

Reporting on energy regulation issues around the world

Global Energy Regulation

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European News

UK

First Steps Towards Implementing Transmission Price Control

Ofgem is consulting on the forthcoming electricity and gas transmission price control review which will take effect in April 2007. The consultation identifies challenges including uncertainty about the levels of investment needed to allow networks to develop over the next decade. The price review will balance the need for continuing investment in networks to maintain levels of reliability against the need to protect customers from unnecessary or inefficient investment in the network, or inefficient operating costs.

Ofgem Press Release; 22/7/05

TXU UK Ltd And Atlantic Electric And Gas Ltd Fail To Comply With Energy Efficiency Commitment

TXU UK Ltd (in administration) and Atlantic Electric and Gas Ltd (in administrative receivership) have failed to reach targets set for energy savings under the Energy Efficiency Commitment (EEC) 2002-2005. Ofgem has decided not to impose financial penalties in this case as it would not serve any practical purpose. Ofgem is required to report to the Secretary of State on each supplier's performance under the EEC by the end of July.

Ofgem Press Release; 20/7/05

CC Publishes Rules And Guidance For Energy Code Modification Appeals

Following consultation the Competition Commission has published Rules and Guidance governing appeals under the Energy Act against certain decisions by Ofgem on modifications to gas and electricity codes. The new right of appeal can be applied when Ofgem rejects a majority recommendation on a particular modification by a code panel. Previously the only way in which industry participants could appeal against OFGEM decisions on code modifications was to seek judicial review

Herbert Smith Bulletin, 14/7/05; Competition Commission News Release, 11/7/05



Ofgem To Decide On Gas Flow Info Release Within Weeks/UK Offshore Operators Show Concern Over Plans To Release More Information

Ofgem will decide soon on whether to mandate increased disclosure of offshore gas flows into the UK market. The decision follows Uniform Network Code Modification proposal 006 by consumers' representative, Energywatch. Meanwhile the UK Offshore Operators' Association (UKOOA) expressed concern at British energy regulator Ofgem's approach to decisions about offshore flow information. Ofgem's proposed approach opens the door for companies or bodies to propose network code modifications that would require the release of more offshore information.

Platts Commodity News, 8/7/05; European Spot Gas Markets, 1/7/05

NIAER Launches Consultation Paper On Supply Competition For Domestic Users

Ofreg published a consultation paper on Supply Competition for Domestic Users. The consultation examines issues likely to arise from an incremental approach to market opening.

Ofreg Press Release, 7/7/05

Ofgem Gives Industry A Year To Introduce Billing Improvements

Ofgem has given energy suppliers a year to improve the way they bill their domestic customers. The move follows a 'super complaint' about consumer billing by Energywatch, the consumers' representative agency. Among the required measures is a prohibition on billing customers more than two years in arrears, if no bill was issued and the supplier was at fault. Energy suppliers must also set up an independent disputes body able to award compensation. Finally companies must review their domestic customers' contract terms to ensure compliance with consumer rights legislation.

Ofgem Press Release, 5/7/05

Austria

Agreement On New Grid Fee Regime

The energy regulator E-Control and power industry association VEÖ agreed to introduce an incentive-based system of grid regulation early next year to replace the current cost-plus tariff-setting process. The new method for calculating grid fees involves annual adjustments to grid fees by 2%—5% linked to annual cost-saving targets. This will reward efficient network operation with higher returns and bring Austrian distribution tariffs down closer to European averages.

PR Newswire Europe, 14/7/05; Utility Week, 13/7/05;



Security Of Electricity Supply

Statistics on the security of Austrian electricity supply released by E-Control this month are encouraging: unplanned supply cuts have been reduced from 38.43 minutes in 2003 to 30.33 minutes in 2004 last year. This undermines arguments that liberalisation has worsened security of supply.

Die Presse, 5/7/05

Belgium

Regulator Asks For New Rules To Allocate Gas Storage Capacity

The Belgian energy regulator, CREG, has asked Fluxys, the company in charge of the two gas storage sites in Belgium, to modify its rules for allocating gas storage. The requirement of the CREG follows amendments to the Belgian Gas Law approved in June 2005, by which only gas distributors and non-eligible gas consumers are considered priority users of the gas storage capacity. For other users, capacity is offered on a first come, first served basis.

www.creg.be, 15/7/05

New Electricity Market Created

The Belgian electricity transmission system operator, Elia, has announced the creation of a day-ahead electricity market in Belgium. The new market, Belpex, which will start operation in 2006, is owned by Elia (70% of the shares) in conjunction with the Dutch electricity system operator (TenneT) and the Dutch and French electricity markets (APX and Powernext), each with 10% of the shares. France's electricity system operator, RTE, which is also participating in the project, might in the future acquire 10% from Elia.

