

Reporting on energy regulation issues around the world

Global Energy Regulation

September 2009
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Australia and New Zealand

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European Union and Latin America

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European News

UK

Ofgem Publishes Timetable For Introducing New Retail Market Regulation

Ofgem has published a timetable for introducing reforms to electricity market rules governing the conduct of retailers in how they deal with low-income consumers and small businesses. These remedies were proposed following Ofgem's recent energy market "probe". Ofgem's proposed licence conditions governing marketing practices will come into force between October 2009 and January 2010. New rules governing sales practices for small businesses and rules on "debt assignment" will also come into effect in January 2010. From July 2010, suppliers will be required to print additional information about consumers' consumption on bills, and to provide annual statements. From 2010, a new licence condition will also require the "big six" companies to publish information on profits, underlying costs, and revenues for their supply and generation businesses.

Ofgem website, 21/09/09

Ofgem Announces Shortlist Of Selected Offshore Transmission Bidders

Ofgem has announced a list of 13 firms that have been selected to tender for the ownership and operation of nine high-voltage offshore transmission lines. The tender will grant licences for the nine projects, which have the potential to connect up to 2,000 MW of renewable generation capacity to the onshore transmission grid. The tender round will run until March/April 2010 when the successful firms will be announced. A second round for assets that are built, under construction, or at an advanced preconstruction stage, will be held in summer 2010. In total, Ofgem expects that over £15,000 million of investment will be required to connect the planned expansions in offshore wind farms. Companies that are successful in these tenders will take ownership of transmission lines and, once constructed, operate them in return for a regulated income for 20 years.

Ofgem website, 23/09/09

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Ofgem Announces Discretionary Awards

Ofgem has announced payments to Scotia Gas Networks (SGN) and National Grid Gas (NGG) under a scheme designed to reward progress in network extensions, promotion of gas safety, and reductions in the environmental impact of gas distribution networks (GDNs). SGN received £550,000 and NGG received £350,000. Both companies received rewards of £250,000 for helping fuel poor customers switch to gas heating for their homes. SGN and NGG also received £200,000 and £100,000 respectively for a range of programmes in the gas safety category. In addition, SGN received £100,000 for reducing its environmental impact, which it achieved by updating pipeline records to improve the accuracy of leakage modelling.

Ofgem website, 28/09/09

Austria

Gas Exchange To Start In November

Austrian utility OMV announced that Austria's gas exchange would be launched in November. The exchange, located in Vienna, will initially trade spot products and later introduce derivatives as well. The regulator, E-Control, was skeptical of the project, saying that four-fifths of the gas traded on the exchange would come from Gazprom, so that price manipulation could easily arise, to the detriment of consumers.

Wirtschaftsblatt, 03/09/09; Die Presse, 03/09/09; APA, 02/09/09

Belgium

Regulator Approves Power And Gas Distribution Tariffs

The Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), has approved the tariffs of a number of electricity and gas distribution companies. The tariffs are available on the CREG website and are now in force as of 1 October 2009.

CREG website, 29/09/09

Regulator Publishes Conditions For Connection

The Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), has approved the general conditions of contracts under which users can connect to the electricity transmission grid. These conditions can now be downloaded from the CREG website. Elia, the transmission system operator, had submitted the proposed terms on 8 July 2009.

CREG website, 14/09/09

Competition Watchdog Raids Offices Of Electricity Wholesalers

The Belgian competition watchdog, the Autorité Belge de la Concurrence, has said that on 22 September 2009 the College of Competition Prosecutors of the Competition Council conducted dawn raids on several companies active in Belgium's electricity wholesale market. The officers were looking for evidence of possible infractions of competition law, such as restrictive practices and/or abuse of dominant position, in particular concerning capacity withdrawal and price formation.

Autorité Belge de la Concurrence website, 22/09/09

Bulgaria

Bulgaria Increases Gas Tariffs

The State Energy and Water Regulatory Commission (SEWRC) approved an increase in gas prices by 2.49% to 374.13 leva (€191.27) per 1,000 cubic metres for the fourth quarter of 2009. Bulgarian gas company Bulgargaz proposed the increase in response to higher fuel prices on international markets in recent months.

SeeNews, 30/09/09; Emportal website, 28/09/09

European Union

Commission Clears Dong's Acquisition Of German Utility Kom-Strom

The European Commission has cleared the plan of Danish state-controlled integrated utility Dong Naturgas to buy Kom-Strom, a German electricity generation and trading company. In the view of the Commissioner the deal does not impede effective competition in Europe.

