

Reporting on energy regulation issues around the world

Global Energy Regulation

August 2009
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European News

UK

Ofgem Publishes Initial Proposals In Electricity Distribution Price Control Review

Ofgem has published its initial proposals in the electricity distribution price control review. Ofgem's proposals include allowances for investment amounting to £6,500 million over the five years from 1 April 2010, 17% less than companies' forecasts of required investment. Ofgem also assumed that companies' operating costs will be 10% below their forecasts. The proposals include a new £500 million Low Carbon Networks Fund, intended to pay for large-scale trials of advanced technology and commercial initiatives to reduce CO2 emissions. The proposals also include provisions for penalties when companies fail significantly to improve their connections service. Ofgem claims that the proposals will add less than £4 per annum to domestic electricity bills, and will improve customer service and cut CO2 emissions.

Ofgem website, 03/08/09

Ofgem Asks Big-Six Suppliers To Explain Link Between Wholesale Energy Costs And End-User Prices

In a letter to the "big six" UK energy suppliers, the Chief Executive of Ofgem, Alistair Buchanan, has asked companies "to explain how cost changes, including falling wholesale costs, are likely to bear on future energy bills". He said that "wholesale costs have fallen from last year's peak and look set to fall further as we head into the winter" and that in "a strong competitive market, we would expect prices to respond to such falls."

Ofgem website, 06/08/09

Ofgem Introduces New Energy Supply Obligations

Ofgem plans to introduce new obligations in suppliers' licences to ensure direct debit payments are accurately set and clearly explained. The move is a response to Ofgem's concerns that suppliers were not properly explaining significant increases in direct debit payments. Ofgem has also published its final consultation on remedies to protect customers following its retail market probe. The proposals include tougher rules on doorstep sales, better information for customers via their energy bills, new annual statements on the level

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and costs of consumers' energy use, and limits on the automatic roll-over of energy contracts. Ofgem has also confirmed that new supply licence conditions banning unjustified price differences will come into force on 1 September 2009. The licence conditions will prevent practices identified last year by Ofgem's retail probe, such as charging more to customers on pre-payment meters and to customers not on the gas grid.

Ofgem website, 07/08/09

Suppliers Increase Spending On Social Programmes By £100 Million

Ofgem has announced that Britain's "big six" energy suppliers spent £157 million on voluntary social programmes in 2008-09, a near three-fold increase compared with 2007-08, when they spent £57 million. The companies spent most of this amount on social and other discounted tariffs for vulnerable and fuel-poor customers, exceeding their spending target for 2008-09 by £59 million. The number of customer accounts on social tariffs grew to one million by March 2009 from 800,000 in October 2008.

Ofgem website, 18/08/09

Ofgem Announces Fall In Disconnections

Ofgem has announced that energy disconnections fell by 30% between 2007 and 2008, from 8,384 to 5,890. Gas disconnections for reasons of debt fell 48% to 2,999. Electricity disconnections for reasons of debt rose by 9% to 2,891 but the rate of increase for electricity disconnection slowed during 2008 compared with previous years. Suppliers have licence obligations to take account of the needs of customers who are experiencing difficulty paying their energy bills.

Ofgem website, 27/08/09

Government Consults On Grid Access Regime

The government is proposing reforms to grid access rules to overcome delays in connecting renewable generators to the transmission system. Previously, reforms were proposed by industry and then approved or rejected by the regulator, Ofgem. The Department of Energy and Climate Change (DECC) is consulting on three possible models for managing the queue and for sharing the cost of connecting more plants to the system. These models are (1) "connect and manage", where constraint costs will be shared between all users of the network, (2) "connect and manage (hybrid)", where some, but not all, constraint costs will be imposed on new entrant power stations, and (3) "connect and manage (shared cost and commitment)", where new and existing power stations are offered the choice between committing to pay transmission charges for five years or one year, with those opting for the five-year option facing more predictable charges.

