

Reporting on energy regulation issues around the world

Global Energy Regulation

March 2005
Issue 70

Contents

- 1 European News
- 11 North American News
- 13 Central and South American News
- 14 Asia Pacific News

General and European Editor

Graham Shuttleworth

Regional Editors

Kristina Sepetys, U.S.

Greg Houston and Ann Whitfield,
Australia and New Zealand

Oscar Arnedillo, Spain and Portugal

Francesco Lo Passo, Italy

European News

Great Britain

Trade And Industry Select Committee Expresses Concern Over Functioning Of UK Gas Market

The House of Commons Trade and Industry Select Committee completed its inquiry into fuel prices, instigated in response to increases in wholesale gas prices during the summer and autumn of 2004. Ahead of publication of its findings, Mr Martin O'Neill, Chairman of the Committee, said failures in the market arose from significant problems with physical supply, lack of information about supply, difficulties caused by operating a liberalised market (the UK) alongside a relatively unliberalised market (Continental Europe), and the dearth of traders willing to sell gas into the forward market.

Trade and Industry Committee press notice, 23/3/05

Regulator Approves Charging Methodology

Energy regulator Ofgem approved National Grid Company's (NGC) use of system charging methodology, which covers both Transmission Network Use of System Charges (TNUoS) and Balancing Service Use of System (BSUoS) charges. Ofgem attached five conditions to its approval. Charges calculated from the approved use of system methodology will apply from the introduction of British Electricity Trading and Transmission Arrangements.

Ofgem website, 9/3/05

Regulator Consults On NGT's Proposals To Restructure Meter Businesses

Energy regulator Ofgem invited comments on National Grid Transco's (NGT) proposed consolidation of its two existing metering businesses into a single, unlicensed company. The consolidation will require the sale by Transco of Transco Metering Services Ltd, which provides services to Transco and is regulated by Ofgem through conditions in Transco's transportation licence.

Ofgem website, 8/3/05



Regulator Consults On Interim Offtake Incentive Arrangements

Energy regulator Ofgem published initial proposals on the scope, form and duration of interim incentive schemes that will apply if National Grid Transco (NGT) sells one or more of its gas distribution network (DN) businesses. For the National Transmission System, Ofgem proposes to retain most of the current exit incentive scheme, with the addition of a “buy-back” facility. Ofgem also proposes to replace the current DN incentives with a new interim incentive scheme. The interim arrangements will apply from 1 May 2005 and the allocation of rights through the enduring offtake arrangements from 1 October 2008.

Ofgem website, 8/3/05

Regulator Publishes Final System Operator Incentive Proposals

Energy regulator Ofgem published final proposals for National Grid Company's (NGC) Great Britain System Operator (SO) incentive scheme. Ofgem proposed a cost target of £377.5 million (US\$710 million) with NGC retaining a percentage of any out-performance up to a cap of £40 million (US\$75 million) and bearing a percentage of any overspend down to a floor of £20 million (US\$38 million). The SO incentive scheme will last for one year from 1 April 2005.

Ofgem press release, 1/3/05

Austria

Next Round Of Grid Cuts

E-control imposed average grid tariff reductions of 8% on Tiroler Wasserkraft/TIWAG, 8.5% on Lower Austria's EVN, 9.5% on Vienna's WienStrom and 9.6% in Vorarlberg. All companies are expected to accept these cuts. E-control will decide on grid tariff cuts for Stewaeag-Steg in Styria and Energie AG in Upper Austria later this year.

Platts – Power in Europe, 14/3/05

Increase In Electricity Consumption

In its Annual Report 2004, E-control, the Austrian energy regulation authority, highlights a 3.2% increase in Austrian electricity consumption in 2003. CO2 emissions due to electricity and heating in Austria are currently 29.2% higher than required to achieve the Kyoto target of 12.4 million tonnes.