Dow Jones International News, 16/09/09; Reuters News, 16/09/09

France

Regulator Publishes Market Report

The French energy regulator, the Commission de Régulation de l'Énergie (CRE), published its "market observatory" for data relating to 30 June 2009. As compared to the previous quarter, the number of households opting for an alternative supplier in the electricity sector rose by nearly a fifth, although the market share of alternative suppliers remained low at 3.5%. The market share of alternative suppliers in the businesses customers and small professionals segment was 7.4%. In the gas sector, the number of households choosing an alternative supplier rose by 15%, bringing the market share of alternative suppliers to 5.4%. Amongst businesses and small professionals that share was 15.4%. The CRE also said that across all segments 95% of all electricity sites and 88% of all gas connections were on a regulated tariff.

Le Monde, 3/9/09; Les Echos, 02/09/09;

Commission de Régulation de l'Énergie website, 01/09/09



Regulator Provides Guidance On Smart Meters In Gas Sector

The French energy regulator, the Commission de Régulation de l'Énergie (CRE), announced that smart gas meters would be tested in 2010 and deployed throughout France in 2012. The CRE has provided guidance on the conditions in which GrDF will be able to launch the test. The CRE will also carry out a study on the expected costs and benefits of smart metering. According to the CRE, smart meters would allow consumers to receive exact information on their gas consumption each month, instead of every half year. Smart meters would also facilitate the use of actual consumption data when contract conditions change (e.g., on change of supplier). Finally, smart meters would allow suppliers to offer new services in controlling gas consumption.

Commission de Régulation de l'Énergie website, 07/09/09

Government Promises Reform Of Electricity Market To Increase Competition

The French prime minister announced a reform of the French electricity market that should be transposed into a revised regulatory framework by July 2010. The reform is intended to promote competition and to bring the French electricity market into line with European regulation. According to a government statement, regulated tariffs would be abolished for large companies by 2015, although they would remain in place for households and small companies. The statement said that all electricity suppliers would be able to acquire electricity from incumbent generator EDF under “economic conditions [reflecting] the historic nuclear production portfolio”. The government also said it informed the European Commission so that it could drop its investigation into the French electricity market. The government's reform proposal follows the recommendations of the Champsaur commission in April 2009.

French government website, 15/09/09

Regulator Sets Tariffs For LNG Terminals

The French energy regulator, the Commission de Régulation de l'Énergie (CRE), has determined the new tariffs for LNG terminals. The average tariff of Montoir and Fos Tonkin will be €0.90/MWh and €1.14/MWh respectively. These tariffs will be valid for a period of three years starting from 1 January 2010. The average tariff of Fos Cavaou will be €1.65/MWh starting from the commissioning date, also for a period of three years. The tariffs create incentives to invest, to reduce operating costs, and to market additional regasification capacity. Any investment that increases regasification capacity



by at least 20% will receive additional remuneration for 10 years of 2% on the amounts invested. Moreover, the conditions for remuneration are set for a period of 20 years. To encourage terminal operators to reduce their costs and market additional regasification capacity, two incentive mechanisms will share the gains between the terminal operators and users.

Commission de Régulation de l'Énergie website, 30/09/09

Germany

Regulator Publishes Data On Renewable Energy Sources Act

The German networks regulator, the Bundesnetzagentur (BNetzA), has published data for the year 2007 on the redistribution mechanism set up under the Renewable Energies Law (EEG). The BNetzA said that the figures highlighted the growing significance of renewable energy sources in Germany. The volume of electricity fed in and paid under the EEG increased by 30% compared with the previous year. The report is based on data from distribution system operators. Under the EEG, the BNetzA is responsible for monitoring the nationwide equalisation scheme that shares out the costs and quantities of the energy purchased under the EEG by distribution system operators, transmission system operators, and suppliers.

Bundesnetzagentur website, 09/09/09

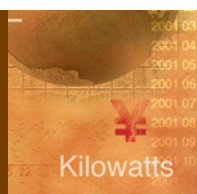
Regulator Determines Supra-Regional Gas Grid Tariffs

From 1 October 2009, the network tariffs of the 10 supra-regional gas transport companies are being regulated for the first time on the basis of article 23a of the energy law (EnWG). According to the BNetzA, the regulated tariffs have been reduced significantly in most cases and by a (weighted) average of 25% for the large supra-regional grid operators. Following the determination that there was no inter-pipeline competition, and that therefore grid tariffs had to be regulated, the BNetzA obliged the supra-regional grid operators to repay the excess revenues of the period prior to 1 October 2009 to consumers over the years 2011 to 2013.

