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In This Issue

EUROPEAN NEWS

Great Britain: Regulator Assesses Impact Of NGT Agency, Governance, And Roles And Responsibility

Energy regulator Ofgem published two Regulatory Impact Assessments (RIAs) regarding National Grid Transco's (NGT) proposed sale of one or more gas Distribution Networks (DNs). In one RIA, Ofgem identifies benefits from creating an Agency to provide the DNs with services currently provided by Transco on a centralised basis. Ofgem identifies seven options for the role of the Agency and concludes that two options have significant merit over the others. In the other RIA, Ofgem considers the impact of three alternative allocations of roles and responsibilities between the gas transmission and distribution networks in the event of divestment. Ofgem is minded to support the option in which roles and responsibilities most closely reflect Transco's existing operational model, providing a relatively active role for DNs.

Ofgem website, 20/4/04

Great Britain: Regulator Considers National Grid Transco's Proposed Gas Network Sale

Energy regulator Ofgem concluded that National Grid Transco's (NGT) proposed sale of one or more of its regional gas Distribution Networks (DN) has the potential to provide benefits for customers. However, in the event that only one DN is sold, or all DNs are sold to a single buyer, Ofgem believes the potential costs could outweigh the potential benefits. In these circumstances, in order to protect customers' interests, NGT has agreed, in principle, to pay the difference between the agreed costs and benefits.

Ofgem press release, 16/4/04

Great Britain: Regulator Proposes Licence Modification To Promote Competition In The Provision Of Gas Metering Services

Energy regulator Ofgem proposed changes to Transco's Gas Transporter (GT) licence to give effect to: (1) the implementation of business processes and data flows identified by the Review of Gas Market Arrangements (RGMA) as underpinning competition in gas metering services; and (2) the system separation of Transco's transportation and metering businesses. Ofgem proposes implementing its proposed licence amendments by July 2004.

Ofgem website, 8/4/04

Great Britain: Regulator Proposes Licence Modifications Regarding Transco's Provision Of Gas Connection Services

Energy regulator Ofgem is consulting on modifying Transco's Gas Transporter (GT) licence to place new standards of service on Transco regarding its provision of gas connection services, with liability payments for failures in relation to timeliness and accuracy. In addition, Ofgem proposes modifying existing overall and guaranteed standards of service that apply to Transco's provision of connections. Ofgem is consulting on whether to extend its proposed arrangements to Independent Gas Transporters, as well as to Transco.

Ofgem website, 8/4/04

Great Britain: Regulator Proposes Modification Of Distribution Charges

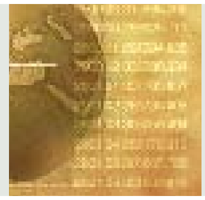
Energy regulator Ofgem published proposed licence modifications to give effect to interim arrangements for the structure of electricity distribution charges, from April 2005. The interim arrangements provide for a common connection boundary between demand and generation, removing the deep charges for generation connections, and introducing a requirement for Distribution Network Operators to determine connection and use of system charging methodologies to be approved by Ofgem. Ofgem states it will further consider the longer term charging arrangements for electricity distribution that it expects to be in place no later than April 2010.

Ofgem website, 6/4/04

Austria: Rising Criticism Regarding Green Electricity

Austria's green electricity policy has recently faced criticism. The reason is that the industry has over-fulfilled the requirements outlined in the green electricity law ("Ökostromgesetz") and customers fear that they will have to bear the cost in terms of higher electricity prices. As a result, the Austrian minister for economic affairs, Mr M. Bartenstein, announced that he intended to amend the law. Mr Bartenstein's idea is to revise the fixed tariff for green electricity that is fed into the system to ensure that consumers are only charged in line with the EU requirements for production of green electricity.

Wirtschaftsblatt, 22/4/04



Belgium: New Transparent Tariffs For Electrabel

As of 1 July 2004, Electrabel's tariffs will separate the cost of energy from the other charges (network tariffs and taxes) passed on to end users. The price for energy will be the same for all locations. The other elements of the price vary by location.

Electrabel press release, 27/4/04

Belgium: Flemish Government To Drop Free Green Transit

The European Commission decided that special transmission arrangements for Flemish green power breached EU rules as it discriminated against foreign green power. The Flemish government will have to comply and has already declared it would drop the scheme.

Platts Power in Europe, 12/4/04

Bulgaria: Liberalisation Of Energy Sector

Bulgaria's State Energy Regulation Commission has announced it would seek to liberalise the domestic energy market by amending the electricity distribution network regulations in May 2004. The idea of the amendments is to enable power plants to make deals with privileged consumers in Bulgaria at non-regulated prices. These clients must not have debts to the National Electricity Transmission Company (NEC) and must consume annually at least 100 GWh. It is expected that some 14 companies will be given the status of privileged clients. The Bulgarian Energy Ministry has estimated that the introduction of this new regulation will result in an average decrease in electricity prices of 8%.

Bulgarian News Digest, 13/4/04

Czech Republic: Government Keep To Speed Up Energy Liberalisation

The Czech Government is making attempts to speed up liberalisation in the energy market to comply with EU Directives. For this purpose, it adopted a draft amendment to its Energy Bill on 14 April. The focus of this amendment is to enhance competition in energy markets and to allow consumers to choose their supplier. Currently, clients in the gas market are obliged to purchase gas from their respective regional distribution companies and the bill will provide for partial liberalisation from January 2005 (for enterprises). Total liberalisation in the Czech gas market is scheduled for 2006. The amendment must now be approved by the two Parliamentary chambers and endorsed by the Czech Government in order to enter into force.

