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Reporting on energy regulation around the world

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EUROPEAN NEWS

UK; Ofgem Eyes BETTA Incentive Scheme

Ofgem is considering ways to extend National Grid Transco's (NGT's) System Operator (SO) Incentive Scheme across Britain following the introduction of British wide trading arrangements next April. A consultation document sets out ways in which Ofgem plans to give NGT an incentive to minimise the costs of operating the transmission system and balancing real time supply and demand for electricity. Ofgem is expected to extend the existing scheme for two years. However, it is looking for industry's views on whether a sliding scale incentive scheme is appropriate for the GB wide scheme, on sources of uncertainty surrounding GB SO costs, and on Ofgem's proposals for mitigating that uncertainty.

Platts Power UK, 22/10/04; Ofgem press release, 15/10/04



UK: Transmission Charging: Ofgem Publishes Impact Assessment.

Ofgem has published a consultation and impact assessment on two proposals for a common approach to paying for connection to, and use of, the high-voltage transmission system under a GB wide electricity market. The impact assessments, carried out by the National Grid Company (NGC), follow a consultation process that began in December 2003. The NGC will be the transmission system operator responsible for charging for the transmission system from April 2005.

Ofgem press release, 15/10/04

UK: Ofgem Gas Price Probe Findings

OFGEM announced the findings of its probe into high prices in the UK Gas market. The probe was originally set up to examine high gas prices in October 2003 but was extended to also consider high gas prices this summer and for this winter. The probe found that the primary causes of high prices were record oil prices feeding into GB gas prices through oil-linked gas prices on the continent and declining UK gas supplies. However Ofgem also called on the European Commission to put more resources into making competition work in Europe and has said it would examine why some UK gas supplies did not reach the market.

Ofgem press release, 5/10/04

Austria: Compromise On Amendment Of Eco-Energy Law

The Austrian Minister for Economic Affairs, Mr Martin Bartenstein, and the Minister of the Environment, Mr Josef Pröll, have finally agreed on a revised version of the Austrian eco-energy law. The amendment will probably be discussed in parliament on 3 December 2004. The core of the amendment is that Austria will seek to increase the proportion of electricity production from renewable sources from 4% in 2005 to 7% in 2010. Meanwhile, the Austrian Government also made provision for support to operators of renewable plants both directly and indirectly in order to allow them to recover their investments.

Energy & Management, 1/11/04

Belgium: End Of Free Green Transit In Flanders

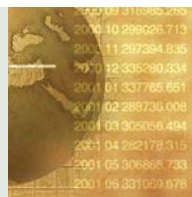
In order to avoid going to the European Court of Justice, the Flemish Government removed the provision that green power produced in Flanders could transit freely on regional networks. The Flemish government said it would implement new measures to encourage green power but did not give additional details.

Platts EU Energy, 21/10/04

Belgium: Electrabel Unbundling To Favour Competition

A study commissioned by the regulator CREG concluded that the Belgian electricity market was too concentrated, especially in the generation, trading and supply businesses. The study recommended the unbundling of Electrabel into three or four separately owned companies in order to increase competition. This would mean that Electrabel would have to sell some of its generation capacity. Electrabel management stated it had no intention of undertaking such measures.

Agence Belga, 20/10/04



Bulgaria: E.On/Powergen Takes Stakes In Two Bulgarian Energy Distributors

E.On/Powergen has taken a 67% stake in two Bulgarian energy distributors in a deal worth £98.3 million. Officials in Bulgaria have pointed out that the deal is key to Bulgaria's efforts to liberalise its energy sector in preparation for joining the EU and the creation of the common market in 2007. Meanwhile, the Bulgarian government has announced that it would sell its five remaining utilities in two other packages to Austria's EVN and Czech utility CEZ.

Birmingham Post, 29/10/04

Bulgaria: Bulgarian Government Gives Go-Ahead For Austria's EVN

The Bulgarian Government has given its go-ahead for Austrian power firm EVN to buy two southeastern power distributors for EUR 271 million. EVN won a tender in July to buy a 67% stake in two of Bulgaria's seven utilities which the Bulgarian state has sold in an attempt to restructure its energy market and to keep its position as a leading power exporter in the Balkans. This approval happened at the same time as the approval of a deal with German utility E.On. E.On will acquire a controlling stake in two northeastern utilities.

Reuters News, 21/10/04

Bulgaria: No Duties, Fees On Electricity Trade On Balkan Energy Market

Following agreement on the setup of a unified energy market in the Balkans, duties and fees on trade in natural gas and electricity in southeastern Europe will be dropped. The move follows the draft contract for the establishment of a unified energy market, prepared by the European Commission and coordinated with Albania, Bulgaria, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, Romania, Turkey and the U.N.-run Serbian province of Kosovo. The unified energy market is expected to make investors more confident in the market.

Bulgarian News Digest, 11/10/04

EU Commission Urges Liberalisation

The EU Commission has warned 17 European countries to proceed with the liberalisation of their energy markets and to ensure that the EU directives are soon implemented into national law. Countries affected were Germany, Great Britain, Italy, Belgium, Spain and Portugal, among others. The Commission pointed out that monopoly power of incumbents remained in these countries which would prevent efficient competition from taking place.

Energie & Management, 1/11/04

EU: Commission Feels Clauses In GDF-ENI And GDF-ENEL (Gas) Contracts Are In Breach Of Competition Rules

The European Commission has published two decisions that the territorial restriction clauses contained in two transport/services contract that GDF concluded with ENI and ENEL shortly before the market opening in 1997, are in breach of article 81 of the Treaty. These contracts relate to the transportation of natural gas. Under the GDF-ENI contract, GDF carries out the transportation for gas bought by ENI on French territory up to the Swiss border. The contract forces ENI to sell this gas downstream of the re-delivery point, i.e. not in France. Under the GDF-ENEL contract, GDF wanted to swap liquid natural gas bought by ENEL in Nigeria and the contract obliged ENEL to use the gas only in Italy. The Commission decided that these clauses were in breach of European competition rules. Nonetheless, the Commission decided not to impose any sanctions.

Agence Europe, 28/10/04



EU: Call For More Transparent Funding On Nuke Liabilities

The European Commission plans to urge member states to make completely transparent how they operate their funding for managing the decommissioning and waste of nuclear power plants. The European Parliament expressed its concerns that some nuclear operators may be using these funds in a way that might distort competition in the single market.