Austria Presse Agentur – OTS, 10/3/05



Bulgaria

Bulgarian TPPs Between Regulation And Privatisation

A delay in the regulatory framework for Bulgaria's three major thermal power plants (TPPs) has led to a postponement of the bid deadline for a month. The key issue holding up the framework is the reserve capacity mechanism (RCM) contracts which state that the NEC should pay the TPPs reserve capacity expenses. An agreement on whether these contracts will be in place and under what terms has not been reached.

Capital Weekly, 30/3/05

To Turn Down CEZ Proposal For Power Price Hike

The State Energy Regulation Commission of Bulgaria (SERC) will turn down a proposal for an increase in electricity prices put forward by the Czech power utility CEZ. CEZ is a stakeholder in Bulgarian power distribution companies. The SERC chairman said that investors should consider the option to cut costs before raising prices. In February 2005 SERC announced that electricity prices will not be changed until mid-2006.

Bulgarian New Digest, 4/3/05

EU

EU Gas: Operators Agree To Gas Storage Guidelines

European gas storage operators agreed to Guidelines proposed by European Regulators aimed at creating a level playing field in gas storage. These Guidelines promote competition in the European gas market. They result from broad public consultation and close cooperation between national energy regulators and the European Commission (EC).

CEER Press Release, 18/3/05

EU Energy: European Commission Warning

The EC threaten to take legal action against ten countries that have not yet implemented European Union laws to open energy markets to competition. Germany, Spain, Sweden, Belgium, Greece, Luxembourg, Estonia and Latvia have to put EU measures into law within two months to avoid facing the European Court of Justice. Ireland and Lithuania have passed the laws for electricity market liberalisation but not for gas markets.

Financial Times, 17/3/05

EU Electricity: Cap On EDF Voting Rights In Edison Against EU Law

The European Court of Justice said the Italian government's 2% limit on EDS's voting rights in Edison SpA breaks EU law.

AFX International Focus, 3/3/05

France**French National Assembly Approves Government Bill On Energy**

A new law introduces new regulations relating to wind energy, the promotion of renewables and control of energy consumption. It also introduces energy certificates for electricity, gas and heating oil suppliers who save energy. Furthermore, the law allows for the construction of a third generation nuclear reactor.

Les Echos 31/3/05

Electricité De France (EDF) Wants To Keep Control Of The Transmission Network

EDF is said to be putting pressure on the French government to allow it to retain control of RTE, the operator of the high-voltage French electricity grid, when that entity is legally separated from EDF. The legal separation of RTE, which generated a quarter of EDF's profits last year, is necessary to comply with European Directives.

Le Monde 25/3/05

Privatisation Of National French Energy Companies

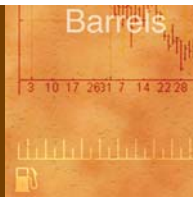
The French State could open its capital in EDF as of October if market conditions are favourable, said Finance Minister Thierry Breton and EDF CEO Pierre Gadonneix. The group plans a capital increase of between EUR 8,000 million and EUR 11,000 million. The floatation of 30% of GDF's capital should also take place before the end of the year. However, the partial privatisation of nuclear energy group Areva has been rescheduled to 2006 at the earliest.

Agence France Presse 24/3/05 and Le Monde 18/3/05

Electricity: Energy Regulator (CRE) Approves New Rules On Balancing Mechanism

The proposal by RTE (French transmission operator) submitted to the CRE on 8 February 2005 includes a reduction of the k-factor for imbalances from 0.18 to 0.15 and a decrease in the variable charge for offtake from 0.11 to 0.09 EUR/MWh.

CRE deliberation, 17/3/05



Germany

Dispute Over Nuclear Energy Plant Philippsburg

Energie Baden-Württemberg (EnBW) has appealed to the Administrative Court Baden-Württemberg against the conditions on the continued operation of its nuclear energy plant Philippsburg imposed by the Environment Ministry. The International Nuclear Energy Authority approved security standards at Philippsburg, but the Ministry required EnBW to prove its ability to deal with accidents.