Europe Information Energy, 23/4/04

EU: Enlargements Affects The Market For Electric Energy

The German Electricity Association (VDEW) has estimated that EU enlargement will lead to an increase of 30 million new electricity customers when the 10 accession countries join the European Union on 1 May 2004. Seven of the existing fifteen countries have already opened their energy markets completely for competition. In Slovenia, market opening is 64%, in Poland it is 51%. From 1 July 2004 all European Union member countries have to allow competition for industrial customers. Different time limits apply to the accession countries.

Elektrizitätswirtschaft, 19/4/04

France: New Regulated Tariffs?

The French energy regulator, CRE, could remove regulated electricity tariffs because they are anti-competitive. The alternative would be to replace them with a regulated tariff indexed to spot prices. The CRE expects low switching rates when 2.5 million small commercial customers in France are deregulated on 1 July this year. The reason being that regulated tariffs are low and, once a customer has abandoned them, they cannot return to the tariff.

Platts Power in Europe, 26/4/04

France: Gas Release Programme In The South Of France

Upon request from the regulator (CRE), French gas incumbents have decided to implement a three year gas release programme as of 1 January 2005 in order to introduce competition in the south of France. Gaz de France (GdF) has agreed to release 15 TWh per year (45 TWh, over the whole period). Gaz du Sud-Ouest (GSO) will release 1.1 TWh per year (3.3 TWh over for the whole programme).

GDF Press release, 20/4/04

Germany: Growth In Wind Energy Sector Slows Down

According to figures presented by the German Wind Energy Association (BWE), growth in the German wind energy sector is slowing down. The BWE expects growth to decline by 5% in 2004 compared with 2003 figures. According to a survey that the BWE has carried out amongst wind energy installation companies, around 215 new wind power stations with a capacity of about 350MW were constructed during the first quarter of 2004, compared with 227 wind power stations with a capacity of 353.5MW in the corresponding period of 2003. Currently there are 15,600 wind energy facilities installed in Germany with a total capacity of 29,100 million kWh, representing 6.2% of total annual electricity consumption in Germany. The BWE points out that the reason for the expected decline in growth is linked to the controversial discussions and uncertainty relating to the amendment of the law on renewable energy sources. Banks and planners have reported difficulties implementing projects as a result of this uncertainty, and it is thought that some projects may even be completely abandoned.

Frankfurter Allgemeine Zeitung, 22/4/04

Germany: German Energy Sector Faces Need For Large Scale Investments

According to the German Electricity Association (VDEW), the German energy sector faces a need for large scale investment over the next couple of years for both generating and distribution capacity. Due to technical aging (eg coal and gas plants) and political requirements (eg phasing out of nuclear energy), almost half the existing generating capacity will have to be replaced in the next two decades. Distribution networks also need extension and updating. The VDEW assumes that the amount needed is EUR 80,000 million for generating and network capacity. As a result, the VDEW expects that electricity prices will rise in the foreseeable future, whereas demand for electric energy is assumed to increase only marginally, since energy efficiency is relatively high in Germany in comparison to other European Union member states.

Frankfurter Allgemeine Zeitung, 20/4/04

Germany: Launch Of German Regulator Possibly Delayed By Months

According to a statement by the Federal German Ministry of Economics and Labour (BMWA), the introduction of the energy regulator will be delayed by at least two months or possibly longer. The introduction was originally planned for planned for 1 July 2004. The reason for the delay is that the new regulator will only be able to begin its work after the EU energy directive is incorporated into German law. However, several German ministries and energy associations are still studying the directive. The BMWA announced that it should be “impossible” to get the EU directive passed by 1 July and that therefore a 2-3 month delay would be likely. The EU energy directive has to pass through the German parliament before the regulator’s work can commence.

European Spot Gas Markets, 26/4/04

Hungary: Further Adjustment Needed To Ensure Harmonisation With EU Legislation

The Hungarian Ministry of Transport and Economy said that electricity legislation will have to be adjusted to meet new EU energy directives, although Hungary’s regulations on the energy market are already in line with those of the EU. These changes will have to be made to allow full liberalisation of the market by 2007.

MTI – EcoNews, 20/4/04

Hungary: Slow Effects Of Liberalisation

The Hungarian Office of Economic Competition (GVH) has issued a report in which it examined the Hungarian electricity industry in order to better understand market developments since the partial opening of the market on 1 January 2004. The GVH reports notes that since the partial market opening of Hungary’s electricity sector, fewer consumers than expected have switched to the liberalised market. Some consumers that opted for the free market later returned to the public service market. The GVH announced it would launch a further investigation in order to understand better why this is the case later on this year.

Interfax Hungary Weekly Business Report, 19/4/04

Ireland: Regulator Announces Details of Gas Supply Competition

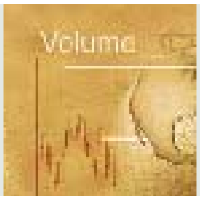
The Commission for Energy Regulation (CER) is conducting a competition for the gas supply franchise for five towns. CER has received five expressions of interest for the franchise and has published regulations governing the conduct of the competitive process. CER has issued a direction to Bord Gáis Éireann requiring it to offer a supply of natural gas to the winner of the competition for the franchise. The closing date for bids is 28/05/04 and the successful bidder will start supplying gas to the five towns by 31/7/04.