DECC website, 25/08/09

Belgium

CREG Publishes Proposed Code Of Conduct For Gas Sector

Energy regulator CREG published a new proposal for a royal decree on the “code of good conduct” governing access to the gas transport network, storage sites and LNG facilities. CREG had approved a proposal on 9 October 2008. Following some modifications, the energy minister asked CREG to produce a new proposal.

CREG website, 04/08/09

Bulgaria

Regulator And Developer Disagree Over Renewable Tariff

The developer of a BGN5 million (€2.56 million) biomass-fired power plant in Sliven, central Bulgaria, is in dispute with the energy regulator over the tariff it will receive under the country’s renewable energy support scheme. The investor is seeking a tariff of BGN350 (€179) per MWh, whereas the State Energy and Water Regulatory Commission has proposed a tariff of BGN220 (€112) per MWh. The plant will run on methane supplied from a municipal landfill. The regulator claims the plant will have access to this fuel source for 15 years, whereas the company has stated that it will only have access for 10 years, and so needs a higher tariff to make the investment profitable.

Reuters News, 06/08/09; ADP Renewable Energy Track, 06/08/09

European Union

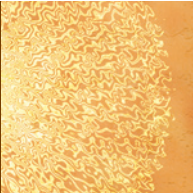
Commission Approves Centrica’s Oil And Gas Deal

The European Commission has cleared UK utility Centrica to buy Venture, a North Sea oil and gas exploration company. The Commission considers that the deal does not raise any competition concerns, since Centrica already has a 40.1% share in Venture.

Platts Commodity News, 21/08/09; Financial Times, 30/07/09

Third Energy Package Published

The European Parliament and Council have adopted a new set of Regulations and Directives (in particular, Directive 2009/72/EC and Directive 2009/73/EC) to improve the functioning of the internal market for electricity and gas. In particular, this Third Energy Package pays special attention to the unbundling of electricity transmission ownership and system operation and to consumer protection, with a special focus on vulnerable customers and consumers in remote areas. In relation to the gas market, the third package focuses on access to transport and storage facilities, capacity allocation systems, and congestion management rules. In addition, the package creates three new entities: the Agency for the Cooperation of Energy Regulators, which will be in



charge of coordinating the action of the European regulators, and the European Network of Transmission System Operators for Gas (ENTSOG) and for Electricity (ENTSOE), which will be responsible for the promotion of the internal market and cross-border trade in gas and electricity respectively.

Justis website, Official Journal of the European Union, 14/08/09

Commission Clears ENEL Gas Network Sale

The European Commission has cleared Enel's sale of part of its natural gas distribution subsidiary Enel Rete Gas. The buyers are Italian investment fund company F2i and Luxemburg's private equity firm Finavia. Enel will retain 20% of the shares. Enel Rete Gas has a market share of 11% in Italian market.

International Gas Report, 03/08/09; Staffetta News, 30/07/09

France

Government Decides Increase In Retail Tariffs

On 15 August, electricity retail tariffs in France increased by 1.9% for household customers and by 2.3% on average (for households and companies). The tariff structure also changed to take account of the new network tariffs. On 4 August 2009 the government had proposed the tariff increase and asked the regulator, the CRE, for its opinion. The CRE gave an overall favourable view on 10 August 2009. The increase is less than the increase of 20% over three years that EDF had asked for. The government said the tariff increase had to be seen in the context of investments in the electricity sector and that French tariffs remained on average 15% to 30% lower than European tariffs.

LesEchos.fr, 17/08/09; Commission de Régulation de l'Énergie website, 10/08/09;

Ministère de l'Économie, de l'industrie et de l'emploi website, 04/08/09;

Agence France Presse, 04/08/09

Government Plans Carbon Tax

According to various press reports and comments by ministers, the French government plans to introduce a carbon tax as early as next year. The tax would be part of the 2010 budget (loi de finances), which will be presented to the council of ministers at the end of September and voted for in the following autumn. A figure of €32 (US\$45) per tonne CO₂ was put forward in a report to the government by Michel Rocard. However, some government figures have commented that this level was too high. According to the Rocard report, households would pay 51% of the tax, companies 40%, and the public sector 9%.

