

Reporting on energy regulation issues around the world

Global Energy Regulation

February 2006
Issue 81

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General and European Editor

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Regional Editors

Kristina Sepetys, US

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Australia and New Zealand

Oscar Arnedillo, Spain and Portugal

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European News

UK:

SP Opts For FGD At Longannet

Scottish Power plans to opt its Longannet plant into the Large Combustion Plant Directive and install flue gas desulphurisation equipment at the plant which, under the Directive, will allow the plant to continue operation beyond 2015.

Platts Power in Europe, 13/2/06

Ofgem Proposes To Kick-Start Smart Metering Technology

Ofgem released a consultation document on action to kick-start the development of smart metering technology. The consultation considers giving distribution companies, instead of suppliers, ownership and responsibility for metering.

Platts Power in Europe, 13/2/06

Impact Assessment Published On Offshore Information

Ofgem has published an impact assessment on a change to the rules governing the gas industry. The new rules would make more information about offshore gas production available to the market, allowing customers to access close to real time information about gas flows into the country from the North Sea, interconnector pipelines, storage sites, and LNG terminals. Whilst Ofgem said it plans to approve the change, it is inviting views on the impact assessment pending a final decision in April.

Ofgem Press Release, 10/2/06

UK's National Audit Office Claims Open Verdict On Gas Network Sell-Off

The NAO reported that Transco's sale of gas networks led to £100 million of costs for the industry, but Ofgem, Britain's energy regulator, estimated that consumers stand to benefit by as much as £325 million over the 15-year period from 2008 to 2023. The NAO calculated that through efficiency savings, industry could save as much as £1.2 billion. However, customers have yet to see any major impact on their bills.

Dow Jones Energy Service, 10/2/06



Government Refuses To Intervene In Gas Price Row

The government has ruled out intervening in the energy markets in the face of predictions that a 25% rise in gas prices could send a million people back into fuel poverty. Alan Johnson told a parliamentary committee that it was not the state's role to intervene in such matters, even in the face of significant price rises. He also stated that about 25% of the recent surge in gas prices was due to the failure to increase fuel storage capacity.

The Guardian; 7/2/06

British Nuclear Group's £300m Privatisation Delayed Over Dowry

The privatisation of British Nuclear Group, the state-owned company which runs the Sellafield nuclear waste reprocessing plant in Cumbria, has been delayed until the end of the year. The sale has been delayed while ministers decide on the length of the duration of BNG's right to operate the Sellafield complex. The Nuclear Decommissioning Authority previously proposed that operation of Sellafield be put out to competition beginning in 2009. The NDA said that the Government was due to decide on its draft strategy by the end of next month—for publication sometime in April.

The Independent; 7/2/06

Government Mulls UK-Belgium Interconnector Solutions

The UK government is considering whether to impose a third party access regime on the UK-Belgium Interconnector. At the moment, a group of major gas companies own all of the long-term rights to flow gas through the pipeline. This winter, the Interconnector delivered around 36 million cu m/day from Belgium to the UK, compared with total possible capacity of 48 million cu m/day, despite the high gas prices in the UK.

Platts EU Energy, 27/1/06

Austria:

Chamber Of Commerce Advocates Privatisation

The Austrian Chamber of Commerce called for the cancellation of the legal requirement for the government to retain 51% of the shares of electricity utilities. They argue that further privatisation would facilitate industry consolidation and capital investment. However, a change in the legal situation would require a two-thirds majority in Parliament.

Salzburger Nachrichten, 14/2/06



Belgium:**Fluxys Is No Longer Required To Modify Storage Capacity Allocation Rules**

The Belgian energy regulator, CREG, has abandoned its request for the Belgian gas transport operator, Fluxys, to alter its current rules on allocation of gas storage capacity. CREG requested that change last summer, following amendments to the Belgian Gas Act. However, last December the Belgian Parliament revised the Gas Act once again, making Fluxys' allocation rules consistent with the latest version.

EU Energy, 10/2/06

Bulgaria:**Bulgaria To Cancel Cheap Household Electricity Tariff By End-2006**

The State Water and Energy Regulatory Commission will cancel Bulgaria's cheaper tariff for household electricity consumption up to 75 kWh by the end of 2006. At present, the preferential tariff for household electricity consumption up to 75 kWh is US\$0.06/kWh, including VAT. The cancellation follows the suggestions of the World Bank and the International Monetary Fund (IMF). At present subscribers with low consumption account for about 30% of all power subscribers.

Bulgarian News Digest, 21/2/06

Bulgaria Cancels Sale Of Ruse Power Plant

Bulgaria has scrapped the tender for the sale of its Ruse power plant, for which Russian utility RAO UES placed the highest bid. Last year, RAO UES offered to pay US\$208 million in cash and a capital hike for the 400MW Ruse plant. The second ranked bid came from Czech utility CEZ but was rejected as unsatisfactory. The agency will now launch a new tender for the plant alongside a tender for two other coal-burning power plants. Meanwhile, RAO UES gave up the purchase of the Varna plant last month due to strings attached to the deal by Bulgaria's energy regulator, the Environment Ministry, and the country's power export monopoly NETC. Since then, CEZ, the second highest bidder, has started talks on the plant.

CTK Business News, 16/2/06; SeeNews, 2/2/06



European Union:

Commission Publishes Report On The Functioning Of The Gas And Electricity Markets

The European Union (EU) Commission published a new report on the functioning of the gas and electricity markets. In it, the EU Commission stated that it plans to initiate legal action against several countries that have not fully transposed the second gas and electricity directives. The report also notes that the EU Commission might require full unbundling between distribution and supply activities if competition problems persist in EU energy markets. In addition, the EU Commission declared its intention to investigate possible anticompetitive behaviour by certain European utilities.