CER website, 28/4/04, 27/4/04

Ireland: Regulator Publishes Draft Decisions On New Market Arrangements For Electricity

The Commission for Energy Regulation (CER) published its draft decisions on: (1) Financial Transmission Rights in the Market Arrangements for Electricity (MAE); and (2) the detailed design of the MAE, in relation to Combined Heat and Power, renewable and small scale generation in Ireland.

CER website, 23/4/04



Ireland: ESB Networks Proposes Service Level Agreements

In anticipation of full market opening in 2005, ESB Networks, as the licensed electricity Distribution System Operator, has submitted to the Commission for Energy Regulation (CER) its proposals for Service Level Agreements (SLAs). In the SLAs, ESB outlines the level of service that suppliers can expect in relation to ESB Networks services, including meter registration, data collection and meter operation. CER invited comments on ESB's SLAs.

CER website, 22/4/04

Ireland: Regulator Publishes Decision On Interconnector Trading

The Commission for Energy Regulation (CER) published a decision paper on interconnector trading arrangements between Republic of Ireland (RoI) and Northern Ireland (NI) to apply on the commencement of the new Market Arrangements for Electricity (MAE). CER decided: (1) only the RoI node of the interconnector will be included in the MAE Market Clearing Engine (MCE); (2) explicit access rights will be made available in both directions; (3) a portion of capacity will be withheld from the explicit access rights to facilitate 'within day' trading; (4) between NI and MAE gate closure, 'within day' trade into/out of the MAE will be allowed; and (5) sharing of reserves between NI and ROI will continue.

CER website, 19/4/04

Ireland: Regulator Consults On The Protection Of Customers With Special Needs

The Commission for Energy Regulation (CER) is consulting on what issues need to be addressed with respect to the protection of customers with special needs. Following the transposition of the new EU Electricity Directive (2003/54/EC) into Irish Law, certain requirements will be placed on suppliers with respect to consumer protection.

CER website, 16/4/04

Italy: Power Exchange Under Scrutiny.

The Ministry of Productive Activities and the AEEG are taking into consideration doubts and fears raised by market operators on the power exchange, which has been functioning for one month now. The Ministry of Productive Activities will also prepare a list of questions which all institutional operators involved in the power exchange must answer. Major concerns were raised by market prices. The president of the Single Buyer declared that the average price paid by the Single Buyer has increased by 14% with respect to prices paid before the opening of the power exchange. Available analysis on the period 1-28 April shows that the average price in peak and high load hours (ore piene) has been around EUR 67/MWh.

Staffetta Petrolifera, 30/4/04

Italy: Ministry Of Productive Activities Sets Limits To Enel's Stake In Terna-Grtn.

According to a declaration by the Ministry of Productive Activities, Enel (the former integrated monopolist) would not have more than 5% of voting rights in the new company that would be created from the merger of Terna, which owns about 90% of the Italian grid and is part of the Enel group, and GRTN, which is in charge of operating the grid and is totally owned by the Treasury. This limit has been introduced after the Antitrust Authority asked for modifications to the first draft of the decree that provided for a reduction of Enel's stake under 20% from 2007.

Il Sole 24 Ore, 28/4/04

Italy: AEEG Starts An Investigation On Cip6 Incentives Given To Gas Plants.

AEEG has decided to intensify controls on plants that are entitled to receive Cip6 incentives for production from renewable sources. Such plants include plants producing from renewables and plants that produce from fossil fuels but which, because of their technical characteristics and their efficiency, are considered as if they were producing from renewables (the so-called «assimilati»). Current Cip6 production amounts to about 54 TWh and incentive payments are expected to be around EUR 1,500 million in 2004. Incentives are paid by the GRTN to producers in the form of an administered price at which the GRTN buys CIP6 electricty. The cost of Cip6 electricity is paid for by consumers through tariffs. Given the high cost of Cip6, the AEEG has decided to intensify inspections on plants entitled to receive the incentives, particularly on the «assimilati», to verify that conditions required by law to receive the incentives are met.

Il Sole 24 Ore, 28/4/04

Moldova: Cancellation Of Electricity Grid Sale

The Moldovan Government has cancelled a tender to privatise two electricity distribution companies, RED Nord and RED Nord-Vest. The reason was that there was only one bidder, namely Russia's ZAO Inter RAO UES. The decision was taken following advice from the privatisation committee. Since there is only one bidder, an alternative would be to enter bilateral talks directly. The Moldovan law allows for such procedures, but it is unclear whether the Moldavian Government will pursue that avenue.

Interfax Daily Financial Report, 14/4/04

Netherlands: Networks To Be Legally Unbundled

After months of intense debate, Dutch minister of economic affairs Laurens Jan Brinkhorst announced plans for complete legal unbundling of supply and regional networks. TenneT, the TSO, will manage all high voltage levels including the 110kV grid. Transfer of the 50 kV grid is under investigation. The government has no intentions to privatise the networks soon, but the de-merged commercial companies may be divested. The deadline for the required new legislation is set at 1 January 2007. Most energy companies are fiercely against the plans. Their greatest fear is that, without the valuable networks, the energy companies will become easy pickings for the major European players.

