

Reporting on energy regulation issues around the world

Global Energy Regulation

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European News

UK:

Energy Debate Kicks Off As Ministers Warn Doing Nothing Not An Option

The Government launched a three month public consultation starting 23 January on its Energy Review. The consultation covers: the Government's role in reducing carbon emissions and in "developing the market framework for delivering reliable energy supplies"; whether nuclear, carbon abatement and other low-carbon technologies deserve special treatment; the Government's goals for ensuring that every home is adequately and affordably heated; the long-term potential of energy efficiency measures; the implications of significant generation investment for transmission and distribution networks; and technologies to replace fossil fuels. All issues will be looked at in the context of the Government's policies for competitiveness and sound public finances.

DTI Press Release, 23/1/06; Reuters News, 23/1/06

Regulator Responds To Phoenix Price Increase

Ofreg issued its response to the price increase announced by Phoenix Natural Gas. Ofreg said that the price increase of 17.3%, which follows an early increase of 30%, was driven by unprecedented rises in underlying wholesale gas costs.

Ofreg Press Release; 20/1/06

London Energy Is Appointed As The New Supplier For Customers Of Utility Link Limited

Ofgem has appointed London Energy Plc, part of EDF Energy, as the new electricity supplier for customers of Utility Link Limited, which went into administration on 17 January. Utility Link was a licensed supplier and acted as a service provider to a number of unlicensed companies. These companies acted as Utility Link's agents by introducing it to a number of customers under different brand names. If a supply company fails, Ofgem has powers to protect customers by appointing a new supplier for them.

Ofgem press Release 19/1/06



Scots Slammed For Seeking Land Buy Rights

ScottishPower subsidiary CREnergy has applied to Ofgem for compulsory purchase powers to help it build windfarms in the UK. The Renewable Energy Foundation criticised the application as “riding roughshod over individual liberties”. CREnergy said it would not use the powers “as policy” but as “a last resort” to gain compulsory access to small pieces of land, in instances where it was being “held to ransom”.

Utility Week, 13/1/ 06

Ofgem Strategy To Meet Challenging And Changing Times

Energy regulator Ofgem has set out its Corporate Strategy for the next five years – but pledged to revisit its proposals later in 2006 following outcomes from the Government’s soon-to-be launched Energy Review.

Ofgem press Release 13/1/ 06

Austria:

Grid Development Planning Effort

Austrian gas and electricity grid managements complained about the costs of increasing supply bottlenecks. In response, E-control, the Austrian energy regulator, agreed last month to let both the Austria Gas Grid Management and the Verbund’s Austrian Power Grid develop plans to address transmission problems which reduce security of supply.

Platts EU Energy, 27/1/06

Belgium:

Belpex To Start Operations In Third Quarter 2006

The Belgium energy minister has granted Belpex, the electricity day-ahead organised market of Belgium, France and the Netherlands, the required licence and has agreed to its market rules. Belpex hopes to start operations in the third quarter of 2006, although the market still needs the approval of the national energy regulators of Belgium, France and the Netherlands.

Platts Power in Europe, 16/1/06

Bulgaria:

Regulatory Watch

The deputy economy and energy minister has presented a draft bill for amending the energy law’s provisions on investment in renewable sources, market regulation and control of district heating intermediaries. The proposed changes seek to expand the current system of preferential prices for generation from renewable energy sources and to secure eight-year purchase arrangements for all new entrants into the sector.

Business Eastern Europe, 16/1/06



Bulgaria/Russia:

UES Refuses To Buy Bulgaria's Varna Thermal Power Plant

RAO UES of Russia has refused to buy the Bulgarian Varna thermal power plant on the grounds that the deal is inefficient. Under the tender procedure, if the government fails to sign a sale contract with the winner, the Privatisation Agency has either to start talks with the second-best bidder or to cancel the tender. CEZ placed the second-highest bid, offering to pay US\$ 232.2 million in cash and US\$ 112.6 million in a capital hike – half as much as UES. Under the regulatory framework, the national power grid operator will sign five-year reserve capacity deals with the future owners, at prices set by Bulgaria's State Water and Energy Regulatory Commission. The regulator said it will not adjust the regulatory framework for future buyers of the power plants in Varna and Russe.