Reuters, 21/3/05

Government Reviews Nuclear Energy Cooperation With South Korea And Iran

Germany needs to cancel its nuclear energy cooperation contracts with South Korea and Iran in autumn 2005 and in 2006 respectively to avoid continuation of the existing arrangements for another 5 years. The Green Party and some SPD politicians insisted that a government committed to nuclear exit in its own country should not promote nuclear energy elsewhere. For the time being, Environment Minister Jürgen Trittin and Economics Minister Wolfgang Clement indicated only that they would check out how the contracts could be “cancelled or adjusted”.

Frankfurter Rundschau, 16/3/05

The Energy Supply Bill Will Come Into Law In Mid-2005

The governing coalition has agreed on a new draft Energy Supply Bill and hopes that it will be passed by the upper house of parliament at the end of April. Under the law, increases in gas or electricity transmission tariffs will require approval from the regulator. Moreover, the regulator can reduce the transmission tariffs paid by enterprises who consume more than 10 GW of electricity for at least 7500 hours by up to 50%, provided this does not imply significantly higher prices for other electricity users. Twelve months after the Energy Law comes into force, these arrangements will be superseded by price caps and incentive regulation. Long-distance gas transmission may however be exempted from price regulation if companies can prove competition in their market is sufficient. The Energy Supply Law also obliges suppliers with more than 100,000 customers to set up separate businesses for their electricity and gas networks. Gas transmission networks must adopt an “entry-exit-model”, with priority treatment given to biogas. Metering will gradually be liberalised. Finally, electricity providers will have to state in their bills what fuel they used in generation.

F.A.Z., 13/3/05



Ireland

Consultation On All-Island Wholesale Electricity Market Released

On 31 March the Commission for Energy Regulation (CER) and the Northern Ireland Authority for Energy Regulation (NAIER) released a paper setting out their proposals for the creation of the Single Electricity Market (SEM) for the island of Ireland. The paper sets out the Regulatory Authorities' preferred choices for the wholesale market based on a gross mandatory pool. The Authorities have allowed until 13 May 2005 for written responses, with a further two week period for bilateral meetings with the Authorities.

CER and NAIER press release, 31/3/05

CER Appoints Advisory Team On Ireland-Wales Interconnector

The Commission for Energy Regulation (CER) has announced the appointment of a team of consultants to advise it on the building of an electricity interconnector between Ireland and Wales. The two Irish Sea interconnectors will be capable of providing up to 1,000 megawatts of electricity, equivalent to around 20% of Ireland's annual energy requirements.

Irish Examiner, 31/3/05

Italy

Italian Carbon Fund To Reduce GHG Emissions.

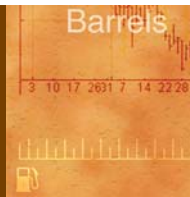
In Rome, the Ministry of Environment and Land Protection, together with the World Bank, presented the Italian Carbon Fund (ICF) for reduction of GHG emissions. The ICF is open to Italian companies and would fund projects for reduction of GHG emissions in less developed countries and transitional economies.

Staffetta Petrolifera, 31/3/05

New Increase In Italian Electricity And Gas Tariffs

The AEEG (the Italian energy regulator) has reviewed electricity and gas tariffs. An increase in electricity tariffs has resulted from the sharp and prolonged increase in oil prices, although the purchasing strategy of the Single Buyer helped to limit the increase in tariffs to 1.8%. In the gas sector, a decision by the TAR (the administrative court), which obliges AEEG to use of the old tariff calculation system, caused a 1.7% increase in gas tariffs.

AEEG web site, 30/3/05



Consultation Document On Capacity Payment

AEEG has launched a new consultation document including its proposals for ensuring adequacy of generation capacity. AEEG proposes to amend the capacity obligation scheme, such that: (i) GRTN (the Italian TSO) would buy all capacity required by the system (peak load plus a reserve margin determined by GRTN); (ii) capacity remuneration would be based on wholesale electricity price; (iii) the capacity contract would last longer than current international practice. AEEG proposes two alternatives for the duration: either a single 5-year contract or the possibility of choosing between 3-year and 7-year contracts.

AEEG web site, 21/3/05

Portugal

OMIP Costs To Be Included In Electricity Tariffs

The costs derived from setting up and operating the Portuguese side of the Iberian electricity market, OMIP, will be included in the electricity tariff. This measure has been passed by the Government and will be legally binding for at least two years.

