

Reporting on energy regulation issues around the world

Global Energy Regulation

June 2005
Issue 73

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General and European Editor

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Kristina Sepetys, US

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Australia and New Zealand

Oscar Arnedillo, Spain and Portugal

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European News

Great Britain:

Ofgem Consults On Commitments Offered By SP Manweb To Improve Its Connection Services

Ofgem is proposing to accept the commitments offered by SP Manweb to provide its electricity connection services in a non-discriminatory manner. The improvements follow concerns identified by Ofgem during its investigation under the Competition Act 1998. The investigation resulted from allegations that SP Manweb was providing a better service to its connections affiliate than to independent connections providers.

Ofgem Press Release, 27/6/05

Ofgem Publishes Guidelines On Release Of Information To Gas Market

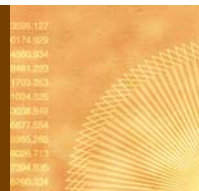
Ofgem has published a set of guidelines which outline the process by which it will take decisions on proposals to increase the level of information available to the gas market. This information could include the offshore industry.

Ofgem Press Release, 27/6/05; Platts Power UK, 27/6/05

OFGEM Closes Gas Probe

Ofgem has closed the outstanding GB aspects of its gas probe. The probe's initial conclusions, published in 2004, concluded that the high gas prices were mainly the result of high oil prices feeding through, predominantly via the pipeline link with Europe and a faster than expected decline in North Sea supplies. A report presenting Ofgem's economic analysis is due to be published shortly.

Ofgem Press Release, 24/6/05



New Power Zones Will Connect More Renewable Generators To The Electricity Network

Ofgem has given the go-ahead for the first 'power zone', which will connect more renewable generators to the distribution network. Central Networks will have part of its network designated as a Registered Power Zone (RPZ). RPZ status is given on the basis that the network employs innovative approaches to connect new generators to their systems.

Ofgem Press Release, 29/5/05

Austria:

OECD Report Criticises Failure To Privatisise Electricity Industry

The latest OECD country report urges the Austrian government to withdraw from the electricity business. Current law requires the public sector (municipal, regional or federal government) to hold a minimum stake of 51% in electricity utilities. Moreover, only the federal Verbund and regional EVM have the maximum allowed 49% private ownership.

Platts: Power in Europe, 20/6/05

Verbund To Compete For Final Electricity Customers

Energy Regulator Walter Boltz welcomed the decision of Verbund to enter the final customer market on 1 July 2005. Verbund had exited the final customer market almost a year ago after high losses. Its re-entry is expected to stimulate competition and reduce prices to final customers.

Der Standard, 10/6/05

Belgium:

Regulator Publishes Dissenting Opinion On CEER Infrastructure Report

CREG issued a statement dissenting in three ways from the Report of the Infrastructure Task Force on "investments in gas infrastructures and the role of EU national regulatory authorities", approved at the 12 May meeting of the Council of European Energy Regulators. CREG takes issue with (1) the treatment of long-term contracts; (2) the pass-through of risks; and (3) the pass-through of risks in vertically integrated undertakings.

CREG website, 29/6/05



Belgium, France, Netherlands And Germany To Increase Collaboration On Interconnections

The governments of Belgium, France, the Netherlands and Germany have agreed to increase cooperation on the management of the electricity interconnections, in order to guarantee security of supply in the four countries. Under this agreement, experts of the four countries will work together in order to improve the utilisation of electricity interconnections. The governments of Belgium, France and the Netherlands have already concluded similar agreements in the past.

Agence Belga, 28/6/05

Bulgaria:

Election Chains For Electricity Prices, Electricity Prices For Industrial Users To Rise On October 1

Private power distribution firms are in dispute with the state energy regulator over power prices. The dispute follows news that the energy regulator wants to 'seek inner reserves' in the system and has ruled out the possibility of raising end-consumer prices. Foreign owners of electricity distribution companies have requested a price increase and the introduction of an electricity meter fee to secure investments to cut transmission losses. The regulator will review again the investment programmes of the new owners of the power distribution firms. Meanwhile, low voltage electricity prices for industrial users will increase on 1 October 2005. After the increase, 220V electricity will cost the same for industrial and residential users.

Capital Weekly, 9/6/05, Bulgarian News Agency, 7/6/05

France:

CRE Considers Competition Is Developing Slowly

The French energy regulatory commission (CRE) issued a report assessing the development of the gas and electricity markets in France. In July 2004 the gas and electricity markets were fully liberalised in France for all non-domestic customers. Approximately 50% of eligible electricity consumers and 40% of eligible gas customers have moved to the liberalised market in France. The main conclusion of the CRE's report is that competition in the energy markets is developing slowly in France, mainly due to the existence of regulated tariffs which lie below market prices.