Bulgarian News Digest, 13/1/06; SeeNews, 11/1/06; SeeNews, 10/1/06; ITAR-TASS World Service, 10/1/06;

Czechoslovakia:

Czech Regulator Postpones RWE-Transgas Fine Decision

ERU, the Czech energy regulator, is delaying until March the decision, initially due last November, on whether to fine the country's dominant supplier RWE-Transgas over price hikes in the first half of 2005. The regulator will probe further and analyse prices in the second half of 2005.

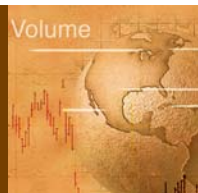
Heren European Gas Markets, 31/1/06

European Union:

Commission Authorises Coal State Aids In Hungary And Slovakia

The European Union (EU) Commission has decided not to raise any objections to the fixed feed-in-tariffs and the EUR 67.6 million (US\$ 56.1 million) aid that the Hungarian government has proposed to grant to its coal industry between 2004 and 2006. The EU Commission had already approved the Hungarian coal industry restructuring plan 2004-2010, but still had to decide whether the support intended for years 2004-2006 was in line with this restructuring plan. In addition, the EU Commission has decided to authorise Slovakia's investment plan for its coal industry for years 2005-2010, which favours its biggest coal mining enterprise. The EU Commission considers these state aids to be compatible with the internal market.

European Union Commission Press Releases, 25/1/06



France:

Regulator Proposes Electricity Public Service Charges

The French Energy Regulator (Commission de Régulation de l'Énergie, CRE) has submitted to the French Government for its approval the proposed 2006 charges for electricity public services (the "Contribution aux Charges de Service Public de l'Électricité", CSPE). The CSPE is paid by all electricity consumers in France to recompense network operators for the costs of certain public service obligations, such as the purchase of renewable energy, generation in isolated areas and subsidies to vulnerable consumers. CRE has proposed a CSPE charge of EUR 4.50/MWh (US\$ 5.40/MWh) for 2006, the same as in 2005.

Platts Power in Europe, 30/1/06; *CRE Communiqué de Presse*, 17/1/06

Regulator Publishes Conclusions Of GTE And GTG 2007 Working Groups

The French Energy Regulator (Commission de Régulation de l'Énergie, CRE), has published the conclusions of the first round of meetings of Working Groups GTE 2007 and GTG 2007, whose objectives are to develop the conditions to ensure full liberalisation of, respectively, electricity and gas markets in France on 1 July 2007. The working groups have proposed the establishment of a voluntary unique contract for electricity supply to free market consumers, under which the supplier will be in charge of contracting for access to the network on behalf of its customers. They also propose that the switching process should be free of charge for consumers and should not take more than 21 days. They have asked the network operators to develop the necessary information systems to ensure that all consumers can exercise their freedom to choose as of 1 July 2007.

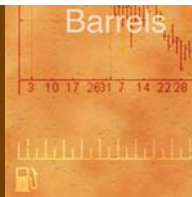
Les Echos, 13/1/06; *CRE Communiqué de Presse*, 12/1/06

Germany:

Formal Prohibition Order Against E.ON Ruhrgas' Long-Term Contracts

The Federal Cartel Office (Kartellamt) has forbidden E.ON Ruhrgas from entering into long-term gas supply contracts with municipal services in Germany. In future, the company will be allowed to sign contracts with municipal services for a maximum of two years if it supplies more than 80% of their gas and for a maximum of four years if it supplies over 50% of their gas. The Kartellamt imposed the "immediately enforceable clause" as of 17 January. E.ON Ruhrgas has decided to take the case to the higher regional court, to prevent implementation of the order.

Heren European Gas Markets, 31/1/06; *Financial Times Deutschland*, 18/1/06;



Ireland:

Greater Business Freedom For ESB, Bord Gáis.

The Irish Government is preparing legislation to convert ESB and Bord Gáis into public limited companies (plcs). It denied the move was a stepping stone to privatisation. Both ESB and Bord Gáis are currently statutory bodies governed by legislation and the changes would allow ESB and Bord Gáis greater commercial flexibility.