Bundesnetzagentur website, 30/09/09

Watchdog Investigates District Heating Sector

The German competition watchdog, the Bundeskartellamt (BKartA), has started an inquiry into the district heating sector on the basis of article 32e of Germany's competition law. The reason for starting the investigation was the wide scope for setting prices due to the limited degree of competition in the sector. Customers of district heating suppliers were usually "captive" and therefore deserved to be protected. The BKartA hopes that the investigation would provide more transparency on the prices and structures of the district



heating market. On the basis of a comparison (Vergleichsanalyse) the BKartA wants to establish which companies are particularly expensive and which ones are particularly cheap. The BKartA has requested information from 30 companies selected by a number of criteria, but not their price. The BKartA said that its inquiry was open-ended and the selection of companies did not imply that there was a suspicion of abuse against these companies. However, the German cartel authorities might start infringement proceedings if the inquiry provides a basis for suspecting a violation of antitrust law.

Bundeskartellamt website, 14/09/09

Watchdog Finds Abusive Level Of Concession Levies

In a test case, the German competition watchdog, the Bundeskartellamt (BKartA), has prohibited a municipal gas supplier, GAG Ahrensburg, from charging abusively high concession levies (Konzessionsabgaben) and has ordered the company to refund payments. Concession levies are tariffs for the use of the municipal transport infrastructure by gas network operators. The concession levies are passed on to energy suppliers and ultimately paid for by final customers. The decree on concession levies regulates the maximum level of these levies.

Bundeskartellamt website, 18/09/09

Cabinet Designates Zones For Offshore Wind

The German cabinet approved the ordinance on spatial planning for the German exclusive economic area in the North Sea. The ordinance was motivated by the desire to promote construction of offshore wind parks. According to the government, the ordinance transparently balances the interests of offshore wind parks, environmental protection, and conventional uses such as shipping, which are coordinated in an early planning phase. The ordinance, together with a similar ordinance on the Baltic Sea planned for this autumn, and the wind parks already approved, ensured a first tranche of 12,000 MW of offshore wind capacity, the government said. The target was to reach 25,000 MW of offshore wind capacity by 2030.

Bundesministerium für Verkehr, Bau und Stadtentwicklung website, 16/09/09

Solar Industry Suggests Cut In Subsidies For More Quality Standards

The German photovoltaic industry has suggested cutting German feed-in tariffs quicker than is currently being envisaged by the Renewable Energies Law (EEG). Solar power currently receives more subsidies than other types of renewables. At the same time, the industry suggested that the lowering of subsidies be accompanied by ecological and social standards in the production and disposal of solar cells. Such stricter quality standards are seen as a move to restrict the access of Chinese solar companies to the German market.

ADP news, 28/09/09; Die Welt, 22/09/09



Ireland

Gas Prices To Fall

The Commission for Energy Regulation has approved a 9.8% average reduction in gas prices. The approved tariff cut will reduce gas prices to residential customers by an average of 9.3% and to small- and medium-sized businesses by an average of 13.6% from 1 October this year. This represents a total decrease in gas prices over 2009 of 19.5% to the average residential customer and of 24% to small- and medium-sized businesses.

Business and Finance Daily News Service, 03/09/09; Irish Times, 03/09/09

Italy

New Decrease In Energy Bills

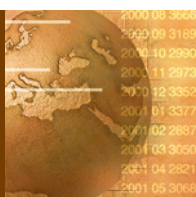
The energy expenditure of Italian families will decrease in the last quarter of this year following AeeG's decision to decrease the reference price of natural gas by 1.2% and to confirm last quarter's reference price for electricity. The new gas reference price will be applied from 1 October and will impose a further reduction in the annual expenditure of a standard family of around €12, compared with the previous quarter. The average total decrease in energy prices (gas and electricity) in the last quarter 2009 will be 0.8%. Since the beginning of the year, the natural gas bills of a standard family have decreased in total by 22.4% net of taxes (16.4% gross of taxes), while electricity bills have fallen by around 8% (both gross and net of taxes). The total reduction of families' overall expenditure on electricity and gas (including decreases that occurred in all 2009 quarters) amounts to €224 on a yearly basis (equivalent to a fall of 12.3%).