EU Energy, 24/2/06; Global Power Report, 23/2/06

New Congestion Management Guidelines Expected By March

The European Union (EU) member states and the Commission are currently working on a new version of the EU regulations on cross-border electricity trade, which could be approved in March 2006. These guidelines establish general rules for managing congestion on interconnections that affect more than two member states, including requirements for coordinated capacity allocation and exchange of information between transmission system operators.

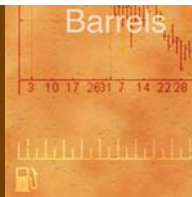
Global Power Report, 2/2/06

France:

Government To Amend Regulations To Facilitate Merger Between GdF And Suez

The French Government will amend the 2004 Regulations dictating that the French State has to maintain a minimum stake of 70% in the share capital of Gaz de France (GdF). The amendments aim to allow for a possible merger between GdF and investor-owned utility Suez. The merger was announced by the French Prime Minister, after Italian utility Enel had shown an interest in acquiring Suez. The French Government will maintain around 34%-35% of the shares of the merged company.

Agence France Presse, 27/2/06, 26/2/06; Les Echos, 26/2/06



Regulator Publishes 2005 French Market Review

The French energy regulator, Commission de Regulation de l'Énergie (CRE), published its review of French electricity and gas markets in 2005. CRE believes that French energy markets are increasingly competitive. However, there are still barriers to the complete liberalisation of the markets, including tariffs set by the Government for domestic customers below market prices and entry barriers to markets controlled by EDF and GDF. In addition, CRE noticed that EDF may not be ready for the complete deregulation of the electricity market in July 2007, since its distribution network may need new automated information systems.

Les Echos, 22/2/06; Le Monde, 22/2/06; CRE Communiqué de Presse, 21/2/06

France, Germany, And Benelux To Create Regional Market

France, Germany and the Benelux countries (Belgium, the Netherlands, and Luxembourg) are discussing the possibility of establishing a regional energy market. The motivation behind this initiative includes the increase in energy prices, current uncertainties about security of supply, and difficulties with the development of the European single energy market. The first step towards the creation of the regional market will be the upgrading of interconnections.

El País, 20/2/06

Germany:

Dispute Over National Allocation Plan For EU Emissions Trading Scheme

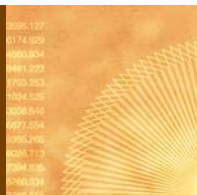
A number of heavy-industry companies are taking legal action against the government's National Allocation Plan for Phase 1 (2005-2007) of the EU Emissions Trading Scheme. In order to keep within Germany's carbon dioxide budget for 2005-2007, the government cut back the emissions allocations of facilities commissioned before the end of 2002. The plaintiffs question the validity of this arrangement.

Platts—EU Energy, 25/2/06

Gas Market Liberalisation

To avoid further pressure from the Federal Cartel Office (Bundeskartellamt), the seven main suppliers made concessions in the dispute over liberalisation of the gas market. From 1 April 2006, they will allow their customers in approximately two million private households to change their suppliers.

Financial Times Deutschland, 15/2/06



Eon Ruhrgas vs. Federal Cartel Office

Eon Ruhrgas has taken legal action against the Federal Cartel Office's prohibition of its long-term gas supply contracts. The Federal Cartel Office expects a speedy decision by the Upper State Court of Düsseldorf.

Financial Times Deutschland, 2/2/06

Ireland:

Regulator Investigates As Airtricity Leaves Market

Following the decision by wind energy company Airtricity to pull out of the domestic energy sector, citing high and volatile wholesale electricity prices, the energy regulator has begun an investigation into the wholesale electricity market. Airtricity has blamed the Commission for Energy Regulation (CER) for "regulatory failure". The company also blamed a moratorium on wind farm connections to the national grid. CER rejected these claims, but said that it was conducting its own investigation into "why electricity market prices were higher from August 2005".

Irish Times, 21/2/06

Viridian Hails Law To Open Energy Market

Viridian, the Belfast-based sustainable energy firm with major operations in the South, has welcomed the publication of a bill in the British parliament that will help create a single market throughout the island of Ireland. The energy clauses in the Northern Ireland (Miscellaneous Provisions) Bill will facilitate the establishment of a single wholesale electricity market for the island of Ireland, which will be subject to regulation by the respective Regulatory Authorities.

Business and Finance Daily News Service, 16/2/06

Italy:

AEEG Opens Investigation On Use Of Storage

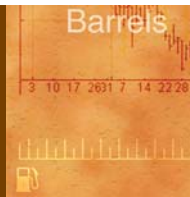
AEEG, the Italian energy regulator, opened an investigation into improper use of storage by some gas trading companies. AEEG claims that such companies used storage improperly as storage was not used to balance the residential market, the reason for which the companies were given priority access to storage. The investigation will last 150 days.

AEEG's web site, 27/2/06

AEEG To Act As Arbitrator

There is now an arbitration procedure for interested parties to use in case of disputes over access to gas and electricity transmission networks and the provision of transmission services. Under the procedure, disputes will be settled by a board of arbitrators chaired by the Director of AEEG's legal department.

AEEG's web site, 21/2/06



Ready For Trading Of White Certificates

On 1 February 2006, the board of GME, the Italian market operator, resolved to start the trading of Energy Efficiency Certificates (EECs, also known as White Certificates) on its electronic platform. After authorisation from AEEG, the GME will issue EECs, which are deposited with the EEC Register and become tradable. The market is expected to be fully operational by the end of February.