DJ Bourse, 30/6/05

RTE To Become A Subsidiary Of EDF

The Board of Directors of Électricité de France (EDF) will approve the separation of the electricity system operator (RTE) from EDF. In September 2005, RTE will become a subsidiary of EDF, as established by Law of 9 of August 2004, which required further independence of the electricity system operator from market agents. However, EDF will retain 100% of the shares of RTE and will appoint 6 out of the 12 members of the supervisory board of RTE.

Agence France Press, 28/6/05

Parliament Approves New Energy Law

The French Parliament has adopted a new energy law, on the direction of French energy policy up to year 2050. The general objectives of the new law are to guarantee security of supply, the promotion of renewable energy sources and the reduction of climate change emissions. Specifically, the new law confirms the development of a new nuclear reactor (ITER) in France, establishment of an “energy certificates” scheme to improve energy efficiency and removal of legal limits on wind farms’ ability to benefit from guaranteed purchases of their output.

La Tribune, 24/6/05; Le Monde, 24/6/05

Gaz De France, Partially Privatized

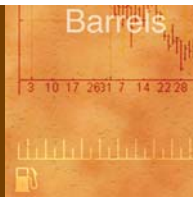
The French financial authorities have given their green light to the partial privatization of Gaz de France (GdF), currently fully owned by the French government. This is the last step for the partial privatization of GdF, which was initiated with the transformation of GdF into a limited liability corporation, by means of Law of 9 August 2004. GdF will be floated by mid-July 2005. The French government will still retain 78-80% of the shares, above the minimum 70% stipulated by law.

Le Figaro, 23/6/05; AP French Worldstream, 22/6/05

French And Italian Governments To Increase Cooperation On Energy Issues

The French and Italian governments have signed an agreement to increase cooperation between the two administrations on energy issues, including the reciprocal opening of their electricity markets. The first result of this agreement is the removal of the prohibition on EDF exercising its voting rights in the Italian utility Edison, removal which will be established by law. In addition, Italian Enel has been authorized to participate in the new nuclear reactor that is being developed by EDF.

La Tribune, 13/6/05



Germany:

Compromise On The Draft Energy Industry Act

The two houses of the German parliament, the Bundestag and the Bundesrat, agreed on a final version of the draft Energy Industry Act on 15 June. The CDU-controlled Bundesrat pushed through a number of changes to the draft act. The final draft requires the framework for so-called “incentive regulation” to be determined by an ordinance rather than by the regulator. This is likely to delay the introduction of “incentive regulation”. Moreover, current network access prices are now to be reviewed by the regulator. The government coalition (SPD and Grüne) had proposed such a control process initially only for price increases. In addition, the requirement to breakdown final customer bills by the sources of electricity has been watered down. The Energy Industry Act will come into force on 1 July.

Die Zeit 23/6/05; *Süddeutsche Zeitung*, 18/6/05; *Reuters*, 15/6/05

Bundesgerichtshof Supports Bundeskartellamt On Electricity Network Regulation

The Bundesgerichtshof (Federal Court) confirmed that the Bundeskartellamt (Federal Cartel Office) may review the transmission charges of electricity companies and draw on comparisons with the costs of other companies for this purpose. In another decision, the Court concurred with the Bundeskartellamt that the Mainova AG is obliged to grant its rivals GETEC net and Energieversorgung Offenbach access to its own electricity network. These decisions may be helpful for the new Bundesnetzagentur (Federal Networks Agency), which will from 1 July regulate competition in the use of electricity and gas networks in Germany.

Financial Times Deutschland, 29/6/05; *Die Welt*, 29/6/05

Ireland:

Modest Increase In Cost Of Transmission Likely

The review of the prices charged by ESB’s networks division will be unlikely to result in a fall in returns, according to Michael Tutty, one of the CER’s three commissioners speaking to the Oireachtas Joint Committee on Communications. A new report issued by the Commission for Energy Regulation (CER) suggests that prices are likely to be above the 10-12% increase previously widely predicted. The most extreme rise mentioned in the report was 36%, but industry sources stated this was very unlikely. The main factors behind the suggested increases are rising fossil fuel prices, gas and oil in particular.

Irish Times, 30/06/05 and *Irish Examiner* 22/06/05



Transmission System Operators Sign Memorandum Of Understanding

Transmission system operators for the Republic of Ireland (ESB National Grid) and Northern Ireland (System Operator Northern Ireland or SONI) signed a Memorandum of Understanding to work jointly on a number of initiatives, as part of the all-island project for a wholesale electricity market, including the development of a Single Market Operator. A formal agreement between ESB National Grid and SONI for the development of the Single Market Operator is expected by February 2006, in time for the deadline of 1 July 2007 for commencement of the single electricity market.

Viridian Press Release, 10/6/05

Italy:

New Increase In Gas Tariffs

AEEG (the Italian regulator) has updated electricity and gas tariffs for the period July-September 2005. Electricity tariffs have not increased because of the use of funds for reimbursement of stranded costs and the temporary suspension of other tariff components. Gas tariffs have increased by 3.7% due to the increase in fuel prices.