AeeG website, www.autorita.energia.it, 29/09/09

Netherlands

CWE Regulators Harmonise Auction Rules For Electricity Interconnection Capacity

Energy regulators and transmission system operators (TSOs) in the Central-West European (CWE) electricity market, which includes the Benelux countries, Germany, and France, have agreed on a set of harmonised rules to auction interconnection capacity. The aim of the new rules aims is to create a level playing field for international power traders, by replacing national auctioning systems with a system in which auctions are coordinated by a single entity, CASC-CWE (Capacity Allocating Service Company for Central West Europe), created for this purposes by the TSOs. A key rule in the new system is the "use it or sell it" principle, which allows traders to trade capacity so that they can be compensated for any unused capacity. Within the CWE region, the daily capacity auction on the Dutch-German and French-German borders is



now the only auction not subject to the harmonised rules. Regulators and TSOs are currently working to establish market-coupling on these interconnections, which is expected by 2010. Furthermore, the Dutch energy regulator, NMa, expects the first auction of Dutch interconnection capacity under the new rules to take place this October, when the yearly capacity auction for 2010 is scheduled.

Energiekamer website, 24/09/09

NMa Publishes Draft Policy Rule On District And City Heating Price

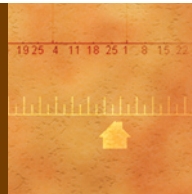
On 23 September, the Dutch Competition Authority, NMa, published a draft policy rule on reasonable prices under the Heat Act, which determines the method for setting the reasonable end-user price of district and city heating. The policy rule will apply from mid-2010, when the Dutch Heat Act is expected to take effect, to households and small business customers with a maximum connection of 1,000 kW to city and district heating networks. The Heat Act will require that heat suppliers determine a “reasonable” price to customers on the basis of the actual costs of each supplier, by network, following the methodology set out in the policy rule. Interested parties can submit their response to the draft decision until eight weeks from 23 September. On 5 November, NMa will also organise a hearing on the draft decision at its office in The Hague.

Energiekamer website, 23/09/09

NMa Publishes Draft Decision On 2010 Electricity Meter Rental Prices

The Dutch Competition Authority, NMa, has published on its website a draft decision on the determination of the maximum electricity meter rental tariffs for 2010. The tariffs involve meter rental tariffs for households and small business customers with a connection of up to 3x80A, whose meters are owned by network companies. The regulated meter rental tariffs for 2010 will be based on the 2009 tariffs, updated for inflation, as described in a Ministerial Rule of 2 September 2009. Interested parties can submit written reactions to NMa until 19 October 2009, and can attend a meeting at the office of NMa on 5 October. Details are available on the website of Energiekamer, the Dutch energy regulator.

Energiekamer website, 21/09/09



NMa Grants First Exemption For TPA To Private Energy Network

The Dutch Competition Authority, NMa, has allowed third-party access (TPA) to ECW Netbeheer BV, an association of greenhouse companies that owns a gas distribution network in the municipality of Wieringermeer, north of Amsterdam. Henceforth, customers of ECW's gas distribution network will be able to choose their own energy supplier. A new policy note by the Dutch Minister of Economic Affairs of January 2009 requires NMa to set conditions that create obligations to provide TPA in new exemptions for private networks. In the near future, NMa expects to make a decision in another 35 requests for TPA exemption.

Energiekamer website, 02/09/09

Portugal

Government Awards Tender For Biomass Plants

The Portuguese Ministry of Economy has awarded licences to build power plants fuelled by biomass for a total of 56 MW installed capacity. This new allocation is part of a broader process for a total of 100 MW.

Jornal de Negócios, 24/09/09; Agência Lusa, 24/09/09

Romania

Romanian Regulator Leaves Gas And Power Tariffs Unchanged In Q4

The price of natural gas and electricity will remain stable from 1 October following a decision by the National Energy Regulatory Authority (ANRE). The price of natural gas has already decreased this year from US\$480 per thousand cubic metres to US\$270, according to ANRE.

Rompress, 30/09/09; Financiarul.ro website, 09/09/09

Russia

Government Considers Regulated Tariff Increase

The Russian government is considering a 7.5% increase in the regulated tariffs for industrial customers in 2010, instead of the previously planned 5.5% increase. The latest estimate takes into account a recent accident at the Sayano-Shushenskaya hydro plant.