Ministry of Economic Affairs press release, 29/4/04, 31/3/04; Het Financieele Dagblad, 9/4/04

Netherlands: Seminar On Regulatory Benchmarking Of European Tsos

Energy regulator DTe announced a project to benchmark European Transmission System Operators against one another. The project is being undertaken jointly by the regulators of the Netherlands, Austria, Norway and Denmark

DTe Press Release, 27/4/04

Netherlands: Invoicing Problems Largely Disappeared

According to a Lloyd's Register study, billing problems affecting Dutch business customers have largely disappeared. The minister of economic affairs hopes that all remaining problems will be solved by 1 July, the date of full de-regulation. Energy watchdog DTe's own quick scan also revealed that most companies are up to reasonable standards. Some worries remain over communication between companies when customers want to switch. DTe is hopeful everything will be solved before 1 July. In the meantime DTe publishes complaints about energy companies on its website, to inform consumers and put pressure on the energy companies to make progress.

DTe press release, 28/4/04, 6/4/04; Ministry of Economic Affairs, 5/4/04

Netherlands: Measures To Promote Electricity Trade Necessary

Energy regulator DTe advised the minister of economic affairs to take measures to promote trade in electricity, so as to enhance the liquidity of the market. A detailed study by DTe has shown that trade in electricity has stopped growing, and that the number of participants in the market decreased in 2003. DTe fears adverse effects for an efficient electricity market and proposes a number of measures to the minister.

DTe press release, www.nma-dte.nl, 23/4/04

Netherlands: Customers Satisfied With Reliability Electricity Grid

A study of the Stichting voor Economisch Onderzoek (SEO) has shown that small consumers and small and medium sized businesses are satisfied with the reliability of the electricity grids. A power failure of 30 minutes per year leads to a loss of EUR 50 million for all small users, that is approximately EUR 3 per household per year.

DTe press release, www.nma-dte.nl, 19/4/04

Netherlands: Dutch Final NAP Submitted

The Netherlands has delivered its draft final national allocation plan for the EU's emissions trading scheme. The plan covers 333 installations of which 259 are participating, and allocates 98.3 million tonnes CO2/year in the first phase.

Allocatieplan, www.minez.nl, 16/4/04

Netherlands: Gasunie Market Share Falls

Gasunie is feeling the effect of liberalisation. Its market share has fallen 55%, and its total sales volume dropped 3% to 77 Gm3 in 2003. Gasunie also set out plans for a Dutch national gas grid operator. The new operator (NLB) will be a fully-owned but independent subsidiary of Gastransport Services with a separate executive and supervisory board. Such a grid operator is required by draft legislation currently under debate in parliament.

European Gas Markets, 16/4/04

Netherlands: Wadden Drilling Might Get Go Ahead

The Wadden Sea Policy Advisory Group published a report saying that there was no evidence to prove gas production in the environmentally-sensitive Waddenzee would cause large–scale irreversible damage. As a result of this report the CDA, the biggest party in the coalition, is no longer opposed to drilling in the Waddenzee. A decision on drilling for gas is expected before the summer recess.

European Gas Markets, 11/4/04

Poland: Government Adopts Gas Market Regulations

The Polish Government has given up applying for a transition period for granting the third parties access to gas pipelines. It has adopted a programme envisaging the introduction of a competitive gas market. The Government also plans to separate the transmission system operator. The legal separation will come into affect by 1 January 2006. In accordance with a EU directive, the transmission system operator has to be separated from PGNiG by 1 July 2004 in order to create a competitive market for gas in Poland.

Polish Agency Press, 27/4/04

Portugal: The Government To Continue EDP's Privatisation Process

The Portuguese government intends to resume EDP's privatisation process at the beginning of 2005. However, such a privatisation will not be possible before the framework for extinguishing Portuguese power purchase agreements (PPAs) is fully defined. The Portuguese State directly owns a 26.1% stake in EDP, but has declared its intention to reduce its participation down to 10% at the beginning of 2005.

Diário Económico, 27/4/04

Portugal: Four Candidates To Acquire Galp Shares

José de Mello, Viacer, Carlyle and CVC have declared their interest in acquiring the 33.34% stake of Galp that, at a minimum, will be on sale. The government evaluated positively the four submissions received. The winner will replace ENI, the Italian oil company, in Galp's stakeholding. In words of the Economics Minister, Mr. Tavares, the interest shown proves that the energy sector restructuring process is appropriate.

Diário Económico, 27/4/04

Portugal: The Government May Offer The Sines LNG Terminal To REN

The Portuguese government is seeking a solution to the question of Sines LNG terminal ownership. This is a unique gas infrastructure in Portugal so its ownership can have an important impact on the development of competition in the Portuguese energy sector in the near future. Therefore, in order to avoid giving a competitive agent a dominant position (e.g. if an electricity generator owned the terminal), the government believes that REN should ideally be the owner of the installation. This outcome would coincide with the vision for the sector recently stated by the Portuguese antitrust authorities. The government believes that REN would be more likely to provide regulated access under transparent and non-discriminatory criteria.

Semanário Económico, 27/4/04

Portugal: REN To Continue The Electricity Production Land Properties Selling Process

The Portuguese electricity transmission company, REN, will continue selling the land it held for electricity production purposes. The objective of this sale is to eliminate the deficit that resulted from the lack of remuneration of these land properties in the past. The amount collected will allow REN to fully recover the deficit accumulated between 1999 and 2003, and estimated at EUR 150 million (US$ 180 million).

Diário Económico, 23/4/04

Portugal: Brussels To Decide On EDP Electricity And Gas Concentration

The President of the Portuguese Competition Policy Authority, Mr. Mateus, commented that the investigation into EDP's planned acquisition of Galp's gas assets is likely to take place in Brussels. Mr. Mateus recently declared that gas assets should be kept out of EDP's hands because competition would otherwise be distorted.