Irish Times, 21/1/06

Bord Gáis To Seek Rise In Levy

Bord Gáis intends to increase the connection charge for new homes connecting to the gas network from EUR 150 to EUR 220, a rise of 46%. According to a document submitted to the energy regulator by the company, the increases will enable Bord Gáis to earn a reasonable return on its investment in network expansions.

Irish Times, 4/1/06

Italy:

Italian Government Reduces Residential Gas Consumption

In order to reduce gas consumption after the reduction of gas supply from Russia, the Italian Government has decided to reduce residential consumption by turning down heating in buildings. Expecting savings in gas consumption amount to 5-10 million cubic metres per day. The measures will not apply to buildings such as hospitals and schools.

Corriere della Sera website, 25/1/06

Energy Saving: Targets For 2006 And Results In 2005

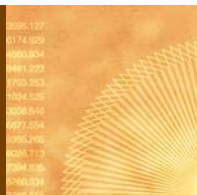
AEEG, the Italian regulator, has defined the new energy saving targets for 2006 for electricity and gas distributors that, at the end of 2001, had more than 100,000 customers. The overall target set for 2006 is over 311,000 tonnes of oil equivalent (toe) of which about 190,000 toe (62% of total target) is due from electricity distributors and the rest from gas distributors. In 2005 the overall target was about 155,000 toe. So far, the regulator has certified energy savings totalling 88,000 toe.

AEEG website, 23/1/06

Interruptible Gas Supply For Industrial Customers

In accordance with a recent decree of the Ministry of Productive Activities to reduce current gas consumption, AEEG has set up a transitory incentive scheme to remunerate industrial customers that offer to interrupt their consumption. The scheme would be funded by an increase in transmission tariffs.

AEEG website, 22/1/05



Netherlands:

NMa Maintains Scrutiny Over Energy Business Performance

The energy regulation office (DTe) of the Dutch competition authority (NMa) has placed on its website the score card for the last quarter of 2005. This score card summarises the performances of individual energy business, for example, whether they issued bills within two months of a customer switching, and on the timeliness of annual bills. With respect to the third quarter of 2005, DTe established that performance has improved across the board for electricity, but some things have deteriorated for gas.

DTE website, 27/1/06

Administrative Rule On Terms For Flexibility Services

On 12 January 2006, the Administrative Council of the Dutch competition authority decided the “administrative rule on supervision under article 10a, part 3 of the Gaswet (Gas Law)”. In this administration rule the Council sets out how it will check the reasonableness of the rates and conditions at which that Gasunie Trade & Supply offers flexibility services to the operator of the national gas transport network (GTS). Amongst other things, the administrative rule sets out how the Council will apply the ‘reasonableness’ test.

DTE website, Dossier No.101903-59, 13/1/06

Portugal:

The Government Renewables Plan Unveiled

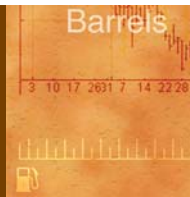
The Government announced a large-scale development plan to promote the generation and use of renewable energies, with total investments of more than EUR 3,000 million (US\$ 3,676 million) as part of its National Energy Strategy announced last year. The plan focuses on creating industrial clusters centred on wind, solar, wave and biomass technologies.

Platts Power in Europe, 30/1/06

Issues In The Liberalised Electricity Market

According to the Portuguese system operator, REN, the increase in wholesale electricity costs is threatening the retail electricity market. December was the first month in which there were more consumers switching from the liberalised market to the regulated one than consumers going in the opposite direction. EDP estimates that between 50% and 70% of its liberalised customers will go back to full-service tariffs during 2006 because regulated tariffs offer lower prices.

Jornal de Negócios Online, 13/1/06



New Measures For Domestic Customers Tariffs

The head of the Portuguese energy regulator (ERSE), Mr. Jorge Vasconcelos, declared that the extra costs arising from renewables generation will be charged exclusively to domestic customers from this year on, instead of being shared among all final customers. The reduction in industrial customers' tariffs will happen in the second quarter of the year. The increase in domestic customer tariffs will happen in 2007. As a result, a tariff deficit totalling EUR 56 million (US\$ 69 million) will arise this year and will have to be recovered from 2007. The regulation limiting tariff increases to the rate of inflation for domestic customers has been abolished.