La Tribune, 12/7/05

Belgium, France, Netherlands

Regulators Open Consultation for the Integration of Electricity Markets

In order to facilitate regional market integration between the wholesale electricity markets of Belgium, France and The Netherlands, the energy regulators CREG, CRE and DTe have launched a joint consultation document, which covers issues such as cross-border capacity, market transparency, market power and cooperation between regulators. The consultation takes into account the differences in design and rules of the three markets. Relevant market parties should send in their responses, preferably in English, no later than Monday 5 September 2005.

DTe website, 5/7/05; www.creg.be, 5/7/05



Bulgaria

Bulgaria Opens Energy Market For 67 Companies

The Bulgarian State Water and Energy Regulatory Commission (SWERC) has opened the electricity market to 67 companies with the status of favoured consumers. Favoured consumers must consume over 20 GWh of electricity per year and have no debts to the national power distributor, NEK. Power generating companies have quotas for the free sale of electricity, to be negotiated with the favoured consumers.

Bulgarian News Digest, 13/7/05

Energy & Electricity, Greek PPC Appeals Cancellation of Bulgaria Power Plant Tender

The privatisation agency has cancelled the tender for the coal-fired thermal plant at Bobov Dol, due to an insufficient number of offers and the failure of either of the two bidders to guarantee long-term purchase orders with local coal mines. PPC, one of the bidders, has since appealed against the decision to cancel the tender. Meanwhile, the anti-monopoly office has ruled that Russian energy concern Inter-RAO, the preferred buyer of coal-fired thermal power plants at Varna and Rousse, will be allowed to acquire only one of the two facilities. The reason stated was that a single company should be allowed to acquire both plants only if the investor guaranteed significant levels of modernisation and employment.

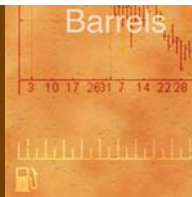
*Economist Intelligence Unit—Business Eastern Europe, 18/7/05 and 4/7/05;
SeeNews, 12/7/05*

European Union

European Regulators Consult On Gas Balancing Rules

The European Regulators Group for Electricity and Gas (ERGEG), an advisory group to the European Commission, has launched a consultation on gas balancing rules. The aim is to develop detailed gas balancing guidelines by year 2006 which improve the current gas balancing principles published by the Council of European Energy Regulators in 2003. These guidelines will in principle be voluntary, but the European Commission could make them binding.

Platts Commodity News, 19/7/05



Five States Charged By European Commission

The European Commission (EC) has decided to take Estonia, Ireland, Greece, Spain and Luxembourg before the European Court of Justice, due to delays in the transposition of the energy directives. These five states have failed to transpose fully either or both of the two European Union Directives on the liberalisation of the electricity and gas markets (Directive 54/2003/EC and Directive 55/2003/EC). This is the third stage of the infringement procedure, which was initiated when the EC sent letters of formal notice to several states in October 2004. In addition, the EC has sent a reasoned opinion to Portugal with regard to the transposition of the electricity directive.

http://europa.eu.int/comm/energy/index_en.html, 6/7/05

France

Lower Prices For Large Electricity Consumers

The French Government has announced its intention to set up a mechanism that will allow large electricity consumers to sign long-term electricity supply contracts at lower rates in exchange for investments in electricity generation. The government decision will allow 20 TWh per annum to be sold under these contracts, at a price of around EUR 28-30/MWh (US\$34-36/MWh), a 25% discount on current wholesale prices. This measure will mainly benefit aluminium, chemical, steel and paper industries, which left full-service electricity tariffs in year 2000, when market prices were at EUR 17/MWh (US\$20/MWh).

Les Echos, 21/7/05; *Dow Jones International News*, 21/7/05

Publication Of The Regulations For The Privatisation Of EDF

The French Government published in the Official Journal the regulations that allow the privatisation of 30% of the shares in Électricité de France (EDF). EDF will probably be publicly quoted next autumn.

Enerpresse, 11/7/05

Germany

New EnWG In Force

The new Energy Industry Act (Energiewirtschaftsgesetz—EnWG) entered into force on 13 July 2005, bringing in a new era of energy law in Germany. Henceforth, a regulatory authority will determine grid fees, grid access and even investment obligations to a substantial extent. Self-regulation through Associations Agreements no longer applies.

Linklaters Oppenhoff & Rädler, Energy Law in Germany, Issue 21, July 2005



Electricity Revenue Review 2006-2010

The Commission for Energy Regulation published a number of detailed consultation documents and reports that, together, will affect the price that customers of ESB Public Electricity Supply (ESB PES) will pay for electricity in 2006 and future years.

www.cer.ie, 26/7/05

Decision On Renewable Connection Offers And Transmission Reinforcement Works

The Commission for Energy Regulation has decided to waive the requirement that all deep reinforcement works cited in connection offers be completed before any output from a renewable generating plant is accepted on to the system. This will allow the plant, once the necessary shallow connection works are completed, to export some or all of its capacity to the system prior to the deep reinforcement works being completed. The plant would, however, be subject to being constrained down or off in certain circumstances during this period and would have to have the necessary constraining equipment in place.