GME's web site, 2/2/06

Netherlands:

NMa Evaluates Electricity And Gas Laws

In the coming months, the Dutch competition authority (NMa) will be evaluating the Electricity Law 1998 and the Gas Law 2000. This evaluation is a legal obligation (under article 80 of the Electricity Law and article 66 of the Gas Law). Dutch energy regulator DTe will report to the Minister of Economic Affairs on the outcome of this evaluation in June 2006. The Minister will then report to the Dutch Parliament.

DTE website, 23/2/06

Required Amendments To Proposed Changes To Balancing Code Of GTS

The network operators have jointly submitted proposed changes to the conditions defined in article 12b of the Gas Law. The proposal relates to the balancing system for the national gas transport network. DTe has issued a letter, indicating which elements of the proposal need to be amended.

DTE website Docket number 102144, 13/2/06

Information And Consultation Document On Regulation And Exemptions For LNG

Various parties in the Netherlands have indicated plans to invest in LNG-terminals for the import of gas. The basic principles of the regulated regime are being developed by the Ministry of Economic Affairs (EZ) in the form of a Ministerial Regulation (MR). The Gas Law allows for LNG-terminals to be exempted from regulated third party access, if they satisfy a number of conditions named in the law. For any request for exemption, the Dutch energy regulatory office (DTe) advises the Minister on whether these conditions have been met, and the Minister then decides whether to grant exemption. To ensure that the Ministry and DTe coordinate their roles, this document consults on different elements of LNG-regulation and requests more information on it from market participants. The document also contains a proposal for an appraisal framework of exemption from regulation.

DTE website, 9/2/06



Portugal:

Government To Tender Fifteen New Biomass Projects

The Portuguese Government has announced the auction of fifteen concessions for biomass generating plants. The projects will each have an installed capacity between 2MW and 16MW, adding up to 100 MW. This tender is part of the public national strategy for the promotion of renewables. Portugal's target is to have biomass generation plants amounting to 150 MW by 2010.

Agência Lusa –Serviço Economia, 20/2/06

Government Publishes Decree To Ensure Independence Of System Operator

The Portuguese Government has published a decree limiting energy sector companies to owning a maximum 5% of total shares in the gas transportation and electricity transmission network operators, whilst any other agent is not allowed to exceed 10%. This measure aims to ensure the independence of the system operators. In addition, the Ministry of Finance, Mr. Fernando Teixeira dos Santos, has confirmed that the Government will maintain a majority stake in Rede Eléctrica Nacional (REN) following the 2006-2007 privatisation process because the Government considers that REN provides a public service.

Jornal de Notícias, 17/2/06; Agencia Financiera, 16/2/06

ERSE To Regulate The Oil Sector

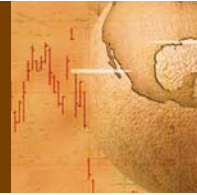
The Portuguese energy regulator, ERSE, now plans to regulate oil and fuels. The Portuguese Government has issued a new Decree-Law that envisages a new regulatory framework for the oil sector. In accordance with the new framework, ERSE will have competences on regulatory concerns such as third party access over oil storage facilities, oil transportation and distribution, eligibility in the retail activity, quality of service, and access tariffs.

Jornal de Negócios on line, 16/2/06

Competition Authority To Study Electricity Technologies

The Portuguese competition authority, Autoridade de Concorrência, plans to study the efficiency and costs of the different electricity generation technologies, in order to be able to weigh the risks and impacts of each of the technologies in the final electricity price perceived by consumers. The analysis will span renewables to nuclear plants, so as to assist the government in making decisions with respect to licensing production plants to set subsequent targets on external energy dependence and emissions.

Jornal de Negócios on line, 14/2/06



Romania:

Bids Cleared For Muntenia Sud

Offers have been approved from eight bidders for a 67.5% stake in Electrica Muntenia Sud. Bids were received from Italy's Enel, Austria's EVN, Germany's RWE Energy, France's Gaz de France, Spanish duo Iberdrola and Union Fenosa International, US-based AES, and the Czech Republic's CEZ. Electrica Muntenia Sud is the Bucharest-based distributor, which supplies roughly 4.8 TWh per year.

Platts Energy in East Europe, 17/2/06

Russia:

Retail Market Rules To Be Adopted By 1 April 2006

Russia is to adopt rules for operation of the retail electricity market. The rules will govern the relationships between the network companies and retailers. The draft is being considered by the staff of the Government. According to the Federal Antimonopoly Service, it is absolutely essential that the rules are adopted by 1 April 2006, when the law on separating activities in the electricity sector comes into effect.

AK&M Information Agency, 28/2/06

Duma Allows Exceptions To Electricity Unbundling

The State of Duma adopted, in first and second readings, amendments to the electricity law making certain types of enterprise exempt from the requirement to separate the assets related to natural monopoly business from those related to competitive activities. Among the businesses granted the exemption are enterprises that generate electricity primarily for their own needs, and some systems in technically isolated areas.

<http://www.duma.gov.ru>, 26/2/06; 8/2/06

Power Sector Needs US\$20,000 Million Investments By 2020

According to RAO UES deputy CEO Yakov Urison, the Russian power sector will need US\$20,000 million of investment in the period from 2007 to 2020. Of this amount, US\$7,000–7,500 million will be needed for rehabilitation of networks, US\$4,500–5,000 million for hydro generation, US\$5,500–\$6,000 million for thermal generation, and US\$2,000–2,500 million for nuclear generation. The bulk of investment in generation is expected to come from private investors. The Federal Grid Company (FSK) is to remain in the state ownership by law, and it will cost about 150,000 million rubles (US\$5,400 million) to increase the stake in FSK to 75% plus one share.