AEEG's web site, 29/6/05

New Increase In Electricity Consumption.

Peak electricity consumption has reached 54,100 MW, the new all-time peak in consumption. Peak consumption has increased by 600 MW with respect to the 2004 summer peak of 53,500 MW and by 500 MW with respect to the winter peak of 53,600 MW.

Staffetta Quotidiana, 29/6/05

Enel Sells Distribution Network In North Of Italy

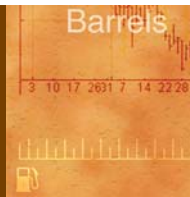
Enel has sold its distribution network in Trentino (North of Italy) to municipalities. The network, whose length is 6,700 km, supplies about 225,000 customers.

Staffetta Quotidiana, 29/6/05

Rules For Access To Gas Storage

AEEG has defined the rules for access to the national gas storage system. New rules are intended to enhance competition and efficiency of the whole gas system. In Italy, storage and storage services are provided by Stogit (Eni group) and Edison Stoccaggio (Edison group). Stogit accounts for about 98% of national storage capacity and Edison for the remaining 2%. Rules set by AEEG regulate "mandatory services" (i.e. underground, strategic and modulation storage) and "special services", i.e. services that shippers can contract directly with the storage company in order to maximise their efficiency in system use.

AEEG's web site, 24/6/05



Netherlands:

NMa Ends Investigation Of Energy Suppliers

NMa, the Dutch competition authority, ended its investigation into possible restrictions of competition by energy suppliers. The investigation found no evidence of infringements of the Competition Law.

DTe website, 21/6/05

NMa Loses Key Merger Case

On 31 May, the Rotterdam district court annulled the NMa's decision on a merger between Nuon and Reliant, on the grounds that the Netherlands' competition authority lacked proof of the need for conditions imposed on the merger. According to the court, the NMa failed to show that it was "highly likely" that the merger would give rise to competition concerns. In particular, the court said that the NMa had failed to investigate the level of concentration on the "temporal markets" after defining those as relevant. Second, NMa relied on analyses from external consultants, but they failed to show that a dominant position would be created or strengthened. Third, NMa lacked proof for its theory that "strategic behaviour would be possible and advantageous". The NMa has been ordered to retake the decision.

Global Competition Review, 13/6/05

Draft Decision On Method Of Regulating National Gas Transporter

DTe, the Dutch energy regulator, published a draft decision on the method of regulating GTS, the national gas transport network operator. In connection with this proposal, a hearing will take place at DTe on 30 June 2005.

DTe website, 10/6/05

DTe Imposes Fine On Energy Company Caplare Energy

DTe imposed a fine of EUR 15,000 on energy supplier Caplare Energy B.V. for failing to provide on a timely basis contract data for the 3rd and 4th quarters of 2004, which DTe needed to check that its prices and terms were reasonable.

DTe website, 9/6/05

Portugal:

Mibel Further Delayed

Mr Antonio Almeida, Head of the Portuguese pole of the Iberian electricity market, OMIP, stated that the Iberian electricity market, Mibel, will not be in operation on 1 July in spite of the existing agreement between the Portuguese and Spanish governments. Several regulatory and technical concerns remain to be cleared before the market can be launched. Once in operation, Mibel will be an electricity market with 30 million customers and over 250 TWh of final consumption.

Jornal de Negócios, 27/6/05



The Government Avoids Electricity Tariff Increase

The Portuguese government intends to use the accumulated hydro correction fund in order to offset the electricity tariff increases proposed by the energy regulator, ERSE, to reflect the recent evolution in fuel prices. The tariff increase proposed by ERSE for industrial customers, whose tariffs are reviewed quarterly, was close to 4%, but the use of the hydro correction fund will allow prices to remain at levels similar to those applied in the previous quarter. Domestic customers, whose tariffs are reviewed annually rather than quarterly, will also benefit from proceeds from the hydro correction fund in their 2006 tariffs.

Jornal de Negócios, 22/6/05

ERSE Claims That Endesa And Iberdrola Block Competition

Mr Jorge Vasconcelos, Head of the Portuguese energy regulator, ERSE, stated that competition in the Iberian electricity market is not feasible because the two largest producers, Endesa and Iberdrola, control two thirds of the total electricity market. In the words of the regulator, the measures that would reduce the two generators' market position include the sale of generation assets and generation capacity auctions. The regulator also warned about the distortions that exist because Spanish tariffs include competition transition costs (CTC) and because of the fact that tariffs in Spain are currently insufficient to cover the costs allocated to the tariffs.