Jornal de Negócios Online, 5/1/06, 4/1/06

Romania:

Eight Binding Bids for Majority Stake In Key Romanian Power Distributor

Eight foreign utilities submitted final bids for a 50% stake in Electrica Muntenia Sud, the power distributor that supplies the Romanian capital. The eight bidders are: AES Corp., RWE Energy, Enel, Iberdrola, Union Fenosa, Gaz de France, EVN and CEZ. Germany's Energie Baden-Württemberg (EnBW) and E.ON, both previously shortlisted, did not submit binding bids. The winning bidder will be required to contribute additional share capital to bring its stake in Electrica Muntenia Sud up to 67.5%

Global Insight Daily Analysis, 1/2/ 06

Spain:

Competition Court Publishes A Non-Binding Report On Gas Natural's Takeover Bid

The Spanish Competition Court, Tribunal de Defensa de la Competencia (TDC), has published a non-binding report rejecting Gas Natural's proposed takeover bid of Endesa. The TDC's position is based on the views of six of its members, who believe that the acquisition should not be authorised. The views of the other three members of the TDC are also included in the report. These three members, including the head of the TDC, advise the Government to approve the acquisition with certain conditions. In addition, the report contains the statements on the issue of several regional governments, companies and other third parties. The Spanish Government will make its decision on 3 February 2006.

La Vanguardia, 25/1/06; ABC, 21/1/06, 04/1/06, 1/1/06; El Mundo, 4/1/06



REE To Manage The Transmission Grid In The Canary Islands

The Spanish Government has announced that Red Eléctrica (REE), the main electricity transmission company in Spain, will be responsible for managing the high voltage (HV) transmission grid in the Canary Islands. The HV electricity grid in the Canary Islands is currently owned by Unelco, a wholly-owned subsidiary of Endesa, and up to now, REE was only in charge of managing access to it. This measure, which will come into effect in March this year, had been foreseen since 1997, when the Electricity Sector Act was passed.

ABC, 13/1/06, 12/1/06

Switzerland:

Swissgrid Has To Wait

In May 2005, the Competition Commission (Weko) imposed two conditions on the launch of the grid company Swissgrid, a joint venture of electricity companies Atel, BKW, CKW, EGL, EOS, NIK and EWZ. Under the first, members of Swissgrid's prospective supervising board may not be members of other electricity companies. Under the second, the companies have to implement non-discriminatory third-party access to the network. The companies appealed against the first restriction and pleaded for more time to implement the second. However, the Federal Court has now confirmed an interim decision by the Recourse (Appeal) Commission, Reko, not to permit an earlier start for Swissgrid with reduced obligations.

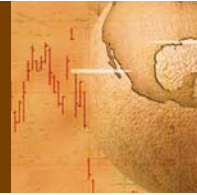
Neue Zürcher Zeitung, 14/1/06

Turkey:

Tupras Share Transfer Completed; Turkey's Koc signs US\$ 1.8 bn Loan For Tupras Buy

The transfer of a 51% share in oil refiner Tupras to the Koc-Shell consortium has been completed. The new company is owned 75% by Koc Holding while group companies Aygaz and Opet have 20% and 3% shares respectively. Shell Overseas Investment and the Shell Company of Turkey own 1.9% and 0.1% shares respectively. The Turkish conglomerate Koc Holding had said it signed a US\$ 1,800 million loan for the purchase in addition to a previous loan of US\$ 2,500 million.

Turkey Today, 27/1/06



North American News

US:

PUC Approves Deal By Exelon

The Pennsylvania Public Utility Commission has approved the proposed purchase of the Public Service Enterprise Group by Exelon Corp, unanimously rejecting opposition from competing electricity suppliers, the City of Philadelphia, and the municipally owned Philadelphia Gas Works. The PUC also approved a fact-finding investigation into the possibility of merging PGW into the gas business of Exelon. PGW and the City of Philadelphia have filed an appeal in the federal courts.