Interfax, 20/2/06



Spain:

Government Reforms Wholesale Electricity Market

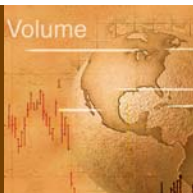
The Council of Ministers has approved a Royal Decree with reforms to the settlement of the wholesale electricity market. The Royal Decree establishes that, until regulations are implemented for the distribution companies to acquire energy in the forward market, operators who have had both generation offers and distribution bids matched in the daily or intra-daily electricity markets, the overlapping amounts will be netted out and assimilated to a physical bilateral contract at a price defined by the government. Said contract price has provisionally been set by the government at EUR42.35/MWh (US\$ 50.61/MWh), to eliminate the tariff deficit. In addition, the amounts to be settled to generators for their sales to the wholesale market will be reduced by the market value of carbon dioxide emission rights, which were granted to generators free of cost. Both measures will become effective 2 March 2006. *BOE, 28/2/06; Cinco Días, 28/2/06; ABC 25/2/06; La Vanguardia, 25/2/06; El País, 24/2/06*

Government Modifies Energy Regulator Functions

The Spanish Government has approved a Royal Decree that modifies the so-called “14th Function” of the energy regulator, Comisión Nacional de Energía (CNE), under which energy sector mergers or acquisitions first had to receive approval by the regulator to ensure that the deal did not threaten the viability of regulated activities. The changes to the 14th Function mean that, in deciding whether to approve or reject a deal, the CNE will also have to take account of the public interest. *BOE, 28/2/06*

Electricity And Gas Full-Service Tariffs To Be Eliminated

Full-service gas and electricity tariffs will be eliminated in 2008 and 2011 respectively, though the government will introduce a “shelter tariff” with subsidized prices for residential clients and small—and medium-sized firms with monthly consumption below a certain threshold. In addition, the government has imposed legal and functional separation between the transmission and distribution network manager and the supply activity, in order to ensure the independence of the operator in the wires activities. The Ministry of Industry, Tourism and Trade also explained that gas companies’ maximum stake in Enagás, the main gas transmission company in Spain, will be reduced to 1%. A similar measure had already been introduced in the electricity sector. *La Vanguardia, 25/2/06*



CNE Declares Endesa Major Operator In The Gas Sector

The Comisión Nacional de la Energía (CNE), the Spanish energy regulator, has announced that Endesa will be considered to be a major operator in the gas sector (the five companies with highest market share are classified as major operators). Endesa enters the five member list to replace Enagás, the main gas transmission company in Spain. Enagás is no longer considered a major gas operator since under new legislation neither distributors nor network operators can be so classified.

La Vanguardia, 17/2/06

Proceedings Opened Against Three CCGT Plants

The Spanish competition authority, Servicio de Defensa de la Competencia (SDC), has opened proceedings to analyse whether offers of three CCGT generating plants owned by Gas Natural and Iberdrola were based on costs. The Ministry of Economy considers that Iberdrola's Castellón and Arcos de la Frontera, and Gas Natural's San Roque Grupo 1 plants submitted offers above costs in the wholesale market, to increase their remuneration under the constraints management mechanism. In March 2005, Endesa requested an investigation into the offers of these plants during 2004 and the beginning of 2005.

Expansión, 16/2/06

Spanish Government Approves Gas Natural Takeover Bid

The Spanish Council of Ministers authorised the proposed acquisition of Endesa by Gas Natural (see previous GERN issues). Nevertheless, the Government imposed 20 conditions, thirteen of them structural and seven procedural. If the takeover succeeds, Gas Natural will be obliged to dispose of a volume of retail business equivalent to Endesa's gas sales and Gas Natural's electricity sales in the liberalised retail market. In addition, the merged company will have to sell 4,300 MW of generation capacity, including 400 MW in Catalonia and 400 MW in Andalusia to bring competition to the management of constraints in those areas. In the three years starting 2007, Gas Natural will have to release 1,800 million cubic metres (1.8 bcm) of gas per year into the wholesale gas market, alongside monthly sales of any gas (up to a maximum of 1 bcm/year) that is obtained under the Sagane I contract that is not used to supply consumers under regulated full-service tariffs. The total gas released, representing approximately 10% of demand, will be tendered through public auctions. Moreover, Gas Natural will have to sell 1.5 million gas supply points, to decrease its share of the regulated retail market to 60%.

Cinco Días, 4/2/06; El Mundo, 4/2/06; El País, 4/2/06

Switzerland:

Axpo's Exclusive Supply Contracts Do Not Flout Cartel Law

According to the Swiss Competition Commission (Wettbewerbskommission), an exclusive electricity supply contract could, under certain conditions, be consistent with competition law. First, the contract must impose an obligation on the electricity supplier to meet the full needs of the buyer. Second, the buyer must have been given a choice between the exclusive contract and an alternative short-term contract lasting no more than one year. The Competition Commission found that the exclusive supply contracts between the electricity company Axpo and its customers, mostly municipal distributors, met these two conditions.

AP German Worldstream, 24/2/06

Swissgrid – Further Delay

The Swiss Supreme Court has upheld an interim decision by the appeals commission preventing Swissgrid from taking over from Etrans as the Swiss grid operator. When seven regional electric companies merged into Swissgrid in March 2005, the Competition Commission, Weko, approved the merger subject to conditions. The companies involved appealed against these conditions but the Supreme Court decided that the Commission's interim decision would stand.

