

A NERA Publication

Global Energy Regulation

Reporting on energy regulation around the world

Issue No: 61

June 2004

About the Editors

General and European Editor

~ Graham Shuttleworth

Regional Editors

~ Kristina Sepetys, **U.S.**

~ Greg Houston & Ann Whitfield, **Australia and New Zealand**

~ Oscar Arnedillo, **Spain and Portugal**

~ Francesco Lo Passo, **Italy**

In This Issue

European News Pages 1 - 13

North American News Pages 13 - 15

Central & South American News Pages 16 - 17

Asia Pacific News Pages 17 - 20

EUROPEAN NEWS

Great Britain: Ofgem Publishes Environmental Action Plan Annual Review

Ofgem has published its annual review of the Environmental Action Plan detailing progress over the last year, and setting out its approach for the year ahead. Environmental priorities for the coming year include finalisation of the new incentive framework for distributed generation as part of the 2005 distribution price control, implementation of initiatives to improve customer awareness of the environmental consequences of their energy use, and evaluation of the pilot study where suppliers offer domestic consumers energy services packages that are linked to supply contracts with terms longer than the current 28-day rule allows.

OFGEM press release, 1/7/04

Great Britain: Ofgem Sets Out Initial Proposals For Next Electricity Distribution Price Control

Ofgem has announced initial proposals for the next five-year electricity distribution price control, due to take effect from April 2005. The documents states distribution charges will fall on average by 2 per cent in the first year of the control and by RPI-1 in subsequent years. It also states investment is expected to rise by around 30 per cent from current levels and operational expenditure is forecast to fall by 10 per cent.

Platts Power UK, 29/6/04; OFGEM press release, 28/6/04



Great Britain: Renewables Sector Faces Massive Hike In Rates Bill

Provisional plans to reform the rating (i.e. property tax) system for generators could increase rates bills for renewable generators next year up to four-fold, bills to traditional sources of generation could fall by 30-40%. The current formula assigns rates based on megawatts of declared net capacity, with concessions often applied for renewable plant, but the proposal would use the so-called "Receipts and Expenditure" valuation approach. This new approach will mean rates reflect the levels of income generators have received in recent years. Because renewable generators received income from Renewable Obligations Certificates (ROCs), this new approach will increase their rateable value.

Platts Power UK, 29/6/04

Great Britain: Wind To Cost £700 Million Per Annum In Constraints

The boom in wind energy projects could lead to an annual transmission constraints bill of £700 million by 2007/08, according to estimates derived from new projections by National Grid Transco. NGT predicts that if all companies that want transmission agreements are given firm access rights large bottlenecks in the transmission system could occur. The favoured option to manage these constraints involves constraining off a large amount of plant. However under this solution companies would have to be compensated for constraints, and compensation would cover losses from Renewables Obligation Certificate (ROC) income as well as the wholesale power price.

Platts Power UK, 29/6/04

Great Britain: London And Birmingham Blackouts Decision

OFGEM has found that the National Grid Company (NGC) did not breach its legal obligations as a result of last year's blackouts in London and Birmingham. The Authorities findings stated that NGC had acted against its legal obligations but that its actions were not material enough to constitute a breach. Following the investigation OFGEM will implement a new scheme to complement the existing legal obligations on NGC and strengthen the incentives on the company to improve system performance. The new scheme will include automatic penalties in the event of severe blackouts.

OFGEM press release, 25/6/04

Great Britain: Ofgem Launches Trial To Boost Home Energy Efficiency Services

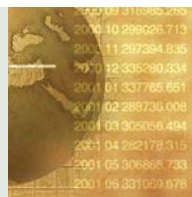
Ofgem will announce on Monday that up to a million gas and electricity customers will now be able to choose long-term energy contracts which include energy efficiency measures. The contracts will be offered as part of a two year trial.

OFGEM press release, 1/6/04

Austria: Blackouts Cause Hugh Financial Damage And Compensation Claims

The head of the Austrian electricity company "Verbund", Mr. Hans Haider, has announced that more blackouts are inevitable in Austria should the transmission grid not be reinforced soon. More blackouts in the future would lead to high compensation claims. Prof. Reinhard Haas from the Vienna University of Technology has estimated that in Upper Austria alone, one hour of black out leads to EUR 40 Million of damages.

Wirtschaftsblatt, 19/6/04



Austria: New Price Rises For Green Electricity

Austria is facing a new increase in prices for environmentally friendly energy from 2005 onwards, due to an increase in the price component for recovering its investment cost. This price component will increase from 0.19 cent per kWh to 0.24 cent per kWh, having already been from 0.12 cent per kWh. Critics claim that this doubling of the green electricity price component is sending the wrong signal to investors, since it leads to overcapacity of green electricity production facilities regardless of their economic efficiency. It is estimated that this increase raises annual costs to private households by EUR 15-20.

Die Presse, 15/6/04

Bulgaria: Regulator Will Fine Utilities For Low Quality Service

The Bulgarian State Energy Regulatory Commission (SERC) will be able to fine the heating, gas, and electricity utilities for failing to meet quality of service requirements. The new energy act allows SERC to fine the companies up to 20,000 lev (US\$12,429). The quality of service requirements for a distribution company include provisions for advanced notification of customers of planned blackouts and 2- to 4-hour limits for restoring electricity supplies after an interruption.

www.dnevnik.bg, 16/6/04

Bulgaria: Kozloduy To Sell Electricity To Privileged Consumers

The Kozloduy nuclear power plant will join the list of generators allowed to sell electricity directly to privileged customers from July 2004, said chairman of the State Energy Regulatory Commission (SERC), Konstantin Shushulov. SERC also plans to expand the list of privileged customers by reducing the eligibility threshold from annual consumption of 100 MWh to 40 MWh.

According to NEC, direct trades between eligible parties will begin after 3 July 2004. The complete opening of the market with household consumers being able to select their supplier is expected in 2007. The transmission tariffs to be paid by the privileged customers remain undecided. The privileged consumers appealed a decision by SERC to set the tariff at 11.8 levs (US\$ 7.27) per MW. The hearing in the Supreme Administrative Court is scheduled for autumn 2004.

www.dnevnik.bg, 15/6/04

Bulgaria: Privatisation Of Discos

The government of Bulgaria postponed the deadline for privatisation of the distribution companies. Investors were given more time for due diligence. The new deadline for the final offers is set to 9 July 2004. Deputy premier Lidiya Shuleva set out new rules to reassure investors that their competitors would not pick up minority stakes. The government will not sell the remaining 33% of shares until 2009 and will then offer the shares to existing investors at the same price as the original 67%. However, the investors may not sell their shares before 2009.