The Philadelphia Inquirer, 28/1/06

FERC Rules On Cost Issues Related To California Refund Case

The Federal Energy Regulatory Commission (FERC) has ruled on cost filings submitted by energy utilities to determine the amount of refunds owed to California consumers who were overcharged for electricity during the 2000-2001 energy crisis. FERC has conditionally accepted 13 out of 23 cost filings from energy companies, deferred four filings and rejected the remainder (i.e. those from El Paso Marketing, Enron Power Marketing, Merrill Lynch Capital Services, Merrill Lynch Commodities, National Energy and Gas Transmission and Allegheny Energy Supply).

Dow Jones International News, 26/1/06

Commissioners Approve Surcharge For Southwest Gas

Southwest Gas Corp.'s average residential bill in Tucson will be increased by about US\$ 21 per year after state regulators approved a purchased-gas adjustor surcharge increase of 9 cents per therm. The increase was approved by the Arizona Corporation Commission.

Associated Press Newswires, 26/1/06

Perdue Signs Gas Tax Relief Bill, Defends Deregulation

Gov. Sonny Perdue has legislated to provide Georgia residents with a tax break on their heating bills, which reduces the state sales tax on natural gas and liquid propane from 4% to 2 %.

Associated Press Newswires, 25/1/06

CPUC Proposes Greenhouse-Gas Cap Program

Under a draft decision, the California Public Utilities Commission would subject investor-owned utilities and other load-serving entities to a load-based cap on greenhouse gas emissions from electricity generation, with penalties for non-compliance.

California Energy Markets, 23/1/06



FERC Still Says No To KeySpan LNG Project

The Federal Energy Regulatory Commission has upheld its decision to reject on safety grounds KeySpan Corp.'s plan to upgrade a liquefied natural gas storage and tanker terminal in Rhode Island. However FERC has invited KeySpan to submit an amended application which takes into account the safety issues. FERC has also upheld its decision to approve the Weaver's Cove LNG terminal project to be located in Fall River, Massachusetts.

Reuters News, 19/1/06

Aquila Reducing Natural Gas Rates

The Missouri Public Service Commission has ordered Aquila Inc. to cut its natural gas rates with immediate effect by between 7% and 13%, depending on area, following a fall in the cost of wholesale gas. Aquila had proposed reducing rates for its gas customers at the end of January but the PSC wanted it done immediately.

Associated Press Newswires, 13/1/06

Laclede Will Lower Gas Prices Today

The Missouri Public Service Commission has approved lower rates for Laclede Gas Co. The order will reduce gas bills for the average residential customer by an average of 7%, or US\$ 19 a month, after wholesale fuel costs fell more than 40%.

St. Louis Post-Dispatch, 11/1/06

Commission Reports To Congress On Settlement Of Alleged Energy Crisis Manipulation

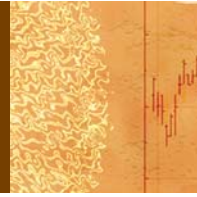
FERC submitted a report to Congress at the end of December outlining how it has facilitated settlements totaling more than US\$ 6,300 million in compensation for impacts from the 2000-2001 energy crisis that affected California and other Western states. These settlements resolve claims relating both to market manipulation and to refund obligations. The report stressed that FERC's response to the energy crisis would have been different if the agency had had the civil penalty and market manipulation authority provided the Energy Policy Act of 2005.

Foster Natural Gas Report, 6/1/06

Sempra To Pay US\$ 377M To Settle Energy Crisis Suits

Sempra Energy has announced that it will pay US\$ 377 million and change its business practices to settle class-action lawsuits accusing the company of conspiring to limit supplies and drive up prices during the state's energy crisis five years ago. The firm admitted no wrongdoing.

Dow Jones International News, 5/1/06



Canada:

Ontario Hydro Users Paid US\$ 384M Less Than Cost of Electricity, Board Says

Between 1 April and 31 December, electricity customers paid US\$ 384 million less for hydro than it cost, equivalent to more than US\$ 60 for a typical household, says the Ontario Energy Board. The difference will be factored into hydro rates set by the board, which come into effect on 1 May.

The Associated Press, 16/1/06

Mexico:

Gas Subsidy Removal

The Ministry of Energy (Sener) announced the removal of the gas subsidy that had applied since September 2005. Industrial representatives anticipated the closure of businesses as happened with Cydsa in Jalisco. The president of Canacindra, the national transformation industry association, said that without the subsidy at least 2000 companies could close, causing the loss of 100,000 jobs.