Platts Commodity News, 27/10/04

EU: Agreement On Gas Storage Guidelines To Be Reached

The head of the incoming German energy regulator, Mr Mathias Kurz, has announced that it is likely that the EU will agree on guidelines for the continent's natural gas storage market on a meeting in December. The aim is to derive a clear storage market concept that ensures the functioning of the European gas market. It is anticipated that the European Commission will agree on basic guidelines on 03 December.

Reuters News, 19/10/04

France: French Gas Prices To Increase, Electricity Prices Not

According to the French newspaper Le Figaro, gas tariffs will increase by 8.2% in the coming days. GdF did not confirm this information and the regulator (CRE) said it had not been consulted on gas tariff increases. Earlier in October, the Prime Minister had said that electricity prices would not increase during the winter but that gas prices could, as they were driven by imports correlated to prices.

Le Figaro, Agence France Presse, 29/10/04

France: Auction For Gas In Southwest France

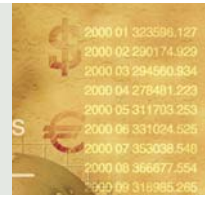
Following a request by the regulator (CRE), Gaz de France (GdF) and Gaz du Sud-Ouest (GSO) sold off gas contracts in southwest France via an auction. GdF sold 6 TWh of gas per year over three years to Total (France), Distrigaz (Belgium) and Gas Natural (Spain). GSO sold 1.1 TWh per year; the buyers were the EDF and Iberdrola. The operation was intended to limit the GdF-GSO monopoly on southwest France's gas market.

La Tribune, 29/10/04

Germany: Green Electricity Costs EUR 2,200 Million

According to a press statement released by the German energy association VDEW, green energy comes at a price. The VDEW has estimated that prices for green energy will rise by about 16% in comparison with the previous year. This means that consumers will have to pay approximately EUR 2,200 million for green electricity due to provisions made in the renewable energy law. The VDEW furthermore estimates that the price for green energy (approximately 9 EUR Cents) is about three times its market value (3,7 EUR Cents).

VDEW, 1/11/04



Germany: BEB To Develop Its Entry-Exit System

The German BEB Transport und Speicher Service GmbH has announced it will revise its entry-exit system to include a virtual trading hub. For a one-off fee of EUR 250,000, the system allows shippers to access the virtual hub where they can sell surplus volumes. Virtual hub trading is of particular interest for those companies who receive gas through Bunde/Oude, who are active at the Dutch Title Transfer Facility (TTF) and who have customers in that area. BEB's revised entry-exit system most closely resembles the Dutch TTF system. To the surprise of many critics and government officials in Germany, BEB has demonstrated that it is possible to introduce a network access system which does not impose many restrictions on flexibility and which does not reduce available capacity.

European Gas Markets, 29/10/04

Germany: Draft Provisions For New Model Of Network Access

The German Ministry of Economics has released an official draft of an ordinance providing for a new model of network access for the gas market. The Ministry has concluded that the current model of point-to-point transportation (where shippers have to book capacity for particular pipelines from a particular entry point to a specific exit point) would not stimulate competition. After a series of revisions, the Ministry now has developed a model which is very close to the BEB's. The BEB recently presented its own version of an entry-exit model. The Ministry now has suggested a similar model where every single network operator has to introduce an entry-exit system that allows shippers to transport gas in a flexible way between booked entry and exit points.

European Gas Markets, 29/10/04

Germany: Energy Prices In Germany Still Amongst Highest In Europe

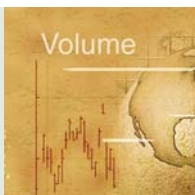
A recent survey commissioned by the German research institute DIW has revealed that prices for energy are still amongst the highest in Europe. A private household with an annual consumption of 3,500 kWh would only face higher prices in Italy and Portugal (before tax) and Denmark, Italy and the Netherlands (after tax). The DIW also points out that there still has been no significant progress in the liberalisation of the gas market. According to the DIW, competition in the German energy markets is "underdeveloped" and as a result, prices for industrial and private consumers remain relatively high.

Dowjones VWD News, 28/10/04

Germany: Government Decides To Change Amendment Of Energy Law

The German Government has decided to strengthen the powers of the future German energy regulatory authority. It has decided that network operators shall seek the approval of the authority ex-ante, i.e. before implementing their tariffs. This represents a major change, since the Government and the German Minister for Economic Affairs, Mr Wolfgang Clement (Social Democrat), long favoured so called ex-post regulation over ex-ante regulation, claiming that ex-ante regulation would be too complicated in the German case. The changes were introduced following the intervention of the German Bundesrat, the chamber of state representatives. The amendment of the new energy law will now be changed, reflecting these issues.

ddp Basisdienst, 27/10/04



Ireland: Integration Of BGÉ Transmission And Distribution Business Units

The Commission for Energy Regulation has authorised Bord Gáis Éireann to integrate its transmission and distribution business units into Asset Management and Network Operator business units.

CER, 10/04

Ireland: Gas Code Of Operations Preliminary Legal Drafting

On 23 July 2004 the Commission for Energy Regulation published revised Entry-Exit Business Rules, which would form the basis for a proposed new Unified Code of Operations for gas transportation, to be implemented on 1 April 2005. This month, on behalf of Bord Gáis Éireann, Ireland's gas transporter, the CER published the proposed legal drafting for six sections of the new Unified Code of Operations and a Bord Gáis Éireann note to Shippers which sets out a brief overview of the legal drafting. This drafting has not yet been reviewed by the CER.

CER, 8/10/04

Ireland: Transmission And Distribution Use Of The System Revenue And Tariffs 2005

The Commission for Energy Regulation (CER) published the final determinations of transmission and distribution allowed revenues for 2005 Use of System Tariffs and approved the Transmission Loss Adjustment Factors for 2005. Compared with 2004, the transmission charges for 2005 represent a decrease of 8.4% in the average unit price of providing a transmission service and a 2.1% increase in distribution charges.

CER, 6/10/04

Italy: The Antitrust Authority Fines ENI

After an investigation begun in March 2004, the AGCM – the Italian Antitrust Authority – has imposed a fine of EUR 4.5 million on ENI for unduly deferring compliance with a previous decision by AGCM. In November 2002, AGCM decided that ENI had abused its dominant position in the Italian gas market and imposed remedies aimed at removing entry barriers for ENI's competitors. However, according to the Authority, ENI failed to adopt appropriate measures in a reasonable time; as a result, ENI has persisted in the abuse of its dominant position and hampered the liberalization of the Italian market for natural gas. The AGCM therefore decided to sanction ENI for its behaviour.