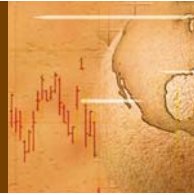
Platts Power in Europe, 13/2/06

Turkey:

Tupras Sale Halted

Turkey's highest administrative court has issued a ruling calling for the sale of a 51% controlling interest in state-owned oil refiner Tupras to be halted. The Petrol-Is trade Union had called for the sale to the Koc-Shell consortium to be stopped, pending a series of legal challenges. Petrol-Is claimed that official adverts for the sale and the conditions of the sale were not in line with privatisation regulations and that the various official bodies that approved the sale had contravened laws dictating that they must act in the interests of the State. Metin Kilci, head of the privatisation administration, said that the administration would take a decision on Tupras that would not change the outcome of the tender or put the investor in a difficult position.

Turkey Sectors and Companies Today, 22/2/06 and 6/2/06; Turkey Today, 20/2/06; Platts Commodity News, 2/2/06;



Parliamentary Commission Passes Bill On Electricity Privatisation

The Parliamentary Planning and Budget Commission has passed a draft amendment to the electricity market law, which paves the way for privatisation of electricity distribution. The government plans to transfer the electricity distribution operations in 20 regions. The Government had already postponed tenders for privatisation that were planned for May 2005.

Turkey Sectors and Companies Today, 8/2/06

North American News

US:

Montana Regulators Discuss Undoing Power Deregulation

The Montanan Public Service Commission told its staff to enter into talks with NorthWestern Energy on rewriting or repealing the state's nine-year-old deregulation law. The move could lead to a "vertically integrated" utility that sells electricity to consumers at cost-based prices, which Montana once had with the old Montana Power Co. This so-called vertical integration was banned in 1997.

The Associated Press, 8/3/06

PJM Requests DOE to Designate Two "National Interest" Transmission Corridors

PJM Interconnection asked the US Department of Energy to designate two electrical paths as National Interest Electric Transmission Corridors to address electric transmission needs in the Mid-Atlantic region. PJM is the first regional transmission organisation to invoke new authority granted by Congress to the US Department of Energy under the Energy Policy Act of 2005.

PRNewswire, 7/3/06

National Grid Agrees To Acquire Keyspan In A US\$7.3 Billion Deal

UK company National Grid PLC has agreed to buy KeySpan Corp., a New York natural-gas and electricity company, for US\$42 a share, or US\$7,300 million, plus the assumption of US\$4,200 million in debt. The deal will create the third-largest energy-delivery utility in the US, with about eight million metered accounts. The deal expands National Grid's ownership of US energy-delivery utilities and gives it entree into the power-generation business, but will require shareholder and regulatory approvals, including antitrust clearance.

The Wall Street Journal, 28/2/06



FERC Affirms Hard Cap For CAISO Adjustment Bids

In an order issued on 23 February 2006 in response to a previous motion for clarification submitted by CAISO, the Federal Energy Regulatory Commission (FERC) said it would allow CAISO to raise its current US\$250/MWh bid cap for real-time energy bids and adjustment bids to a US\$400/MWh bid cap. FERC rejected a proposal by the California grid operator to change the soft nature of the cap to a hard cap.

NGI's Power Market Today, 27/2/06

KeySpan Sale Likely To Draw Antitrust Scrutiny

If National Grid PLC prevails in its bid to acquire KeySpan Corporation, the combined company would expand its reach as a natural-gas distributor and is likely to come under antitrust scrutiny.

Dow Jones & Company, Inc. 24/2/06

No Supplier Interest Cancels FirstEnergy Auction

Competitive electricity suppliers showed no interest in bidding to serve customers of FirstEnergy Corporation in northern Ohio. An auction to supply 9,000 megawatts of power to FirstEnergy's customers in 2007 and 2008 has been called off, as no competitive suppliers applied to participate. This is the second year in a row that competitive suppliers have not beaten the price offered by FirstEnergy.

Dow Jones & Company, Inc., 24/2/06

Energy Merger Could Fizzle: Maryland Officials Express Concern About FPL Actions

In December, FPL Group, the parent company of Florida Power & Light Company announced it would purchase Baltimore-based Constellation Energy Group Inc. for US\$11,000 million in stock. The merger would form the nation's largest competitive energy supplier and its second-largest electric utility. The move is subject to the approval of the Maryland Public Service Commission, and Maryland senators have directed state Attorney General J. Joseph Curran Jr. to intervene in the proceedings.

The Bradenton Herald, 24/2/06

MidAmerican Purchase Of PacifiCorp Gets States' Approval

All six states where PacifiCorp provides electricity have approved MidAmerican Energy Holdings Co.'s US\$9,400 million purchase of PacifiCorp from ScottishPower. California, Utah, Idaho, Oregon, and Washington, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission and the Department of Justice, have already approved it. The Wyoming Public Service Commission has given verbal approval, with a written order to follow.

Associated Press Newswires, 24/2/06



Larger Energy Bills On The Way From Three LA Power Companies

The Louisiana Public Service Commission has approved temporary rate changes for Cleco Corp., Entergy Gulf States, and Entergy Louisiana so that these companies can recoup damage costs from hurricanes Katrina and Rita. Cleco needed the increase to offset costs while stabilising its credit rating, as it begins constructing a US\$1,000 million generating plant in central Louisiana. The two Entergy firms sought approval to recoup storm costs by reducing the fuel adjustment paid to customers during periods of lower natural gas prices. *Associated Press Newswires, 22/2/06*

Ruling For Former State Utility Regulator On Damage Award Stands

The US Supreme Court agreed to let stand a lower court decision to send the civil case against Jim Irvin, the former Arizona Corporation Commission state utility regulator, back to US District Court in Phoenix. Southern Union Co. of Houston was awarded punitive damages after Irvin was found to have misused his office to improperly influence the outcome of a bidding war for Las Vegas-based Southwest Gas Corp. A judge in Phoenix will either reduce the punitive damages award or order a new trial on that issue. *Associated Press Newswires, 21/2/06*