Platts, 11/6/04



EU: European Commission Praises Liberalisation Of Services

A report by the European Commission has highlighted the success of open-market competition in effecting price savings and improved performance across the 'old' 15 European Union (EU) member states. The report covers telecommunications, gas, electricity, postal services, air, road and rail transport. The report concluded that end-prices for consumers are on the whole reduced, and service quality and consumer satisfaction are improving. However, the electricity market was singled out for failing to effect any significant improvements, as well as its failure to increase the use of more sustainable energy sources.

WMRC Daily Analysis, 29/6/04

EU: European Commission Is Planning To Tighten Rules

The European Commission is planning to tighten rules regarding the responsibility of both energy generators and suppliers to tell customers how to reduce energy consumption. The new rule is supposed to take effect from 2006.

Focus, 28/6/04

France: EDF-GDF Restructuring Text To Be Validated By The Senate

The French Assembly has agreed the legislation implementing the EU's Electricity and Gas Directives, converting EDF and GDF into public companies, and removing state guarantees on their finances. The legislation now needs to be approved by the French Senate before it enters into application. The legislation allows the State to sell up to 30% of the incumbents' capital.

Platts EU Energy, 2/7/04

France: Powernext Futures Contracts Launched On 18 June 2004

This regulated futures market aims to become a benchmark of price information, for electricity delivered on the French hub up to a two-year horizon. Monthly, quarterly and yearly contracts with physical delivery will allow market players to hedge price risk, and elaborate arbitrage strategies.

Energie plus and Powernext website, 17/6/04

France: Regulator Details Accounting Separation Rules

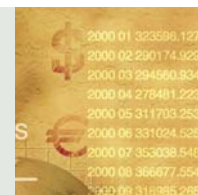
The CRE published final rules for electricity and gas utilities in France. For electricity accounts must be separated for production, distribution, supply for eligible and non-eligible customers and any other activities not linked to the electricity sector. For gas the separation occurs at the levels of distribution, management of methane terminals, storage, supply to eligible and non-eligible customers and other activities not linked to gas.

CRE website, 10/6/04

Germany: Expansion Of Renewable Energy Has Negative Impact On Employment

According to a recent study by the independent economic research institute, RWI of Essen, Germany, the new renewable energy bill (EEG) only has a positive impact on employment in the very short run, due to the rise in costs. Approximately 33,000 new jobs will be created in the short run, but the RWI estimates that the overall effect will be a loss of 6,000 jobs by 2010.

Elektrizitätswirtschaft, 28/6/04



Germany: Leading Role In Production And Management Of Wind Energy Facilities

Germany is expanding its leading role in the production and management of wind energy capacity, said Dr. Eberhard Meller, executive director of the German Electricity Association (VDEW), due to state subsidies for wind energy. From 1998 to 2003, installed capacity has increased from 2,800 MW to 14,600 MW. In 2003, production of electricity alone from wind energy was 19 billion kWh, although the utilisation rate of wind turbines was only 17%.

Elektrizitätswirtschaft, 28/6/04

Germany: EnBW Threatening To Take Legal Action

The third biggest German energy undertaking, EnBW, is threatening to take legal action against the new German law on emission trading. EnBW is complaining that it has been put in a disadvantageous position. EnBW argues that the German national allocation plan would not allocate emission rights correctly and would discriminate against some generators, while favouring others. EnBW claims that the German emission trading law would significantly distort competition amongst electricity generators.

Frankfurter Rundschau, 26/6/04

Germany: Industry Representatives In Favour Of 'Lean' Regulation Authority

The German association of regional energy undertakings, VRE, has announced that it is in favour of a 'lean' regulatory authority and demands greater legal security in order to create a business environment that is 'friendly' for investment. The VRE underlines that investment in network infrastructure has to pay off over a time period of 40 years to be worthwhile undertaking. In the meantime, a spokesman of the Federal German Ministry of Economics and Labour (BMWA) confirmed that the regulatory authority for electricity and gas will not take up its position on 1 July 2004, as previously planned. The delay arises because the new German energy bill (EnWG) has yet to be passed.

Energie & Management, 15/6/04; Frankfurter Rundschau, 14/6/04

Hungary: Liberalisation Is Taking More Shape

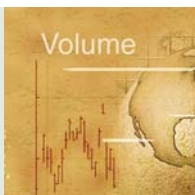
The next phase of liberalisation in domestic Hungarian energy markets is entering a new phase on 1 July 2004, when all non-retail consumers will be eligible to purchase gas or electricity on the free market. Since partial liberalization in late 2003, 115 licensed industrial consumers have opted to buy electricity directly from the market. This accounts for about 24% of national electricity consumption in Hungary.

Budapest Business Journal, 28/6/04

Ireland: All-Island Energy Market Development Framework Draft For Consultation Issued On 21 June 2004

Ireland's Department of Communications, Marine and Natural Resources (DCMNR) and the Department of Enterprise, Trade and Investment (DETI), in consultation with the two Regulatory Authorities (NIAER and CER), have produced a draft development framework for an all-Island energy market. The document sets out a joint understanding between Northern Ireland and the Republic of Ireland on what constitutes an all-island energy market and provides a strategic framework as a basis for discussion between all the stakeholders affected by the process. The document identifies the following key priority areas for the framework; infrastructure improving energy flows, trading arrangements and investment, regulatory authorities and TSOs, and sustainable development.

CER website; 22/6/04



Ireland: Gas Transmission And Distribution Licences

The CER published (18 June) the final set of Transmission and Distribution licences for operation of natural gas transmission and distribution pipelines, using its authority under the Gas Act 2002. The Commission will shortly begin licensing the appropriate natural gas undertakings.

CER Website; 18/6/04

Ireland: Publication Of Bord Gais Eireann System Information

In July 2003, the Commission consulted on the information concerning system operations and the natural gas market that should be made publicly available. The Commission has now published a list of system information it believes Bord Gáis should publish to support the development of a liberalised and efficient market. The list covers items including Balancing Actions, Imbalance Prices, Volumes of System Off-Takes, Gas Quality Data and Scheduling Physical Capacities.