AGCM press release, 25/10/04

Italy: Results Of The ENEL3 Public Offering

The Italian Ministry of Treasury has made known the results of the ENEL3 public offering. After the government decided to exercise the greenshoe option, the total number of shares sold amounted to 1,150 million, approximately 19% of ENEL's capital. As a result, the government's share in ENEL falls from 50.35% to 31.4%. The demand for shares was approximately 2,900 million, meaning they were over-subscribed by about 3 times. The share price was set at EUR 6.64 per share, with the resulting gross value of the sale amounting to EUR 7,600 million.

Ministry of Treasury press releases, 25/10/04, 23/10/04



Italy: Western Libya Gas Project Inaugurated

On 7 October ENI and NOC, the Libyan state oil company, announced the completion of the Western Libya Gas Project. This project, launched in 1999 and now completed on schedule, allows Libyan natural gas to be exported and traded in Europe. The gas – coming from the Wafa field in the desert and Bahr Essalam, offshore – is sent to the Mellitah processing and compression station and then transported to Italy through the Greenstream pipeline. Greenstream is also the first (and so far only) pipeline built since the Italian natural gas market was opened to competition; it will bring 8,000 million cubic metres per year of natural gas to Italy, which will be entirely sold to ENI's competitors.

ENI press releases, 8/10/04

Netherlands: DTe Starts Publishing Information On "Green" Power Suppliers

DTe will start publishing overviews of suppliers of "green" power, arranged by price, from 1 November 2004. DTe has decided to start publishing this information because the Government will end the discount on energy tax for green power from 1 January 2005, which may have a price raising effect. DTe is also conducting an investigation into the price comparisons offered by various websites and energy companies, in order to assess whether customers can obtain complete and accurate information from these sources, and decide whether further measures are necessary to increase transparency.

DTe, www.dte.nl, 22/10/04

Netherlands: Retail Price Hikes In Dutch Gas Sector

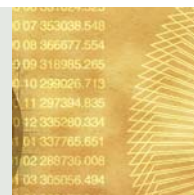
According to energy suppliers Essent and Nuon, Dutch households will have to pay at least 130 more for gas in 2005. This prediction is based on quotes the two companies have received from gas wholesaler Gasunie. Some political parties have called for reinstating price controls, which were abolished in July this year. The Ministry of Economic Affairs says such reinstatement would contradict the principle of liberalisation and not be allowed by the European Commission. Gasunie has denied claims by Essent and Nuon that its dominant position on the natural gas market plays a role in the higher prices. Gasunie says that alternative suppliers are available and that it is also putting up prices to compensate for the high costs of oil.

Platts International Gas Report, 22/10/04

Netherlands: Ministry of Economic Affairs To Allow Sell-Offs

The Dutch Ministry of Economic Affairs is to allow local governments to sell off up to 49% of their shareholdings in regional gas and power network companies, and 100% in any remaining trading/supply businesses, on condition that these businesses have been fully separated from each other by 2007. The current local government shareholders will be the only parties allowed to have a stake in both network and production/trading/supply companies. Many local government shareholders as well as the energy companies themselves are strongly opposed to the split of network and commercial activities.

Platts International Gas Report, 22/10/04



Netherlands: DTe Formally Introduces Quality Regulation

DTe has formally introduced quality regulation for the Dutch electricity sector, by issuing its final methodology for setting the quality term, as well as setting final quality terms for the period 2004 to 2006 (applied retrospectively from 1 January 2004). Network operators that have more interruptions than the norm set by DTe must lower their tariffs, whilst those who have fewer interruptions can raise their tariffs. The scale of the tariff adjustment is based on the level of damages suffered by consumers in case of an interruption. DTe says it is the first energy regulator in Europe that has introduced this form of economic regulation.

DTe, www.dte.nl, 12/10/04

Netherlands: DTe Wants To Adjust “Supplier Model”

DTe wants to adapt the so-called “supplier model” (“leveranciersmodel”), under which final customers receive a bill that not only reflects the costs of the supply company, but also those of the network operator. A KPMG report commissioned by DTe found that the current “model agreements” (“modelovereenkomsten”) between suppliers and network operators, which implement the supplier model, can lead to unequal competition between existing suppliers (who are part of the same company as a network arm) and new suppliers (who operate independently). DTe says the model agreements must be adjusted and has asked trade association EnergieNed to develop, by December 2004, concrete proposals for implementing KPMG’s recommendations.

DTe, www.dte.nl, 6/10/04

Netherlands: DTe Advises On Heat Sector Regulation

DTe has advised the Dutch Minister of Economic Affairs on the method of regulating the market for heat in the Netherlands. It concludes that cost-based regulation for the heat sector is feasible and discusses various alternatives. DTe says it is possible to set the tariffs for heat producers at the level of the “net normalised” costs per unit of heat. The “net normalised” costs can be determined by comparison (benchmarking) with other heat producers. DTe also says that regulation of heat distributors can be done using the same system as for electricity and gas distributors.

DTe, www.dte.nl, 5/10/04

Portugal: The Portuguese Government Goes On Privatising EDP

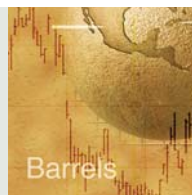
The Portuguese government approved the decree-law that envisages the fifth privatisation stage of Energias de Portugal (EDP), by which the government’s stake in EDP will be reduced to 15% at most.

www.negocios.pt, 26/10/04

Portugal: Petrocer Notifies To The Competition Authorities Of Galp’s Acquisition

Petrocer, the holding company formed by Viacer, BPI, Grupo Violas and Arsopi for the acquisition of Galp’s oil business, notified its acquisition of the oil company to the Portuguese competition policy authorities. This prior notification says that the purchase was effective on 8 October. As a result of this purchase, the holding company controls 40.79% of Galp Energia. According to the Competition Policy Act, this prior notification had to be carried out by Petrocer within seven days of the acquisition, since the concentration both reinforces a share exceeding 30% of the national market share and has a turnover exceeding EUR 150 million (US\$187.5 million) in Portugal.

www.negocios.pt, 25/10/04



Portugal: Brussels Approves Portuguese NAP

The European Commission approved the Portuguese National Allocation Plan (NAP). This will allow Portugal to participate in the European CO2 emissions market that will start operation in 2005. However, the EC has required Portugal to include a further reduction of some 4.2 million CO2 tonnes between 2005 and 2007 with respect to the initial total of 116.7 million CO2 tonnes set out in the first proposal sent by the former Portuguese government. These emissions rights will be distributed to 224 firms in six different industries.

www.negocios.pt, 20/10/04

Portugal: The EC Raises Concerns Over Energy Restructuring Plan

The European Commission (EC) has sent a formal statement of objections raising concerns over the energy restructuring process currently taking place in Portugal. In particular, the EC is worried about the offer by EDP and Italy's Eni to buy Gas de Portugal and its possible anticompetitive impact. Unless the companies involved satisfy these objections, the proposed plan is likely to be blocked or the EC may impose conditions, such as divestments, before its approval.

