

Reporting on energy regulation issues around the world

Global Energy Regulation

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Australia and New Zealand

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France, Belgium, and Latin
America

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European News

UK

NG And Ofgem To Address Zero Transmission Entry Capacity Prices

National Grid (NG) wants to abolish the discounts applied to reserve prices for transmission entry capacity in daily auctions at six UK beach terminals, as auction revenues are not recovering NG's allowed revenue. Shippers are buying it at low prices on the day it is needed, rather than in regular advance auctions. *Platts Commodity News*, 26/10/06

UK Launches Review Of Security Of Gas Supply

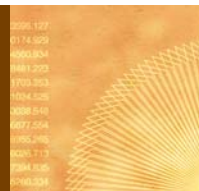
The UK Government's Department of Trade and Industry launched a consultation on "the effectiveness of current gas security of supply arrangements to ensure the UK market is as resilient as possible". According to the document, the Government may force suppliers to store enough gas to meet peak winter demand and may start regulating the use of gas storage facilities. The consultation report also calls for gas-fired power stations to be able to use other fuels when supplies are strained.

Birmingham Post, 17/10/06; *Reuters News*, 16/10/06, *Platts Commodity News*,

Ofgem Encourages Microgeneration

Ofgem has urged electricity suppliers to remove barriers to customers using microgeneration units in their homes and sell surplus energy through the national grid. Ofgem said that the potential of household microgeneration is not being realised due to the complexity the prevailing arrangements for selling surplus power and due to confusion over the process for installing microgeneration units. Ofgem wants suppliers to provide information and assistance to overcome these difficulties and will review barriers to microgeneration that may be created by existing licences. If suppliers do not improve the ability of consumers to install microgeneration, Ofgem may resort to regulating the terms on which electricity produced from microgeneration can be sold through the grid.

Ofgem Press Release, 9/10/06



Gas Spot Price Goes Negative

The natural gas spot price at the UK National Balancing Point (NBP) went negative briefly on 3 October 2006. The price of minus 4 pence per therm followed the testing of the Langeled pipeline linking Norway to the UK, during which it was necessary to pass large volumes of gas through the pipeline to the UK, flooding the market. However, despite the negative price, forward prices for the coming winter remained above 70 pence per therm, meaning end users will see little change in gas costs.

The Guardian, 4/10/06

Ofgem Reviews Dutch Cable Plans

Ofgem is reviewing plans by National Grid and Tennet to build a power cable between the UK and the Netherlands by mid-2010. The companies have applied for exemptions from the requirement to offer third party access (TPA) and to gain regulatory approval of their charging methodology. Ofgem said that it is minded to grant the exemption but noted concern over differences between the balancing markets in the UK and the Netherlands.

Platts Power UK, 25/9/06

Austria

Regulator Is Concerned Over High Power Price Rises

Austrian suppliers announced retail electricity prices will rise next year, owing to higher wholesale prices. According to E-Control, the Austrian regulator, total prices will rise by about 5% on average, with the energy component of final prices rising by 10%.

Platts Commodity News, 30/10/06

Belgium

Government And Suez Reach Agreement On Suez-GdF Merger

Suez released the conditions of its agreement with the Belgian government regarding its proposed merger with Gaz de France (GdF). These conditions include divesting some of Suez's nuclear generation facilities and asset swaps to allow other generators to enter the Belgian market. The agreement is subject to approval by the EUR opean Commission, which has sole jurisdiction over the Suez-GdF merger.

Gas Matters Today, 9/10/06; Enervia, 9/10/06



Bulgaria

Bulgaria Seeks To Retain Power Exporting Role

Energy Minister Rumens Ovcharov said that Bulgaria is considering setting up a large energy sector holding company to maintain its role as a leading power exporter in Southeast Europe. Ovcharov said that the Government will outline proposals by the end of the year for consolidating state-owned energy companies.

SeeNews, 6/10/06

Regulator Threatens To Revoke Gas Licences

Bulgaria's State Water and Energy Regulatory Commission has threatened to revoke the gas distribution licences of Black Sea Technology Company (BSTC) for the Mizia and Dobrudja regions, unless the licensee speeds up its investment programme. The Chairman of the Commission, Konstantin Shushulov, said the firm's investment is behind schedule compared with commitments it made prior to being granted the licence in 2004. BSTC has until 15 November 2006 to submit remedial plans. The Commission will also consider revoking Centralgas's licence to supply gas to the towns of Gabrovo and Haskovo.