Jornal de Negócios, 7/6/05

AdC Will Investigate The Acquisition Of Ortiga And Safra By EDP

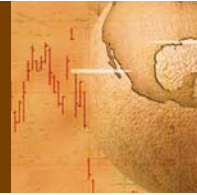
The Autoridade da Concôrrencia (AdC), the antitrust authority, decided to continue investigating the acquisition of Ortiga and Safra, two small wind power companies, by Enernova, EDP's renewable energy subsidiary. AdC fears that the acquisition might create or reinforce a dominant position and therefore result in a significant impediment for effective competition in the Portuguese electricity market.

Jornal de Negócios, 7/6/05

AdC Will Investigate Agreement Between CTT And Iberdrola

The Autoridade da Concôrrencia (AdC), the antitrust authority, is investigating the agreement between Iberdrola and CTT, the Portuguese postal company, to retail electricity through the CTT's post office network. According to AdC officials, the agreement might restrict competition in the electricity retail market as it confers exclusive rights on Iberdrola to retail through the CTT network.

Agencia Financeira, 7/6/05



Romania:

Energy Market Opening To Reach 83%

As of 1 July, all non-household consumers in Romania will be free to choose their electricity supplier. Currently, Romania has over eight million “captive” consumers on a fully regulated electricity market and just 2,000 consumers who could choose their supplier. This means that energy market opening will have reached 83%, 33% more than the initial target, according to the Minister of Economy and Trade. Romania has 52 partially regulated producers of electric energy, eight fully regulated distribution and supply companies and 72 independent supply competitors.

Rompres, 20/6/05

Gaz de France Is New Owner Of Distrigaz Sud Romania

Gaz de France has bought 51% of Distrigaz Sud Romania and appointed the managers in charge. Gaz de France paid US\$379 million for the controlling interests of the Romanian natural gas operator. The German giant E. ON has also bought the controlling interests of Distrigaz Nord for US\$370 million.

Rompres, 16/6/05

Bigger Stake For The Buyer Of Electrica Muntenia Sud

The Romanian state has increased the proportion of Electrica Muntenia Sud shares to be sold from 61% to 67.5%. The state will sell 50% of shares immediately and the investor’s participation will then grow up to 67.5% through an increase in share capital. The investor will have the right to sell two stakes, each representing 5% of the shares, to EBRD and the IFC. MEC plans to close the privatisation contract by the end of the year, while the transfer of the shares will be concluded by March 2006.

Mediafax News Brief Service, 9/6/05

Russia:

The Minister Approves Reliability Improvement Plan

Russia’s Industry and Energy Minister Viktor Khristenko approved a plan to improve reliability and sustainability of the power system. The plan envisages greater state regulation and control over the power system as well as other measures. This follows a major blackout in May that affected the large part of Moscow and neighbouring regions, bringing down the transport and telephone networks and water treatment facilities.

Praim TASS, 26/6/05



Electricity Import Tax Scrapped

The government abolished the import tax for electricity, according to the press service of the Cabinet of Ministers. Major importer of electricity in Russia is InterRao UES, a joint venture between RAO UES Russia and Rosenergoatom. The company imports electricity from Kazakhstan and Lithuania.

AK&M Information Agency 23/6/05

Reform Of Power Monopoly Delayed

Breaking up of RAO UES Russia will take a half year longer than planned, Mr Chubais told a business conference in Moscow. The company will be split up by mid 2007, instead of the late next year.

Associated Press Newswires, 20/6/05

Increase In Natural Monopoly Charges Capped

The government introduced the limit on the increase of natural monopoly charges in 2006-2008. The wholesale gas charges will grow by 11% in 2006, 8% in 2007 and 7% in 2008. The electricity charges will increase by 7.5% in 2006, 1% in 2007, and 1% in 2008.

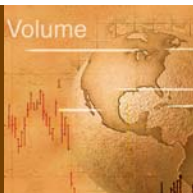
ITAR-TASS, 17/6/05

Spain:

Interruptible Contracts Extended To The Liberalized Market

The Spanish Industry Minister has announced the government's intention to draft new regulations in order to extend the possibility of interruptible supply contracts to the liberalized electricity market. Under this type of supply contract, the electricity system operator can interrupt electricity consumption, in exchange for a reduction in the energy price paid by interruptible consumers. The objective of the new regulations is to guarantee electricity supply in Spain throughout the following months and to encourage the shift of electricity consumers from full-service tariffs to the free market.

Expansión, 30/6/05



New Regulations For The Extrapeninsular Electricity Systems

The Spanish government has drafted new regulations for the remuneration of electricity generation in the Spanish extrapeninsular systems. The new regulations, which would cover a five-year period, aim to provide Endesa (the only generator in the Balearic and Canary Islands and in the autonomous cities of Ceuta and Melilla) with a stable regulatory framework for the compensation of the additional costs incurred in generating electricity in the extrapeninsular systems, which are mainly based on fuel-oil plants. However, other Spanish electricity companies, such as Iberdrola and Unión Fenosa, fear that this new regime will overcompensate Endesa and perpetuate its monopoly in the extrapeninsular territories.