Financial Times, 14/10/04

Portugal: New Electricity Tariff Proposal For Next Year

The Portuguese energy regulator, ERSE, has issued its tariff proposal for 2005. The proposed tariff increase is 2.1% in mainland Portugal, 0.4% in the Azores region, and 2.2% in the Madeira region. This proposal has been sent to the Tariff Council, which has to issue its opinion on 15 November.

www.negocios.pt, 14/10/04

Portugal: New Date For The Iberian Electricity Market

The Presidents of Spain and Portugal have set 30 June 2005 as the new starting date for the Iberian electricity market (Mibel). Both governments have also decided to harmonise the electricity tariffs between the two countries based on transparent and uniform principles once the market is functioning.

Diario Economico, 4/10/04, 1/10/04

Portugal: Natural Gas Market Liberalisation By 2008

The Portuguese Economic Activities Minister, Mr. Alvaro Barreto, has declared that the natural gas liberalisation date will be moved forward to 2008. The new calendar envisages that the liberalisation will reach electricity sector companies in 2005, industrial clients in 2006, and domestic clients in 2008. The liberalisation date is thus brought forward by three years from the previous date of 2011.

Diario Economico, 1/10/04



Romania: Degree Of Electricity Market Opening Reaches 55%

The Romanian Government has announced that the open part of the electricity market will rise from 40% to 55% as of 1 November 2004. According to commitments made by the Romanian Government to the EU, Romania will gradually open its electricity market. After the market opening, the National Regulatory Authority of Electric Energy (ANRE) will be in charge of setting the transport tariffs, whereas electricity supply tariffs will be regulated purely based on supply and demand. From 2007 onwards, industrial and domestic consumers consuming large amounts of electricity will be given the right to choose their electricity supplier.

Mediafax News Brief Service, 29/10/04

Romania: GDF and Ruhrgas Interested In Romanian Gas Producer

GDF and Ruhrgas have signalled they would be interested in bidding for Romania's biggest gas producer, state-owned Romgaz, once the company is up for sale. Romania plans to float 5% of Romgaz in 2006 as part of steps designed to boost its capital market and enhance the country's chances to compete on the common European market after it joins the EU in 2007.

South East Europe Newswire (SeeNews), 25/10/04

Russia: Antimonopoly Service Reviews Territorial Generators

The Federal Antimonopoly Service (FAS) has given its go-ahead to creation of the Territorial Generation Companies – TGK1 (North East) and TGK10 (Ural). Approval of TGK8 (North Caucasus) requires additional investigation, as there is a possibility that in some conditions the company may become a monopolist.

RosBusinessConsulting, 28/10/04

Russia: The Government Will Discuss Gas Reforms

Boris Titov, the chairman of the non-commercial partnership Gas Market Coordinator (GMC), said that the Government is planning to discuss gas reforms at the meeting on 9 December 2004. The GMC prepared the draft reform document that envisages gradual transition from a regulated system to a free gas market.

Interfax, 28/10/04

Russia: Government Approves Creation Of Single Hydro OGK

The Prime Minister Mikhail Fradkov signed a decree approving the creation of a single hydro Wholesale Generation Company (OGK) instead of originally planned OGKs 7, 8, 9 and 10. The hydro OGK will have 22 000 MWh of installed capacity, by far exceeding the size of any other generation company in Russia. Under the previous arrangements, it was planned to group federal generation assets into 10 OGKs - 6 thermal and 4 hydro.

RosBusinessConsulting, 27/10/04



Spain: The Antitrust Authority Approves The Acquisition By DISA Of Shell's Petrol Stations In Continental Spain

The Spanish antitrust authority Servicio de Defensa de la Competencia (SDC) has authorised the acquisition by Spanish petrol distribution company DISA of Shell's petrol stations in continental Spain. However, the transaction between Shell and DISA in relation to Shell's petrol stations in the Canary Islands will be analysed further. Were the acquisition approved, DISA would control 51% of the petrol stations in the Canary Islands. The decision of the SDC follows a report by the Spanish Energy Regulator (CNE), which had been requested by the Spanish competition authorities. The CNE states in its report that it does not oppose the acquisition of Shell's petrol stations by DISA, although it considers it necessary to further evaluate whether DISA will enjoy a dominant position in the petrol stations market in the Canary Islands.

Cinco Días, 27/10/04, 25/10/04

Spain: Public Consumers' Association Endorses Green Electricity Campaigns

The Instituto Nacional de Consumo (INC), the public consumers' association in Spain, has determined that the green electricity campaigns of the Spanish utilities Iberdrola and Endesa do not constitute deceitful marketing practices. The decision of the INC follows a report by the energy regulator (CNE), which concluded that although the green electricity campaigns were not in breach of electricity legislation, they had to be analysed by the consumers' representatives and the antitrust authority. The INC considers that Endesa and Iberdrola clearly explain in their contracts the conditions associated with green electricity supply, even if some of the messages of Iberdrola's campaign could be misunderstood if taken out of context. The Spanish competition policy authorities (Servicio de Defensa de la Competencia) have also raised no objections against the green electricity campaigns.

Expansión, 26/10/04

Spain: An Independent Expert Will Draft A White Paper On Electricity Generation

The Spanish Government will commission an independent expert to draft a White Paper on the operation of the electricity generation market since 1998. The Paper will be non-binding on the Government, and will deal with some issues under discussion in the electricity market in Spain at present, such as the continuation of the payment for stranded costs, the impact of the Kyoto Protocol on electricity pool prices and the creation of the Iberian Market.

Expansión, 19/10/04

Spain: New Regulation For The Electricity Constraints Management Mechanism

The Spanish Ministry of Industry will approve a Royal Decree including new regulations for the electricity constraints management mechanism. The new Decree expands the possibilities for supervision by the energy regulator (CNE) and modifies the remuneration scheme for capacity involved in the management of technical constraints. The proposed regulation also modifies other aspects of the regulation of the electricity sector in Spain, such as the regulation of investments in the distribution network to increase quality of service.