Bulgarian News Digest, 4/10/06

European Union

Commission Opens File On Ruhrgas' Golden Share

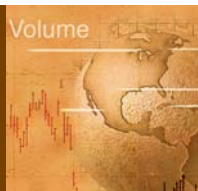
The European Commission (EC) has asked the German government to explain the conditions imposed on E.ON when the utility took over gas company Ruhrgas in 2002. In particular, the EC is interested in the condition that prevents E.ON from selling Ruhrgas without the approval of the German government for ten years after the merger. The EC believes this condition might now breach internal market rules.

Associated Press Newswires, 23/10/06; European Daily Electricity Markets, 23/10/06

Commission To Issue Final Decision On Suez-GdF Merger

The European Commission is drafting its decision on the proposed merger between utilities Gaz de France (GdF) and Suez. The latest remedies proposed by the two merging companies include the sale of Suez's stake in Belgian gas distributor Distrigaz and the divestiture of GdF's shares in Belgian electricity generator SPE. The EC's final decision is expected on 14 November 2006.

Financial Times, 23/10/06; The Wall Street Journal, 16/10/06



Commission Approves Edison's Takeover Bid For Eneco Energia

The EUR opean Commission (EC) has approved Edison Spa's takeover of Eneco Energia Spa. The EC decided that the deal does not raise any competitive concerns, even if both companies overlap in the business of electricity supply to eligible consumers in Italy. The EC highlighted the relatively small market shares of both Italian utilities and the fact that the merged company will face strong competition from Enel, Eni and EGL Italia.

Agence EUR ope, 21/10/06; EUR opean Daily Electricity Markets, 19/10/06

Commission Approves Action Plan On Energy Efficiency

The EUR opean Commission (EC) presented its Energy Efficiency Action Plan, which aims to reduce energy use in the EUR opean Union (EU) by 20% by 2020. The Plan identifies ten priority measures that the EU should take over the next six years in order to improve energy efficiency.

EC Press Releases, 19/10/06; Reuters News, 18/10/06

Commission Opens Infringement Procedure On Spain

The EUR opean Commission (EC) has formally opened an infringement procedure against Spain, because the Spanish Energy Regulator, Comisión Nacional de Energía (CNE), has not lifted the conditions imposed on E.ON's takeover bid over Spanish utility Endesa. In a Decision issued on 26 September 2006, the EC decided that some of the restrictions imposed by CNE on the merger were against the EUR opean Union's merger regulations.

EUR opean Daily Electricity Markets, 18/10/06; Dow Jones Capital Markets Report, 18/10/06

France

French, Belgian and Dutch Energy Regulators Approve Market Coupling

The energy regulators of France, Belgium and the Netherlands (CRE, CREG and DTe respectively) have approved the implementation of market coupling for the allocation of cross-border electricity capacity among the three countries. Under market coupling, cross-border day-ahead capacity is implicitly auctioned between the different wholesale markets. The new allocation mechanism will replace the current explicit auctions. The three regulators consider that this is an important step towards the integration of the EUR opean electricity markets.

CRE Press Release, 27/10/06



Senate Approves Energy Law Draft

The French Senate has passed the draft energy law approved last month by the French General Assembly. Among other things, the draft law foresees the privatisation of Gaz de France (GdF), which allows it to merge with Suez, and the reform of the board of the French energy regulator (Commission de Régulation de l'Énergie, CRE). Before becoming law, the draft text will be jointly discussed by the French Assembly and the Senate.

Le Figaro, 26/10/06; *DJ Bourse*, 9/10/06; *Libération*, 4/10/06

France Under Scrutiny Over Reactor Loan

France has come under close regulatory scrutiny by the EUR opean Commission (EC), for potentially offering state aid when it provided a EUR 570 million (US\$ 450 million) loan guarantee to finance the construction of a nuclear power station in Finland, the first nuclear reactor in EUR ope since the Chernobyl catastrophe in 1986. The nuclear reactor will be built by Finnish utility TVO, but the equipment will be provided by French Areva. The investigation follows an accusation filed to the EC by ecologist groups.