Nezavisimaya Gazeta, 21/09/09; Prain-TASS, 20/09/09; Global Insight 16/09/09; Reuters, 15/09/09

Government Approves Power Sector Investment Program

The Russian government has approved the power sector investment program for 2010. The total expected investments in the sector are 779,200 million roubles (US\$25,900 million), of which 600,800 million roubles (US\$20,000 million) are for companies in which the state is a shareholder.

AK&M, Nezavisimaya Gazeta, Gazeta, 16/09/09



More Networks To Adopt RAB-based Regulation In 2010

From 2010, the Federal Network Company (FSK) and the Moscow distribution network will move to RAB-based regulation. The Ministry of Energy issued a recommendation to all regional governments to consider adopting the RAB-based regulation for distribution companies in their respective jurisdictions.

AK&M, 16/09/09; RIA Novosti, 15/09/09; Praim-TASS, 11/09/09; Interfax, 09/09/09

Spain

Government Sets Tariffs for Natural Gas Supply Of Last Resort And Liquefied Petroleum Gas

The Spanish government has cut the tariffs for the Supply Of Last Resort of natural gas for domestic consumers. Their tariffs will fall by an average of 1.24% starting from 1 October. Consumers without gas heating (i.e., with an annual consumption equal to or lower than 5,000 kWh) will see their Tariff of Last Resort reduced by 1% and the tariff for consumers with an annual consumption above 5,000 kWh will decrease by 1.32%. Tariffs for small commercial and industrial customers will reduce by 1.86% on average. The government has explained that these reductions reflect the decrease in natural gas reference prices and the appreciation of the euro against the dollar and the pound. The government has increased the tariff for Liquefied Petroleum Gas by 2% under a new recently approved tariff methodology that tries to smooth the volatility of commodity prices.

Ministry of Industry press release, 30/09/09

Government Asks Electricity Companies To Use More Domestic Coal

The Spanish government has requested that electricity generators use more domestic coal for electricity production. Low electricity demand, coal's current higher cost (in comparison with natural gas), and domestic coal's lower calorific value are the reasons behind the lower use of this fuel. With this decision the government is trying to help the domestic coal industry and to avoid labour conflicts with coal miners. The government intends to compensate the companies with a capacity payment for the plants that generate electricity with domestic coal.

Cinco Días, 24/09/09, 16/09/09; EFE, 23/09/09; Expansión, 18/09/09



Government Announces A List Of Renewable Installations Approved Under The New Support Scheme

The Spanish government announced that 36 renewable installations projects have fulfilled all the conditions of authorisation for their installation, required for receiving a premium on top of market prices. These projects comprise 767 MW of wind generation technology, 50 MW of solar thermoelectric, 34 MW of biogas and 1 MW of cogeneration. The new procedure was announced by the government in May 2009. More than 670 other applications are still under analysis by the Ministry of Industry. Photovoltaic plants are not included in this announcement since they have a separate registration and authorisation process.

Ministry of Industry press release, 23/09/09

Energy Regulator Approves Amount To Be Refunded From Power Producers For Emission Rights Received for Free

The Spanish energy regulator, CNE, has calculated that electricity generators will have to refund €1,222 million (US\$1,777 million) of extra revenues obtained from the increase in wholesale prices caused by generators, including the opportunity cost of CO2 emission rights in their offers to the spot market. This refund will have to be paid by all generators, including those that do not emit greenhouse gases, such as hydroelectric and nuclear plants, on the basis that they too benefited from the increase in wholesale prices. The amount will be deducted from the 2007 and 2008 tariff deficits.

CNE press release, 15/09/09

Switzerland

Regulator Launches Online Price Comparison Tool

Swiss consumers can now retrieve their electricity tariffs for 2009 and 2010 on the website of the regulator (ElCom) and compare them to the tariffs in other municipalities. The website also allows users to compare the different tariff components: the network tariff, the energy price, and taxes.

ElCom website, 07/09/09



Turkey

EPDK Raises Electricity Prices

The Turkish energy regulator, EPDK, has announced an increase in electricity wholesale and retail prices as of 1 October 2009. On 3 September, the EPDK approved a proposal by the Turkey Electricity Trade Contracting Corporation (TETAS) to increase electricity wholesale prices by 21.08%. According to the Turkish Energy and Natural Resources Minister, Taner Yildiz, the wholesale price hike would result in an increase in retail electricity prices of around 10%. On 17 September, the EPDK confirmed that the electricity retail price increase will amount to 9.68% for households and 9.85% for industrial customers.