La Gaceta de los Negocios, 11/10/04



Spain: The CNE Issues A Proposal For The Remuneration Of Electricity Distribution

The Spanish Energy Regulator (CNE) has drafted a proposal to modify the method of remunerating electricity distribution. The report has been sent to the Ministry of Industry, the public body in charge of the definition of the remuneration scheme for the regulated activities. Under the CNE's proposal, distribution revenues will depend on quality of service, by means of a variable component in the remuneration formula, and on investments in the network, through a fixed component. The new methodology will be based on a reference network model.

Expansión, 6/10/04

Spain: The Government Approves The Acquisition Of Hidrocantábrico By EDP

The Spanish Government has given a green light to the acquisition of Hidrocantábrico by the Portuguese utility EDP. EDP has increased its participation in Hidrocantábrico from 40% to 95% of its capital. The Spanish Government will allow EDP to make use of its voting rights in Hidrocantábrico, even if the company is owned by the Portuguese State, due to the fact that the transaction has been financed with a capital increase subscribed for by private investors. The operation has also received the approval of the European Commission.

Expansión, 1/10/04

Turkey: Turkey's Supreme Council Allows Russia's Tatneft To Buy Tupras

Turkey's Supreme Council of Judges and Public Prosecutors has unanimously passed a decision to uphold the purchase of 66% of Turkish oil refinery Turkiye Petrol Rafinerileri (Tupras) by a joint venture of Tatneft and the local Zorlu Group. According to ITAR-TASS the decision cannot now be appealed. This decision came after the privatisation committee went back on its decision to award the contract to a joint venture between Germany's Efremov Kautschuk GmbH and Zorlu Group following protests from the Russian oil industry. In 2003, Tatneft supplied 2.8 million tonnes of oil to Tupras, which accounted for 10% of the refinery's total processed oil.

TASS Energy Service, 22/10/04

NORTH AMERICAN NEWS

U.S. Supreme Court Lets Stand Appeals Court Ruling On Power Deregulation Ban

The U.S. Supreme Court let stand a federal appeals court ruling upholding Idaho's 2000 emergency law blocking backdoor deregulation of the state's electricity system. Without comment, the high court declined to consider the appeal of eastern Idaho irrigators, ending the attempt to circumvent the regulated power system and thwart a decade of efforts to block deregulation in a state that already has among the lowest power rates in the nation. Last February, a three-judge panel for the 9th U.S. Circuit Court of Appeals ruled the law, passed during an emergency one-day special legislative session, effectively closed a loophole in the state's Electric Supplier Stabilization Act. Legislators and regulators feared that loophole could have allowed independent power suppliers to commandeer power customers from the regulated utility that had been serving them, essentially introducing an unregulated power source into Idaho's regulated system.

The Associated Press, 1/11/04



US: State Energy Re-Regulation Plan Stumbles

The first major effort to re-regulate California’s volatile energy market is expected to crash and burn, with Governor Arnold Schwarzenegger poised to veto AB 2006 before month’s end. Supporters of the bill, sponsored by Assembly Speaker Rep. Fabian Nunez, D-Los Angeles, say it would ensure reliable electricity at stable and affordable rates for smaller customers and stimulate investment in energy generation. This would be done by directing the California Public Utilities Commission to establish a regulatory framework for investors to recover costs associated with new power generation, and would require long range planning and “resource adequacy.”

San Diego Business Journal, 1/11/04

US: FERC Sides With Generators, Staff In Spat Over Testimony In Entergy Affiliate Abuse Case

FERC ordered an administrative law judge (ALJ) to admit the testimony of a key witness in an ongoing proceeding examining a series of power purchase agreements previously filed by Entergy Services Inc. and several affiliates. The order came after Commission staff, Calpine Corporation and Tractebel Energy Marketing cried foul over the ALJ’s decision to toss out the testimony of Sabina Joe, a FERC staff member. In an interlocutory appeal, Calpine, Tractebel Energy Marketing and FERC trial staff argued that Joe’s testimony was crucial to the overall proceeding. They said that Joe’s testimony and exhibits “uniquely address issues central to this affiliate abuse case.”

NGI’s Power Market Today – 1/11/04

US: Number of EPA Suits Drops Under Bush

At least five top enforcement officials with the U.S. Environmental Protection Agency have resigned during the past three years, frustrated over what they see as the Bush administration’s lax attitude toward the nation’s largest polluters. Figures released in recent weeks show the agency filed far fewer civil lawsuits against polluting industries than were brought under President Clinton’s administration. EPA officials counter that they are trying lawsuits filed previously and are issuing notices to other polluters that will face legal action if cleanups don’t follow. Moreover, Administration officials say recent settlements that have been reached with large power companies show they are prosecuting cases vigorously against large polluters.

Tampa Tribune, 31/10/04

US: California Regulatory Panel Divided On Electricity Discount In Sonoma County

An unusual request backed by Governor Arnold Schwarzenegger to let Pacific Gas & Electric (PG&E) give an electricity discount to a Sonoma County business threatening to move its 700 jobs out of California left state regulators sharply divided and unable to decide. The request on behalf of Santa Rosa organic food maker Amy’s Kitchen appeared headed for defeat, but the California Public Utilities Commission agreed to postpone a vote. PG&E has had a program since 1990 offering temporary rate discounts to lure big companies to certain “economic development zones”. As an existing California business, Amy’s doesn’t qualify. In June 2004 PG&E asked the commission to let it expand the program to large businesses throughout its service area. The proposed discount would start at 25 percent and drop 5 percent each year after that. A state office would review applicants to determine eligibility.

San Jose Mercury News, 29/10/04



US: Lawsuit Charges Conspiracy Drove Deregulation

A lawsuit filed alleges a high-powered conspiracy drove the 1997 push for energy deregulation in Montana. The suit in District Court accuses the Wall Street firm of Goldman Sachs and a New York law firm of conspiring with Montana Power Company to press for legislative passage of the deregulation law so Montana Power could later sell its energy assets. Montana Power sold its energy assets and then operated as the telecommunications company Touch America, which filed for bankruptcy in 2003. The company that bought the remaining Montana Power utility assets, NorthWestern Corporation, also filed for bankruptcy in 2003. Thousands of people who had owned stock in Montana Power found their savings wiped out. This is the second major lawsuit over the breakup of Montana Power. A US\$3,000 million class-action lawsuit filed in 2001 by investors is pending in federal court.