Financial Times, 25/10/06

Germany

Regulator Expected To Dismiss Gas Market Zone Case

Following remarks in a public hearing, Germany's energy regulator is expected to dismiss a case filed by Nuon and BNE on gas market zones on 20 November. The complaint concerned the high number of market zones, 19 in total. The regulator indicated his inclination to reject the case, albeit on formal grounds. In a separate case, also brought by Nuon and BNE, the regulator signalled a more favourable attitude towards the complaint. The case focuses on concerns about efficiency and obstacles to competition in a mixed system of gas network access terms offering the city/region gate model as well as the entry/exit model.

EUR opean Gas Markets, 31/10/06; *Platts Commodity News*, 19/10/06

Economics Minister In Favour Of Tighter Energy Regulation

German Economics Minister, Michael Glos, made known his desire to present a new decree tightening regulation of the power market. Glos wants to improve the monitoring of abuses and intends to change the country's anti-cartel regulations to check the market dominance of Germany's big energy firms. Germany's plans to tighten energy regulation are backed by the EUR opean Commission's top energy regulator, Andris Piebalgs.

Dow Jones News Service, 26/10/06; *Dow Jones Capital Markets Report* 23/10/06



Gas Network Tariff Approvals

The German Energy Regulator has decided on the network tariff requests filed by three German gas distribution companies. The tariffs are applicable until 31 December 2006. The regulator cut down the allowable costs of the companies by amounts ranging from 2.5 to 20.9%. The cost reductions derive in particular from a review of working capital, physical asset valuation and the cost of capital.

Bundesnetzagentur Press Release, 18/10/06

Ireland

Watchdog To Probe Gas/Electricity Prices

The Irish Competition Authority is to investigate the country's rising electricity and gas prices. Bord Gais raised its prices 34% from October and ESB prices are due to go up by almost 20% in January. Industry associations are concerned that the energy policies being pursued by the government and the regulator are putting employment at risk and causing unacceptable fuel prices.

Business and Finance Daily News Service, 25/10/06

ESB Prices May Be Reversed

The Commission for Energy Regulation has said that if the price of gas continued to decline, then the CER would be forced to reconsider the amount they have allowed Bord Gais and ESB to charge for their services. Recent price rises in both gas and electricity have been approved by the regulator, who cited higher raw material costs as the justification. Although the regulator is prepared to consider price indexation, the energy industry has rejected the idea in the past.

Irish Times, 5/10/06

Interconnector To Stay In Public Hands

The Irish Government has informed the regulator that the new EUR 250 million electricity interconnector between Ireland and Wales will remain in public ownership, under EirGrid, the national grid company - until recently part of the ESB group. EirGrid will now be asked to carry out technical work on subsea routes for the link.

Irish Times, 4/10/06



Italy

AEEG Publishes First Annual Report On White Certificates

AEEG, the Italian regulator, published the first annual report on the energy savings obtained using the white certificate mechanism. In the first year, the energy saving target imposed on major electricity and gas distributors has been largely exceeded and overall savings reached 286.000 tonnes of oil equivalent. AEEG's web site, 30/10/06

Need To Limit Use Of Gas For Electricity Generation

During the opening of a new 1200 MW CCGT plant, the Italian Ministry of Economic Development declared that, to avoid gas emergencies like those observed in previous years, the mix of generation in Italy has to be rebalanced. It should in future include a share of clean coal, energy efficiency and also increased use of renewable sources. According to the Ministry, neither the agreement between Russia and Ukraine nor the construction of new pipelines and LNG terminals would be enough to guarantee security of supply to all customers, so Italy should limit its use of gas.

Il Sole 24 Ore, 26/10/06

Storage Code Approved

AEEG approved the Storage Code submitted by Stogit S.p.A., the major gas storage operator in Italy. The Code sets terms and condition to access storage services provided by the company and will be in place from 1 November 2006. AEEG's web site, 19/10/06

Netherlands

The Three Regulators Authorise Implementation Of Market Coupling Between The Belgian, French And Dutch Electricity Markets

The three regulatory agencies, CRE, CREG and DTe (part of the Dutch competition authority, NMa) announced that they have all agreed to the implementation of market coupling between the three markets. Market coupling is a new method of allocating day-ahead cross-border capacity between the three countries. This mechanism is an implicit daily auction of capacity between the wholesale electricity markets of Belgium, France and the Netherlands. (See related story for France.)