www.cer.ie, 8/7/05

Italy

Criteria For Gas Transmission Tariffs In The Second Regulatory Period

AEEG (the Italian regulator) has set out criteria for gas transportation tariffs in the regulatory period October 2005-September 2009. AEEG confirmed the revenue cap and price cap mechanisms that were in place in the first regulatory period. Remuneration of capital is set at 6.7% (real pre-tax WACC). New investments are granted additional remuneration for a period longer than the regulatory period; both the amount of extra remuneration and the period it is paid depend on the investment. (For instance, investments in new import capacity will be granted 3% extra remuneration for 15 years.) The capacity/commodity split is confirmed at 70/30; the X factor has been set at 2%. Tariffs will be updated each year using a price cap mechanism which is applied to operating costs and depreciation.

AEEG's web site, 30/7/05

Edison Sells 5.1% Stake In AEM

Edison, the second Italian generator, has sold a 5.1% stake in AEM to Mediobanca for EUR 161.5 million (EUR 1.7592 per share). This deal eliminates the risk of Edison overrunning the 2% ceiling on cross-holdings imposed by Italian law.

Staffetta Quotidiana, 30/7/05 and 19/7/05



New Proposals To Increase Generation From Renewables

AEEG published a consultation document setting out proposals for incentives to plants generating from renewables with capacity up to 20 kW. AEEG proposes an “exchange in the same place” mechanism, which can be applied when the injection point and the withdrawal point correspond and net metering of flows is possible. According to such mechanism, the generator “sells” electricity to the local grid and “buys” electricity from the grid when the plant is not able to produce.

AEEG’s web site, 19/7/05

Investigation On Electricity Sales To Final Customers Started.

AEEG has started an investigation that would last until 31 December 2007 on sales of electricity to final customers, in order to assess the degree of competition among companies providing retail service. AEEG noted that, one year from the opening of the market to all non residential customers, the number of customers deciding to change supplier is still negligible. The investigation would also assess the extent to which upstream price reductions would be passed onto final customers.

AEEG’s web site, 12/7/05

Netherlands

Draft Decisions On Method And X-Factor For GTS

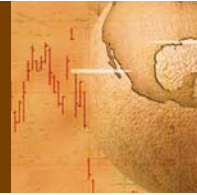
The Management Board of the Dutch Competition Authority (NMa) issued draft decisions on the method of setting the X-factor for GTS, the national gas transmission operator, and on the parameters for determining the value of the X-factor. Interested parties have until 1 August to respond to the Method Decision.

DTe website, 19/7/05 and 1/7/05

DTe Consults On Virtual Power Plants For The Dutch Electricity Market

DTe issued a consultation on the role for Virtual Power Plants (VPPs) in the Dutch electricity market. VPPs are a type of contract issued by producers to give more traders the possibility of engaging in trade. The consultation follows a March 2004 report on the state of liquidity in the electricity market. DTe later extended to consultation period until 1 October 2005.

DTe website, 18/7/05 and 5/7/05



Dutch Gasunie Legally Splits Transport And Trading Business

Nederlandse Gasunie finalised the legal separation of its transport and trading businesses as per a November 2004 agreement of its shareholders. The deal took effect financially as of 1 January 2005. The Dutch government acquired the equity of ExxonMobil and Shell in the transmission system operator Gas Transport Services (GTS) for the sum of EUR 2.78 billion (net), in return for which the government gets the pipeline system, the LNG peak shaving facility, and Gasunie's share of the BBL partnership and Eurohub GmbH.

Heren Energy, European Gas Markets, 15/7/05

NMa Is An Autonomous Administrative Authority

As of 1 July, the Netherlands Competition Authority (Nederlandse Mededingingsautoriteit, NMa) has the status of an autonomous administrative authority with a new Management Board (Raad van Bestuur). The statutory powers of the Director of DTe have been transferred to the Management Board of NMa. DTe will remain the part of NMa which focuses on implementation of sector-specific energy regulations.

NMa circular, 1/7/05

Portugal

Natural Gas Full Eligibility In 2005/6

Plans for liberalising the natural gas sector in 2005/06 are included in a public report recently published, entitled Grandes Opções do Plano (Large Options Plan). In accordance with the document, promotion of competition in the energy sector is planned for the next two years to promote natural gas sector full eligibility. The report contents are consistent with the plans of the Economics Minister, Mr Manuel Pinho, for the creation of an Iberian market which covers not only electricity but also natural gas.

Jornal de Negocios, 22/7/05

New Gas And Electricity Network Operator

Following the energy sector restructuring process, the Portuguese government has set up a new firm that will operate the gas and electricity networks for the whole country. The government is also to limit the holding of any energy firm to a maximum of 3% of the new company's capital.