Diário Económico, 22/4/04, 16/4/04

Portugal: OMIP To Start Operations

The Portuguese market pole of the Iberian electricity market, OMIP, started operations on 21 April on a trial basis. The President of OMIP, Mr. Almeida, declared that over the coming months the forward pool will simulate electricity market results, as if it were fully operational. The new date for start of real operations is set to 1 July. It is also envisaged that in April 2005 stakes in OMIP will be offered to agents other than REN and OMEL, who currently own 90% and 10% of the shares respectively. No shareholder will be allowed to own more than 5% of the company as of that date.

Diário Económico, 20/4/04

Portugal: The Government Passes The PPAs Extinction Decree-Law

The Council of Ministers approved the Decree-Law required to extinguish existing PPAs between REN and electricity producers. The manner of compensation to producers for the early extinction of the PPAs is still being analysed by the European Commission. The Decree-Law foresees that these compensatory measures will not lead to increases in electricity tariffs because the compensation schedule is stretched over a long time period.

Diário Económico, 15/4/04

Portugal / Spain: The Starting Date For The MIBEL Delayed

The Iberian Electricity Market (MIBEL), which was supposed to be launched on 20 April 2004, has been delayed due to the change of government in Spain. The MIBEL has been ratified by the Portuguese Parliament, but it is still to be ratified by the Spanish one. In addition, the Spanish government has to approve a Royal Decree laying out the regulations for the new market. The introduction of MIBEL has suffered various delays since both governments agreed to its creation in 2001. Both the Spanish and Portuguese energy authorities have however reaffirmed their commitment to the creation of the MIBEL and have announced it will start operating over the coming months. The MIBEL will be the fourth largest market in the European Union in terms of generation, and the fifth in terms of consumption (with 53 million consumers).

La Gaceta de los Negocios, 20/4/04; El País, 20/4/04, 12/4/04

Romania: Privatisation Of Two Power Suppliers

Romania has recently launched the sale of two more electricity distributors. The two electricity distributors are Electrica Moldova SA and Electrica Oltenia SA. International lenders had demanded that Romania sell electricity distributors in order to restructure its ailing power industry.

Reuters News, 28/4/04

Russia: Gazprom Will Not Be Privatised

GAZPROM has denied the possibility of a division or a potential privatisation. Market analysts had assumed that the division or privatisation of GAZPROM would be an important step in Russia's transition to a fully free market economy.

WPS: Russian Oil & Gas Report, 12/4/04

Slovenia: Amendment Of Energy Act To Envisage Liberalisation

Slovenian lawmakers have passed changes to the Energy Act which transpose two EU directives on electricity and gas into national law. The amendments make it possible to privatise the largest Slovenian company, the power plant group Holding Slovenske Elektrarne. The amendment also ensures that power companies cannot cut off power supply to poor households. Furthermore, it allows up to 70,000 users to negotiate the price and delivery terms independently with a power supplier of their choice. The amendment requires grid operators to be independent from power suppliers and other energy enterprises. Following these legal changes, it is now also possible in Slovenia to issue public tenders for new capacity in situations where Slovenia is threatened by the prospect of power shortages.

Slovenska Tiskovna Agencija (SFA), 23/4/04

Spain: Spanish NAP Will Be Published In June

Following the parliamentary elections of 14 March 2004, the new team in charge of designing the Spanish National Allocation Plan has committed to presenting a draft in June. The NAP will determine the CO2 emissions rights allocated to each plant included in the European emission rights market for 2005-07. The director of the Climate Change department of the Ministry of the Environment, Mr. Arturo González, foresees the final plan will be submitted to the European Commission before the end of September. Mr. González has announced the establishment of light emissions objectives for the first trading period 2005-07, although Spain does not intend to renegotiate its Kyoto commitments. Mr. González also confirmed that companies will be allowed to pool their rights.

La Gaceta de los Negocios, 28/4/04; Cinco Días, 28/4/04

Spain: Endesa Authorised To Increase Its Participation In Snet

The European Commission has authorised the purchase by Endesa of 35% of the shares of Snet (Société Nationale d'Electricité et de Thermique), in addition to the 30% that Endesa had already acquired in 2000. Snet is the largest independent utility in France, with 2.5% of the installed capacity in this country. The European Commission considers the deal to be consistent with European competition rules and the European internal energy market. The operation still has to be approved by the French authorities.

Cinco Días, 22/4/04

Spain: Endesa To Compensate Customers For Past Outages

From April 2004 onwards, Endesa will include discounts in its bills to compensate consumers in Catalonia for the outages they suffered in 2003 and 2002. The amount of the discounts differs between urban, semi-urban and rural areas, and depends on the number of outages and their duration. Endesa is not required to compensate consumers in the areas in which it will conduct investments to improve quality of service. National regulations establishing the quality of service discount entered into force in January 2004, meaning that quality of service will be tracked in most of Spain as of that date. However, the Catalonian regional government approved a resolution that anticipated the application of the discounts by two years, and thus Catalonia is the first region in Spain to apply discounts associated with quality of service levels established in the national regulation on quality of service.

Expansión, 20/4/04; La Gaceta de los Negocios, 15/4/04

Spain: Utilities' Appeals Against Tariffs Accepted By The Courts

The Spanish Supreme Court has decided to accept the appeals presented by the Spanish utilities against Royal Decree 1802/2003, which establishes the electricity tariffs for year 2004. The Spanish utilities consider that current tariffs do not allow for the recovery of all the costs associated with the provision of the service. In addition, the Supreme Court has decided to accept the appeal of Endesa against Royal Decree 1747/2003, which regulates the electricity generation, transmission, distribution and supply activities in the Spanish extrapeninsular regions, and which introduces some degree of competition.