Expansión, 27/6/05

Electricity Tariffs To Penalise Wasteful Consumption

The Spanish government has announced its intention to penalise wasteful consumption of electricity by the Spanish households. This measure could be part of the Spanish Energy Efficiency Action Plan drafted by the government, and could take the form of a progressive electricity tariff in which prices for the electricity consumed above a certain level might be four times the current electricity rates.

Expansión, 22/6/05

The Competition Authority Fines Gas Natural

The Spanish Competition Court (Tribunal de Defensa de la Competencia, TDC) has decided to fine Gas Natural, the gas market incumbent, EUR8 million (US\$10 million). The TDC considers that Gas Natural has abused its dominant position in the Spanish gas market by signing exclusive contracts for access to the regasification plants with the gas transport operator, Enagás. The contract reserves for Gas Natural a certain capacity in the regasification plants owned by Enagás. This, according to the TDC, constitutes an entry barrier to the Spanish gas market.

Cinco Días, 21/6/05



Delays In The Publishing Of The Electricity Sector White Paper

The Spanish electricity sector white paper, which is being drafted by Professor Pérez Arriaga, will be published in July 2005, although it was initially scheduled for June 2005. There are several rumours going on about the possible measures that Pérez Arriaga will include in the white paper, which is supposed to be the basis for the future organisation of the Spanish electricity sector. Possible measures include the imposition of a levy on hydroelectric generation or the obligation for certain plants (mainly plants with outstanding CTCs) to sign bilateral contracts at regulated prices and to be excluded from the electricity pool.

Cinco Días, 6/6/05

New Head For The Energy Regulator

The Spanish government has appointed a new head for the Spanish Energy Commission (CNE), as well as two new members of the board. This decision follows the expiry of the term of the former president and four other members of the board, two of which have been reappointed. The members of the CNE are appointed for a period of 6 years, which can be renewed once. The new head, Ms Maite Costa, a politician and a PhD in Economics, was, before her appointment for the CNE, the Industry and Energy Secretary in the government of the Spanish region of Catalonia.

Expansión, 2/6/05

Switzerland:

Lower CO2 Emissions Charges For Gas Energy Plants

The Bundesrat has approved the proposal of Moritz Leuenberger, the Minister of the Environment, to incorporate special provisions for new gas energy plants in ordinances on CO2 emissions charges. Companies which want to start business in Switzerland, including new gas energy generators, may cover up to 30% of their CO2 emissions through purchase of foreign CO2 certificates. For established companies, the threshold is only 8%. The industry association Economiesuisse warned this might distort competition.

Der Bund, 22/6/05



Turkey:

Regulators Join Forces On Defining Access Rules For New Gas Pipeline

Energy regulators in Turkey, Bulgaria, Romania, Hungary and Austria plan to harmonise the system access rules for the 3,400 kilometre Nabucco pipeline from Turkey to Austria. The regulation of third-party access (TPA) to the pipeline is subject to EU Directive 2003/55/EC concerning common rules for the internal market in natural gas. The Directive permits full or part-exemptions from regulation for new infrastructure provided that they are approved by the national regulators concerned and do not limit competition. The promoters of the Nabucco scheme are currently seeking regulatory approval for an exemption and a single regulatory framework for TPA and transportation tariffs along the entire length of the pipeline.

PR Newswire Europe, 30/6/05

Turkey Introduces New LPG Import Regulations

Turkey's Energy market Regulator will introduce new regulations on LPG imports from July. The regulations will limit imports to eight ports with the necessary customs and testing facilities. All imports will be subject to quality testing prior to the issuing of import authorisation.

Platts Commodity News, 14/6/05

Draft Regarding Electricity Distribution Privatisation Submitted To Cabinet

The draft framework for the privatisation of electricity distribution has been submitted to the Turkish Cabinet for approval. The Turkish Energy minister confirmed the privatisation process could start just after parliament passed the law. Reuters also reported that the privatisations will be by to share transfer and based on operating rights.

Turkey Sectors and Companies Today, 6/6/05



North American News

USA:

Power Plants May Face Unexpected Limits On Pollution

U.S. power plants may be forced to follow stricter-than-anticipated pollution limits if the federal government adopts new scientific recommendations to lower acceptable air concentrations of microscopic “fine particle” pollution. Staff scientists at the U.S. Environmental Protection Agency called for the agency to tighten standards to reflect a growing scientific consensus about the wide-ranging harm done to the body by inhaling fine particle pollution, including nitrogen oxides and sulfur dioxide pollution released from coal-burning power plants.