CER website, 18/6/04

Ireland: Market Arrangements For Electricity Implementation

The CER has announced that the market arrangements for electricity (MAE) implementation will go on hold for a period of approximately 3-4 months. The break in implementation has been agreed in order to consider changes to the MAE market design after electricity participants expressed concern over market complexity. The Commission will use the break to consult on possible modifications to the MAE and put in place a new market implementation and procurement process

CER website, 16/6/04

Italy: Transport Eased By Interruptibility Clauses In EDF-Single Buyer Import Contracts

The Energy Regulator AEEG has given the Single Buyer exclusive rights to the cross-border transport capacity freed up by interruptibility clauses in import contracts with Electricité de France (EDF). The provision, a communiqué of 12 June explains, will make approximately 2 TWh of additional, low-cost electricity available to the non-eligible customers.

Staffetta News 17/6/04

Italy: AEEG: Investigation On Pool

The Energy Regulator AEEG has launched an investigation into price trends resulting from electricity pool trading on the days of 7, 8, 9, and 10 June. A 9 June authority statement explains that the investigation intends to verify if the price increases on these days, and especially the differences between prices in different areas of the country, can be explained by congestion in the network and the non-availability of plants, or by market power.

Staffetta Petrolifera 11/6/04

Italy: AEEG: Starts A Formal Investigation Into The "Black Out"

The Energy Regulator, AEEG, has concluded its technical investigation into the causes and dynamics of the interruption of electricity service which struck Italy on 28 September 2003 and plans now to launch a formal investigation into who was responsible. The investigation will focus on the procedures adopted by generators, distributors and the Italian TSO itself.

Staffetta Petrolifera 11/6/04



Italy: Capacity Payment: Planning A Permanent System

At the AIEE-NERA conference in Rome on 8 June, the Energy Regulator AEEG launched an informal consultation on the permanent scheme of capacity payments for Italy. Prof. Fabio Pistella, member of the board of AEEG, has also stated that the permanent regime, destined to replace the temporary one now in place, will have to incentivize investments and will have to avoid over-remuneration of generators.

Staffetta Petrolifera 10/6/04

Kyrgyzstan: Parliament Postpones Kyrgyzenergo Privatisation Project

The parliament of Kyrgyzstan has postponed approval of the final stage of the Kyrgyzenergo power company privatisation project until this autumn. Before proceeding with any further privatisation steps, Kyrgyzstan MPs want to hear a government report on the results of the three earlier Kyrgyzenergo privatisation stages,

Novecon: Russia/CIS Energy Digest, 29/6/04

Lithuania: Lietuvos Dujos Announces Price Cuts

Lithuanian gas utility company Lietuvos Dujos has announced a 6% cut in gas prices for most domestic customers. It also announced that prices for large regulated customers would decrease by 2% in the second half of this year. This price cut is mainly due to changes in the market price for gas. The country's leading natural gas supplier Dujetekana had previously announced it would reduce prices for gas for large companies and heat and power providers by 3.9% from July onwards. The National Control Commission for Prices and Energy in Lithuania had released a statement at the beginning of May in which it called for price cuts for regulated customers.

Lithuanian News Agency – ELTA, 1/7/04

Moldova: State Seeks Wider Role In Energy Sector

The Communist Government submitted a proposal to the Parliament aimed at tightening state control in the energy sector. The new proposal reduces the stakes of energy firms to be offered for privatisation from 75% to 50% plus one share. Three of the five regional electricity distribution companies have already been sold to the Spanish Union Fenosa in 2000. The new rules will apply to two remaining distribution companies, RED-North and RED-North-West, and to three thermal generation plants. Under the proposed amendments to the privatisation plan the remaining distribution companies will be sold separately and no foreign privatisation advisors will be hired.

SeeNews - South East Europe Newswire, 17/2/04

Netherlands: Market For Small Energy Customers Opens On 1 July 2004

From 1 July 2004, small electricity and gas customers (with electricity connections up to 3*80 A, or annual gas usage up to 170,000 m³) will be free to choose an energy supplier in the open market. DTe will have new powers to assess retail tariffs charged to small customers for reasonableness, and if necessary impose maximum tariffs to protect vulnerable customer groups, who may not be inclined to switch to an alternative supplier. DTe has given a brief outline of the "safety net" methodology ("vangnetmethodiek") on its website, but further details are not being published, in order to prevent strategic behaviour by market participants.

DTe press release, www.dte.nl, 30/6/04



Netherlands/Belgium: Zeebrugge Gas Exchange To Be Launched By APX In January 2005

APX has announced it will launch a new gas exchange at the Zeebrugge hub, together with Endex and Fluxys subsidiary Huberator (the operator of the Zeebrugge hub). The new exchange will be operated by APX, and offer within-day and day-ahead contracts, as well as other prompt contracts as far as the last day of the next working week. In a second phase, traded forward and futures contracts will be added. The companies expect that the gas exchange will trigger a new Zeebrugge index, which would become a future reference price for gas in Europe.

Heren European Gas Markets, 30/6/04

Netherlands: DTe Starts Monthly Activity Calendar

Energy regulator DTe has started publishing a monthly activity calendar on its website, which for each upcoming month shows what decisions DTe intends to take, which reports it intends to publish, and what advice it expects to give to the Minister of Economic Affairs. DTe has introduced the calendar to provide additional regulatory transparency to participants in the electricity and gas markets, and to give them sufficient notice to prepare for upcoming events.

DTe press release, www.dte.nl, 14/6/04

Netherlands: Dte Publishes Guidelines For Gas Transport 2005

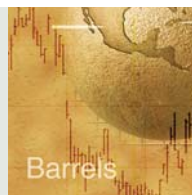
DTe has published its guidelines for gas transport (“Richtlijnen Gastransport”) for 2005. The new guidelines include three measures that are intended to promote effective competition in the gas market: (1) quality conversion costs (ie, costs incurred by converting high-calorific gas into low-calorific gas) will be included in transport tariffs, and thereby “socialize” these costs and create a level playing field; (2) Gastransport Services, Gasunie’s transport arm, must introduce a new balancing regime in 2006, and penalties for imbalances should become based on actual costs; (3) Gastransport Services must provide market participants with “targeted” information regarding import capacity used in the past and available import capacity in future.