GAO Probes For Signs Of Manipulation In Gas Futures Trading; Popularity Of Gas Is A Problem

A new report by the Government Accountability Office (GAO) examines factors behind the recent increases in the price of gas, the effect on consumers and the role of federal agencies. It concludes that prices may be responding not only to hurricanes Katrina and Rita and unexpected weather conditions but also to market manipulation, among other factors. The agency is examining gas futures trading and expects to issue a further report later this year. *Foster Natural Gas Report, 17/2/06*

FERC Issues Bundle Of Orders To Reduce Regulatory Uncertainty

FERC issued an order repealing two of the Market Behavior Rules (Rules 2 and 6) and codifying Market Behavior Rules 1, 3, 4, and 5 in the regulations. Previously, the four rules had been incorporated in the tariffs of market-based rate sellers. A second order made parallel changes to the regulations governing natural gas sales. The final rules will ensure that wholesale power market-based rate tariffs and authorisations, as well as pipeline sales and gas blanket certificate authorisations, conform to the new anti-manipulation authority granted in EPAct. The second final rule extends from three to five years the obligation on wholesale sellers of electricity and gas to retain records. *Foster Natural Gas Report, 17/2/06*



Regulators Approve Rate Increase For Southwest Gas Corp.

Arizona state regulators have approved a rate increase for Southwest Gas Corp. to be applied to its Tucson residential customers. Customers living in apartments or duplexes will be charged less than house-dwellers.

Associated Press Newswires, 16/2/06

Companies In Maine Back Grid Pullout

Reeling from record-high energy costs and convinced that southern New England is conspiring against Maine, several manufacturers say that Maine should pull out of the New England power grid and plug into Canada's. The companies, including Lincoln Paper and Tissue and Isaacson Lumber, support a bill that would let Maine's Public Utilities Commission withdraw from ISO New England, the regional grid's operator. FERC has been holding talks for months to resolve differences over the plan. Last week, the Maine PUC abandoned the settlement talks, and now the issue is heading for a legal fight.

Portland Press Herald, 10/2/06

PGW Fined Following Customer Deaths

Pennsylvania state regulators agreed to fine Philadelphia Gas Works US\$100,000 and to expect the company to improve customer contact procedures, following the deaths from hypothermia of two customers whose gas supply was improperly shut off.

Associated Press Newswires, 9/2/06

Regulators' Action May Increase Peoples Energy's Refund

The Illinois Commerce Commission ordered Peoples Energy and the Illinois Attorney General to renegotiate the terms of a civil lawsuit filed by the Illinois Attorney General accusing Peoples Energy of overcharging customers between 2000 and 2004. If an agreement on a rebate cannot be agreed by the parties, the ICC will accept an order made by an administrative law judge in the case.

Chicago Sun-Times, 9/2/06

Delaware Considers Deregulating Electricity Industry

The impending jump in electric rates has sparked Lt. Gov. John C. Carney Jr. to ask the state Public Service Commission to consider phasing in Delmarva Power's proposed 59% rate hike over several years. As part of his request, Lt. Gov. Carney also asked the Commission to review deregulation to determine why the expected competition never materialised.

Knight Ridder/Tribune Business News—Delaware State News, 8/2/06



Long-Term Rights Favored In Transmission Guidelines

FERC proposed eight guidelines for regional transmission organisations to follow in developing plans to offer long-term firm transmission rights in organised electricity markets. The proposed rule would require regional transmission organisations that oversee organised electricity markets to make long-term firm transmission rights available to all transmission customers, in accordance with the Energy Policy Act of 2005.

Public Power Weekly, 6/2/06

Did Laclede Gas Break The Rules?

The Missouri Public Service Commission has filed a complaint against Laclede Gas Co. for violating rules for estimating natural gas bills. Regulators have been asked to sue Laclede for these practices and to ensure that procedures are put in place to ensure that estimated billing procedures are more transparent and better controlled.

St. Louis Post-Dispatch, 4/2/06

FERC Finalises Reliability Rulemaking, But Job's Not Done, Commissioners Note

FERC finalised landmark new rules on the certification of an electric reliability organisation (ERO) and the procedures for the establishment, approval and enforcement of mandatory electric reliability standards. The Commission's new regulations spell out the process for certifying a single independent ERO to propose and enforce a new national regime of mandatory reliability standards, as Congress mandated in the EAct 2005.

NGI's Power Market Today, 2/2/06

State Orders Mid-Winter Natural Gas Rate Reductions

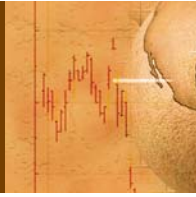
Massachusetts state regulators have approved natural gas rate reductions because wholesale costs are lower than forecast due to a relatively mild winter so far. The reductions affect customers of KeySpan, Bay State Gas, New England Gas, and Blackstone Gas, averaging about 11.6%.

Associated Press Newswires, 2/2/06

New England Parties Hammer Out Deal On Forward Procurement Market Design

A settlement judge overseeing negotiations between ISO New England Inc. (ISO-NE) and regional stakeholders filed a report at FERC detailing an agreement that would, in principle, establish a forward procurement market in the region. However, some parties declined to sign on to the new plan, including Connecticut's attorney general and the Maine utility commission.

NGI's Power Market Today, 1/2/06



Canada:

Smart Meters That Help Calculate Electricity Cost Coming To Ontario Homes

Millions of “smart” meters that help hydro consumers calculate their energy use will be installed in Ontario over the next few years. The meters are included in recently passed legislation. The Ontario government claims the meters are a key part of the power-starved province’s strategy to convince people to conserve electricity. .