Dow Jones & Company, 7/7/05

Federal Regulators Say PNM Wholesale Dealings Above Board; Company Did Not Manipulate California Electric Market in 2000 & 2001

The Federal Energy Regulatory Commission issued its order dismissing PNM, a utility subsidiary of PNM Resources (NYSE: PNM), from its investigation into alleged misconduct by power companies during the 18-month California energy crisis. The latest ruling clears PNM in the remaining investigation by federal regulators into alleged manipulation of the wholesale energy market during the 2000-2001 California energy crisis.

Business Wire, 7/7/05

Regulators Revoke Duke Power’s Market Rates

The Federal Energy Regulatory Commission revoked the authority of Duke Power to sell wholesale power at market-based rates in its control area. The commission also will hold hearings on whether Entergy Corp. and Southern Co. possess generation market power and should be allowed to continue to sell power at market-based rates. Those hearings will look at delivered-price tests that the utilities submitted as evidence they lack generation market power.

Public Power Weekly, 4/7/05

‘Unprecedented’ Divestiture Cited In FERC Approval Of Exelon-PSEG Deal

FERC approved the mega-merger between Exelon Corp. and Public Service Enterprise Group, marking a key regulatory hurdle that the transaction needed to vault. FERC signed off on the deal at its latest open meeting, but said that the two companies will also need to make a number of compliance filings at the Commission in the wake of this decision. The merger still requires a number of other federal and state regulatory approvals.

NGI’s Power Market Today, 30/6/05



El Paso Says It Has FERC OK For Ariz-Calif Gas Pipeline

El Paso Natural Gas Co., a subsidiary of El Paso Corp. (EP), has received certificate approval from the Federal Energy Regulatory Commission to convert a California-Arizona pipeline from transporting crude oil to transporting natural gas. The pipeline has a capacity of 502 million cubic feet a day and runs 88 miles from Ehrenberg, Ariz., to Cadiz, Calif. A new six-mile pipeline that will be constructed as part of the \$74 million project to connect it to El Paso's Mojave Pipeline Co. facilities near Cadiz.

Dow Jones International News, 28/6/05

Experts Say DNR Approval Of LNG Port May Undermine Blanco

The Louisiana Department of Natural Resources has given approval to an Exxon Mobil liquefied natural gas port, Pearl Crossing, despite objections from the Governor, Kathleen Blanco. Pearl Crossing would use hundreds of millions of gallons of seawater to reheat liquefied natural gas. State and federal wildlife agencies contend that this use of seawater would be fatal to fish eggs and larva and damaging to the fisheries. The energy companies behind the projects have the support of the U.S. Maritime Administration.

Associated Press Newswires, 26/6/05

Governors Seek Delay In New Electricity Pricing System

Several New England governors are asking federal energy regulators to delay action on new electricity pricing program for the region that they say will be costly and ineffective. The ISO New England proposal would create new rate zones and provide incentives to power companies. It was approved by an administrative law judge in Boston last week and is expected to be considered by the Federal Energy Regulatory Commission this fall. If approved, it would take effect in January 2006.

The Associated Press, 24/6/05

Audit Finds Lax Oversight Of Safety Procedures At LNG Facilities.

An audit report by State Auditor Joseph DeNucci's office has found lax state oversight of LNG facilities in Massachusetts, including a failure by regulators to require plant owners to meet key safety requirements, such as submitting fire prevention and evacuation plans.

Associated Press Newswires, 23/6/05



Natural Gas Consumers Sue Dominion Transmission Over Error

Natural gas consumers from Virginia and West Virginia are suing Dominion Transmission Inc. in a class-action lawsuit filed in Kanawha County Circuit Court, over a clerical error that allegedly spiked natural gas costs by up to \$1 billion late last year. The Federal Energy Regulatory Commission found that the company submitted the wrong week's gas storage figures in November, leading to artificial inflation of natural gas prices. FERC investigators confirmed that Dominion had made a clerical error and found no evidence of insider trading. *Associated Press Newswires, 17/6/05*

FERC Judge Approves Much Of ISO New England Pricing Plan

An administrative law judge for the Federal Energy Regulatory Commission has approved much of ISO New England's proposal to change the way power producers in the region are paid. The agency will now consider the case, relying on the decision as well as further testimony and comments on it. A final decision is expected by early September, with implementation expected in January.

The Associated Press, 16/06/05

FERC Approves \$600 Million Gas Terminal In Texas

Exxon Mobil Corp. plans to build a terminal for liquefied natural gas in Texas have been approved by the US Federal Energy Regulatory Commission. The \$600 million "Vista Del Sol" LNG project will deliver gas to the Tennessee Gas Pipeline. Its capacity will be 1.1 billion cubic feet a day and is expected to be operational in 2008 or 2009.

Associated Press Newswires, 15/6/05

Williams To Pay \$7.6 Million To Settle Investigation

Williams Cos. has been fined \$7.6 million to settle an investigation into the prohibited sharing of nonpublic information about natural gas storage between two affiliates. An employee of Williams' pipeline subsidiary, Transco, infringed FERC regulations by sharing nonpublic information about natural gas inventories with traders at Williams.