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

Netherlands: Dte And Tennet Want To Increase Reserve Capacity

A joint investigation by energy regulator DTe and transmission system operator TenneT has shown that the difference between the supply and demand of regulation and reserve capacity has diminished from 2002 to 2003. (TenneT uses regulation and reserve capacity to keep the high voltage transmission system in balance.) DTe and TenneT plan to start publishing the “delta-signal” after the summer, in order to increase transparency and stimulate market participants to offer regulation and reserve capacity to TenneT. DTe and TenneT are also considering how the demand for reserve capacity can be reduced through a so-called “adjustment market”, and how the introduction of this market can be facilitated.

DTe press release, www.dte.nl, 7/6/04



Portugal: Further Steps In The Selection Of Galp's Partners

The José de Mello group and Petrocer have been selected as the firm candidates to acquire ENI's 33.34% shareholding in Galp. Selection of the candidates, who will start negotiations with Galp, was a decision taken by a group of three government-appointed independent experts. Despite the fact that the selection process aimed to select two competitive bidders, the two candidates do not reject the possibility of preparing a joint bid in the next stage of the privatisation process. This joint bid would need the agreement of the two Portuguese financial groups backing the bidders, BPI and Millennium BCP. It seems that Galp leans towards a sole bid by Petrocer, but the final say in the choice of the new shareholder rests with the Council of Ministers.

Diário Económico, 29/6/04, 2/6/04

Portugal: Public Tendering To Promote Wind Investment

The Portuguese government intends to promote the installation of wind farms through public tendering processes. In the following months the government will license 1,300 wind projects to help it reach its wind power goals. The objective of the government is that total installed wind capacity will reach 3,750 MW in 2010 starting from the low figure of 280 MW currently in operation.

Agencia Financiera, 25/6/04

Portugal: Repsol Buys Shell's Petrol Stations

The Spanish oil company, Repsol, has acquired Royal Dutch/Shell petrol stations in Portugal. The operation includes 303 fuel supply points, 417 petrol stations in Portugal, Shell's 15% of the Companhia Logística de Combustíveis (CLC – the wholesale distribution company), and some distribution assets. The agreement is pending approval by the regulatory authority. With this purchase, Repsol secures third place in the petrol stations market share ranking (19%), behind only Galp and BP, and second place in the ranking of oil derivatives sales, with a 21% market share.

Diario Economico, 25/6/04

Portugal: REN Informs The Competition Authority On Its Acquisition Of GDP Assets

The electricity transmission company of Portugal (REN) has informed the Portuguese Competition authority of its acquisition of GDP's assets. REN has purchased the assets of the gas transportation company of Portugal as part of the government restructuring process of the energy sector. With this operation REN acquires 100% of the high-pressure gas transportation network controlled by GDP through its subsidiary Transgás. The restructuring plan envisages that in the near future all gas transportation assets currently owned by Transgás will be controlled by REN.

Diario Economico, 22/6/04, 14/6/04

Portugal: Full Electricity Market Opening From 1 July

The Economics Minister has stated that, as planned, residential customers will be able to choose their electricity supplier from 1 July. The extension of this right to residential customers means that full retail liberalisation will apply from that date, as larger customers are already fully eligible. With this measure the Portuguese electricity market complies with a further condition for the creation of the Iberian electricity market.

Diario Economico, 17/6/04



Portugal: Energy Companies To Report To Brussels On The Restructuring Process

In the month of July, EDP, REN and ENI, the energy firms currently involved in the energy restructuring process, will report to the European Commission on their positions in the Portuguese market. The European Commission has 30 days to issue its comment on any problem that it considers may arise from the restructuring process. This is especially relevant to the final selection of Galp's new shareholder and the calendar for privatisation of state-owned energy companies. Last February, the Portuguese government informed the Commission of the content of the restructuring process.

Diario Economico, 15/6/04

Portugal: Brussels Requests More Information On PPAs

The European Commission has requested the Portuguese government for further details on the plans to end the PPAs signed between the system operator (REN) and producers. The Commission considers it cannot yet reach a decision on the plan because the information sent last May is not sufficient. The PPA abolition plan is essential to introduce competition in the wholesale market because total capacity covered under these contracts is over 80% of the Portuguese electricity production.

Agência Financeira, 4/6/04

Portugal: Final Version Of NAP To Be Issued In September

The government has reported that the final version of the National Allocation Plan (NAP) for emission rights will be ready in September. The Portuguese Environmental Minister expects that the final version of the plan will be in line with the Commission's requirements. The draft plan envisaged that rights would be allocated following the grandfathering criterion, but the strong complaints that followed suggest that this will not be the only criterion used for the allocation.

Diário Económico, 2/6/04

Romania: Increasing Electricity Prices For End Users

Electricity prices for end-users will go up 7.8 % on 1 July, owing in part to a decision of the National Energy Regulatory Authority (ANRE), according to which production costs of electricity generating companies using fossil fuels will rise 2.6%. These costs increase by 10% for companies generating electricity from hydro resources and 6.7% for companies producing electricity from nuclear fuel. Prices for electricity distribution and supply services will also go up 10.5% on average.

Rompres, 1/7/04 , 24/6/04,

Russia: Privatisation Of Generation

RAO EES Russia Chief Executive Anatoly Chubais informed the investor's conference in Moscow that auctions for the sale of the generation companies will start in the first quarter of 2005. The reform process envisages grouping federal generation plants into 4 hydro and 6 thermal wholesale power generation companies (OGK). The hydro OGKs will remain in state ownership, whereas the thermal OGKs will be offered to private investors through auctions. The OGKs will become the major players in the wholesale electricity market. The government is now in the process of approving the procedures of creation of OGKs and the auctioning rules.

RosBusinessConsulting, 22/6/04



Russia: Oil Pipeline Access

The Ministry of Economy is proposing changes to oil pipeline access rules. Deputy Minister Andrey Sharonov said that giving higher access quotas to the companies that invested more will facilitate private investment in the pipeline system. OAO Transneft, the state-run monopoly operator of the oil pipelines is against the proposal, whereas the oil producers welcomed the idea of abolishing equal access.

Dow Jones International News, 22/6/04

Russia: Pipeline Law

The draft pipeline law has passed the first reading and is expected to be adopted on the second and third reading by the end of 2004, said the chairman of the Duma committee on energy, transport and communications, Valeri Yazev. The law will regulate access rights to the pipeline networks, investors' participation in their development, ownership rights and state control over export flows.

RosBusinessConsulting, 22/6/04

Russia: Pipelines Will Remain In The State Ownership

Prime Minister Mikhail Fradkov said the Government will watch the progress of equal access but is not contemplating any private investment in the pipelines.