The Associated Press, 27/10/04

US: Control Of Virginia Power Grid Pondered

The State Corporation Commission denied a Virginia Power request to exclude any debate on the company's plans to defer its start-up and annual membership costs for joining the regional grid. Virginia Power wants to join the PJM Interconnection of Valley Forge, Pa., a multistate grid operator in the mid-Atlantic and Midwest. It expects to incur roughly US\$280 million in PJM expenses before rate caps expire. The company wants to wait and charge those grid expenses to customers after capped rates expire in 2011. The General Assembly has directed Virginia Power and other utilities to join regional grids to help ensure that competitors in an open electric market get fair access to Virginia consumers.

Richmond Times-Dispatch, 25/10/04

US: Report Warns Of Electricity Woes

A report by the California Energy Commission says Southern California could see severe electricity shortages as early as summer 2006 and Northern California could follow two years later. The state's transmission system needs major repairs and upgrades; its fleet of aging power plants are on the brink of retirement and new plants aren't being built fast enough. Also, Southern California's electricity use has grown 6 percent since last year - an increase three times higher than expected. To encourage conservation, the commission recommends rolling out "real-time" pricing so electricity users pay more for power when supplies are tightest. Commissioners also want state regulators to loosen restrictions on the one- to five-year contracts utilities have with independent generators. Streamlining the process for upgrading the transmission system is also recommended.

The Associated Press, 24/10/0/04

US: Customer Choice Reaches Five-Year Mark In Illinois Electric Industry

Since the onset of customer choice in Illinois five years ago, more than 70 percent of ComEd's biggest customers and thousands of small businesses chose alternatives to the utility's old-styled bundled rate, some of them reporting savings up to 15 percent. During that same period, ComEd's residential customers saved nearly US\$3,000 million dollars from rate reductions and a rate freeze, while experiencing fewer service interruptions and shorter outages. The law included a ten-year rate freeze that expires in January 2007 and a 20-percent reduction in residential rates for ComEd customers. While a robust retail market for smaller customers hasn't emerged, all ComEd's customers are enjoying better prices and more reliable service since competition was introduced.

PRNewswire, 20/10/04



US: PSC Is Urged To Exempt Utah Utility From Paying Customers For Service Outage

The Utah Division of Public Utilities is recommending the Public Service Commission (PSC) declare last year's holiday power outage a "major event" -- a determination that would exempt Utah Power from paying customers under its electrical service guarantee program. The power company's customer-service initiative was put into place in 1999 when Scottish Power took over the Oregon-based PacifiCorp, which does business here as Utah Power. It promises consumers US\$50 if their electricity is not restored within 24 hours, and US\$25 for each additional 12 hours they go without power. The matter now rests with the PSC for a final ruling. Any PSC ruling on the utility's request for major event status for the holiday outage will not impact the US\$1,859,750 in credits the utility voluntarily gave 13,871 Utah customers earlier this year as a goodwill gesture for inconveniences suffered as a result of the late December blackout.

The Salt Lake Tribune, 15/10/04

US: FERC Could Soon Launch Investigations Into Market Power

The Federal Energy Regulatory Commission may soon address analyses showing that three utilities - American Electric Power Co. (AEP), Entergy Inc. (ETR) and Southern Co. (SO) - failed at least one of the commission's new market power tests. FERC was expected to address the issue at its meeting on 15 September, but it ended up scratching the related items from the agenda. FERC uses the market power tests to determine how much power utilities have over their regional markets. Utilities must show that they don't have market power to retain or win authority to charge market-based rates. Otherwise, they'd have to charge rates based on generation costs, which tend to be less profitable. All three utilities recently notified FERC that they failed at least one of the commission's new market power tests, which means FERC could now launch a formal investigation into their market dominance.

Dow Jones & Company, Inc., 8/10/04

US: Federal Regulators Grant Authority To Oklahoma Utility Group

Federal regulators officially recognized a group of utility regulators in Oklahoma and seven other states as a Regional Transmission Organization. Proponents say the move could provide Oklahomans with more reliable -- and possibly less expensive -- electricity. The Southwest Power Pool is an association of state regulatory commissions from Oklahoma, Arkansas, Kansas, Louisiana, Missouri, New Mexico and Texas, as well as utilities, independent generators and other industry players from those seven states and Mississippi. The power pool has worked since 1941 to keep the region's transmission grids reliable, but Monday's approval by the Federal Energy Regulatory Commission gives the group regulatory authority over the power grid system across the area.

The Daily Oklahoman, 6/10/04

US: FERC Grants SPP Power Grid Operator Final RTO Approval

The U.S. Federal Energy Regulatory Commission granted the Southwest Power Pool (SPP) high voltage power grid monitoring organization final approval to become a more specialized grid operator. FERC also approved SPP's proposed joint operating agreement with the Midwest Independent Transmission System Operator Inc., a large grid operator that neighbours SPP's southern Great Plains territory. FERC said the agreement was accepted on an interim basis, and that SPP should file a revised version executed by both operators by 1 December. FERC first granted SPP approval to become a specialized "regional transmission organization," or RTO, in February, but twice sent the organization back to make adjustments before granting final approval.

Dow Jones & Company, Inc., 4/10/04



US: DTE Energy Fights Michigan Rate Limits

In the state Legislature, lawmakers debate the future of electricity regulation in Michigan. At issue is a series of six bills backed by DTE Energy Co. that would re-regulate much of the state's electric rates. DTE, which owns Michigan's largest electric utility, Detroit Edison, says residential rates are sure to go up if the current law doesn't change. DTE says the current law, Public Act 141, created an uneven playing field. But supporters of the existing law say going back to a more regulated environment also would mean higher rates for all customers, especially businesses, schools and other large users.

Detroit Free Press, 4/10/04

US: Regulators Advise Against Making Electricity Available Wholesale To Large Companies

Arkansas utility regulators say a program to allow large companies to purchase electricity wholesale would be too costly to the average consumer and should not be pursued. The Arkansas Public Service Commission made the conclusion in a study required by a 2003 state law. The PSC reported its findings to the state Legislature last week after a six-month review. The commission found that startup and administrative expenses of a large-user program could be significant, including one-time costs of US\$12 million to US\$16 million for Entergy Arkansas Inc. and US\$400,000 to US\$700,000 for Southwest Electric Power Company. Subsequent yearly expenses range from estimates of US\$300,000 to \$500,000 for Southwest Power to \$1 million for Entergy, according to the study. Those siding with the commission in its assessment include the two utilities, the state attorney general's office, Arkansas Electric Energy Users, Oklahoma Gas & Electric Inc., Empire Electric District Inc., 17 electric cooperatives statewide and the Arkansas Electric Cooperative Association.