Diario de Noticias, 15/3/05

Increase In Electricity Tariffs For Industrial Customers

Electricity prices for industrial customers will increase between 5.59% and 9.82% as of 1 April, due to quarterly adjustments by the energy regulator, ERSE. The increase will apply over the next three months, and reflects the evolution of fuel market prices during the last quarter of 2004. This adjustment will ensure the recovery of electricity system costs. The full-service tariff increase is 9.82% for EHV customers, 8.68% for HV customers, 5.59% for MV customers, for industrial customers in the island systems, and 4.99% and 5.6% in Madeira and Azores respectively.

Diario Economico, 15/3/05

UE Approves Repsol's Acquisition

The European Commission has authorised Repsol, the Spanish energy company, to acquire the LNG business operated by Royal Dutch/Shell in Portugal. The Commission stated that the acquisition will not impede competition in the LNG sector in Portugal or any other European country. With this acquisition Repsol will become the third largest LNG operator in Portugal, behind Galp and BP.

Expansión, 4/3/05, Diario Economico, 3/3/05



Romania

Romania Seeks To Cut Its Guarantees For EUR 5,000 Million Of Energy Projects

The Minister of Economy will try to reduce state guarantees which are currently in place for a number of energy projects. These projects are worth a total of approximately \$6,600 million. The guarantees will be converted by replacing major upgrades to existing energy projects with new Greenfield investment projects. The government is currently reviewing the feasibility studies of a number of projects to assess the advisability of converting their guarantees.

SeeNews, 22/3/05

Russia

Disputes Over Structure Of the International Gas Consortium

Putin (Russian president) and Yushchenko (Ukrainian presidents) are discussing the future ownership structure of the International Gas Consortium (IGC), formed to expand the Ukrainian gas pipeline network, in which the Russian Gazprom and the Ukrainian Naftogaz Ukrayiniy currently have equal stakes. Both sides are ready to open participation to western companies but Yushchenko wants both existing stakes to be diluted, whilst Putin would prefer not to reduce Russia's stake.

Platts, Energy in East Europe, 1/4/05;

Gazprom Completely Lifts Ban On Re-Exporting Of Gas

Gazprom has decided to allow German company Eon to re-export Russian gas to other companies in Western Europe. There are now no Gazprom contracts with restrictions on re-exporting of gas in Europe. In 2003 Gazprom removed the ban on re-exporting gas from contracts with ENI in Italy and OMV in Austria.

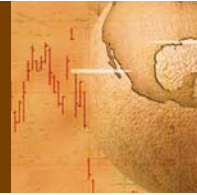
Platts, Energy in East Europe, 1/4/05;

Spain

Competition Authority To Investigate Electricity Prices

The Spanish Energy Regulator (Comisión Nacional de la Energía, CNE) has completed two investigations into electricity pool prices, one covering the period January-September 2004 and the other the period up to February 2005. The CNE highlights the possible existence of irregularities in the trading of electricity in the pool, both on the demand side (through demand withdrawals) and on the generation side (by means of plant withdrawals and manipulation of technical restrictions), involving all the main electricity utilities. The CNE has submitted its reports to the Spanish Competition Authority (Servicio de Defensa de la Competencia).

El País, 27/3/05; Cinco Días, 18/3/05; La Gaceta, 10/3/05



Twenty-two Gas Distributors Investigated By The Regulator

The Spanish Energy Regulator (Comisión Nacional de la Energía, CNE) has investigated twenty-two gas distribution companies, including twelve distributors owned by the main gas utility, Gas Natural. The subject of the investigation is a levy that the distributors charge to consumers for the transmission of gas between the main network and the client. CNE considers that this levy exceeds investment costs, and that it therefore represents an abusive charge. The report will be submitted to the Competition Authority (Servicio de Defensa de la Competencia) and to the public Consumers Association (Instituto Nacional de Consumo).