Prime-Tass, 21/6/04

Spain: The CNE Passes Its Verdict On Spain's Energy Liberalisation

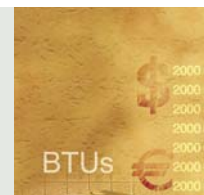
The Spanish energy regulator, CNE, has sent the Spanish Government its assessment of the state of retail liberalisation in the gas and electricity sectors. Its conclusions point to the existence of four main obstacles that are preventing full-tariff customers from joining the free market; vertical integration between distribution and supply activities, resistance of incumbent utilities to allowing customers to exercise their eligibility, government-induced distortions, and incomplete regulations. The report includes suggestions for the Government to increase the degree of competition in the supply market. These include the creation of independent retailers who will invoice full-tariff customers, and the establishment of an independent database with information on all electricity customers.

Expansión, 29/6/04, 10/6/04; La Gaceta, 15/6/04

Spain: Possibility For A Modification In Electricity Tariffs

The Spanish Industry Ministry is planning a reform of the electricity tariff structure. The objective is to encourage energy efficiency and reduce CO2 emissions. With this aim, the new tariffs might include a volume-related price escalation, similar to those already applied in water tariffs, to penalise high levels of electricity consumption. The proposed modification would only be implemented late in the four-year legislative period, which just started in March 2004. The pre-established maximum increase in electricity tariffs could also be raised, if necessary, to account for the costs of the emissions trading scheme that will start in January 2005.

La Gaceta, 23/6/04



Spain: The Government Would Not Oppose A Combined Endesa-Gas Natural Energy Group

Although the Spanish Government has declined to issue any official statement on the possibility of combining the operations of Spanish utility Endesa with the gas market incumbent Gas Natural, some Government ministers' have suggested that the Government would not oppose the deal outright. The Industry Minister, Mr. Montilla, stated that a larger energy company might not necessarily harm market competition, while Mr. Solbes, the Economy Minister, has insisted on the need for Spanish companies to compete in the European markets. The Spanish Government is drafting a new Antitrust Law, which will reduce the possibilities for the Government to intervene in decisions of the Spanish Antitrust Court (Tribunal de Defensa de la Competencia). The new law could be approved before the end of the year.

Expansión 22/6/04; La Gaceta, 1/6/04

Spain: The Government Publishes The First Draft Of The National Allocation Plan

The Spanish Ministry for the Environment has published the first draft of its National Allocation Plan (NAP) for CO₂ emissions rights. The plan foresees a 24% increase in Spanish Greenhouse Gas emissions by 2008-12 compared to 1990 levels, 9% above the Spanish Kyoto commitments. The excess of emissions will be compensated by means of changes in land use and reforestation aimed at absorbing emissions (2% of the emissions) and through the financing of green investments in European and developing countries (7% of the forecast emissions). Electric Spanish utilities will be allocated an annual 86,4 million tCO₂ in the period, although the specific allocation for each installation is still to be defined. The electricity sector will not be allowed to pool its emission rights.

Expansión 22/6/04

Spain. The CNE Evaluates The Infrastructure Expansion Programme

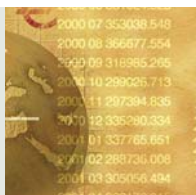
The Spanish energy regulator, CNE, has published a report evaluating the degree of compliance with the energy needs established in the Ministry's "Framework Report on the Coverage of Gas and Electricity Demand". According to the CNE, nearly all expected energy infrastructures are suffering from delays. In the case of CCGTs, delays vary between 20 and 295 days. The CNE has insisted on the need to comply with the deadlines established in the Framework Report in order to assure gas and electricity supply.

La Gaceta, 16/6/04

Switzerland: Energy Market Liberalisation Is Lagging Behind EU Countries

Although energy market liberalisation is making significant progress in EU countries, customers and companies in Switzerland are far away from enjoying the same fruits of liberalisation their EU counterparts. The reason is that the necessary legal framework still needs to be set up in Switzerland. Following a general "No" to the energy market bill in the 2002 referendum, it might now take until 2007 for a new bill to be introduced. Market observers estimate that it will take until 2012 for private customers to be eligible to chose their electricity suppliers, five years later than in other EU member countries.

Der Bund, 29/6/04



Switzerland: Awaiting The Next Blackout

Swiss officials have announced that the danger of a potential blackout is far from being solved. Following last year's blackout, officials said that there is still a substantial shortage of electricity in Italy. This might have an impact on the Swiss electricity system if raising electricity consumption puts increasing pressure on the electricity transmission system. The Italian network operator Gestore della Rete di Trasmissione Nazionale SpA (GRTN) has put the danger of a blackout at "high". Italy is still suffering a structural shortage of electricity and relies heavily on electricity imports from France and Switzerland, a problem which remains unsolved so far.

Aargauer Zeitung, 25/6/04

NORTH AMERICAN NEWS

US: FERC OKs PJM Confidential Data Sharing With State Regulators

FERC accepted a proposal previously filed by PJM Interconnection that will allow the regional transmission organization (RTO) and its market-monitoring unit to provide confidential information to state commissions. The new provisions include: (i) amendments to the operating agreement necessary to implement the confidentiality rules; (ii) a non-disclosure agreement between PJM and persons authorized to receive confidential information; and, (iii) a certification by the state commissions for the benefit of PJM and its members, setting forth the terms for use and protection of confidential information and identifying persons authorized to receive such information.

NGI's Power Market Today, 30/6/04

US: FERC OKs CL&P, Supplier Deal On New England Power Market Costs

US federal energy regulators have approved a settlement between a Northeast Utilities unit and its electricity suppliers over responsibility for costs associated with changes New England made to its wholesale power market last year. The agreement, with the Federal Energy Regulatory Commission divides the costs between utility Connecticut Light & Power Co., the power-marketing units of NRG Energy Inc. and Duke Energy, and Select Energy Inc., an unregulated unit of Northeast. It covers the period between March and December 2003.

Dow Jones & Company, Inc., 29/6/03

US: Virginia Regulators Want To Put Conditions On A Utility's Bid To Enter Market

A recommendation by state regulators could mark the beginning of a legal battle between Virginia, its two main electric utilities and the federal government. But the advice the staff at the Virginia State Corporation Commission (SCC) gave to its three judges could lead to a new era in which the state's power companies buy and trade electricity on a large, open market that brings competitors into Virginia. Now it depends on what those judges decide. In a case with implications for Dominion ratepayers, the SCC did not recommend for or against American Electric Power joining a power pool run by a Pennsylvania-based nonprofit company, PJM Interconnection.