Agencia Financiera, 18/7/05



New Investment Plans For Renewables

The Portuguese Prime Minister, Mr José Sócrates, stated that the national investment in renewables is set to EUR 3,000 million (US\$ 3,600 million) until 2010. The aim behind this investment is the reduction in dependence on foreign oil and gas. In addition, the government also wants to create a wind turbine industry within Portugal as a business opportunity.

Agencia Financiera, 18/7/05

New Wind Capacity Tender Process

The Economics Minister, Mr Manuel Pinho, stated that the government is to launch a new tender process to install new wind capacity in Portugal. The plan envisaged the installation of 1,500 MW instead of the 1,100 MW foreseen in the previous plan. The capacity increase is possible due to improvements in the electricity network.

Agencia Financiera, 4/7/05

The Litigation Of EDP Against EC Begins

The Portuguese energy firm, Energias de Portugal (EDP), has appealed against the EC decision on the Portuguese energy restructuring process which determined that Galp Energia gas assets could not be acquired by EDP and Italian oil firm ENI. EDP is asking the European Court of Justice to overturn the EC decision. It is expected that the Court decision will be known at year end.

Agencia Financiera, 4/7/05

Romania

Six Bid For Braila 4 IPP

Six companies have submitted letters of interest to form a joint venture to upgrade and operate a CHP plant currently owned by Romania's state-owned thermal power producer Termoelectrica. Termoelectrica aims to create a joint venture majority-owned by private investors. The state generator would contribute the assets, while the new strategic partner would contribute the capital needed to buy and install new equipment and to upgrade existing equipment.

Platts Energy in Eastern Europe, 8/7/05



Consultation On A New Methodology For Gas Tariffs In The Autumn

The gas regulator will prepare a new tariff methodology by the autumn, which will then be submitted to public debate. A methodology may allow for a fixed subscription charge, if social protection mechanisms are also established. Ruhrgas, the new owner of Distrigaz Nord, and Gaz de France, the new owner of Distrigaz Sud, both support the adoption of a tariff variant with a subscription component.

Mediafax News Brief Service, 6/7/05

Russia

Regulator Sets New Price Caps For Electricity And Heat

The Federal Tariff Service approved the 2006 price caps for electricity and heat tariffs. The tariffs will increase by 15-20% for the domestic customers. The tariff increases were curtailed in the regions where there is a concern about negative social consequences.

WPS Russian Media Monitoring Agency 28/7/05

Zero Rate Import Tax For Electricity

Customs Service reported that the zero import tax rate for electricity came into force on 27 July 2005.

SKRIN Russia, 28/7/05

Spain

The Courts Determine That Endesa Should Refund Viesgo's CTCs

The Spanish Courts of Justice have decided that Spanish utility Endesa should refund part of the profits obtained after the sale of Viesgo to Italian utility Enel, on the basis that some of those profits should have been used to offset stranded cost compensation payments ("CTCs"). Endesa will appeal against this decision.

La Vanguardia, 29/7/05



White Paper On The Electricity Wholesale Market Published

The Spanish Government published the White Paper on the Spanish electricity wholesale market, drafted by an independent expert. The White Paper proposes, among other measures, to limit the market shares of the main generators by means of sales of assets, virtual auctions or contracts, or long-term contracts; to maintain, with some modifications, the capacity payment received by generators in Spain; to modify the tariff methodology to ensure they cover all the costs of supply; and to replace stranded costs compensations (CTCs) by virtual contracts at a fixed price set by the regulator, even beyond 2010. The proposals of the White Paper are not binding on the government, which may initiate some reforms of the Spanish electricity wholesale market at the end of 2005.

Cinco Días, 27/7/05; La Gaceta, 27/7/05

New Rules For Gas Retailers

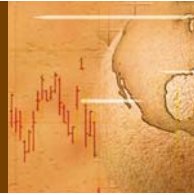
The Spanish Government has asked the energy regulator, Comisión Nacional de la Energía (CNE), for comments on the new draft regulations for gas retailers. The objective of the proposed rules is to guarantee security of supply. According to the draft regulations, the Spanish gas system operator, Enagás, will fine retailers whose compulsory gas reserves are below legal requirements. In addition, the draft regulations include the possibility of Enagás holding auctions for the exchange of gas among retailers, a first step towards creation of an organised secondary gas market in Spain.

Enervia, 15/7/05

European Commission Asks For Modifications In Hydroelectric Concessions

The European Commission has formally asked the Spanish Government to modify the Water Law and the Electricity Sector Law, in order to include a clear procedure for the allocation of hydroelectric concessions. According to the European Commission, the current regime of administrative authorisations in Spain is neither objective nor non-discriminatory, since the criteria are not established beforehand.

Enervia, 14/7/05



Government Approves Energy Efficiency Plan

The Spanish Government has approved the Energy Efficiency Action Plan 2005-2007, with the objectives of reducing primary energy consumption, decreasing oil imports and reducing CO2 emissions. The Plan includes several specific measures in order to achieve its general goals, such as an increase of 0.8% of the electricity full-service tariffs for year 2006, an increase in the current hydrocarbon tax, and investments in the transport and building sectors.