La Vanguardia, 16/3/05

Changes In The Allocation Of The Electricity Tariff Deficit

The Spanish Government has approved a new rule for the allocation of the electricity tariff deficit among the utilities with outstanding stranded costs (CTCs). Up to now, when receipts from electricity tariffs in Spain were insufficient to cover the system's costs, the utilities covered by the CTC compensation regime had to finance the deficit in proportion to the CTCs they had already received. The new rule establishes that the contribution of each utility to the financing of the tariff deficit will be based on its share in the generation market (considering only plants with CTCs). The decision is the result of allegations that the CTC and tariff deficit mechanisms distort incentives in the generation market.

Cinco Días, 10/3/05

Endesa And Iberdrola Might Be Excluded From The Electricity Pool

The Spanish electricity pool is currently under scrutiny as a result of concerns over price manipulation by the main electricity operators. The Spanish Government is considering excluding Endesa and Iberdrola from participating in the organised electricity market, forcing them to sign bilateral contracts instead. Endesa and Iberdrola jointly generate more than 60% of the electricity traded in the Spanish electricity market.

Cinco Días, 4/3/05



Switzerland

Swissgrid Decision

Weko, the Austrian Competition Commission, has given a green light to Swissgrid, the joint venture for the operation of the nation-wide power grid of the six enterprises Atel, BKW, CKW, EGL, EOS and NOK. However, Swissgrid needs to comply with a number of requirements. Swissgrid has to allow non-discriminatory third-party access to its network, to set out transparent grid user tariffs and conditions and to account for the costs of its high-voltage grid. Moreover, Swissgrid is prohibited from generating, selling or trading electricity itself for commercial services as well as from owning stakes in companies engaged in those activities. Members of Swissgrid's administrative board (Verwaltungsrat) and executive board must not be member of other electricity enterprises.

Finanz und Wirtschaft, 23/3/05

Turkey

Controversy Over BOTAS' Gas Release Tenders Continues In Turkey

BOTAS has extended the third deadline for the receipt of bids for the acquisition of shares in six natural gas purchase agreements. BOTAS is required under the 2001 gas liberalisation law to end its monopoly over the gas-supply market by reducing its share of the gas import market from 100% to 20%.

WMRC Daily Analysis, 30/3/05

Turkish Government May Tender More Tupras Shares In May, Turkey Sells 14.76% Stake In State-Owned Tupras For US\$444 million.

Turkey's privatization authority (OIB) has announced the sale of a 14.76% stake in state owned refiner Tupras. The sale was made to a group of unidentified institutional foreign investors. The OIB said the total share price was US\$444 million. This values the total company at US\$3,170 million, almost US\$1,200 million more than the valuation indicated by last year's cancelled block sale. Furthermore the Turkish Competition Authority has approved a proposal by OIB to sell the remaining 51% of shares. The sale will go ahead despite a court case against the sale by the union of petroleum workers Petrol-Is.

WMRC Daily Analysis, 14/3/05; Platts Commodity News, 4/3/05



NORTH AMERICAN NEWS

US

AGL Ties Rate Boost To Staffing Jobs, Benefits Could Be Cut, Utility Says

Atlanta Gas Light Co. announced that it could be forced to cut jobs and health care benefits, if regulators don't grant the company a monthly base rate increase. The rate increase, if approved by the Georgia Public Service Commission, would raise the average monthly consumer gas bill by an estimated \$1.45, the first base rate increase since 1993. The PSC's adversary staff has recommended against the base rate increase, arguing that Atlanta Gas Light is earning \$55 million more per year than it should under its current allowed rates.

The Atlanta Journal – Constitution, 2/04/05

Texas Regulators Give PNM Resources OK For Acquisition

The Public Utility Commission of Texas approved an order agreeing that PNM Resources' acquisition of TNP Enterprises (based in Fort Worth) is in the public interest. The action leaves only New Mexico regulators and the Securities and Exchange Commission to rule on the proposed acquisition of TNP Enterprises and its subsidiaries. PNM Resources also reached an unopposed agreement on the acquisition with New Mexico parties, including staff of the Public Regulation Commission (PRC) and the state Attorney General's office.