LesEchos.fr, 25/08/09; Le Monde, 22/08/09; Le Figaro, 21/08/09



Germany

Monopoly Commission Deplores Lack Of Competition In Electricity And Gas Sector

Germany's Monopoly Commission (MC), an independent body advising the government, published its second report on the electricity and gas markets, as required by the Energy Law. The MC said that there was no "functioning competition" in grid-based energy markets. In the electricity market, the MC found significant competition problems at the generation level, due to high market concentration. In the gas market the MC found that the main barriers to competition were the high concentration of gas supply and the lack of powers under competition and regulatory policy over the production level. The focal points in the MC's report were the wholesale markets, the balancing mechanism, and congestion management. The MC made numerous recommendations.

Monopoly Commission website, 04/08/09

Regulator Approves Costs Of Flow Commitments As "Non-Controllable Costs"

The German regulator, the Bundesnetzagentur (BNetzA), has created the conditions for approving the costs of flow commitments associated with the merged market area NetConnect Germany (E.ON Gastransport and Bayernets GmbH). Under incentive regulation these costs will now be treated as "permanently non-controllable costs." Bayernets GmbH pledged that it would adhere to specified principles in the calculation and procurement of flow commitments. The BNetzA accepted this voluntary commitment as an effective procedure, which is needed under article 11 of the Incentive Regulation Decree before such costs qualify for pass-through. Flow commitments secured by a network operator from shippers are intended to ensure an increase or decrease in the physical gas flows at the key points on the network, so as to guarantee network integrity on a permanent basis.

Bundesnetzagentur website, 10/08/09

Regulator Welcomes Gas Market Area Cooperation

The Bundesnetzagentur (BNetzA) has welcomed the formal announcements concerning the formation of gas market area Gaspool (involving Dong Energy Pipelines, Gasunie Deutschland, Ontras-VNG Gastransport, StatoilHydro Deutschland, and Wingas Transport) and the extension of the gas market area NetConnect Germany (involving Bayernets, Eni Gastransport Deutschland, E.ON Gastransport, GRTgaz Deutschland, and GVS Netz). The BNetzA said that the reduction in the high calorific gas market areas from seven to three constituted an essential building block for boosting further competition on the gas market. The Gaspool market area will start with the beginning of the new gas year on 1 October 2009.

StatoilHydro website, 14/08/09; Bundesnetzagentur website, 10/08/09



Italy

ENI's "Gas Release" Auction To Start No Later Than 3 September

By 3 September 2009, ENI must complete its gas release auctions in order to allocate five billion cubic meters of gas for the thermal year 2009-2010. An Aeg decision defines the conditions on the "gas release" process under a Ministry for Economic Development decree that sprang from the so-called Anti-Crisis Decree passed in early August. Delivery periods will be from October 2009 to September 2010 (annual lots) from October 2009 to March 2010 (biannual lots). The procedure to assign each lot includes the definition of a unique price for each product.

Aeg press release, 07/08/09

Netherlands

NMa Warns NRE To Maintain Quality And Reliability Of Energy Supply

The Dutch Competition Authority, NMa, is currently reviewing the Quality and Capacity Documents (QCDs) of network operators in the Netherlands. All network operators in the Netherlands are by law required to submit a QCD to the NMa once every two years. The QCD contains details on the expected development of transport capacity on the network and any plans for network investments and maintenance, as well as each network operator's reliability standards and an analysis of risks to the network. NMa has recently completed its review of the QCD of NRE, a gas and electricity distributor in the city of Eindhoven, in the south of the Netherlands. From its review, NMa concludes that NRE has not carried out a 'proper' risk analysis that will allow NRE to detect threats to the quality of its network in a timely fashion. In addition, NMa concludes that NRE does not have procedures in place to monitor the quality of pipelines and cables adequately. NMa has ordered NRE to remedy both of these issues by 1 December 2009, or risk a fine of up to €250,000. NMa expects to announce in the near future whether it will take similar measures against other network operators, following its review of their QCDs.