Today's Zaman website, 05/09/09; Ihlas News Agency website, 17/09/09

North American News

US

State Regulators Approve 16% Drop In Puget Sound Energy's Natural Gas Rates

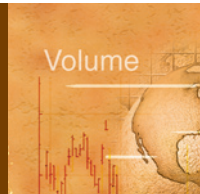
The Utilities and Transportation Commission approved a 16% decrease in natural gas rates for customers of Puget Sound Energy as a result of lower wholesale prices for gas. The average residential bill will drop about US\$15 to about US\$78 a month, as of 1 October.

Associated Press Newswires, 24/09/09; www.snl.com, 25/09/09

New Jersey Regulator Reduces Natural Gas Rates

The New Jersey Board of Public Utilities has approved natural gas rate reductions, which are expected to save the typical household between US\$262 and US\$477 a year, a decrease of 23% to 37%. This represents the largest tariff reduction ever in the state. PSE&G will reduce its price per therm from US\$1.19 to US\$0.89. Three smaller natural gas utilities in New Jersey have adopted similar reductions. Lower wholesale gas prices have enabled savings to be passed on to consumers by the gas utilities.

Associated Press Newswires, 16/09/09; www.state.nj.us, 16/09/09



FERC Finds No Physical Explanation For High Peak Prices In The Summer Of 2008

The Federal Energy Regulatory Commission (FERC) published its 2008 State of the Markets Report on 2 September 2009. In summary, the report examined the physical and financial fundamentals underlying price volatility over the year and found no obvious physical reason for the peak value of US\$13.31/MMBtu that gas prices reached in July 2008. Market aspects such as developments in unconventional domestic gas supplies, new gas pipeline infrastructure, disruptions in cumulative supply, the supply/demand balance, and storage levels were all considered.

Foster Natural Gas Report, 11/09/09; www.ferc.gov, 02/09/09

First Official Smart Grid Standard Completed

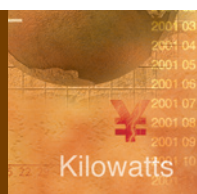
The National Electrical Manufacturers Association (NEMA) completed its “Requirements for Smart Meter Upgradeability”, the first official smart grid standard in the US. The NEMA standard sets out requirements for smart meter firmware upgradeability for those utilities and other entities who want to deploy Advanced Metering Infrastructure. The National Institute of Standards and Technology is currently working on additional smart grid interoperability standards. The upgradeability requirements will be used by smart meter suppliers, utility customers, and regulators to guide decision making related to smart meter technologies.

Penton Insight, 28/09/09; *States New Service*, 24/09/09

Circuit Court Decides Against Utilities On Emissions

The US Court of Appeals for the Second Circuit ruled that courts can decide tort claims against greenhouse gas (GHG) emitters in the interest of reducing greenhouse gases in the absence of federal requirements. Eight states and New York City sued the six largest GHG-emitting utilities under common law seeking to force them to reduce their GHG emissions on the grounds that the emissions were causing damages to the state’s natural resources. The appeals court remanded the case to the New York City district court. The decision held that states could sue utilities for damages to its property and citizens caused by the utilities’ contribution to global warming. The ruling still allows for a future ban on such “nuisance” suits to be included in future legislation by Congress or through regulation by the Environmental Protection Agency.

Energy Washington Week, 30/09/09; *Carbon Control News*, 28/09/09



Obama Proposal Tightens Fuel Economy Standards And Emissions Limits

The Obama administration announced a landmark deal to raise the federal fuel efficiency requirements to motor vehicles to 35.5 miles per gallon by 2016. The requirements, which represent a 40% boost over current standards, are projected to save consumers more than US\$3,000 over the life of a model 2016 car. Additionally, the proposal calls for the first federal standards limiting greenhouse gas emissions from motor vehicle tailpipes. Under the new rules, cars and trucks can emit no more than 250 grams of carbon dioxide per mile on average.