Enervia, 11/7/05

Switzerland

Debate On Cogeneration Plant At Chavalon

The south-western publicly-owned Energie Ouest Suisse (EOS) pushes for a 370-740MW cogeneration plant at Chavalon (canton of Valais). The additional generation capacity would ensure self-sufficiency and independence from the large base-load nuclear sites in Leibstadt and Goesgen. However, the construction of a fossil-fuelled generation plant would be in tension with the current federal climate policy.

Platts EU-Energy, 29/7/05

Turkey

New Statute Gives Overdue Push To Developing Wind, Solar Energy Projects

The Turkish Parliament has passed a law that guarantees minimum tariffs for electricity produced from renewable sources (primarily wind farms, but also solar and geothermal energy projects). Under the new law, average wholesale tariffs for electricity produced by renewable energy will be fixed for seven years.

Platts Renewables Energy Report, 11/7/05

Turkish U-Turn Hits SE Europe Consensus

Turkey has decided not to ratify the Athens Process treaty on a southeast European energy community. The treaty sets out the conditions for integration of the gas and electricity markets of all of the southeast European countries. The treaty aims to give the non-EU southeast European countries access to EU markets, particularly in Austria, Greece, Hungary, Italy and Slovenia, and the potential to earn fees from transiting long distance gas from the Middle East and Caspian region.

Platts Energy in East Europe, 8/7/05



North American News

USA

House Approves Massive Energy Bill

By a wide margin the House approved a mammoth energy plan for the US that sends billions of dollars in tax breaks and subsidies to energy companies, but is expected to do little to reduce US oil consumption or dampen high energy prices. Congress now awaits action by the Senate. The 1,725-page bill is the product of weeks of compromise between widely different versions approved by the two chambers earlier this year.

CNN.Com 28/7/05

FERC Terminates Standard Market Design Proceeding

FERC terminated a standard market design notice of proposed rulemaking proceeding, bringing to a close an effort first launched in 2002 by the federal agency.

NGI's Power Market Today, 19/7/05

California Supreme Court Returns Electric Reregulation To November Ballot

The California Supreme Court ruled that voters should get to vote on a ballot initiative to return the state's electricity industry to traditional, cost-based regulation. The Independent Energy Producers, an association of non-utility generating companies, had sued to get the measure off the ballot. The electricity ballot initiative, if passed, would permanently prohibit customers of the state's three main power utilities from switching to alternate suppliers unless they have already done so.

Dow Jones & Company, Inc. 27/7/05

Puhca Repeal Would Aid Some Utilities, But Merger Hurdles Remain

US House and Senate negotiators approved the non-tax provisions of a joint energy bill that would repeal the Public Utility Holding Company Act of 1935. While the compromise version still has to be approved by both houses of Congress, observers see a good chance of passage. Some companies will benefit but the industry at large and outsiders who may be looking at buying their way in will still face a number of merger hurdles, some more burdensome.

Dow Jones & Company, Inc., 26/7/05



Connecticut Governor Asks For Two-Year Delay Of FERC Electricity Pricing Plan

Connecticut Governor M Jodi Rell is seeking to delay for two years a two-zone pricing system for electricity imposed on Connecticut by federal energy regulators. The pricing system, known as Locational Installed Capacity, or LICAP, was proposed by ISO New England, the region's power grid operator, and approved by the Federal Energy Regulatory Commission (FERC). It would take effect in January 2006.

Waterbury Republican-American, 23/7/05

Tennessee Valley Authority To Raise Electricity Rates

The price of electricity in the Tennessee Valley will rise by the largest amount in nearly two decades this fall to help TVA cope with fuel costs that have jumped more than 36% since rates last were increased two years ago. TVA directors approved a 7% rate increase. The increase will raise the average residential electric bill in Chattanooga by US\$5.50 a month.

Knight Ridder/Tribune Business News, Chattanooga Times/Free Press, 22/7/05

NYISO Moves to Resolve Forecast Uncertainties Tied To Price Spikes

The New York Independent System Operator (NYISO) is taking steps to resolve forecast uncertainties that have contributed to volatility in its real-time market, frequently leading to significant price spikes. FERC accepted NYISO's proposed tariff sheets, subject to certain conditions. FERC directed NYISO to define "minimum generation level," including the upper limit, in both its open access transmission tariff and its market administration and control area services tariff.

NGI's Power Market Today, 22/7/05

FERC Probe Finds No Effort To Manipulate New MISO Market

FERC terminated a preliminary investigation into supply offers by power market participants during the market launch of Midwest Independent Transmission System Operator (MISO) earlier this year. FERC accepted its staff's conclusions that bid offers examined were the result of market start-up and communications problems and did not represent wilful efforts to manipulate the new electricity market.