The Associated Press, 28/2/06

Alaska Confident Canada Can Settle Regulatory, Land Issues; Ottawa To Move Quickly

A deal has been agreed upon by Alaska state governor, Frank Murkowski, and BP PLC, ConocoPhillips Inc, and Exxon Mobil Corp. to build a natural gas pipeline from Alaska’s North Slope to service the lower 48 states of the United States. Included in the deal is a new profit-based oil tax, which remains to be cleared by the Alaskan legislature. The deal must also get regulatory clearance in the US and regulatory and land issues approved in Canada. The Canadian government must decide whether the line will be regulated under the Northern Pipeline Act, a 28-year-old law that gives the rights to build the Canadian portion to TransCanada, or whether it will allow the project to be controlled by the National Energy Board, allowing rival Enbridge to take part in the project.

National Post, 27/2/06; Financial Post, 23/2/06

Central and South American News

Argentina:

Gas Rate Increases On Hold

Natural gas rate increases in Argentina are on hold, due to the Government’s goal of fighting the two-digit inflation rate. Gas utilities have been asking for rate increases to recover losses arising from the government’s emergency decision, taken four years ago, to freeze rates and convert them into devalued pesos.

Dow Jones International News, 8/2/06



Brazil:

CTEEP Privatisation Process Postponed

São Paulo's state government has postponed the privatisation of its power transmission company, CTEEP. The state government wants to auction a 50.1% stake in the firm and plans to publish the rules of the privatisation after 13 March 2006. The auction was to be held originally on 8 February 2006, but had already been delayed until 15 March 2006. The postponement is due to a delay by Brazilian electricity regulator, ANEEL, in adjusting CTEEP's transmission rates, which have not been revised in detail since ANEEL's creation in 1997. ANEEL had just announced that CTEEP's transmission rates might be reduced by 7.42%.

Business News Americas, 24/2/06, 16/2/06; Dow Jones International News 15/2/06

ANP To Auction 21 Mature Oilfields

Brazil's hydrocarbons regulator, ANP, is planning to auction 21 mature oil and gas fields at the end of May 2006. The mines and energy ministry and the national energy council have yet to approve the final list of areas. The auction is aimed at small companies aiming to enter oil and gas production. ANP also plans to hold the eighth hydrocarbon licensing round in October 2006, when it will auction blocks for exploration.

Business News Americas, 23/2/06

Government To Auction Thirteen New Transmission Lines

The Brazilian federal government has announced its intention to auction seven 500 kV and six 230 kV lines. The 13 long-term "build and operate" line concessions will have a combined length of 1,900 km. The mines and energy ministry declared that seven of the 13 lines will be auctioned off in the first half of 2006, while the remaining six will be auctioned in the second half of the year. ANEEL is in charge of organising the auction.

Business News Americas, 16/2/06

Government Increases Electricity Tariff To Raise Energy Subsidy

The Brazilian electricity regulator, Agência Nacional de Energia Elétrica (ANEEL) has announced an increase in electricity distribution companies' tariffs intended to raise BR 4,500 million (US\$ 1,920 million) to subsidise thermal electricity production in the Amazon and Northern regions.

Dow Jones International News, 3/2/06



Ecuador:**Government To Increase Full-Service Electricity Tariffs**

The Ecuadorian electricity regulator, Consejo Nacional de Electricidad de Ecuador (CONELEC), has announced a 22.5% increase in full-service electricity tariffs for residential consumers. The increase, which will come into effect in April, will not apply for monthly consumption below 100 kWh.

Agencia EFE, Servicio Económico, 20/2/06

Guatemala:**CNEE Announces Increase In Full-Service Electricity Tariffs**

The Comisión Nacional de Energía Eléctrica (CNEE), Guatemala's energy regulator, has approved a full-service electricity tariff increase. Unión Fenosa's clients consuming more than 300 kWh/month will pay between 2.5% and 3.5% more for each kWh during February, March and April. The so-called Social Tariff will rise by 0.4% and 0.3% for EEGSA and Unión Fenosa's clients respectively. EEGSA's electricity users in Guatemala, Sacatepéquez, and Escuintla will not face increases, following renegotiation of wholesale electricity supply contracts.

Siglo Veintiuno, 1/2/06

Nicaragua:**Regulator May Authorise Full-Service Electricity Tariff Increase**

The energy regulator, Instituto Nicaragüense de Energía (INE) is considering increasing full-service electricity tariffs. The Spanish distribution company Unión Fenosa has requested an extraordinary 6% increase to compensate for fuel price increases. INE's director, Mr. David Castillo, said that the increase, which has not yet been authorised, will be less than Unión Fenosa has requested.

Agence France Presse, 13/2/06; Agencia Mexicana de Noticias, NOTIMEX, 13/2/06

Venezuela:**Foreign Oil Companies To Deregister All Venezuelan Oil Reserves**

The Venezuelan government has warned foreign oil companies that they must deregister all Venezuelan hydrocarbon reserves listed in the USA Securities and Exchange Commission, SEC. The measure is due to changes in sector regulation and is similar to the announcement made last month in Bolivia (see last GERN issue).

Cinco Días, 17/2/06



Government To Award Seven Off-Shore Blocks

Venezuela's energy and oil ministry plans to award seven new off-shore licenses to explore and extract natural gas. The seven blocks, which are located in eastern Venezuela, will be awarded in March 2006.

Business News Americas, 2/2/06

Asia Pacific News

Australia:

Victorian Distributors Unsuccessful In Appeal

The legal challenge by four of the five Victorian distributors against the pricing decision of the Essential Services Commission has been largely rejected by a Victorian appeals panel. The distributors launched appeals on 13 grounds. The panel found in favour of the Commission on eight, while three were withdrawn during the proceedings. The panel upheld the Commission's right to question distributors about their costs, but asked it to reconsider demand forecasts and estimates of supply interruptions for two retailers.