Energiekamer website; 21/08/09

Russia

Price Cap And State Regulation In Siberia In The Aftermath Of Hydro Accident

An accident at Russia's largest hydro-electric power station at Sayano-Shushenskaya completely destroyed three out of ten 640 MW units and damaged the other seven. In total the Siberian energy system lost 6400 MW of generation capacity. Wholesale market prices in the region rose by up to 25% after the accident. The Market Council introduced a price cap of 628.24 roubles/MWh (US\$20/MWh) until 1 September 2009 and later extended it to 1 October 2009. According to the Energy Minister Sergei Shmatko, this measure will limit the price rise in the region to 7% of the pre-accident level. President

Medvedev admitted that tariffs for industrial customers may change as a result of the accident but stressed that domestic customers should be unaffected. Prime Minister Putin ordered the Federal Tariff Service, ministry of Energy and Ministry of Justice, to develop a draft government decree on temporary state regulation of the energy sector. The draft should be ready for approval by 10 September 2009. The purpose of temporary state regulation would be to smooth out price spikes in the wholesale market caused by a temporary shortage of generation capacity, lack of competition, or force majeure events. In principle, the current legislation already allows for temporary state regulation of the wholesale electricity market for up to 30 days. The detailed mechanisms will need to be specified in the decree.

Praim Tass 28/08/2009, 21/08/2009, 17/08/2009; ITAR TASS 21/08/2009; Ria Novosti 24/08/2009; Aton Broker 20/08/2009

Switzerland

Green Electricity Surcharge To Remain At 0.45 Cents Per Kilowatt Hour

Swiss electricity consumers will continue to pay a surcharge of 0.45 Swiss cents per kilowatt hour (0.42 US cents/kWh) of electricity in 2010 to fund the production of green energy, the Federal Office of Energy (Bundesamt für Energie, BFE) announced. Since 1 January 2009 a surcharge has been levied on every kWh used to finance the cost of electricity from renewable energies and additional measures promoting green energy under the revised Energy Act. The Energy Act stipulates that this surcharge must not exceed 0.6 Swiss cents. In 2009, the surcharge was set at 0.45 Swiss cents per kWh and the BFE decided that the 2010 surcharge was to remain at that level. According to the BFE this would generate around 265.5 million Swiss francs (US\$249 million) to finance all the measures set out in the Energy Act.

Bundesamt für Energie website, 24/08/09

Turkey

EPDK Sets New Licensing Procedures

The Turkish energy regulator, EPDK, announced on 4 August that it will implement a strict procedure for the issuing of new plant licenses that has to be completed before developers can start construction of new plants. EPDK's new procedures will involve the following six steps:

- Application for and approval of a license application;
- Delivery of a complete project file to the Ministry of Environment within five days of approval;
- Supply of any additional information at the request of the Ministry of Environment;
- Processing and checking of the project file by the Ministry of Environment within 15 working days of submission;



- Decide on the necessity of an environmental impact study by the Ministry of Environment within the next five days; inform the project developer and the relevant local government;
- Commence project development in line with the recommendations of any environmental impact assessment within five years of the Ministry's report being completed.

The new, six-step procedure will replace the old licensing procedures under which developers sometimes began construction prior to completion of the licensing process. It is unclear when the new procedures will take effect.

