certain pollution-causing chemicals dramatically by 2015. The Department of Natural Resources is preparing a plan for September 2006 to ensure the air is cleaner when it leaves Wisconsin for states downwind. The rules are likely to be more stringent than the EPA requirements that power plants cut emissions of nitrogen oxide and sulphur dioxide by roughly 70% by 2015.

The Associated Press, 2/8/05



EPA Tells 28 US States To Cut Downwind Pollutants

The Bush administration told 28 states to implement plans by September 2006 that cut pollution from their power plants to make the air cleaner for people downwind. The EPA said it would write the plans for them, if the states miss that deadline. The Environmental Protection Agency (EPA) announced a new program in March that requires states in the East, South and Midwest, plus the District of Columbia, to reduce power plant pollutants that form smog and soot and drift downwind.

The Associated Press, 1/8/05

Canada

Ontario Residents Bring US\$50 Billion Pollution Suit Against Power Companies

Residents of Ontario, Canada, have brought a lawsuit against 13 major US and Canadian power companies, seeking compensation for alleged damages due to inhaling pollutants from the companies' power plants. The complaint seeks damages of US\$50,000 million plus US\$4,000 million in annual payments due to continuing damages and US\$1,000 million in punitive damages. The complaint focuses on pollution from coal-burning power plants in Ontario, Pennsylvania, West Virginia, Michigan, Ohio and Kentucky. The plaintiffs argue that the power companies knew or should have known the harm their pollution caused on Ontario residents and that steps were available to limit this pollution, such as switching to natural gas or installing technology to reduce sulphur dioxides and nitrogen oxides emissions.

Dow Jones & Company, Inc., 10/8/05

Ontario Energy Board Issues Final Revised Transmission System Code

The Ontario Energy Board issued a final version of the revised Transmission System Code (TSC). The TSC sets out obligations electricity transmitters have to their customers, plus standards for the operation, maintenance, management and expansion of transmission systems.

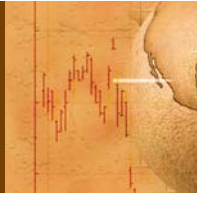
Canada NewsWire, 25/7/05

Mexico

Private Companies Will Build 20 Power Plants

With a budget of US\$450 million, Luz y Fuerza del Centro (LFC) will start construction of 20 power plants in Mexico City and the State of Mexico to decrease its dependency on the Comisión Federal de Electricidad (CFE). The plants will add 650 MW to the system.

La Jornada 16/8/05



GAO Faults Study On Mexico Border Power Plants' Pollution

Two power plants just south of the US-Mexico border create no more pollution than similar plants in California, but health impacts on residents of Imperial County in the southeast corner of the state are uncertain. The report by the Government Accountability Office blamed uncertainty about the health threat on an Energy Department study that, according to GAO, failed to consider a series of factors.

San Jose Mercury News, North County Times, 12/8/05

Central and South American News

Argentina

Antitrust Authority Approves Edenor's Sale

The Argentinean competition authority (Comisión Nacional de Defensa de la Competencia) has approved the sale of EDF's 65% stake in the distribution company Edenor. The company has been sold to Dolphin, a local fund. EDF follows other French companies, such as France Telecom, Suez and Credit Agricole in selling their assets in Argentina.

La Gaceta, 25/8/05

Brazil

ANEEL Postpones Electricity Auctions

The Brazilian electricity regulator, Agência Nacional de Energia Elétrica (ANEEL), has decided to postpone the auctions for the sale of energy to regulated customers scheduled for 5 and 6 October. The electricity auctions will now take place on the 10 and 11 October 2005. The auctions involve the sale of output from existing plants in 3-year contracts (starting in January 2006) and in 8-year contracts (starting in January 2009). Once the electricity from existing plants is auctioned, the Brazilian government will conduct an auction for the building of new capacity.

Business News Americas, 22/8/05

New Electricity Tariffs Approved

The Brazilian electricity regulator, Agência Nacional de Energia Elétrica (ANEEL), has approved electricity tariff increases for electricity distribution companies Elektro Electricidade e Serviços, Companhia Energética de Brasília (CEB), Corcel, Celesc, Celpa, Iguazy, Cemer, Cepisa, Ceal, Saelpa, and Escelsa. In the case of Escelsa, owned by Portuguese EDP, ANEEL has also increased tariffs for the previous period, August 2004-August 2005, and will allow recovery of the short-fall in next year's tariffs.