Australian Financial Review, 21/2/06

ACT Regulator Proposes To Discontinue Regulated Retail Tariffs

The Independent Competition and Regulatory Commission released a draft decision proposing to discontinue regulated tariffs for franchise electricity customers. Franchise customers are those with relatively low consumption, such as households, who remain on the standard contract offered by ActewAGL Retail. Currently these customers can choose to receive a tariff regulated by the Commission. The Commission concluded that there was "ample evidence of actual or potential competition between retailers". However, it also proposed to continue the arrangements for households in financial need, subject to government funding.

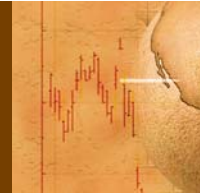
www.icrc.act.gov.au, 3/2/06

China:

China Suspends Power Price Reforms In Northeastern Region

China's plan to introduce competitive pricing for electric power has been temporarily suspended in the north-eastern region. China had selected the north-eastern region as a trial area for electricity reform, allowing power plants to sell electricity to the nation's grid system at market rates. Reports cited a SERC official as saying that, due to different cost burdens between old and new generators, power plants could not compete on equal footing.

Xinhua Financial Network News, 7/2/06; AFX Asia, 6/2/06



State Grid Seeks Higher Supply Tariff

State Grid Corp of China, which delivers electricity to all but five southern provinces, is lobbying the central government for higher transmission and distribution tariffs to help fund expenditure on power distribution upgrades. Chinese distribution and transmission tariffs, account for 30% of the total domestic electricity tariff, compared with an average of 40% overseas.

South China Morning Post 11/8/05

Indonesia:

Indonesia Prioritises Domestic Gas Consumption Over Export

The Indonesian president has issued a new presidential regulation on energy policy that prioritises domestic gas consumption over export sales. As a result of the new policy, Indonesia is expected to de-prioritise the planned construction of the trans-ASEAN (Association of Southeast Asian Nations) gas pipeline, at least until after it has constructed an integrated gas pipeline network serving the domestic market.

Xinhua News Agency, 8/2/06

Pakistan:

Pakistan Extends Deadline To 11 March 2006 For Bids On Gas Utilities

Pakistan has extended the deadline for receiving statements of qualifications relating to privatisation of gas utilities Sui Southern Gas Co. (SSGC) and Sui Northern Gas Pipeline Co. (SNGC). The extension was attributed to the overwhelming response to these transactions from Pakistan and abroad.

Platts Commodity News, 3/2/06

Philippines:

Philippine Court Voids Regulator's 2004 Approval Of Meralco Rate Hike

The Supreme Court has nullified an order issued by the Energy Regulatory Commission on 2 June 2004 approving an increase in Manila Electric Co's (Meralco's) generation charge from US\$0.061/kWh to US\$0.064/kWh. The court said that the ERC order was nullified for "having been issued with grave abuse of discretion". It added that the order "was made without giving consumers any opportunity to file their comments thereon in violation of the Electric Power Industry Reform Act of 2001". The court acted on a petition filed by a pro-consumer advocacy group against the ERC ruling.

AFX Asia, 2/2/06



Manila Sells Small Utilities

Seven small power utility groups owned by the National Power Corporation (Napocor) and with a combined capacity of 82 MW have been privatised in a competitive bidding process, the Department of Energy announced. The new power providers for these areas are: Coastal Consortium (Tablas, Romblon, and Marinduque); Power One Corporation (Oriental Mindoro, mainland Palawan, and Catanduanes); and the Bantayan Island Power Corporation (Bantayan Island).

Platts Power in Asia, 2/2/06

Singapore:

Electricity Market In For Tighter Checks

Singapore will strengthen regulatory oversight of its electricity market, including control over who owns and runs the island's transmission grid. It is expected that Singapore's three biggest generating companies will be sold this year and that Singapore Power, which owns and operates the transmission grid, will be listed. Given that failure of the electricity grid might cause major economic disruption, the Energy Market Authority (EMA) has proposed amendments to the Electricity Act that give EMA oversight and powers of approval over the ownership of the asset and management companies for the transmission grid. EMA also wants similar controls on key personnel.

The Business Times Singapore, 15/2/06

Thailand:

Egat Firms Seek Clear Bidding Rules

Electricity Generating Co Plc and Ratchaburi Electricity Generating Holding Plc, subsidiaries of Egat, have sent a letter to the Energy Minister seeking clarification of the rules on who can participate in bidding for Independent Power Producers (IPPs). They note that legislation from the Prime Minister's Office, the Energy Policy and Planning Office, or the Egat Act set different requirements. The Electricity Regulatory Board previously ruled that Egat subsidiaries could not participate in IPP bidding.

The Nation, 22/2/06

Consumer Groups Open Their Case Against Listing

Consumer protection groups petitioning the Supreme Administrative Court against the share-listing of Egat Plc have begun presenting their case. On 16 November 2005, the court ordered a freeze on Egat Plc's listing as requested by the 11 groups, pending a review of the legality of two executive decrees that led to the controversial privatisation of Egat and its impending share sale. The court is expected to rule early this year on whether Egat Plc is eligible to list on the stock market.

Bangkok Post, 1/2/06



Vietnam:**Electricity Market To Open To Private Competition**

Vietnam plans to develop a competitive electricity market that will give customers an option to choose their electricity supplier. The plans outline three levels of market development: level 1 (2005-2014), a competitive power generation market; level 2 (2015-2022), a competitive electricity sales market; and level 3 (after 2022), a competitive electricity retail market. After 2022, a two-year test period would take place before opening the retail market nationwide.

The Saigon Times Daily, 8/2/06



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