Platts Energy in East Europe via Dow Jones Factiva, 14/08/09

North American News

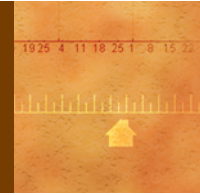
US

Federal Regulator Determines That Exempt Commercial Market Has “Significant Price Discovery” Function Under 2008 Statute

The Commodity Futures Trading Commission (CFTC) has decided to regulate the Henry Financial LD1 Fixed Price natural gas contract (a gas “swap” contract) traded on the IntercontinentalExchange, Inc. (ICE), in an attempt to reduce speculation and market price swings in the natural gas market. This is the CFTC's first use of its new authority under the Commodity Exchange Act, which authorizes the CFTC to regulate any exempt commercial market with a “significant price discovery function”. A review of the ICE swap contract undertaken by the CFTC indicated that the contract meets the material liquidity, price linkage, and arbitrage criteria for “significant price discovery”. In the future, all trades in this contract will be regulated as to position limits and accountability levels, which will restrict the number of contracts that traders can control at any one time. Any party that clears futures trades on ICE will provide the CFTC with data on large traders. The US natural gas industry is concerned that these trading curbs could damage the normal functioning of natural gas markets.

Financial Times, 13/08/09; Foster Natural Gas Report, 31/07/09;

www.cftc.gov, 28/07/09



FERC Sides With Florida Cities In Contract Dispute With Florida Gas Transmission

The Federal Energy Regulatory Commission (FERC) has agreed with a group of five Florida municipal utilities, known collectively as the “Florida Cities,” on a key contract issue. FERC has rejected Florida Gas Transmission (FGT)’s tariff provisions, which could have prevented those utilities from affiliating under a single gas transportation contract. FGT failed to comply with a FERC order, made in January 2009, which required the pipeline either to explain why unaffiliated public utilities that agreed to be jointly liable for a contract should be denied access to the pipeline, or to remove tariff language that limited the contract option only to companies under the same corporate umbrella. FERC made clear that it does not agree with FGT’s argument that only affiliated companies can meet the requirements for signing onto a single contract and therefore rejected the company’s filed tariff sheets.

Gas Daily, 10/10/09; Foster Natural Gas Report, 07/08/09

Aramanth Gas Market Manipulation Case Settled

The Federal Energy Regulatory Commission (FERC) and the Commodity Futures Trading Commission (CFTC) have reached settlements in their enforcement case against Aramanth Advisors. In 2007, FERC accused Aramanth, a now defunct hedge fund firm, and two of its traders of causing dramatic shifts in natural gas prices by manipulating gas futures markets. Under the settlement, Aramanth and one of the traders will pay US\$7.5 million in fines. The fines will settle both the FERC and CFTC cases.

Gas Daily, 13/08/09; New York Times, 13/08/09

High Demand-Response Sharply Cuts Power Capacity Prices In Mid-Atlantic Region

The introduction of increased demand-response resources into the spring power capacity auction of the PJM Interconnection resulted in far lower prices, according to a report by PJM’s market monitor, Monitoring Analytics LLC. The report said that without the increase in demand-response resources, capacity prices would have been 10 times higher in some Mid-Atlantic regions. However, the report said that price caps are still needed because almost all electricity generators failed market power tests for the capacity market. Monitoring Analytics’ report looked at the results of PJM’s auction in May for power generating capacity to be delivered in 2012 and 2013.

Global Power Report, 13/08/09; Energy Trader, 12/08/09



Industrial Energy Consumers Urge Government Intervention To Stop Market Distortions

The Industrial Energy Consumers of America, a trade group representing the nation's largest energy consumers, has asked the CFTC to stop exchange-traded funds from trading in energy futures markets. The group says that funds taking huge positions in futures markets are distorting prices for natural gas and other energy sources. In particular, the group cited the United States Natural Gas Fund and its 600,000 investors, saying its massive presence in gas futures markets inevitably distorts price formation.