Expansión, 14/4/04

Switzerland: The September 2003 Blackout And Its Aftermath---What Are The Long Term Consequences?

Following the September 2003 blackout, the Union for the Co-ordination of Transmission of Electricity (UCTE) has now published a report that examines the reasons for this event. According to the UCTE, key reasons were the lack of communication between Swiss and Italian network operators, a misinterpretation of the situation by the Swiss network operator, and a lack of emergency procedures for such an eventuality. A report on the same issue released by the Swiss Ministry for Energy (BFE) had blamed the quickly growing and highly unregulated international trade in electricity. UCTE argues that an independent network supervisor is hence needed to avoid similar incidents in the future. Until now, Switzerland has had no independent supervising body in the electricity sector.

Wirtschaftsblatt, 22/4/04

NORTH AMERICAN NEWS

US: Electricity Oversight Plan Moves Forward In Oklahoma

Members of the Southwest Power Pool (SPP), the body in charge of coordinating the transmission of electricity in Oklahoma and six nearby states, put the final touches on a plan that will change the way electricity is managed and moved regionwide. SPP members signed off on changes required to convert SPP into a Regional Transmission Organization.

Tulsa World, 28/4/04

US: South Carolina Utility Seeks To Raise Electricity Rates

SCE&G has asked utility regulators for permission to raise electricity rates to cover rising coal costs. The company made the request for a 1.66 percent rate increase to the S.C. Public Service Commission. The commission was holding an annual state review of costs that drive electricity rates. The proposed rate increase adds US$1.44 per month to the power bill of a home that uses 1,000 kilowatt-hours of electricity monthly. If approved by the commission, the increase would not boost profits for South Carolina Electric & Gas. It would pass on to consumers the rising cost of coal, which produces about 70 percent of the company's electricity.

The State, 22/4/04

US: Most Texas Consumers Didn't Switch Providers After Deregulation

For more than two years, Texas consumers have been bombarded with phone calls, advertisements and door-to-door pitches about changing their electricity service. The reaction from the vast majority: Nothing. Almost 28 months into electric competition, millions of consumers have scoffed at the notion of switching from their longtime providers. But as state officials prepare for the first full-scale review of the electric deregulation law and the agency that implements it, they'll face a question that many had hoped would never come up: What happens if Texans don't switch?

Ever mindful of potential cost savings, big businesses and other large users have quickly embraced the right to change electricity providers. But residential customers, for whatever reason, haven't proved as price-conscious. As of December, in areas of the state open to competition, 14 percent of residential consumers received power from a provider that hadn't traditionally served the region. Residential switching has slowly inched upward since the market opened, but every region remains dominated by the incumbent such as TXU Corporation in North Texas.

The Dallas Morning News, 18/4/04

US: FERC Proposes New Market Power Test For Utilities

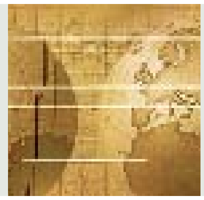
The Federal Energy Regulatory Commission (FERC) proposed a new way to measure whether U.S. utilities can unfairly dominate a market on their home turf. FERC wants to prevent vertically integrated utilities from using control of their grid networks to discriminate against other companies that ship power across their grids. U.S. utilities that fail the new proposed test would lose their ability to sell wholesale power at market-based rates unless they agree to combine their transmission assets into super-regional groups run by independent administrators. The new approach would replace the FERC's old "hub-and- spoke" method for measuring market concentration with a test that weighs a region's peak power demand and whether utilities can unduly influence prices when supply is the tightest.

Reuters, 14/4/04

US: California Power Market Vulnerable To Manipulation

California's electricity trading market remains vulnerable to manipulative strategies linked to its 2000-01 energy crisis, according to the state's attorney general. Three years after supply shortages led to rolling blackouts and bankruptcy of California's biggest utility, California agencies and the Federal Energy Regulatory Commission (FERC) are still at odds over how to close the door on the debacle. FERC has approved refunds of about US$3,300 million for overcharging by energy companies after finding widespread market manipulation by bankrupt energy trader Enron Corp. and others. The state claims it is still owed about US$9,000 million by suppliers. California Attorney General Bill Lockyer said there is lingering potential for energy companies to attempt the kinds of "epidemic" market manipulation that FERC found in its investigation.

Reuters, 13/4/04



US: Blackout Task Force Cites Institutional Problems With NERC Reliability Rules

The currently voluntary reliability rules of the North American Electric Reliability Council (NERC) create a number of institutional problems that result from the fact that NERC "has no structural independence" from the industry it represents and has no authority to craft strong reliability standards and to enforce compliance with those rules, a joint U.S.-Canada task force examining the 14 August 2003 blackout concluded. The task force said that although NERC's provisions address many of the factors and practices that contributed to the blackout, some of the policies or guidelines are inexact, non-specific or lacking in detail, allowing divergent interpretations among reliability councils, control areas and reliability coordinators.

NGI's Power Market Today, 7/4/04

Mexico: CRE Guarantees Generation Permits

The Energy Regulatory Commission (CRE) ensured that all the generation permits provided are valid and legal. The announcement responded to observations by the Congress' controller (ASF). The Ministry of Energy supported CRE's position.