Daily Press, Newport News, 26/6/04



US: FERC Limited In California Electricity Dispute

A federal appeals court in Washington ruled that a US agency does not have the authority to replace the board overseeing California's electric grid. The Federal Energy Regulatory Commission had issued an order purporting to replace the California Independent System Operator Corporation (CAISO). CAISO was created in response to the turmoil in the California electricity market during 2000. The state's legislature also authorized the California Department of Water Resources to purchase energy.

United Press International, 22/6/04

US: Energy Deregulation Changes Some Price Rules In Upstate New York

Come January, about 4,300 of Niagara Mohawk's (NiMo's) commercial electricity customers will be adrift in a sea of volatile energy prices. As part of the gradual deregulation of New York's energy markets, NiMo will stop hedging power prices for mid- to large-sized business customers -- those using 200 to 2,000 megawatts of electricity. Unless clients want completely unpredictable bills, they need to find other companies to supply their juice.

Times Union, 17/6/03

US: Critics Decry Dominion Virginia Power's Plan To Defer Costs Until Cap Ends

Are consumer rate caps in Virginia's electric-deregulation law about to spring another leak? The state's deregulation law, passed in 1999 and amended many times since, placed caps on the rates of Virginia utilities and required utilities to turn the running of their transmission wires over to a regional operator. This year's legislature extended the rate-cap period for 3 years until 2011. Last month, Virginia Power asked the Federal Energy Regulatory Commission for permission to defer its accounting for the costs of joining and belonging to the multistate PJM system until after rate caps expire. Virginia Power then wants to collect the estimated US\$279.4 million in costs plus "carrying charges" through surcharges on customers' bills. That proposal has a number of parties hollering "foul," including Virginia lawmakers, the State Corporation Commission, and large businesses that are Virginia Power's customers.

Richmond Times-Dispatch, 9/6/04

US: Firstenergy To Open Northern Ohio Electricity Prices To Competitive Bidding

Ohio utility regulators decided they want to try opening up electricity prices in FirstEnergy Corp.'s Northern Ohio territory to competitive bidding before the end of this year. The bids could establish how much FirstEnergy's 2.1 million Ohio customers will pay for electricity starting in 2006, when a state-imposed rate cap expires. If the bids show much higher prices than what customers pay today, the Public Utilities Commission of Ohio (PUCO) would go to a fallback plan. FirstEnergy's proposed "rate stabilization plan," which would leave rates frozen at current levels for three additional years when the current freeze ends after 2005, may still be used, the Public Utilities Commission of Ohio said. The exact auction mechanism still needs to be worked out but likely will resemble a system FirstEnergy has used in New Jersey, the PUCO said Wednesday. Generally, electricity suppliers would bid on wholesale electricity prices for FirstEnergy's territory, the PUCO said. An as-yet unnamed third party with PUCO oversight would conduct the auction.

Akron Beacon Journal, Ohio Knight Ridder/Tribune Business News and Dow Jones & Company, Inc., 9/6/04



US: End Of Price Caps Leads Electricity Suppliers To Maryland

More companies are seeking to supply electricity in Maryland, where price controls are being lifted, regulators say. Six licenses have been granted since the start of the year, compared with six for all of last year, five in 2002 and four in 2001. When the state's electric deregulation law took effect in 2000, 26 businesses received licenses. Price caps expire for business users in Potomac Electric Power Co. and Baltimore Gas and Electric Company's (BGE's) territories on 1 July. Companies in Conectiv Power Delivery's area also lose caps this summer and western Maryland businesses will have price caps lifted 31 December. The caps were put in place to protect consumers from price swings, but many energy companies complained they were too low to stimulate competition. Caps in BGE's service area, for example, were last raised in 1993.

Dow Jones & Company, Inc., 3/6/04

US: Federal Regulators Delay Electrical Rate Changes For New England

Federal regulators postponed until January 2006 planned changes in electricity prices for New England that would have increased rates in Connecticut and around Boston. The Federal Energy Regulatory Commission (FERC) decided to delay implementation of a five-year plan proposed by Independent System Operator New England, which operates the region's power grid. The commission said it had problems with portions of the plan. But FERC also launched a study to determine if Connecticut should be divided into two pricing regions so that electricity customers in the northern and eastern sections of the state do not have to subsidize higher costs in the more affluent southwestern region. The commission said there are distinct differences between the electrical reliability in southwestern Connecticut, where there is a greater need for more transmission capacity, and the rest of the state.

The Associated Press, 2/6/04

Canada: Ontario Moves To Build New Nuclear Reactor

With Ontario on the brink of an energy supply squeeze, and some of its aging nuclear plants facing an uncertain future, moves are under way in the province to build the first nuclear reactor in North America in more than two decades. Ontario's energy minister, Dwight Duncan, said in a recent interview that in any overhaul of the power sector, the province would have to consider nuclear energy.

International Herald Tribune, 20/6/04

Mexico: Iberdrola Wins Contract In Mexico

Iberdrola won a new contract to build 217 kms of transmission lines and two substations in the North of the country for US\$32 million.

El Economista, 28/6/04

Mexico: Four Companies Go For CFE's Project

Iberdrola, Intergen, Petrobras and Mitsui-Calpine presented bids for the construction of the Tamazunchale combined cycle. Tamazunchale is the first of four combined cycles that will be installed in the area and will have a combined capacity of 4000 MW. Natural gas provision is guaranteed from a terminal currently in construction by Shell.

Reforma 19/6/04



CENTRAL AND SOUTH AMERICAN NEWS

Argentina: President Of The National Gas Regulator Appointed

Mario Madaro has been appointed as new interim president of Enargas, the national regulator for the gas sector. Madaro replaces Hector Formica whose five-year tenure ended on 15 June. Madaro's appointment allows Enargas to exercise its regulatory functions and control of the transport and distribution of gas until the energy secretary Daniel Cameron picks new members of the board, including Formica's permanent replacement. Indeed, at least three of the five members composing the board of Enargas, including the president, are needed to form a quorum to make a decision. Madaro was an accountant at the Santa Cruz provincial government when Kirchner was province governor and has recently worked at the national communications commission, CNC.