New York Times, 06/08/09; Wall Street Journal Asia, 06/08/09

CFTC May Regulate Chicago Climate Exchange's Carbon Contract

The CFTC says that it is considering extending its regulatory powers to cover carbon spot contracts traded by the Chicago Climate Exchange. The Commission says that its evaluation shows that the Exchange's carbon trading plays a major role in setting the overall market price for carbon. The CFTC has authority to extend its regulatory powers over currently unregulated energy futures exchanges through a law passed by Congress in 2008.

Platts Commodity News, 18/08/09; Power Market Today, 18/08/09

Central And South American News

Brazil

Petrobras To Auction Off Surplus Of Natural Gas

On 22 September, Petrobras will hold an auction for the sale of 22 million m³/day of natural gas that will be delivered in the six-month period between October 2009 and March 2010. The auction is intended for state distributors of piped gas only. The gas that will be auctioned off has become available as a consequence of reduced household consumption and reduced demand from thermal generators. Petrobras has announced that it plans to launch similar auctions in the months to follow.

Agência Estado, 28/08/09; Globo.com, 28/08/09

Energy Regulator Approves Broadband Internet On Power Lines

The Brazilian energy regulator ANEEL has followed the decision made in April this year by its telecommunications counterpart ANATEL, and has approved the use of electricity distribution lines to provide broadband Internet services through the technology known as Power Line Communication. This technology is likely to be used to serve rural or isolated areas of the country.

Agência Estado, 25/08/09; Wall Street Journal, 25/08/09



Chile

Electricity Regulator Fines Chilectra

The Chilean Government Agency for the Supervision of the Energy Markets (Superintendencia de Electricidad y Combustibles, or SEC) has fined power distribution company Chilectra for breaching local rules on electricity metering and billing. After receiving over 3,000 complaints from consumers about unexpected increases in their electricity bills since October 2008, SEC detected certain irregularities, which occurred in the municipalities of Macul, Estacion Central, and Quilicura in the Santiago Metropolitan region. The fine amounts to nearly US\$1 million.

Data Processing, 19/08/09; Invertia, 18/08/09

Peru

Tender For 500 MW In Renewables To Be Launched In October

The Peruvian Ministry for Energy and Mines has set 15 October as the final date to hold the tender for the construction of 500 MW of capacity for generation from renewable energy sources. The auction is open to producers using biomass, wind, solar, geothermal, and small (under 20 MW) hydro. It aims to achieve a more diversified generation mix. The government's goal is for renewables to cover at least 5% of the generation mix in the next four years.

Business News Americas, 21/08/09; Reuters, 20/08/09

Asia Pacific News

Australia

AUD\$20 Million To Boost Water Information

The government announced that A\$20 million (US\$17 million) will be allocated to over 100 new projects, both in urban and rural areas, to improve the sharing, management, and collection of water information across Australia. Projects include A\$400,000 (US\$335,655) to be used in Victoria for improving estimates of flow volumes which go down flooded rivers. This is the third round of funding under the five-year, A\$80 million (US\$67 million) Modernisation and Extension of Hydrologic Monitoring Systems Program administered by the Bureau of Meteorology.

Minister of Climate Change and Water press release, 18/08/09

Government Secures Passage Of 20% Renewable Energy Target

An agreement has been secured by the government to pass the Renewable Energy (Electricity) Amendment Bill 2009, and the Renewable Energy (Electricity) (Charge) Amendment Bill 2009. The Renewable Energy Target will guarantee that, by 2020, 20% of Australia's electricity will come from renewable energy, i.e., solar, wind, and geothermal sources.

Minister of Climate Change and Water press release, 19/08/2009



Retail Gas Market Rules To Continue In South Australia And Western Australia

The Australian Competition and Consumer Commission has authorised market arrangements that promote more competitive and efficient retail gas markets. The Retail Energy Market Company (REMCo) is required to publish rules which govern the operation and conduct of the South Australian and Western Australian retail gas markets. These rules include provision for swing service, which enables gas pipeline users to loan and borrow pipeline capacity. The REMCo arrangements are authorised in Western Australia for 10 years, and in South Australia for 10 years or until the Australian Energy Market Operator takes over REMCo's operations in South Australia (scheduled for 1 October 2009).