NGI's Power Market Today, 21/7/05



Starks Gas Storage Wins Approval From FERC For Louisiana Natural Gas Project

A natural gas project to create 19,000 million cubic feet of extra storage capacity in Louisiana has gained FERC approval. Starks Gas Storage will convert existing salt domes into natural gas storage facilities which will link as many as three interstate pipelines.

Dow Jones International News 21/7/05

Public Service Enterprise Group Inc Shareholders Voting On Acquisition By Exelon Corp

Shareholders of Public Service Enterprise Group (PSEG) plan to vote on a merger which would produce the USA's largest power-generation company. A new company, Exelon Electric and Gas, would be created by the \$12,000 million stock deal which would provide electricity or gas to customers in Illinois, New Jersey and Pennsylvania. The deal was approved by FERC in June, although issues remain for federal and state bodies. New Jersey's Board of Public Utilities will hold hearings in October.

Associated Press Newswires 19/7/05

California Settles Claims Against Enron Corp For Fraudulent Profit Dealing

A cash settlement, valued from \$250 million to \$400 million, is likely as the claims against Enron exceed the funds available to pay them. The settlement was reached by California's energy agencies, the state attorney general and the state's investor owned utilities. The final amount will be credited to consumers against charges on their monthly utility bills. The California Public Utilities Commission and FERC, California will receive \$47.5 million in cash and an unsecured claim amounting to \$875 million under the agreement (still to be approved by the bankruptcy court). Washington and Oregon will receive a \$22.2 million share of the unsecured claim. In addition, the three states would split the proceeds from a \$600 million penalty.

Wall Street Journal 18/7/05



Duke Energy And Cinergy Submit FERC Merger Application

Duke Energy and Cinergy have filed an application with FERC seeking approval of their merger agreement by early 2006. In addition to FERC, the merger is conditioned upon approval by the shareholders of both companies, as well as the North Carolina Utilities Commission, the Public Service Commission of South Carolina, the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, the Indiana Utility Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission, the Department of Justice and the Federal Communications Commission (for transfer of certain licenses).

PRNewswire-FirstCall, 13/7/05

Court Sides With California Utilities In FERC Cost Recovery Case

FERC was wrong to disallow tariff provisions proposed by Southern California Edison, Pacific Gas & Electric (PG&E) and San Diego Gas & Electric (SDG&E), the US Court of Appeals for the District of Columbia Circuit ruled. The utilities had offered a rate designed to recover from two classes of customers additional expenses arising from the California Independent system Operator (CAISO). The three California utilities had proposed to pass costs through both to customers under existing contracts and to new customers, but FERC disallowed the pass-through for the new customers.

NGI's Power Market Today, 12/7/05

Montana-Dakota Utilities Co May Have To Refund Customers Charged Too Much For Gas

The Public Services Commission are in discussion about how to refund customers of Montana-Dakota Utilities Co who were overcharged for gas for almost 5 years by its subsidiary Williston Basin Interstate Pipeline. The discussion concerns the method of repayment, either crediting the customers' bills over a period of time (preferred by the company), or a one-off cheque. The company owes its 80,000 gas customers in North Dakota about US\$6.9 million in refunds. Residential gas customers may each receive a refund of US\$30.

Associated Press Newswires 11/7/05



Georgia—Cobb EMC Prepares To Seek Licence From Public Services Commission To Enter Natural Gas Market

Cobb Electric Membership Corp is to negotiate the purchase of a natural gas trading company in Georgia (Southern Company Gas, a subsidiary of Southern Co.). Southern Company Gas is believed to have a 12.5% share in the State gas market. At the moment Cobb Energy distributes gas to residential and business customers from Scana Energy, whose licence expires in May 2008. Cobb already serves electricity customers, and this purchase could generate price competition amongst suppliers which should benefit customers, said Public Service Commissioner Robert B. Baker.

Atlanta Journal 9/7/05

Construction Costs Of LNG Terminal On Passamaquoddy Tribal Land Could Be Halved

A new proposal has been filed with FERC to build a Liquid Natural Gas (LNG) terminal in Washington County which cuts the original \$400 million construction cost in half, although the possible economic necessity of having to have two tankers tied up at one time may offset some of the construction savings. Quoddy Bay is in negotiations with possible gas suppliers and gas pipeline companies and hopes to fast track the LNG project if it gets approval from FERC.

Associated Press Newswires 7/7/05

Power Plants May Face Unexpected Limits On Pollution

Staff scientists at the US Environmental Protection Agency issued recommendations calling for the agency to tighten these exposure standards for microscopic “fine particle” pollution to reflect a growing scientific consensus about the wide-ranging harm done to the body by inhaling the tiny bits of pollution. If the EPA accepts these recommendations, some states will have to reduce levels of pollution caused by fine particles such as nitrogen oxides and sulfur dioxides, which are released from coal-burning power plants.