Valor + News, 22/8/05; Reuters 12/8/05; Business News Americas 4/8/05



Regulator, Neither Independent Nor Efficient

Doubts about the performance of the Brazilian electricity regulator, ANEEL, have been raised by a study conducted by the American Chamber of Commerce (Amcham). The conclusions from the study are that the regulator is neither independent from the Government, due to budget limitations, nor is it expedient in resolving disputes. However, the report, a survey conducted among 27 utilities, acknowledges the technical capacity of its employees and the fact that ANEEL has improved transparency in the last years.

Business News Americas, 18/8/95

Government Will Auction Electricity Transmission Lines

The Brazilian government will auction the construction of 3,000 km of new electricity transmission lines. The auction will take place on the 17 November 2005. The final auction price will be updated each year by movements in the Consumer Price Index.

Business News Americas, 12/8/05

Panama

Regulator Might Award Wind Licenses

The Panamanian public service regulator Ente Regulador de los Servicios Públicos is evaluating several applications to build 167 MW of wind generation capacity. The approval of wind installations is part of the Panamanian government's strategy to reduce dependency on oil imports.

Business News Americas, 23/8/05

Asia Pacific News

Australia

Agreement Reached On Access Arrangements For Alinta's Network

Alinta has agreed terms with the Economic Regulation Authority for the access arrangements on its Mid-West and South-West gas distribution networks. The Authority accepted Alinta's revised pre-tax rate of return of 6.78%, giving total revenue over the five year period of A\$461.7 million (US\$344.8 million). Tariffs will remain at current levels in 2005 and then increase by 0.2% each year in nominal terms until 2009.

www.era.wa.gov.au, 10/8/05



Service Standards Introduced To Northern Territory

The Northern Territory Utilities Commission has released a draft Standards of Service Code for the provision of electricity by the Power and Water Corporation. The Draft Code proposes to establish minimum standards of service and reporting of service standards in the next financial year. Incentive mechanisms linked to these standards will not be considered until the next regulatory reset in 2009.

www.utilicom.nt.gov.au, 5/8/05

China

State Grid Seeks Higher Supply Tariff

State Grid Corp (SGC) of China is lobbying the Chinese government for higher transmission and distribution tariffs to help fund a massive expenditure (more than US\$12,000 million) on power distribution upgrades. Chinese distribution and transmission tariffs currently account for only 30% of the total domestic electricity tariff, compared with an average of 40% overseas.

South China Morning Post, 11/8/05

Beijing Slaps Limits On LNG Terminals

Beijing is expected to publish an edict that limits the construction of LNG import terminals to one per province. The rule, aimed at avoiding duplication of infrastructure could, see up to eight projects shelved.

South China Morning Post, 8/8/05

Passes Law To Source 10% of Power From Renewables By 2020

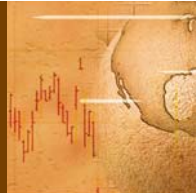
China has passed the Renewable Energy Law, which will come into force in January 2006. It imposes a target of 10% for the proportion of electricity generated by renewable energy schemes by 2020.

Global Power Report, 4/8/05

Beijing Imposes Power Controls; China May Reach 2010 Power Generation Capacity Target 3 Yrs Early—Report

As power demand reached new levels in late July, the Beijing Municipal Development & Reform Commission imposed emergency measures on electricity consumers, such as ordering the largest industrial energy users in the city to cut power consumption by 200MW. The China Electricity Council (CEC) predicted continuing shortfalls throughout the country in the third quarter of 2005. Meanwhile, it is reported that China may reach its 2010 electricity generation capacity target three years early, with 70 GW of new capacity added in each year from 2005 to 2007, bringing total national capacity to 650GW.

Platts Power In Asia, 4/8/05; *AFX – Asia*, 9/8/05



China Aviation To Weather Jet Fuel Market Shake-Up

China will open the sale and storage of jet fuel to competition among all domestic firms from 15 August, in line with its goal to deregulate the oil sector fully by the end of next year. However, China Aviation Oil Holding Company remains the sole import agent for jet fuel. It also controls about 70% of China's domestic jet fuel distribution and owns most of the refuelling facilities at some 140 Chinese airports.