St. Paul Pioneer Press, 16/09/09; Reuters News, 15/09/09

New Climate Change Bill Calls For 20% Reduction In Co2 Emissions By 2020

Senators Barbara Boxer, chairman of the Senate Environment and Public Works Committee, and John Kerry, chairman of the Senate Foreign Relations Committee, introduced a climate change bill on 30 September calling for a 20% reduction in US CO₂ emissions from the 2005 levels in 2020 and for a reduction of 83% by 2050. The GHG reductions would be required by large companies that emit 25,000 tons of carbon or more per year and would exempt farms, homes, and small businesses. The bill is stronger than the version previously passed in the House that committed the US to reducing its carbon output by 17% by 2020 and 80% by 2050 through cap-and-trade. The bill includes a ceiling on the price of the greenhouse gas allowances and contains stronger oversight of the allowances market.

McClatchy Newspapers, 30/09/09; Climate Wire, 28/09/09

Schwarzenegger Orders More Ambitious Renewable Targets For California

California governor Arnold Schwarzenegger issued an executive order on 15 September that directs the California Air Resources Board (CARB) to establish rules sufficient to achieve a 33% cut in emissions by 2020. This order effectively vetoes a recent vote by the state legislature on the state Renewables Portfolio Standard (RPS) that imposed a 20% target on the three largest investor-owned utilities—Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric. The governor opposed the state legislation on the grounds that it would unfairly limit imports from wind, solar, and geothermal energy sources in the Western Interconnect grid. California lawmakers claim that the CARB lacks the legal authority to carry out the RPS and anticipate that the governor's plan will be legally challenged.

Greenwire, 16/09/09; Carbon Control News, 28/09/09



Canada

Big Gas Companies Can Now Offer Eco-Options Thanks To Ontario Ruling

The Ontario government has removed the restrictions on non-regulated business activity on Enbridge Gas Distribution Inc. and Union Gas. The companies will now be allowed to own and operate a range of green energy facilities capable of supplying heat and power to their customers, including stationary fuel cells, wind, biomass, biogas, solar, and geothermal energy, and district energy systems. The only condition for both utilities is that the electricity component of projects cannot exceed 10 MW, roughly enough power for 5,000 homes.

The Toronto Star, 24/09/09; www.oeb.gov.on.ca, 22/09/09

Mexico

Federal Commission Establishes Electricity Subsidy In Sinaloa

The Federal Electricity Commission (CFE) has established a protected tariff for consumers in Culiacán, the capital city of Mexican State Sinaloa. The tariff consists of a subsidy on the first 500 kWh in the monthly electricity bill. The so called 1-F tariff applies only between May and October, when temperatures are often above 40°C, implying households spend around 40% of their income on electricity.

Servicio Universal de Noticias, 23/09/09; *Riodoce*, 23/09/09

Central And South American News

Brazil

Aneel Approves Terna's Acquisition By Cemig

Brazilian energy holding company Companhia Energética de Minas Gerais (Cemig) received approval from energy regulator Aneel to acquire 65.86% of Terna Participações (the Brazilian unit of Italian power grid operator Terna SpA). The acquisition will take place via the daughter company Transmissora do Atlântico de Energia Elétrica (Taesa), created by Cemig's generation and transmission arm. The value of the deal is approximately US\$1,050 million.

InvestNews, 28/09/09; *Data Processing Ltd.*, 28/09/09;

The Wall Street Journal website, 29/09/09



Chile

Government To Strengthen Control Of Water Resources

The Chilean government is preparing a constitutional reform to reinforce the state ownership of water flows and glaciers. Currently, water resources are managed under private perpetual rights of use and traded in a free market. The proposed reform would enable the state to confiscate unused resources and may affect hydroelectric generators.

Milenio, 25/09/09; Diario Financiero 23/09/09; Business News Americas, 22/09/09

Distributors Award Tender For Long Term Supply

Chilean electricity distributors from the Northern Electric System awarded a tender to Chilean generator Edelnor, owned by Codelco and GDF Suez, to supply between 1.8 and 2.53 TWh per annum between 2012 and 2026 at an average price of US\$89.99/MWh. This energy will be generated from LNG imported through a new regasification plant also being built by Codelco y GDF Suez, with a capacity of 5.5 million cubic meters per day.