Business Wire, 31/3/05

Regulators Approve New Electricity Pricing System For New England

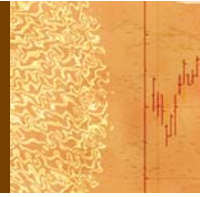
Federal regulators approved a new electricity pricing system for New England that will increase rates for some Connecticut consumers in order to provide incentives for more energy generation. The Federal Energy Regulatory Commission agreed to split Connecticut into two pricing regions: the southwestern part and the rest of the state. Beginning next January, the additional fees would start flowing to power generating companies as incentives to build more power plants or transmission lines.

Associated Press, 23/3/05

EPA, Northeast States Settle Pollution Lawsuit With Ohio Utility

An Ohio company will pay US\$1,100 million in fines and cleanup costs at four power plants in the second-largest federal settlement with an electric utility over air pollution. A federal judge in Columbus, Ohio, ruled in August 2003 that FirstEnergy (based in Akron, Ohio) had violated the Clean Air Act by making physical changes at its coal-fired W.H. Sammis plant north of Steubenville without upgrading pollution controls.

The Associated Press, 20/3/05



Electric Utilities With Coal Power Plants Facing Cost Burden

Electric utilities operating coal-fired power plants are facing billions of dollars in costs to meet new federal clean air requirements. The EPA's new "Clean Air Interstate Rule" covers 28 states, mostly east of the Mississippi River, and the District of Columbia. It requires most to cut smog-forming nitrogen oxides and soot-producing sulphur dioxide that can pollute across state lines.

The Associated Press, 11/3/05

Oregon PUC Rejects Texas Pacific Buy Of Portland General

Oregon utility regulators rejected a US\$2.35 billion sale of Enron Corp. utility Portland General Electric to a group led by private-equity firm Texas Pacific Group. The Oregon Public Utilities Commission voted unanimously to reject the sale, saying it wouldn't benefit utility customers.

Dow Jones & Company, Inc, 10/3/05

FERC Stands By Decision On Virginia Power Costs

Federal energy regulators will not reconsider a decision to allow Virginia Power to defer its costs of joining the PJM Interconnection, a regional transmission system, beyond the end of rate caps in 2011. Virginia Power may then seek to recover an estimated US\$279.4 million plus "carrying charges" through higher rates. The Virginia Attorney General's office, the State Corporation Commission, an organisation of Virginia Power's largest customers and others had asked for a rehearing.

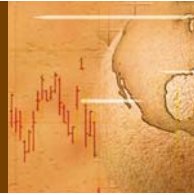
Richmond Times-Dispatch, 5/3/05

Mexico

Mexican Officials Study Return To Nuclear Power

The federal government is studying the possibility of reactivating the nuclear power program that it put on hold nearly 15 years ago stated José Ortiz Magaña, director of the National Institute of Nuclear Research. The official explained that there is the capacity to build new nuclear power plants with the potential of generating up to 10 GW of the total 40 GW needed by the country in the next 7 years.

Comtex via Energy Central 1/3/05



CENTRAL AND SOUTH AMERICAN NEWS

Argentina

Further Steps In The Renegotiation Of Concession Contracts

During the forthcoming months of April and May the Argentinean government will meet electricity and gas companies in order to renegotiate their concession contracts. Government and public utilities were supposed to renegotiate contracts by the end of 2004, but the initial deadline was postponed to 31 December 2005. Tariffs for public services in Argentina are frozen since 2002 when the national currency was devalued, although gradual increases are planned for 2005. Meanwhile, Gas Natural BAN – controlled by the Spanish company Gas Natural – has decided to withdraw a claim against the Argentina's government. Gas Natural BAN had filed the claim with the international settlement court CIADI alleging a breach of contract by the Argentinean government.

Business News America, 15/3/05, 9/3/05

Bolivia

Hydrocarbons Bill Approved By The Lower House Of Congress

On 18 March, the Bolivian lower house of Congress approved the contentious hydrocarbons bill introducing an 18% royalty and 32% non-deductible tax for energy companies.