Associated Press Newswires, 15/6/05

Commission Approves Atlanta Gas Light Settlement.

The Georgia Public Service Commission has approved a rate settlement with the Atlanta Gas Light Co. The commission originally cut rates by \$21.9 million but the settlement, effective as of 1 May, imposes only a \$5 million reduction a year, but freezes rates for five years. The settlement raises the company's return on investment from 10.37 percent to 10.9 percent and extends a program for replacing deteriorated pipes from 10 years to 15 years.

Associated Press Newswires, 11/6/05



Dominion Transmission Agrees To \$245 Million Rate Rollback

Natural gas provider Dominion Transmission Inc. will roll back rates by \$245 million over the next five years to settle an earnings dispute with New York regulators. Under the agreement, Dominion Transmission will reduce transportation charges by about 16 percent and storage rates by about 17 percent. The settlement also establishes a five-year moratorium on general rate changes.

Associated Press Newswires, 3/6/05

Xcel, We Energies Ask Wisconsin Govt To OK '06 Price Increases

Wisconsin utilities, We Energies and Xcel Energy have asked state regulators to approve increases in natural gas and electricity rates next year. We Energies require approval for revenues that would mean an increase in bills of 6.5% for a typical Wisconsin Gas customer, and of 4.8% for Wisconsin Electric Gas Operations customers. Typical residential bills of Xcel customers would rise 13% for electricity and 6.5% for natural gas next year.

Dow Jones International News, 2/6/05

PSC Agrees To Boost Xcel Energy's Minimum Gas Charge

Xcel Energy's minimum monthly charge for supplying homes with natural gas will jump from \$5.50 to \$15.69 under the terms of a Public Service Commission settlement of the utility's request for higher gas rates. The utility is already collecting almost all of the rate increase that state regulators have approved.

Xcel went ahead with a plan to boost rates last January, using a new state law that allows utilities to pocket temporary increases while a rate case is pending.

Associated Press Newswires, 1/6/05

NJ's PSE&G Wants To Raise Natural Gas Rates 11%

Public Service Electric and Gas (PEG), New Jersey's largest utility, has applied to the regulators to raise natural gas rates by nearly 11% because of rising natural gas prices. If regulators approve, the typical PSE&G customer would pay \$152 more a year.

Dow Jones International News, 1/6/05

Mexico:

Reforms To Pemex's Fiscal Regime:

The House of Representatives approved changes in Pemex's fiscal regime that will grant additional savings up to US\$2,300 million. The transition period will last 7 years to smooth public finance impacts. Exploration, secondary recovery and non-capitalized investments will be 100% deductible. The annual payment of Hydrocarbons rights will be gradually reduced so that Pemex can invest in exploration and production.

Crónica 29/06/05; Reforma 28/06/05

Putin Says Russia Will Supply Mexico With Liquefied Gas From Far East

President Vladimir Putin and his Mexican counterpart, Vicente Fox, on Tuesday discussed Russia's plans to step up Russia's supply of liquefied natural gas to Mexico. In October, Sakhalin Energy announced a deal to ship 37 million metric tons of liquefied natural gas, or LNG, to a terminal in Mexico over 20 years, beginning in 2008.

The Associated Press via Energy Central 21/6/05

Central and South American News

Argentina:

Government Reaches Agreement With Edesur On Electricity Tariffs

Edesur – the electricity distribution company controlled by the Spanish group Endesa – and the Argentinean government have reached an agreement on new electricity tariffs, which had been frozen since the devaluation of the peso in 2002. Edesur will be allowed to increase rates for industrial and commercial customers by 23%, whereas an increase in residential rates has been delayed until next year. Other Spanish companies – like Gas Natural and Telefonica— are also reportedly close to reach an agreement on tariff renegotiation.

El Pais, 27/6/05; Expansion, 15/6/05

Brazil:

Gas Bill To Be Presented To The Congress in September

The Brazilian government is planning to present a new bill on the natural gas sector in September. The bill aims at introducing clear rules for the gas market and attracting foreign investment. At the moment, the state-owned oil company Petrobras holds a dominant position, particularly in the production and transportation sector. Private investors are only present downstream through local distribution companies.

Business News America, 25/6/05, 14/6/05

Schedule Of Forthcoming Power Auctions Announced

By early December, the Brazilian government will organize three power auctions. The first auction—to be held at the end of October—will allow distribution companies to buy 711 MW from existing power plants electricity for the years from 2006 to 2008. The second auction—scheduled for November—will offer 15-year contracts for 13,000MW of power delivered from 2009 onwards by new existing generation plants. The last auction—planned for early December—will assign 30 year contracts to power plants planned or under construction, for a total of 3,500 MW.