Reforma 24/1/06

Fox Announces The Creation Of A Gasification Plant

President Fox headed the LNG Terminal Project that foresees construction of a gasification plant to break the Texas market price barrier. According to Mr. Fox the project allows a joint strategy involving Petróleos Mexicanos (Pemex), Comisión Federal de Electricidad (CFE) and the private sector.

El Economista 13/1/06

Central and South American News

Argentina:

Government To Avoid Full-Service Tariff Increases

Argentinean Planning Minister, Mr. Julio de Vido, has declared that no increase in public service tariffs for residential clients is expected in 2006. This announcement is in line with the governmental policy of not permitting hikes in public service charges. Negotiations with the main private utilities are taking place but it is unlikely that the Government's position will be reversed.

Business News Americas, 2/1/06



Bolivia:

Government Announces The Nationalisation Of Gas And Oil Resources

Bolivia's elected president, Mr. Evo Morales, confirmed that he will nationalise Bolivia's gas and oil resources. However, he explained that the government will not expropriate foreign companies' assets (see last GERN issue). The Hydrocarbon Minister, Mr. Andrés Solís, announced that he is to register as national property the Bolivian gas listed in international stock markets and registers, with a value of US\$ 120,000 million.

El País, 24/1/06; Cinco Días, 5/1/06

Bolivia To Merge Electricity And Hydrocarbons Regulators

The director of the Bolivian electricity regulatory authority, Mr. Osvaldo Irusta, has announced his intention to merge the electricity and hydrocarbons regulator as a way of improving energy sector regulation and increasing investment. The new entity would be in charge of regulating the production, transport and distribution of both hydrocarbons (including natural gas) and electricity.

Business News Americas, 12/1/06

Brazil:

Federal Court Limits Environment Compensation To 0.5% Of Project Costs

Brasilia's federal court has published its intention to limit environmental compensation to 0.5% of total investment, although it has not given its final legal judgement yet. Environmental compensation is one of the expenses that companies have to incur in order to obtain environmental licences, which are issued by local authorities. This compensation is to finance the creation and/or maintenance of natural areas. Investors have argued that environmental protection agencies have been charging amounts that are excessive, making some projects unviable.

Business News Americas, 30/1/06

Government To Tender Concessions For Hydro Projects

The Brazilian Government plans to run a tender in May for five hydro projects with a combined installed capacity of 7,473 MW. Four of these projects failed to be sold on 16 December (see last GERN issue). The auction will offer building and operating concessions with 30-year contracts. In addition, the Government wants to hold a second generation tender for thermal projects in the second half of 2006, and two transmission line auctions, one by May and the other in August.

Business News Americas, 27/1/06, 4/1/06



CTEEP Privatisation Likely To Be Delayed

The government of Sao Paulo is considering postponing the privatisation process of CTEEP, Sao Paulo's electricity transmission company, currently scheduled for 8 February. The reason for the delay is the design of the auction. The main problem is setting the minimum sale price, which was to have been published at least 15 days before the sale.

Valor Económico, 13/1/06

Honduras:

New Government To Create An Energy Ministry

Honduras' newly elected president, Mr. Manuel Zelaya, plans to create an energy ministry by the end of March. Up till now, energy matters have been responsibility of the minister of natural resources and environment, Mrs. Patricia Batenga, who is also the head of the state power company ENEE. The energy ministry will mainly be in charge of looking for the solution to high fuel prices and of reviewing thermal generation plants' contracts. Currently, Congress fixes the prices and duration of ENEE's generation contracts, while the finance minister determines its budget.

Business News Americas, 24/1/06

Panama:

Government Freezes Full-Service Electricity Tariff Increase

Panama's Government has postponed the full-service electricity tariff increase due on 1 January 2006. The 90 days deferral is based on article 50 of the Constitution and comes as a result of the strong social opposition to the measure. The Energy regulator, ERSP, had announced a rise in full-service electricity tariffs of up to 30% for high voltage clients and up to 25% for medium voltage consumers. Tariffs for residential customers were set to rise by 15%-25%, except for customers consuming less than 200 kWh/month, who represent 70% of the residential consumers and whose tariffs are subsidised.