Reforma 23/4/04; El Economista 15/4/04;

CENTRAL AND SOUTH AMERICAN NEWS

Argentina: Government Cuts Gas Export To Chile

As a way to solve the current domestic energy crisis, Argentina's government started rationing natural gas supplies to Chile. According to the Chilean Minister for Economy and Energy Jorge Rodriguez Grossi, the rationing will not reduce electricity production in Chile, since the affected power generators will work with coal or will be converted to diesel fuel. The rationing decision affects three Chilean thermo-electric power generators: one belonging to the SIC central power grid and two from Northern Chile's power grid. Chile imports almost 90 percent of the natural gas it consumes from Argentina. Following the Argentinean decision to cut gas exports to Chile, the Chilean government lodged a formal diplomatic complaint.

Business News America, 7/4/04; Santiago Times, 1/4/04

Argentina: Government Suspends Planned Power Cuts

On Tuesday 30 March, the Argentine government suspended its plan to ration power. The decision came after the government reached an agreement with Brazil to import 500 MW of power. Brazilian electricity will be delivered via a power line belonging to Spanish firm Endesa. According to the Cabinet Chief Alberto Fernandez, the agreement with Brazil will ensure an adequate supply of gas and electricity to residential and industrial customers for several months. Imports of electricity from Brazil will help to resolve the energy crisis in Argentina, which also forced the Argentine government to cut natural gas exports to Chile and electricity sales to Uruguay.

EFE News Service, 31/3/04

Bolivia: Government Approves Gas Exports To Argentina For Six Months

On 21 April 2004, Nestor Kirchner and Carlos Mesa, Argentinean and Bolivian presidents respectively, sealed a deal whereby Bolivia will sell 4 million cubic metres a day of gas to Argentina during the next six months. According to the terms of the agreement, Argentina will pay a wellhead price of US$0.98/mBTU for the Bolivian gas, over twice the average price of US$0.45/mBTU paid by industrial customers on the Argentinean internal market. The duration of the agreement is limited to six months, although it can be renewed. The gas will be exported by Repsol YPF and Petrobras to Argentina and will come from the San Alberto and San Antonio fields in the Tarija region. The agreement stipulates also that the gas must only be used within Argentina and cannot be re-exported to Chile. Argentina's planning minister Julio de Vido commented that the agreement will contribute to easing the energy crisis in the short-term, but admitted that it cannot be a lasting solution, given the high growth rate of the Argentinean economy, and there is desperate need for investment in gas production within Argentina.

Business News America, 22/4/04; Latinnews Daily, 22/4/04

Bolivia: National Referendum On Gas Exports Convened For July

The Bolivian President Carlos Mesa has convened a public referendum on gas exports for 18 July. Mesa decided to convene the referendum through an executive decree on 13 April, after waiting in vain for the congress to approve the necessary referendum convocation law. According to the secretary of the governing constitutional assembly, Ricardo Paz, the decision by Mesa to convene the referendum without a congressionally sanctioned referendum law has the support of the national electoral court (CNE). The finance ministry has assigned a budget of 20 million bolivianos (US$2.5mn) for the referendum.

Business News America, 22/4/04; 21/4/04

Brazil: Power Company COPEL Seeks Self-Supply Through 2015 In Spite Of The New Brazilian Electricity Model

The integrated Brazilian power company COPEL has filed an application with electricity regulator Aneel to extend a contract between its generation and distribution units through to 2015 and to maintain intra-company power sales. Under the current contract – which is due to expire in 2005 – COPEL distribution unit pays its generation sister company 62 reais/MWh (21 US$/MWh) for power. The extension of the COPEL self-dealing contract goes against one of the main requirements of the new Brazilian power sector model. In order to increase competition and transparency, under the new rules companies are given up to three years to separate generation and distribution units and self-dealing will come to an end, since all the power must be sold through auctions. According to COPEL CFO Ronald Ravedutti, the separation of business increases volatility in power purchase prices, makes administrative costs and taxes higher, and reduces possibilities of synergies and economies of scale.

Business News America, 6/4/04

Uruguay: Electricity Company Ute Considers Legal Action Against Cammesa

The Uruguayan state electricity company UTE is considering legal action against Argentina's wholesale power regulator Cammesa after the latter decided to suspend power exports to Uruguay on 24 March. Argentinean electricity exports to Uruguay currently account for 20% of the Uruguayan electricity demand. Daniel Cameron, Argentina's energy secretary, denied that Cammesa or the government had any responsibility for the "quantity or quality" of electricity supplied to UTE.

Business News Americas, 6/4/04

ASIA-PACIFIC NEWS

Australia: Power Price Rise For Small Customers

The regulator for New South Wales has released a draft decision on retail electricity prices, allowing modest price increases for small customers (using less than 160MWh per year) who have not yet moved to a competitive contract. The average annual increase allowed in retail tariffs ranges from 4.7% to 5.5%, among the four retailers. A typical residential customer would pay up to A$ 52 (US$ 40) extra per year. The rises reflect recommended increases in distribution network prices.

www.ipart.nsw.gov.au, 30/4/04

Australia: Queensland Regulator Decides On Service Incentives

The Queensland Competition Authority has decided on a regulatory contract approach to service quality incentives for electricity distributors, to apply from July 2005. Specific target service quality levels will be agreed in the process of establishing capex and opex building blocks, and will become part of each company's contract with the Authority. This final decision confirms the draft decision released in February.

www.qca.org.au, 20/4/04

China: Competition Looms For East And South China

The state media reported that introduction of partial competition into the East China wholesale power market is now scheduled for May. It is expected that the market will be progressively liberalised in a three-phase program. In the first phase a minority of the power supplies within the region will be priced on the basis of generator bid, rather than power sales tariffs. Also provincial power purchasers will be able to buy part of their electricity needs from generators operating anywhere in the region rather than being tied to one supplier.   In the South preparatory work has begun to establish a partly competitive wholesale market.