Business News Americas, 25/6/04

Argentina: Gas Export Restrictions To Chile Relaxed

CNE, the Chilean national energy commission, has announced that Argentina lowered the limit on gas exports to Chile from 7.3 million cubic meters a day (mcm/d) on 15 June to 4.1 mcm/d on 17 June. Further cuts in gas export limits could be approved when a new resolution is approved. Meanwhile, on 2 June, Bolivia started filling a gas pipeline to Argentina with an initial volume of 1.4 mcm/d. The Bolivian government agreed to export 4 mcm/d of gas to Argentina for six months to help relieve its neighbour's gas crisis, on condition that no gas is re-routed to Chile.

Business News Americas, 18/6/04, 3/6/04

Argentina: Government Introduces Plan To Reduce Electricity Consumption

On Monday, 31 May, Argentina's government introduced an energy saving plan, known as Rational Energy Use Program, or PURE by its Spanish initials. The plan aims at reducing electricity consumption in the concession areas of distributors Edesur, Edenor and Edelap by 5%. The basic principle of the plan is that customers who use more electricity than in the same period last year are penalised, whereas those who reduce consumption are rewarded. Particularly, commercial and industrial customers with demand over 600kWh on a bimonthly basis who do not reduce their demand by 5% compared to the amount consumed in the same period last year will pay a penalty of 2.5-3.0 centavos (US\$0.0085-0.0100) extra on each additional kWh consumed. On the other hand, commercial and industrial clients will receive a credit if they save at least 5% in relation to the amount of energy they consumed in the same period last year. Residential customers will not be penalized if they consume more than last year, if they consume less than 600kWh over two months, and will receive a credit on their bill if they manage to reduce their consumption. As an additional measure to save electricity, nine provinces have decided to turn their clocks back one hour.

Business News Americas, 1/6/04



Brazil: New Electricity Sector Regulations Issued By Mid-July

Officials of the Brazilian mines and energy ministry and market agents are discussing the last details of the regulations for the new power sector model approved by Congress in March. The final version of the new regulations is likely to be published in the next two weeks in four or five ministerial decrees. One of the issues under discussion is the time period that medium and large consumers of electricity will have to decide whether to buy power from local public distributors or directly from power generators. Distributors want a longer time span, whereas generators and power traders want a shorter time period. After the initial regulations are published, the regulator for the electricity sector Aneel and the new power trading chamber CCEE - which replaces the wholesale market MAE - will also need to define further rules.

Business News America, 21/6/04

ASIA-PACIFIC NEWS

Australia: State Regulator Consults On Default Electricity Prices

South Australian regulator ESCOSA is consulting on a new price path approach for standing contract electricity prices, which will be available from the default retailer (AGL) to small customers from 1 July 2005. This will be South Australia's first experience with a multiple-year electricity price path. The state government is currently legislating to effect this change, which also allows for greater involvement by AGL and a longer period for the review. The timetable for the inquiry requires the release of a final determination by end-March 2005. Small consumers in South Australia have been able to choose their electricity supplier since 1 January 2003.

www.saiir.sa.gov.au, 25/6/04

Australia: State Government To Pay For Gas Market Contestability

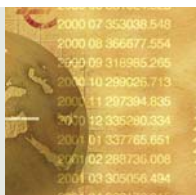
The South Australian government is to pay local natural gas distributor Envestra A\$ 54.6 million (US\$ 37.7 million) to cover the company's costs related to the introduction of retail contestability in the state's gas market. Envestra has spent two years developing systems to enable gas consumers to move between retailers of their choice. The expenditure was originally expected to be repaid through a special tariff levied on retailers.

Platts Commodity News, 22/6/04

Australia: Federal Government Introduces New Energy Markets Law

The Government has introduced a law providing for new institutional and governance arrangements for the Australian energy sector. The new law paves the way for a single national Australian Energy Regulator (AER), to be established and replace the current 13 regulatory bodies. The AER will regulate wholesale electricity and transmission networks, and undertake the regulatory and enforcement functions previously exercised by the Australian Competition and Consumer Commission (ACCC) and the National Electricity Code Administrator. The new law, which is part of a new national framework developed by all state and territory governments, will also enact the government's eight-year plan on fossil fuel industries and green technology.

Australian Associated Press Financial News Wire, 17/6/04



Bangladesh: DESA Given Loss Reduction Deadline

The Dhaka Electricity Supply Authority (DESA) must reduce its technical losses from 20% to 10% within three months or face privatisation, said the parliamentary standing committee on public undertakings. Officials at the Dhaka Electricity Supply Company (Descos) say that they have already implemented measures to cut system losses. Previously part of DESA, Descos was set up as a public limited company in 1997 at the behest of the Asian Development Bank.

Power in Asia, 10/6/04

China: China Acts On Power Shortages

Municipal governments have announced measures restricting the supply of electricity to combat power shortages. Power will be cut off for certain users during the summer period to ensure supply for priority users. In addition, to cool demand, national government has announced retail electricity prices will rise by an average of US\$2.65/MWh, an increase of approximately 1 per cent on the national average, with higher price rises expected for key energy intensive industries. The structure of retail prices will also be altered to include a variation in prices at different times of day, including a premium of up to 20 per cent on peak use. Some provinces, especially those reliant on hydroelectric supply, will introduce seasonal variation in prices

Power in Asia, 24/6/04

China: State Power Executives Lost Billions; The Now-Defunct Electricity Monopoly Lied In Its Financial Reports, Says Auditor

An audit into the now defunct state power corporation has revealed that former executives of the electricity monopoly were responsible for disastrous financial management. State Power Corp held a near-monopoly on power generation on the mainland until it was broken up into several smaller companies in 2002. In his report to the NPC, Auditor-General Li Jinhua said auditors had found that poor decisions made by former company executives resulted in a loss of more than \$150 million. State Power Corp was also found to have fudged its financial reports, exaggerated operating costs and hiding revenue of more than \$900m during a period of six years, Xinhua reported. Other problems included illegally selling up to 4.5 billion yuan in state assets and making blind investments and unauthorised loans.

South China Morning Post; 24/6/04

China: China To Unveil Electricity Tariff Rules;

The Chinese government is about to unveil a package of directives on electricity tariffs that will have wide-ranging implications for independent power producers, power grid companies and consumers. Sources have said the directives would include the implementation of an unprecedented two-tier tariff system, including the introduction of a mechanism allowing private producers to pass fuel costs on to consumers and increases in on-grid tariffs.