Platts, International Gas Report, 24/3/05

Chile

Industrial Clients Suffer Gas Rationing

Chilean industrial customers served by Metrogas – a major natural gas distribution company – have seen their gas supplies cut by 30%, after Argentina decided to restrict gas exports to Chile. Among others, the 370 MW San Isidro CCGT power plant – which is located outside Santiago and owned by the Spanish electric company Endesa – was forced to go offline on 18 February. Further cuts are expected in the future and might hit residential customers as well. Argentina further restricted gas exports to Chile after its domestic demand appeared to be higher than expected and gas producers shut down wells in the Neuquen basin for maintenance. Meanwhile, the Chilean government is preparing a bill aimed at encouraging investments in the energy sector and reducing dependence on gas supplies from Argentina.

Business News America, 9/3/05, 3/3/05



Uruguay

Energy Savings Plan Announced

The Uruguayan energy and mines ministry presented an energy savings plan aimed at reducing the country's electricity consumption by 7% approximately. The plan involves measures like reducing street lighting and restricting elevator usage, which are mandatory for the public sector. Further measures targeted at residential customers are voluntary. The main causes of the current electricity crisis are a prolonged drought and the lack of thermal generation back-up capacity. The plan is expected to be in place until April or May and its results will be evaluated on a daily basis.

Business News America, 15/3/05

ASIA PACIFIC NEWS

Australia

Power And Water's Assets Value Overstated

The Utilities Commission has concluded that the value placed on Power and Water's regulated network assets in 2004 was overstated. Using an alternative valuation methodology, the Commission estimated the book value of the assets at 32% below Power and Water's revised replacement cost of A\$413.8 million (US\$319.6 million). The value decided upon was A\$350 million (US\$270 million), which would have resulted in a 7.4% decrease in average tariffs in the 2004 Determination compared to the actual allowed increase of 4.4%. Future network tariff decisions will take into account this corrected value.

www.utilicom.nt.gov.au, 30/3/05

Australia

Tribunal Sets High Value On Pipeline

The Australian Competition Tribunal has valued the Moomba-to-Sydney pipeline at \$A834.44 million (US\$635.03 million). In doing so, it rejected the valuation methodologies employed by the Australian Competition and Consumer Commission (ACCC) and the pipeline owner Australian Pipeline Trust (APT), arriving at a figure significantly greater than the A\$740 million (US\$572 million) valuation estimated by APT. The decision will mean that APT will not have to reduce its tariffs, as would have been the case had the ACCC's valuation been accepted. The ACCC is disputing the valuation method used by the Tribunal in an appeal to the Federal Court.

The Australian, 19/3/05; Asia Pulse, 18/2/05; www.accc.gov.au, 18/2/05



China

Green Power Law Gets The Go-Ahead; But It Lacks Concrete Proposals, Targets For Renewable Energy Use, Say Activists

New legislation calls for the government to adopt preferential policies to encourage the development of wind, solar, geothermal, and small-scale hydro-electric plants. The law will include government-backed financial incentives for research and development and subsidies and tax incentives for clean-energy projects. It will also require suppliers to buy power from producers of renewable energy whilst allowing them to pass on increased costs to the consumer.

South China Morning Post, 2/3/05

India

Delhi Advances Rural Electrification

In a bid to increase rural electrification the Indian government will provide subsidies of 90% of the capital cost for 33kV/11kV and 66kV/11kV substations and village electricity infrastructures and 100% for single point electricity connections for poor rural families. The scheme to increase rural electrification was approved by the Cabinet Committee on Economic Affairs following the announcement of a number of new policies including the continuation of subsidized power supplies for people below the poverty line, access to electricity for all households within five years, and minimum daily power consumption per household of 1 kWh per household by 2012.