Platts Power in Asia, 29/4/04; 1/4/04;

India: Indian Tariff Changes Cause Concern

The Indian national regulatory authority has announced a new set of five-year tariffs, which have provoked criticism from power companies who claim their earnings will be adversely affected. The tariffs apply to operating power stations and transmission projects implemented before April 2004. They include a cut in the rate of return on equity from 16 to 14 per cent. Further changes include the treatment of depreciation charges, interest on loan and working capital, and operation and maintenance expenses.

Platts Power in Asia, 15/4/04

India: Indian Renewable Developers Hit Tariff Hitch

The state power regulatory in Andhra Pradesh (Aperc) has imposed a new tariff system, which cuts the price of power purchased by the state-run transmission company from most renewable energy projects. The system breaks the uniform renewable energy tariff applied across India and applies different tariffs to different types of renewable projects. Only wind and municipal waste plants will be able to retain the existing tariff. All other projects must switch to the two-part tariff system commonly applied to fossil-fired projects. Biomass developers halted generation for three days in early April in protest at the tariff cut. They have now demanded that the state government take over their projects and compensate them for investments totalling US$181.8 million.

Platts Power in Asia, 15/4/04

Indonesia Draft Ruling Makes Oil Firms Offer Stake To Local Investors

Bisnis Indonesia reported the introduction of a new draft government regulation requiring oil and gas firms to offer a 10 per cent stake in contracts to companies owned by local governments of the regions in which they operate. The clause is part of a draft government regulation for the oil and gas upstream sector. The new regulation must be issued in support of the oil and gas law passed in 2001.

AFX – Asia, 3/30/04

Philippines: Kepco Sets Out Its Stall

The Philippines government has successfully increased efforts to persuade private investors to build more power plants, to avert the looming power crisis. The Korea Electric Power Corporation (Kepco) has announced plans to expand its investment in the power sector over the next several years. Kepco has also signalled interest in purchasing some of the generation assets of the state-owned National Power Corporation (Napocor), which are being privatised.

Platts Power in Asia, 29/4/04

Philippines' Business Group Seeks Immediate Refunds From Meralco

The Federation of Philippine Industries (FPI) has issued a statement requesting a reduction in the electricity bills Meralco charges its members, BusinessWorld newspaper reported. Meralco has received approval from securities regulators to sell as much as US$600 million in international bonds to refinance maturing debts. Part of this sum will be used to cover US$300 million worth of repayments it is required to make to commercial and industrial customers

Platts Power in Asia, 29/4/04; AFX – Asia, 13/4/04; 6/4/04;

Philippines: Manila Sells First Power Plant

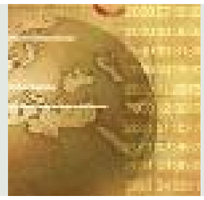
The Power Sector Assets and Liabilities Management Corporation (PSALM), the corporation set up to sell the assets of the National Power Corporation (Napocor) has sold the first electricity generation asset. The plant has been sold to a subsidiary of the local Aboitiz Group. The sale comes after a series of extensive delays to the privatisation process. PSALM's list of generation plants in the privatisation program is now expected to raise US$26 million.

Platts Power in Asia, 1/4/04

Thailand: EGAT Workers Protest Against Alleged Government Backtrack Over Privatisation

The new EGAT board has made a resolution to end the planned privatisation of EGAT. Ten representatives of the new board signed an agreement on their joint stance against privatisation plans of utility authorities including EGAT. The government has since vowed to go ahead with the privatisation, adding that the plan must continue as the Cabinet has already endorsed it. The Thai administration is faced with a major showdown this week, as EGAT workers conduct partial work stoppages and a major May Day demonstration over the alleged government backtracking.

Thai News Service, 29/4/04, 28/4/04



Thailand: Egat Set To Become Fuel Buyer

The Thai government may allow the Electricity Generating Authority of Thailand (EGAT) to purchase its fuel requirements directly from producers rather than via the state-owned PTT. The move is part of a strategy to secure long-term fuel supplies for electricity generation, according to the Bangkok Post newspaper. The strategy is also intended to improve the position the state-owned Electricity Generating Authority of Thailand (Egat) ahead of its currently postponed privatisation.

Platts Power in Asia, 1/4/04

Turkey: Further Gas Distribution Licence Awarded

The Turkish Energy Market Regulatory Authority (EPDK) continued the process of awarding city gas distribution licences to private companies, with a view to reducing the dominance of Botas, the state gas and pipeline company. EPDK and has so far held tenders for 18 licences. The most recent tender, for Karadeniz Eregli–Duzce in northern Turkey was won by Aksa Dogalgaz Dagitim, who bid a distribution price of $0.034/kWh.

Turkish News Digest (Factiva), 15/4/04

Our Practice

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 minimizing new risks, including issues related to climate change and other environmental initiatives.

We help our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organizations. Our work also includes designing and conducting energy auctions, providing strategy and valuation, advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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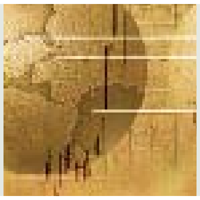

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