Dow Jones & Company, 7/7/05



Proposal For A LNG Terminal In Gloucester County Appears To Be Heading Towards The Supreme Court In A State Border Dispute

Delaware and New Jersey are in dispute about a proposed LNG terminal pier that extends into Delaware waters. BP's proposal to build a US\$500 million terminal in Logan Township to import LNG (enough for 5 million homes) was rejected by Delaware, as it violated the state's Coastal Zone Act. New Jersey is contending this by stating a 1905 compact grants NJ control over its side of the river. The dispute has raised the issues of the safety, siting and construction of LNG terminals, but neither side want the Federal Government to make the final decision on where LNG terminals should be sited.

Philadelphia Inquirer 4/7/05

LNG Projects In Massachusetts And New Mexico Approved By FERC

FERC approved construction of a new LNG import terminal in Falls River, Massachusetts, proposed by Weavers's Cove Energy and Mill River Pipeline (affiliates of Amerada Hess Corp). FERC also approved construction of a terminal in the Gulf of New Mexico proposed by Golden Pass Pipeline (subsidiaries of Exxon Mobil Corporation). A third proposal for a terminal by KeySpan LNG at Rhode Island was refused as it did not meet current safety standards.

Dow Jones Business News 1/7/05

Broad Energy Bill Passed By Senate

The Senate passed a broad energy bill at the end of June with \$16,000 million in tax incentives aimed at boosting domestic energy production to feed growing demand. Its long term goal is to gradually reduce prices for the consumer, especially gas prices, as it makes the licensing process for new LNG terminals more efficient and will open more federal land up for drilling. There is a considerable task to resolve the differences between this Senate bill and a version passed by the House of Representatives in April. If passed both the Senate and House Bills would repeal the Public Utility Holding Company Act which would relieve restrictions on mergers in the utility sector.

Dow Jones News Service 28/6/05



Canada

Ontario Energy Board Issues Final Revised Transmission System Code

The Ontario Energy Board issued a final version of the revised Transmission System Code (TSC). The TSC sets out obligations electricity transmitters have to their customers and standards for the operation, maintenance, management and expansion of transmission systems. The affected customers are wholesale market participants directly connected to the transmission system, but not customers of electricity distributors.

Canada NewsWire, 25/7/05

Mexico

Mexican Companies' Participation In CFE Tenders Grows

National industry will invest US\$1,600 million in the development of infrastructure through tenders issued by Comisión Federal de Electricidad (CFE), according to the president of the National Chamber of Electricity Manufactures (Caname). These investments result from the agreement between government and industry to increase national participation from 35 to 40% of the total content in transmission lines, substations and electric stations.

El Economista 28/7/05

Ministry Of Energy Details Natural Gas Guidelines

The Ministry of Energy published a decree with guidelines on how natural gas distribution companies should calculate discounts for low usage residential customers.

El Economista 1/7/05

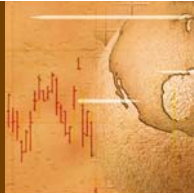
Central and South American News

Argentina

Gas Natural Drops ICSID Proceedings

Gas Natural Ban – the main distributor of natural gas in the Buenos Aires province, controlled by the Spanish firm Gas Natural SDG—will withdraw its claims against the Argentinean government at the World Bank's International Center for the Settlement of Investment Disputes (ICSID). The move follows a visit by the Argentinean planning Minister Julio de Vido to Madrid and, more importantly, the decision by the Argentinean government to allow a tariff increase by 27% for Gas Natural 's industrial and commercial customers from 2006. Claims against the Argentinean government—involving many public utilities—arose after tariffs were frozen and the dollar-peso parity was abandoned in 2002.

Business News America, 20/7/05



Bolivia

Foreign Oil Companies Talk To The Bolivian Government

According to the Bolivian hydrocarbons association, CBH, international oil companies—including Repsol YPF, BG International, and Total—will begin talks with the Bolivian government over the recently approved hydrocarbons law. Under the terms of the new law, energy companies are now obliged to pay taxes of 50%—existing 18% royalties plus an added direct 32% non-deductible tax. Foreign oil companies fear the new rules will make investments in the Bolivian gas sector unprofitable and will eventually force them to leave the country. In the meantime, next general elections for president and Congress are to be held on 4 December 2005, as announced by the interim president Eduardo Rodriguez.

Platts, International Gas Report, 15/7/05

Brazil

Energy Minister Reaffirms Plans To Present Gas Bill This Year

Silas Rondeau, the new Mines and Energy minister, reaffirmed that the Brazilian government is committed to submitting a bill on the natural gas sector in September. The new legislation will provide clear rules for the regulation of the gas sector and aim at attracting foreign investment, particularly in the expansion of gas transportation network and exploration of gas fields.