Platts Power in Asia, 3/3/05

Indonesia

Corruption At Pertamina Looms Over Fuel Price Hikes

The Business Competition Supervisory Commission has ruled that state oil and gas company Pertamina and three of its business partners conspired to rig the tender for the sale of two very large crude carriers in mid-2004. The commission concluded that they violated Article 19 of the antimonopoly law prohibiting businesspeople from discriminating against other business players, and Article 22 banning businesspeople from conspiring to determine the winner of a tender. The evidence collected by the Commission shows that the conspiracy resulted in between US\$20 million and \$56 million in state losses.

The Jakarta Post, 9/3/05

Japan

Electricity Bourse Starts At Full Power In Japan

The Japan Electric Power Exchange (JEPC) began full operation on Friday 1 April. On the first day of trading, 491,000 kilowatt-hours of electricity for delivery the next day changed hands. The JEPC is expected to build a level playing field for electricity transactions between Japan's nine major power utilities and new entrants. Electricity was traded for less than US\$0.07 per kWh, which is below the average rates charged by power utilities for ordinary industrial use.

Kyodo News, 1/4/05

Smaller Electric Firms To Expand Their Reach

As from April, liberalisation of the electricity market will be expanded further to allow companies, except small users, to purchase electric power from operators other than electric power firms. The extent of liberalisation will expand from 41% to 64% of total demand, leaving only small users, which include households and individual stores, still subject to the regulation. This move is expected to intensify competition in the sector. Concurrently, an electricity exchange has been established to trade surplus power.

Daily Yomiuri, 4/3/05

New Zealand

High Court Rules In Commission's Favour

The High Court in Wellington has rejected claims from four electricity distribution businesses alleging that the Commerce Commission's process for setting thresholds and the threshold decisions were unreasonable. The businesses argued that the Commission unfairly compared their performance with other distributors who did not offer rebates to customers. In her judgement, Justice France noted that the thresholds are a screening mechanism, and exceeding them does not necessarily confer control to the Commission.

www.comcom.govt.nz, 24/2/05

Philippines

PSALM Set For IPPA Bidding

The Power Sector Assets and Liabilities Management Corporation (PSALM) will tender for Independent Power Producer Administrators (IPPAs) in August 2005. IPPAs would manage the contracted energy output of independent power producers selling power to Napocor, the state owned National Power Corporation. IPPAs would be able to sell energy into a wholesale electricity spot market and would assume all financial and trading risks for that business.

Platts Power in Asia, 3/3/05



Singapore

Singapore To Liberalize Gas Market

The Singapore government plans to liberalise the gas market to allow open access and to support new entrants, according to Senior Minister of State for Trade and Industry Vivian Balakrishnan. This statement precedes the results of a review of Singapore's electricity and gas systems by the Energy System Review Committee which are due to be published towards the end of March. The Committee was set up last year following two major electricity blackouts. *Kyodo News, 3/3/05*

Thailand

EGAT To Join PTT's LNG Project

The Electricity Generating Authority of Thailand (EGAT) will jointly develop Thailand's first liquefied natural gas (LNG) import terminal with PTT. EGAT and PTT will both cooperate on constructing the new facility and also consider joint development of gas-fired co-generation plants close to the terminal location. The details of the venture will be finalised by PTT following a feasibility study. *WMRC Daily Analysis, 25/3/05*

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 minimising 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

NERA produces two newsletters that report and analyse 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 organisation 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. To view the latest editions or to receive our newsletters each time they are published, click here:

www.nera.com/newsletters.asp.

About NERA

NERA Economic Consulting is an international firm of economists who understand how markets work. Our more than 40 years of experience creating strategies, studies, reports, expert testimony and policy recommendations reflects our specialisation in industrial and financial economics. Our global team of more than 500 professionals operates in 18 offices across North and South America, Europe, Asia and Australia.

NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a subsidiary of Mercer Inc., a Marsh & McLennan company.



Contact

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 (Boston),
 Gene Meehan (Washington)

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

Additional NERA Offices:

Boston, MA	+1 617 621 0444
Brussels, Belgium	+32 2 282 4340
Chicago, IL	+1 312 573 2800
Denver, CO	+1 303 327 1467
Frankfurt, Germany	+49 69 133 8530
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 D.C.	+1 202 466 3510

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 2005
 National Economic
 Research Associates, Inc.