Australian Competition and Consumer Commission press release, 28/08/09

New Zealand

Ministerial Electricity Review Released

The Ministerial Electricity Review was released this month. The review set out recommendations to improve electricity sector performance, including: the Electricity Commission to be replaced by an Electricity Market Authority to improve governance; line companies to be allowed back into retailing; compensating payments to consumers if they face conservation campaigns; and a reallocation of assets among generator-retailers with the status of a state-owned enterprise to increase competition in both the retail and wholesale markets. The document is currently under a five-week consultation period.

Ministry of Energy and Resources press release, 12/08/09

2020 Emissions Target Announced

The New Zealand government announced a target of reducing emissions by 10% by 2020 (to 20% below 1990 levels). This target was tabled at the international climate change negotiations in Bonn, Germany. New Zealand plans to meet this target through reductions in domestic emissions; carbon storage in forests; and the purchase of emission reductions from other countries. This target is conditional on a global agreement which limits temperature increases to 2°C and carbon dioxide equivalent to 450ppm, New Zealand having access to international carbon markets and effective rules on forestry.

Ministry of Climate Change press release, 10/08/09

China

China Opts For Greater Environmental Protection

China's state council has passed a draft regulation on the environmental evaluation of new projects. Among other sectors, energy installations will have to conduct a full environmental assessment before they can be granted planning permission. The environmental assessment will cover pollution and ecological destruction.

Xinhua News Agency, 12/08/09

NSA Standardises Gas Measurement

On 1 August the National Standards Agency completed a conversion to international measuring standards. Among the most obvious changes is that natural gas will be sold in thermal units rather than volumes. The new measures were designed to reflect better the value of gas and were implemented due to China's increasing role in international gas trade.

Xinhua News Agency, 12/8/09

India

CERC Sets New Rules For Transmission

The Central Electricity Regulatory Commission (CERC) has established new rules requiring the state-owned Power Grid Corporation of India (PGCIL) to connect large private power generation projects to the grid. Previously project developers had to arrange their own dedicated transmission lines for wheeling power, adding a 25% premium to the cost of transmission. Under the new arrangements PGCIL has a statutory obligation to connect plants above 500MW. CERC published the rules in addition to a raft of measures to encourage open access to the system for power generators which are aimed at reducing ongoing power shortages and load shedding in the country.

Business Line (the Hindu), 08/08/09; Business Standard, 08/08/09

Ministry Intervenes In Gas Dispute

The Indian petroleum ministry has announced that it will intervene in an ongoing gas dispute that is contributing to power shortages in New Delhi to protect the public interest. Reliance Industries (RI) is disputing a gas price agreed with Reliance Natural Resources in a 2005 Memorandum of Understanding, in which RI agrees to supply gas at half the regulated maximum. The ongoing dispute has contributed to a four-year delay in the roll-out of power stations in the region.

Sunday Independent, 02/08/09; Platts Commodity News, 04/08/09

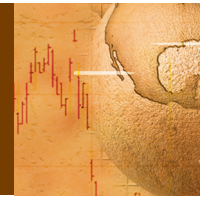


Philippines

ERC Refuses Tariff Increase

The Energy Regulatory Commission has ordered the Manila Electric Company (Meralco) to repay P150 million (US\$3 million) in rebates to its customers. Under the terms of its Performance-Based Rate (PBR) mechanism, Meralco submits performance data to the ERC, which sets tariff levels according to key performance criteria. Meralco had previously announced a planned increase of P27/MWh (US\$0.55/MWh) and P16/MWh (US\$0.32/MWh).

Philippine News Agency 17/08/09; BusinessWorld, 11/08/09



Our Practice

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

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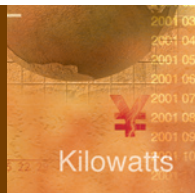
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