South China Morning Post, 15/6/04

Pakistan: Government Announces Tariff Cuts

Finance Minister Shaukat Aziz announced a reduction in retail electricity tariffs while presenting the federal budget for the 2004-05 fiscal year. The measure would reduce average electricity tariffs by 0.21 cents/kWh for residential consumers, 0.54 cents/kWh for commercial users and up to 1.27 cents/kWh for industrial consumers. In his statement Aziz added that the Karachi Electricity Supply Commission (Kesc) would also make "suitable" reductions in the retail tariffs levied in its service area.

Power in Asia, 24/6/04



Philippines: Renewable Projects Gets Boost

The Philippine government has extended its campaign to promote new and renewable energy sources, by announcing an increase in the scope of tax holidays and other incentives. The Board of Investments (BOI) has cut the minimum investment threshold from US\$40 million to US\$16 million for geothermal projects; the threshold has also been reduced for wind projects, hydroelectric projects and biomass projects.

Power in Asia, 24/6/04

Philippines: ERC To Appeal Supreme Court Order Against Meralco Rate Hike

Following a Supreme Court decision to void the decision of the Energy Regulatory Commission (ERC) that allowed Manila Electric Co (Meralco) to raise distribution tariffs, the ERC has said it will ask the Supreme Court to reconsider its order. ERC chairman Rodolfo Albano said “the legal staff and the general counsel are now preparing the motion for reconsideration not because we intend to protect Meralco, but to contest the declaration of illegality of the provisional authority”.

AFX – Asia, 23/6/04

Philippines : Philippines Govt To Assume Napocor Debt

The Philippines government is set to take on \$8.9 billion in debt from the state-owned National Power Corporation in order to quicken the company’s planned privatisation. The privatization has been delayed for more than a year due to Napocor’s debts and operating losses.

United Press International, 14/6/04

South Korea: Kepco Restructuring Hits More Problems & Seoul Backtracks On Reforms

The government of Korea has scrapped plans to unbundle and privatise the power distribution and supply operations of the state-run Korea Electric Power Corporation (Kepco), as a result of recommendations made by a committee of academics, union officials and government representatives. Reform plans, approved by parliament in December 2000, had been expected to divide Kepco’s power distribution and supply operations into regional companies from 2003 with full privatisation by 2009. The government remained committed to privatisation of the five fossil-fired power generation companies carved out of Kepco in April 2001.

Power in Asia, 24/6/04, 10/6/04



Thailand: Egat Says It Will Absorb Cost Hikes

The Electricity Generating Authority of Thailand (EGAT) has said it will further absorb fuel price increases in order to minimise the effect on consumers of higher energy prices and to prevent price rises in the manufacturing sector. The fuel adjustment mechanism (FT) led to an increase in tariffs of 2.1 per cent to 95 cents/kWh in September. This cost should be passed through directly to consumers, but EGAT will postpone the price increase until October. EGAT has so far absorbed over US\$100 million in increased FT costs since fuel prices rose in June 2003. EGAT expects to clear the burden once oil prices decrease and EGAT raises its power price.

The Nation, 16/6/04

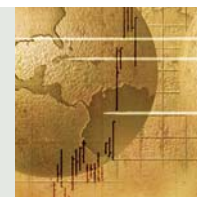
Our Practice

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

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

Subscribe to Our Newsletters

NERA produces two newsletters that report and analyze energy matters around the world. *Energy Regulation Briefs* summarize NERA's views on the economics behind topical developments in energy sector regulation. Previous issues have discussed regulators' use of "benchmarking," FERC's Order 2000, problems in the California electricity sector, and competition policy in the UK electricity market. The *Global Energy Regulation Newsletter* compiles brief summaries of news stories about energy regulation around the world. The coverage includes network regulation, industry restructuring, and the organization of electricity and gas markets. The "GERN" allows energy sector professionals to easily keep in touch with looming problems, the latest developments in regulatory methods, and innovative solutions.



Contact

NERA Offices

London

15 Stratford Place
London W1C 1BE
Tel: +44.20.7659.8500
Fax: +44.20.7659.8501
Contact: David Hough,
Graham Shuttleworth

Rome

Via XXIV Maggio, 43
Roma 00187, Italy
Tel: +39.06.488.8101
Fax: +39.06.485.838
Contact: Francesco Lo Passo

Madrid

Paseo de la Castellana, 13
Madrid 28046, Spain
Tel: +34.91.212.6400
Fax: +34.91.521.7876
Contact: Oscar Arnedillo

White Plains

50 Main Street
White Plains, New York 10606
USA
Tel: +1.914.448.4000
Fax: +1.914.448.4040
Contact: Jeff Makhholm

Sydney

Level 6, 50 Bridge Street
Sydney
NSW, 2000
Australia
Tel: +61.2.8272.6506
Fax: +61.2.8272.6549
Contact: Greg Houston, Ann Whitfield

NERA also has offices in:

Cambridge, MA	+1.617.621.0444
Chicago, IL	+1.312.573.2800
Ithaca, NY	+1.607.277.3007
Los Angeles, CA	+1.213.346.3000
New York, NY	+1.212.345.3000
Philadelphia, PA	+1.215.864.3880
San Francisco, CA	+1.415.291.1000
São Paulo, Brazil	+55.11.3048.1837
Tokyo, Japan	+81.3.3500.3290
Washington, DC	+1.202.466.3510

About NERA

NERA Economic Consulting is an international firm of economists who understand how markets work. Our clients include corporations, governments, law firms, regulatory agencies, trade associations and international agencies. Our global team of 500 professionals operates in 16 offices across North and South America, Europe, Asia and Australia.

NERA economists devise practical solutions to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance and litigation. Our more than 40 years of practical experience creating strategies, studies, reports, expert testimony and policy recommendations reflects our specialisation in industrial and financial economics. Because of our commitment to deliver unbiased findings, we are widely recognised for our independence. Our clients come to us expecting integrity; they understand this sometimes calls for their willingness to listen to unexpected or even unwelcome news.

NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a Marsh & McLennan company (MMC). MMC is a global professional services firm with annual revenues exceeding \$11 billion. It is the parent company of Marsh Inc., the world's leading risk and insurance services firm; Putnam Investments, one of the largest investment management companies in the United States; and Mercer Inc., a major global provider of consulting services. More than 60,000 employees provide analysis, advice and transactional capabilities to clients in over 100 countries.

Disclaimer:

The information contained in this document is publicly available. It does not incorporate NERA research.

For further information, please visit our global website at: www.nera.com

© Copyright 2004
NERA Economic Consulting.