Agencia Efe, 23/1/06, 22/1/06; Business News Americas, 2/1/06



Uruguay:

New Full-Service Electricity Tariffs Approved

The National Administration of Power Plants and Electricity Transmissions, UTE, has published the new full-service tariffs, which come into effect on 1 February. The new tariff scheme implies an average increase of 4.4%, which is below the annual rate of inflation (currently 4.9%). The so-called General Simple tariff, for users with a monthly consumption below 500 kWh, will increase by 2.37%. Full-service electricity tariff for residential clients and street lighting will increase by 4.8% whilst the increase for large consumers will be 4.9%. Lower increases will apply to medium sized consumers (4.4%) and small shops will see tariff reductions.

El Avisador, 30/1/06; La República, 22/1/06; El País, 21/1/06

Asia Pacific News

Australia:

Western Power Split Moving Forward

The new shape of Western Australia's power industry is crystallising with the naming of the four entities to be formed from the split of integrated supplier Western Power. The split will create separate generation, transmission/distribution and retail companies in the South-West interconnected system (SWIS). These are to be called Verve Energy, Western Power and Synergy respectively. Horizon Power will be responsible for supply of electricity to Western Australians outside the SWIS. The four new businesses will commence operation in April.

WA Business News, 30/1/06; West Australian, 4/1/06

Fines May Be Imposed For Breach Of Regulatory Conditions

Fines of up to A\$1 million (US\$ 0.76 million) could be imposed on ETSA Utilities if an investigation by the Essential Services Commission finds that its performance was inconsistent with "good electricity industry practice". This follows a preliminary investigation by the Commission into the performance of ETSA during the South Australian heatwave in January last year, in which power supplies to 63,000 customers were affected and around 1,000 were left without power for more than 12 hours. A formal inquiry will determine whether ETSA's preparation for and response to the heatwave were adequate and appropriate.

Sunday Mail, 29/1/06; www.escosa.sa.gov.au, 28/1/06

New Zealand:

Commission Details Reasons For Transpower Action

The Commerce Commission has published the reasons for its intention to declare control of Transpower's transmission services. The Commission alleges that Transpower breached its price path thresholds in April 2004 and is likely to have been earning excessive profits since then. It also states that it found evidence that Transpower was including future investments of NZ\$ 3,400 million (US\$ 2,300 million) in current prices, where only a 'small proportion' of these investments had been scrutinised by the Electricity Commission. The Commission must now decide whether to proceed with making a declaration of control.

www.comcom.govt.nz, 31/1/06

China:

Gencos Receive Renewable Targets

The National Development and Reform Commission (NDRC) has announced a target for companies with over 5,000MW of operational capacity to have 5% of generation based on renewable energy resources by 2010, and 10% by 2020. Eligible generation plant will not include hydroelectric and nuclear capacity. Existing policies offer tariff incentives for renewable energy-based generation capacity as well as fiscal incentives including reduced tax levels for equipment purchases and plant construction.

Platts Power in Asia, 19/1/06

Beijing Takes Action Aimed At Closing 5,000 Coal Mines

The Chinese government will step up pressure to improve safety conditions in China's coal mining industry, forcing the shutdown of thousands of mines. China's accident rate ranks as the world's highest, claiming the lives of 5,000 Chinese miners each year. The Xinhua news agency said the shutdowns will involve up to 5,270 mines or individual mine shafts, citing figures released at a conference conducted by the work-safety administrators.

Dow Jones Business News, 05/1/06

Sharp LPG Price Rises Force State To Step In

The Chinese NDRC has said that governments in regions where LPG prices are deregulated must now set up intervention mechanisms to prevent sudden price surges. The rule results from rapid increases in LPG prices which have more than doubled in the past three years. According to existing regulations, domestic LPG producers must set their ex-factory price between 8.7% and 20% above petrol prices. However, retail prices are not state controlled in some major markets such as Guangdong.

South China Morning Post, 18/1/06



Starts Issuing Licences To Power Firms

The State Electricity Regulatory Commission (SERC), China's power regulator, has started issuing business licences to power companies to strengthen regulation. The first two licences have been offered to two units of Huaneng Power International Inc., the country's top independent power producer. SERC have said that following the separation of power generators and grid companies, companies have been diversifying and a new supervision system is required. SERC plan to issue licences to most large power generators and power grid firms this year.