Diario Financiero, 23/09/09; Business News Americas, 14/09/09;

CNE website, www.cne.cl, 14/09/09

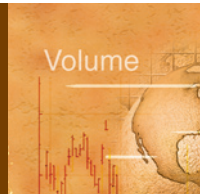
Asia Pacific News

Australia

Australian Energy Market Commission Completes Review Of The National Framework For Electricity Distribution Network Planning And Expansion

The Australian Energy Market Commission (AEMC) provided the Ministerial Council on Energy (MCE) with its final report on the review into the current electricity distribution network planning and expansion arrangements in the National Electricity Market. The final report presents the AEMC's recommendations and reasoning for the establishment of the national framework. Submitted with the final report are the AEMC's draft amendments to the National Electricity Rules, which reflect the proposed recommendations. The final report and the proposed draft rules are available on the AEMC website.

The Australian Energy Market Commission website, 28/09/09



Regulator Warns Of Generator Market Power

The Australian Energy Regulator (AER) has announced that there are signs of market power in the National Electricity Market (NEM). AER board member Ed Willett stated that generators have been exercising market power to increase wholesale prices in New South Wales, South Australia, and Tasmania in recent years. Mr. Willett stated that while the NEM was designed to minimise the risk of market power, there are circumstances where a generator is required to be dispatched within a particular region allowing it to exercise market power. Mr. Willett outlined this market power as most evident in times of peak demand, typically on days of extreme temperatures, and when parts of the power system are constrained.

The Australian Energy Regulator website, 08/09/09

Assistance Provided For Transition To Carbon Pollution Reduction Scheme

The Australian Minister for Climate Change and Water, Senator Penny Wong, announced that assistance of AU\$130 million will be provided to parties that are adversely affected during the transition from the New South Wales Greenhouse Gas Reduction Scheme (GGAS) to the Carbon Pollution Reduction Scheme (CPRS). While the government believes that the vast majority of projects operating under GGAS will not be adversely affected, some waste coal mine gas, landfill gas, and avoided methane generators may be adversely affected, along with holders of unused NSW Greenhouse Gas Abatement Certificates. The details of the allocation and distribution of the cash assistance to affected parties will be finalised in consultation with the New South Wales Government.

The Department of the Environment, Water, Heritage, and the Arts website, 02/09/09

New Zealand

Commerce Commission Releases Draft Decisions Paper Relating To Electricity Distribution Prices

The Commerce Commission has released a draft decisions paper regarding the default price-quality path that applies to electricity distribution businesses. The price-quality path will apply from 1 April 2010 and serves as a reset of the current price-quality path, which has existed since 1 April 2009. Under the draft decision, businesses are allowed to increase prices by inflation while making sure that the current supply quality to consumers is at least maintained. Submissions on the paper are due by 12 October 2009, with cross-submissions due by 26 October 2009.

Commerce Commission Press Release, 08/09/09



China

China To Revise Renewable Energy Law

The Chinese government is set to revise the Law on Renewable Energy. The new law will require local governments to submit proposals for the development of renewable energy to conform to national targets. The plans include the requirement that regions purchase minimum quantities of green power each year.

Xinhua's China Economic Information Service, 21/09/09

India

Central Electricity Regulatory Commission Increases Support For Renewable Energy

The Central Electricity Regulatory Commission announced new measures this month to support wind energy. The right to sell electricity to the grid for renewable energy units generating in excess of 50 kW forms part of the package. In response to growing support for renewable energy in the country, General Electric announced this month that it intended to increase investment in wind power.

Times of India, 20/09/09; www.bloomberg.com, 29/09/09

Kerala State Electricity Regulation Commission Holds Tariff Hearings

The Kerala State Electricity Regulation Commission (KSERC) has held open hearings this month, which interested parties and members were invited to attend. The hearings form part of a consultation process prior to the revision of tariffs for consumers of electricity. The monopoly supplier in the state, the Kerala State Electricity Board, has proposed tariff increases of as much as 40% for industrial and larger domestic customers.

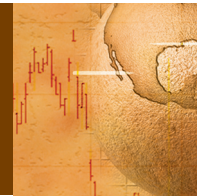
The Hindu, 14/09/09; Times of India, 17/09/09

Philippines

Napacor To Increase Power Rates

The Energy Regulation Commission has approved a 9 centavo (US\$0.002) increase in prices for wholesale power for the National Power Corporation (Napacor). Napacor requested the increase in power prices in order to fund its P6,000 million (US\$150 million) programme of investment in connecting areas that are not currently connected to the main power grid. Prices in Manila are expected to increase less than in other areas of the country as the capital's distribution utility, Meralco, buys only 30% of its power from Napacor.

Manila Bulletin, 12/09/09; Philippine Star, 12/09/09



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