Reuters News, 3/8/05

India

Handing Over of LPG Distribution to Private Players

The Indian government has authorised private companies, including ONGC, Gail India and Reliance Industries, to market indigenously produced LPG in the country from April 2006, provided that the sale of bulk non-domestic LPG is limited and that they adhere to the provisions of the LPG Order, 2000, and the LPG Order, 2001, which regulate the supply and distribution of LPG and its use in motor vehicles.

Indian Business Insight, 2/8/05

FinMin Spanner In Key Power Proposals.

The Finance Ministry has opposed two key policy proposals forwarded by the power ministry to the Cabinet. One proposal refers to amendments to the Electricity Act including a requirement for regulators to be in conformity with government policies. The other refers to the tariff policy, which the finance ministry says is not based on market principles. As a result of the objections raised by the finance ministry, the Cabinet has referred the tariff policy back to the panel of secretaries.

Indian Express; 2/8/05

CERC Sets Stage For Private Power Transmission In West

The Central Electricity Regulatory Commission (CERC) has issued an Order which states that two packages of high-voltage lines will be handled by PowerGrid Corporation of India Ltd, either alone or in partnership with private sector companies. It further states that additional lines will be developed with 100% equity contribution from private companies. This marks a move by CERC to allow private sector companies to participate in the transmission sector, subject to licence.

Business Standard, 1/8/05



Natural Gas Sector May Be Treated Separately Under Proposed Panel, AP Govt Proposes Creation Of Gas Regulator, State-Level Boards

In their review of the Bill for the establishment of a Petroleum and Natural Gas Regulatory Board, the Committee of Secretaries has suggested separate treatment of the natural gas sector and adoption of an affiliate code of conduct. The Andhra Pradesh Government has also suggested amendments to the Bill including creation of State Natural Gas Regulatory Boards. The Petroleum and Natural Gas Regulatory Board is expected to regulate on downstream issues whilst the Directorate General of Hydrocarbons would continue to regulate the upstream issues.

Business Line (The Hindu), 1/8/05; 30/7/05

Malaysia

Malaysia To Announce New Electricity Tariff Soon

The Minister of Energy, Water and Communications will soon announce a new electricity tariff structure. The announcement will follow a proposal made by Tenaga Nasional Bhd for a restructuring of the electricity tariff following the hike in global oil prices.

AFX Asia; 2/8/05

New Zealand

Commerce Commission Exercises New Regulatory Powers

The Commerce Commission has issued a Provisional Authorisation to implement control over gas distributors Vector and Powerco. The decision follows a High Court ruling rejecting applications from both companies seeking orders directing the form of control to be implemented. The Commission will require Powerco and Vector to reduce average prices from October 1 by 9% and 9.5% respectively from prices charged in June. Gas retailers have indicated that they are likely to pass the reductions on to consumers.

Dominion Post, 26/8/05; www.comcom.govt.nz, 24/8/05

Philippines

Meralco To Let Customers Shoulder Cost Of New Metering System

Power distributor Meralco plans to introduce a pricing scheme that charges lower rates during off-peak hours. The company said that they do not expect time of use (TOU) pricing to boost their finances. However, customers will have to pay a one-time fee of almost US\$150 in order to enter the scheme. This fee will cover the estimated US\$500 million cost of installing new meters.

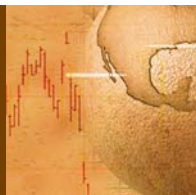
BusinessWorld, 25/8/05; AFX—Asia, 16/8/05



Investors Agree To EPIRA Changes, Napocor Sees Faster Privatization

Foreign power sector investors have reportedly consented to government proposals to decrease the required level of privatisation of the National Power Corporation's (NPC) generation assets from 70% to 50%. The Government has indicated that it will study such proposals, considering the prospects that they will stall the disposal of NPC assets. Meanwhile the NPC has said it expects the privatisation programme to pick up speed following the release of a template for the mandatory transition supply contracts between the state-owned power firm and the distribution utilities.

Manila Standard, 9/8/05; Manila Bulletin, 1/8/05



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