Reuters News, 19/1/06

India:

Essar, Torrent Seek 'In-Principle' CERC Nod For Tariff, Cost

Two more power companies have sought "in-principle" clearance for the project cost and tariffs of new plants before they start to generate electricity. Earlier this year, the CERC launched a new scheme to ratify project costs and tariffs as part of its efforts to facilitate financial closure of projects and provide a level of comfort to project developers and lending institutions. Until now, project promoters used to submit their cost estimates to the commission for determination of tariffs just before commissioning of the plant. The CERC scheme is also expected to reduce time overruns.

The Press Trust of India Ltd, 1/1/06

Procurement By Distribution Licensees—Power Tariff Policy Moots Competitive Bidding

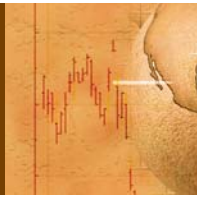
The new Power Tariff Policy proposes that distribution licensees should procure all future power requirements through a process of competitive bidding. The policy has also given the Central Electricity Regulatory Commission (CERC) the discretion to choose between the Return on Equity (RoE) and the Return on Capital Employed (RoCE) approach when setting the tariffs for a project. The policy also lays down a debt-equity ratio of 70:30 to be adopted for financing of future capital costs of projects and calls for the introduction of multi-year tariff framework for both public and private utilities.

Business Line, 11/1/06

CERC Fixes Trading Margin At 4 Paisa.

The power regulator, Central Electricity Regulatory Commission (CERC), has announced a decision that the margin for licensed power traders for trading electricity will be fixed at 9 UScents per MWh. CERC said the move was aimed at protecting consumers as well as providing reasonable return to traders. The margins do not include transmission charges, application fees, unscheduled charges and transmission losses.

The Statesman, 26/1/06



Indonesia:

Indonesia To Regulate Minimum Oil, Gas Share For Domestic Market

The Indonesian government will issue a regulation requiring oil and gas producers to set aside a minimum 25% share of output for the domestic market. The regulation is part of a draft amendment to Law No. 22/2001. It is hoped to serve as a disincentive to foreign investors as domestic prices are much cheaper than the prevailing prices in international market. Furthermore, the government is concerned about the shortage of gas supply in the country causing a number of urea fertiliser factories to suspend operations.

Asia Pulse, 12/1/ 06

Authorities To Ramp Up Privatisation Programme In Indonesia

The Minister for State Enterprises confirmed the government plans to sell stakes in more than 20 state-owned enterprises. IPOs will begin in the second quarter following the release of audited financial reports by the targeted companies. The Minister indicated that energy, public utilities and infrastructure sectors will be opened to investment, although he failed to name specific companies. Several part-privatisations were delayed by the government in 2005, including the sale of a 7.1% stake in state gas distributor Perusahaan Gas Negara (PGN).

Global Insight Daily Analysis, 18/1/06

Philippines:

Fixed Price In The Drawing Board For Electricity Spot Trade Market

The Philippine Electricity Market Corp. (PEMC) is preparing a fixed price for market participants in case trading at the wholesale electricity spot market (WESM) is suspended. The administered price will be used to prevent traders or market participants from capitalising on price volatility at certain times. Market suspension will be called by the ERC in case of natural calamities or declaration of an international or national security emergency. The administered price is one of three PEMC applications that the regulator has to approve before it can declare the WESM's commercial run.

BusinessWorld, 6/1/06



Thailand:

Egat Listing May Be Delayed Again; Consumers Join Egat Listing Fight

The privatisation of Egat Plc is likely to be postponed further as the Consumers Protection Foundation (CPF) has asked the Supreme Administrative Court to grant it an extension in submitting documentation supporting its opposition to the plan. The court is expected to consider the case in March and April. Egat was slated to list in the local stock market last November, but the IPO was suspended following a court petition from the CPF. More recently a group of 2,038 electricity consumers filed an additional complaint with the Supreme Administrative Court, expressing their opposition to the Egat privatisation.

Thai News Service, 20/1/06; The Nation, 28/1/06



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