The Associated Press, 2/10/04

US: Public Utility Commission Rejects Texas Utility Rate Case

The Public Utility Commission dismissed an Entergy Texas rate case in which the electric utility asked for US\$68 million to help it recoup expenses related to regular operations as well as investing in a transition to competition that won't occur in the near future. The utility will ask the Commission to reconsider the finding that the utility remains in a rate freeze and is prevented from filing a rate case while the freeze is in force. Entergy's problems result from its inability to move into competition because it is served by interstate transmission of electricity. There is no governing authority to ensure open wholesale access to the high-volume transmission. That is one of the essential elements in creating a competitive marketplace in which consumers can shop for the best deals. Most of the rest of Texas is served by an in-state grid governed by the Electric Reliability Council of Texas.

The Beaumont Enterprise, 1/10/04

Canada : B.C. Hydro Tangled In Energy Gouging Legal Case Over California Energy Crisis

B.C. Hydro is tangled up in a legal battle in U.S. courts over energy-gouging allegations that could take years to resolve. The court battle relates to California's efforts to recover up to US\$5,000 million in refunds from electricity companies and traders who supplied power at hugely inflated prices during the state's energy crisis in 2000-2001. Hydro's power-trading subsidiary, Powerex, was cleared earlier of allegations of price gouging, but could still be on the hook for US\$280 million in refund payments to California. Some of the profits Hydro made during the California energy crisis were handed directly to British Columbians in the form of a US\$200 rebate by the former New Democratic Party government. The move was criticized as a blatant attempt to buy votes by a government in its dying days.

The Associated Press, 6/10/04



Canada: Change In Pemex Fiscal Regime In 2006

Congress approved the change in Pemex's fiscal regime within the terms proposed by the Executive and subject to compliance with international efficiency levels and management autonomy. This change lightens the company's fiscal burden. The scheme proposes tax rates of 69% for oil and 15% for natural gas. Currently, the tax is 60.8% on both oil and gas production.

Reforma, 29/10/04

Canada: Ontario Committed To Eliminating Coal-Based Power

Ontario's coal-fired power plants will be mothballed in three years, no matter how clean the fuel is, says provincial Energy Minister Dwight Duncan. Questions about whether the coal plants would indeed be shut down by 2007 as promised surfaced after an agenda item for the governing Liberals' party policy conference next month pondered what conditions might require the government to "relent" from its election commitment. An enormous response to the government's recent request for proposals on new generating projects for 2,500 megawatts - yielding bids totalling 60,000 megawatts - is a very good indication the province will be able to replace those coal generators.

The Associated Press, 7/10/04

CENTRAL AND SOUTH AMERICAN NEWS

Argentina: President Kirchner Signs An Agreement To Import Gas From Bolivia

The Argentinean president Nestor Kirchner signed an agreement with his Bolivian counterpart Carlos Mesa to buy 20 million cubic meters a day (mcm/d) of gas from Bolivia. The final contract - containing prices and import volumes - will be signed once the hydrocarbons bill submitted by Mesa to the Bolivian Congress is approved. This approval is likely to arrive at the end of October, although Mesa is facing strong opposition in the Congress. In April Bolivia started exporting 4 mcm/day to Argentina for six months as a partial solution to the Argentinean energy crisis. Argentina is now planning to import as much as 30 mcm/d from Bolivia through the planned pipeline known as Gasoducto del Noreste Argentino (GNA) in northeast Argentina, to be completed in 2006. Officials of the Argentinean government have also confirmed that all the gas imports from Bolivia will be used domestically and not redirected to Chile, since Bolivia has territorial disputes with the latter.

BBC Monitoring, 17/10/04; Business News America, 17/ 04



Brazil: Bidding Rules For The Forthcoming Power Auctions Under Discussion

After public hearings with industry players held in September, the Brazilian government is now finalizing the bidding rules for the forthcoming power auctions, which are scheduled for November or December. These auctions will implement the country's new legal framework for the power sector that was approved by the government in mid-March. The amount to be auctioned is expected to be as much as 55,000 MW, depending on the yearly power needs announced by distributors. As to bidding rules, the energy minister Dilma Rousseff has reportedly announced that the government will not set a minimum price for the auctions. The floor price would have the purpose of preventing state-owned generators – controlling 80% of Brazil's 83,000 MW installed capacity – from setting prices artificially low. Also, the government is studying demand forecasts by power distributors and the inflation index to be used in the contracts.

Business News Americas, 20/10/04, 22/9/04

Brazil: Final Decision On Angra III Expected By The End Of The Year

CNPE – the Brazilian national energy policy council – is likely to take a final decision on the Angra III nuclear reactor by the end of this year. The project for the 1,350 MW Angra III nuclear reactor, located in Rio de Janeiro, was contracted in the 1970s, but the project was abandoned in 1986 due to lack of resources. Construction resumed in 2001, but political and environmental issues stopped the project once again. It is estimated that it will take six years and an investment of US\$1,800 million to finish the project. The government will base its decision on the possible role of nuclear power generation in the country's long-term energy strategy and on whether the project is cleared by environmental protection agencies. At the moment, Rio de Janeiro state officials support the completion of the power plant, whereas environmental groups are strongly opposed.

Business News Americas, 13/10/04

Colombia: A Third Interconnector With Ecuador Will Be Operational In 2005

Following a meeting with the Colombian president Álvaro Uribe, Ecuador's president Lucio Gutiérrez has announced that a third power interconnector between Ecuador and Colombia will be operational in 2005. The interconnector will have a capacity of 220 MW and will help Ecuador to solve its electricity shortage problems during the summer months. Gutiérrez and Uribe have also agreed to go ahead with long-term contracts between generators and customers from early 2005.

Business News Americas, 10/10/04

Trinidad and Tobago: The Government Seeks To Re-negotiate Gas Export Contracts

The government of Trinidad and Tobago is planning to re-negotiate the Atlantic LNG consortium's production-sharing contracts for the export of liquefied natural gas (LNG). Under the current terms of the contracts, LNG was to be exported to Spain and the US, where at that time gas prices were similar. Instead, according to the energy minister Eric Williams, the gas is now being routed predominantly to the US markets where prices are currently higher than in Spain. The government alleges that it is not receiving any additional revenues from the sales in the more lucrative US markets and wants to modify the contracts accordingly.