Business News America, 25/7/05

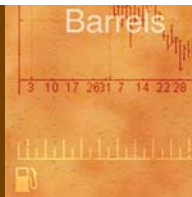
Asia Pacific News

Australia

Alinta's Proposed Access Arrangements Rejected By Regulator

The Economic Regulation Authority has rejected the access arrangements proposed by AlintaGas Networks for its Mid-West and South-West gas distribution systems until the end of 2009. The Authority determined that the rate of return proposed by Alinta of 7.75% was excessive, and that a rate of 6.60% was consistent with national regulations. The decision requires Alinta to make amendments to its proposed tariffs and access arrangements.

www.era.wa.gov.au, 12/7/05



China

China To Intensify Control Over Coke Production

The National Development and Reform Commission (NDRC) will announce the first batch of qualified coke producers in September. The licensing of coke producers follows a tightening of regulation in the industry in an attempt to cut pollution and resource consumption. To qualify, coke producers must meet requirements on location of coke plants, the type of production facilities, product quality, resource consumption and by-product utilisation, waste discharge and supervision and regulation of existing and new coke producers. *Metal Bulletin News Alert Service, 7/7/05*

Summer Pricing For Electricity Takes Effect In Shanghai

As of 1 July, summer pricing for electricity has applied in Shanghai. Summer pricing is an attempt to regulate electricity consumption during the summer peak season. Summer pricing will apply for a three month period and will mean an average increase of 4.234 cents per kWh. Peak load in Shanghai is expected to increase by 12% this summer.

Xinhua's China Economic Information Service, 1/7/05

India

Power Regulators May Lose Right To Fix Tariffs

The power ministry has proposed curtailing the powers and role of the electricity regulators as part of amendments to the Electricity Act 2003. Under the amendments, the government would have the final say in deciding how much a consumer pays. Both the finance ministry and the Planning Commission have objected to the change. Currently, the government is responsible for overall policy for the power sector whilst the regulator grants licenses and regulates tariffs. Under the amendments, the regulator will no longer "be guided by" but will "have to act in conformity" with government policies.

The Economic Times, 25/7/05

Delhi Power Rate Hike Less Than Expected

The Delhi Electricity Regulatory Commission (DERC) raised power tariffs by an average of 6.6%. The rise was lower than expected, particularly for domestic consumers, as a result of pressure from the Delhi government.

Business Standard, 8/7/05



CERC Threatens To Pull The Plug On Power Companies

The Central Electricity Regulatory Commission (CERC) has threatened to cancel the power trading licences of thirteen of the fourteen licensed companies for not complying with licence conditions. One of licence conditions states that companies should provide information on the volume of electricity traded and the prices at which transactions were executed. This information, although provided to CERC directly, has not been posted on the companies' own websites.

Business Standard, 4/7/05

New Zealand

Government Approves Regulation For Gas Pipelines

Price regulation of gas pipeline services provided by Vector and Powerco will commence in August after the Minister of Energy accepted recommendations made by the Commerce Commission. Savings of up to 18.5% for Vector customers and 12.2% for Powerco customers may be possible, according to the Commission. Previous analysis has predicted public benefits of A\$6.9 million (US\$5.3 million) and A\$3.7 million (US\$2.8 million) from the regulation of Vector and Powerco respectively. Vector's chief executive, Mark Franklin, predicted that there would be little overall impact.

The New Zealand Herald, 29/7/05; www.era.wa.gov.au, 27/7/05

Philippines

ERC Orders Meralco: Start Refund To Large Customers

The Energy Regulatory Commission (ERC) has ordered Meralco to implement the refund owed to its big-ticket customers starting in its July billing cycle. The entire Phase IV refund covers an amount equal to 62% of the total refundable amount. The ERC ruled that customers with active services under Phase IV-A will get their refund from July 2005 to December 2006, while terminated accounts can claim from May 2006 to November 2006.

Manila Bulletin, 15/7/05

Govt Restores 5% Duty On Crude Imports

The government suspended the implementation of Executive Order 440 which reduced import duty on crude and petroleum products. The order follows a ruling by the Supreme court which freed the Expanded Value Added Tax (e-VAT) law. The tariff reduction, along with the elimination of the excise tax on petroleum products, are critical for mitigating the impact of the e-VAT law.

Manila Standard, 5/7/05



Taiwan

Taiwan To Impose Strict CO2 Standard On Major Investment Projects

All future major investment plans in Taiwan will face severe carbon-dioxide emission standards. Representatives of Taiwanese government agencies and the academic circle agreed five major principles which will be used to regulate the island's major investment projects and energy-intensive industries. The government also agreed to enact a management mechanism that meets the strictest level of international standards for CO2 emission and to review energy-intensive industries and enterprises of major investment projects according to strict environmental-protection standards.

Taiwan Economic News, 22/6/05

Thailand

“Drop Ban On Egat Deals With SPPs”

Reserves are expected to fall below the minimum needed, and Thailand may face a power crisis next summer, because no new power plants are coming into the system, said an energy expert. One reason for the lack of new plants is a 1997 Cabinet resolution which prohibits the EGAT from entering into long-term power purchase contracts with small private power producers (SPPs). Further regulations which require major private power producers to build biomass projects together with big power plants are also pinpointed as a problem.

The Nation; 2/7/05



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