Business News America, 25/6/05

Colombia:

Sale of Distribution Companies Suspended

The Colombian Energy and Mines Ministry has reportedly suspended the sale of 4 distribution companies—Essa, Gens, Electrificadora del Meta, and Empresa de Energia de Boyaca—until the financial results of the companies improve.

Business News America, 6/6/05

Asia Pacific News

Australia:

ESC Proposes Large Price Cuts For Distributors

The Essential Services Commission (ESC) has issued its draft decision on electricity distribution prices for 2006-2010, with price cuts of 14% to 25.5% for the five Victorian distributors. Despite these cuts the determination allows for a 21% increase in total capital expenditure over the period.

The Age, 23/6/05; www.esc.vic.gov.au, 22/6/05

ETSA's Application For Review Successful

ETSA Utilities' application to the Essential Services Commission of South Australia for a review of the April price determination has resulted in some concessions. While rejecting ETSA's views with respect to the appropriate valuation for easements, the Commission has increased the value of the equity beta from 0.8 to 0.9. ETSA had argued that it should be set at no less than 1.

www.escosa.sa.gov.au, 3/6/05

Changes To Infrastructure Access Laws Proposed

The federal government proposes to amend part IIIA of the Trade Practices Act, which governs prices for use of facilities such as gas pipelines and electricity networks. The amendments will increase opportunities for appeals against decisions by regulators and impose time limits on regulators when considering disputes over access.

Australian Financial Review, 3/6/05

China:

Price Regulation System Split

The Chinese State Council has separated the responsibilities the State Electricity Regulatory Commission (SERC) and the National Development and Reform Commission (NDRC). The NDRC, as the country's macroeconomic policy maker, will fix electricity prices in the state monopoly over transmission and distribution. SERC is now responsible for supervising prices at the point of generation and sale.

Economist Intelligence Unit, 21/6/05

State Firm Eyes Power Venture

China Southern Power Grid is in talks to buy a 30 percent interest in a joint venture aiming to supply Hong Kong with electricity from the mainland. The joint venture aims to break the electricity supply duopoly of CLP Holdings and Hong Kong Electric Holdings. The Hong Kong government is meanwhile expected to propose the future of regulation for the power sector, once the current control agreements end in 2008.

South China Morning Post, 11/6/05

India:

Centre Agrees To Regulate Coal-Pricing Mechanism

The Indian government will refer to the Tariff Commission a proposal from the Andhra Pradesh Government to regulate coal prices. Last year Coal India increased coal prices by 15%. The impact of this increase was felt particularly by the State as 60% of its power projects are coal-fired.

The Hindu, 25/6/05

Get Ready For 10% Power Tariff Hike

Power tariffs in Bangalore are expected to increase by 10% in the next three months. The increase follows an application by all electricity supply companies in Karnataka for a 5-21% increase in tariffs. The Karnataka Electricity Regulatory Commission (KERC) and the Government of Karnataka are expected to allow an average increase of 10%.

Indian Business Insight, 21/6/05

Government Planning To Set Up Petroleum And Gas Regulatory Board

The Government of India is planning to set up a petroleum and natural gas regulatory board to monitor refining, processing, storage, transportation, distribution, marketing and sale of petroleum and petroleum products and to protect consumers. The board would ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas to all parts of the country. It would grant marketing rights for notified petroleum products, and give permission for establishing LNG terminals.

Indian Business Insight, 7/6/05

Indonesia:

DPD To Propose Bigger Allocations For Rural Electricity

The Regional Representative Council (DPD) will propose more money in next year's state budget to build electricity networks in rural areas. This move is prompted by the gap in power availability between Java and other, less developed, islands. The DPD is planning to establish a database on power deficiencies throughout the country in order to back up the proposals.

The Jakarta Post, 15/6/05

Philippines:

Oil Prices Soar Anew As VAT Gets Tacked On, Meralco To Expand Lifeline Rates

The price of gasoline, diesel, kerosene and liquefied petroleum gas was set to increase on 1 July following an increase in value added tax. Opposition congressmen had asked the Supreme Court to issue a temporary restraining order to stop the new tax on the grounds that the relevant law is unconstitutional. The government is expected to soften the impact of the tax by reducing excise taxes and tariffs resulting in a net increase in prices of 6%, as opposed to 10%. Meralco is also expected to modify lifeline rates to protect poor customers from the new tax.

Manila Standard, 1/7/05, BusinessWorld, 1/7/05

Power Distributors Urged To Sign Supply Contracts With RP's NPC

The Philippine Energy Secretary called on Meralco and other electricity distributors to enter into transition supply contracts with the National Power Corporation (NPC) and the Power Sector Assets and Liabilities Management Corporation. The contracts will shield electricity consumers from price fluctuations while the power generating sector shifts from a regulated to a fully deregulated regime. They are also expected to improve investors' appetite for generating plants about to be privatised to pay off NPC debts.

Asia Pulse, 30/6/05

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

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