Business News Americas, 20/10/04



ASIA-PACIFIC NEWS

Australia: Regulator Reduces Gas Distributor's Revenue Requirement

The regulator for the Australian Capital Territory has decided to reduce by 8.2% the revenue requirement proposed by the territory's gas distributor, ActewAGL. The regulator's revenue determination is based on a weighted average cost of capital of 7%. The decision will cause the distribution cost of gas to fall by 4.3% for consumers. It comes at the conclusion of the regulator's inquiry into the access arrangement for the ActewAGL natural gas distribution system, to apply for the period from 1 January 2005 to 30 June 2010.

www.icrc.act.gov.au, 19/10/04

India: Indian Govt Ally Seeks Duty Cuts On Petroleum.

The Communist Party of India, the Indian government's coalition partner, has urged the government to cut taxes on petroleum products in an effort to prevent retail prices from rising due to soaring global oil prices. The party is seeking a five percentage point cut in customs duty on petroleum products and a reduction to zero of excise duty on kerosene and cooking gas. In August, India slashed customs duty on petrol and diesel from 20 to 15 percent and cut excise duty on petrol from 26 to 23 percent.

Reuters News, 22/10/04

India: India Sees Hydroelectric Bonanza

Hydroelectric projects with a total capacity of over 33,000 MW may be implemented following initial studies proved their viability. The studies, carried out predominantly by government-owned power enterprises, show indicative costs of US\$0.055/kWh. This is significantly higher than the costs of power produced from the National Thermal Power Corporation's coal-fired plants but lower than the average cost of new plants by over 15%.

Platts Power in Asia; 14/10 /04

Indonesia: Smugglers Profiting As Jakarta Drains Coffers

Indonesian consumers are insulated from high oil prices by a government subsidy but illegal smuggling to take advantage of the price cap is increasing. Quantities of kerosene, premium petrol and automotive diesel are being smuggled across Indonesian borders putting a US\$330 million burden on the government. The Ministry of Energy has commented that the problems are so acute that villages along international borders have faced fuel shortages.

South China Morning Post; 27/9/04

New Zealand: Regulator Issues Guidelines

The national regulator for electricity distribution and transmission companies, the Commerce Commission, has issued Assessment and Inquiry Guidelines. As part of its "targeted control regime", the Commission must set performance thresholds for the possible declaration of control in relation to lines businesses. The Guidelines outline the Commission's process and analytical framework for assessing threshold compliance by lines businesses and for undertaking post-breach inquiries where those thresholds are breached.

www.comcom.govt.nz, 20/10/04



New Zealand: Electricity And Gas Law Passed

New legislation has been passed for the electricity and gas industries. The new law gives the new Electricity Commission powers relating to consumer protection, security of supply and the ability to contract for reserve electricity generation. The law also sets up a co-regulatory governance body for the gas industry. Other changes include enabling electricity lines companies to own generation equivalent to the higher of 50 MW or 20 per cent of their network load, allowing Transpower, the national electricity transmission company, to contract for generation to manage grid reliability and delaying the transfer of jurisdiction for the lines business “targeted” price control regime from the Commerce Commission to the Electricity Commission until after 31 March 2009.

www.scoop.co.nz, 14/10/04

Pakistan: Pakistan Plans Power Plant IPO After Fasting Month

Pakistan is expected to hold the initial public offering of Kot Addu Power Co (KAPCO) after Ramadan and has invited expressions of interest in the bid. The IPO will include 20% of shares in KAPCO. KAPCO runs a 1,600 megawatt gas- and oil-fired power plant in Kot Addu town, near the central city of Multan. The National Refinery is also in the process of being privatised with applications for purchase of a 51% controlling stake starting in December.

Reuters News, 25/10/04

Philippines: Four Bid For Transco

Four bids have been submitted for the 25-year contract to operate the National Transmission Corporation (Transco). The Energy Secretary Vincent Perez said that the bids received exceeded government’s expectations, the government having stated publicly that it hoped to generate US\$2,000 million from the sale. Reports by local media suggest the bidding groups were a consortium including Japan’s Tokyo Electric Power, Australia’s Trans-Grid and a local conglomerate, Canada’s Hydro Quebec with a local group, and the Electricity Generating Authority of Thailand with an unidentified local partner.

Platts Power In Asia, 14/10/04

Philippines: Manila Changes Bidding Rules

Following criticism from the business and lawmaking communities the government agency carrying out the privatisation of the state-owned National Power Corporation (Napocor) removed a provision that had allowed local investors to match the highest foreign bid. Complaints against the provision include suggestions by foreign investors that the sale of Masinloc plant, the largest sale to date of a generating asset, could be derailed. In addition lawmakers noted that the provision is not part of the privatisation guidelines embodied in the Electric Power Industry Reform Act.

Platts Power in Asia, 14/10/04

Malaysia: Malaysia ‘Rich Ought To Pay More For Electricity’

The Department of Energy, Water and Communications has proposed that those “living in luxury” pay more for electricity while subsidised rates still apply for average Malaysians. Petronas has spent US\$5,800 million subsidizing gas for power generation over the last seven years. The Minister suggested introducing bands to apply the subsidy according to the category of electricity consumers. The proposals come as rising oil prices were forcing the country to focus more on energy efficiency and renewable energy sources.

New Straits Times (Malaysia), 20/10/04



Philippines: Philippine Regulator To Allow Power Firms To Adjust Rates Monthly

The Energy Regulatory Commission (ERC) has allowed power distribution utilities to automatically increase or decrease their rates without prior approval, the BusinessWorld newspaper reported, quoting ERC chairman Rodolfo Albano. This move effectively replaces the generation rate adjustment mechanism (GRAM) with a set of conditions with which utilities must comply. As opposed to seeking prior approval for rate increases the requirement will be limited to informing the ERC of each tariff adjustment.

AFX – Asia, 15/10/04

Thailand; EGAT Privatisation Study Revived

Following a seven-month lull, attempts to progress the privatization of the Electricity Generating Authority of Thailand (Egat) have resumed. Deputy Prime Minister Somsak Thepsuthin said Egat management had set up a 10-member committee chaired by Boonchoo Direksathapon, the managing director of Ratchaburi Electricity Generating Holding Plc to seek the most suitable privatisation model for Egat. The committee is expected to recommend a model for privatization within 3 or 4 months. Plans for privatisation lost momentum in March when the Prime Minister postponed the plan indefinitely in the face of strong opposition from Egat's labour union.

Bangkok Post, 15/10/04

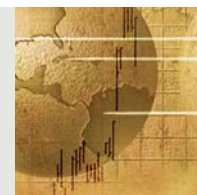
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NERA is at the forefront of the continuing transformation of the energy industries worldwide. We have pioneered in developing approaches for introducing competition in segments such as power generation (where competition is workable) and for improving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