DTe Website, 27/10/06



Tariff Proposal 2007 For The National Gas Network Operator

DTe has received proposed rates for 2007 from the national gas network operator. Before implementation, these rates must be approved by DTe. The proposed rates will remain on the internet until 3 November 2006.

DTe website, file number 102372, 20/10/06

Preliminary Decision On Capacity Reservation By GTS for Domestic Consumption

On 12 October 2006, the appeal court for business matters (CBb) gave a preliminary opinion on a determination of the Gas Technical Codes (see NMa decision of 27 June 2006). This determination required Gas Transport Services (GTS), the operator of the national gas network, to reserve transport capacity for customers connected in the Netherlands. The judge decided that the implementation of this determination (planned for 1 January 2007) must be postponed until the NMa has taken a decision on the complaints submitted by GTS and other parties against the Gas Technical Codes.

DTe website, 12/10/06

Poland

Powers Of Energy Regulator Reduced

In 2007, the Energy Regulatory Office (URE) will cease to approve the rates proposed by power companies. The Economy Ministry wants the URE merely to offer an opinion, following changes in the legal powers of the URE. Up till now, power companies have set their rates “ex ante”; after amendment of the regulations, rates will be fixed “ex post”.

Polish News Bulletin, 18/10/06

Portugal

Government Awards Wind Energy Tender

The Portuguese Minister of Economy, Manuel Pinho, approved the final award of 1200 MW of wind capacity to a consortium led by EDP. The total investment will reach EUR 1,750 million (US\$ 2,208 million). The Portuguese government plans to launch a second round of the tender for up to 500 MW of wind capacity.

Agência Lusa, 28/10/06



Electricity Tariff Increase Under Debate

The 2007 electricity tariff increase is being debated between the Portuguese government and the Portuguese energy regulator, ERSE. ERSE's initial proposal set an average tariff increase of 15.7%. However, the Portuguese Minister of Economy, Mr. Pinho, does not support such an increase, and his proposal reduces the raise to 6%. This second proposal would imply an additional tariff deficit amounting EUR 120 million (US\$ 180 million) for the next year, which has to be added to the EUR 399 million (US\$ 499 million) accumulated deficit to date.

Diário Económico Expansión, 25/10/06

EDP To Create A Last Resort Supplier

In accordance with the new electricity sector regulatory framework, Portuguese utility EDP Distribuição is to create a new company in charge of the supply of last resort. The new company will start operation on 1 January 2007, and will operate in the regulated market since it is not considered a retailer but a network operator.

Diário Económico Expansión, 17/10/06

Romania

Regulator Considers New Security Of Supply Legislation

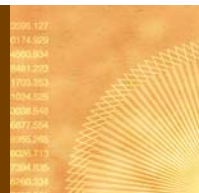
Romanian gas distributors Distrigaz Sud and E.ON Gaz Romania may be told to set aside more gas to safeguard supplies for this winter, according to Rompress. The legislation will be subject to public consultation, but would require each firm to set aside 100 million cubic metres of gas for the period from 1 December 2006 to 1 March 2007, in addition to the gas already held by the two companies in reserves.

Global Insight Daily Analysis, 4/10/06

Russia

Gas Price Deregulation Postponed Amid Fears Of Energy Shortages

Russia has a looming power supply problems this winter. Energy consumption increased by 4.8% over the last nine months, compared to 2% average annual increases over the last five years. President Vladimir Putin complained at the meeting with top energy officials that the government had no clear concept of dealing with expected energy shortages. It was expected that participants of the meeting would decide on a sharp increase of gas prices for industrial customers, to curb overdependence on a single fuel, but no such decision emerged from the meeting. Comments from Putin and other senior officials



indicate that there will be no rapid deregulation of prices in the domestic gas market in 2007, and that the government is in favour of continuing subsidies in the energy sector. Meanwhile Mosenergo, power utility serving the capital, announced that it will avoid blackouts by cutting off industrial customers if the temperature reaches minus 15 degrees Celsius – 15 degrees warmer than the limit indicated in a similar announcement last winter.

SKRIN Newswire 23/10/06; Global Insight 20/10/2006; The Moscow Times 20/10/06, 04/10/06; Dow Jones International News 19/10/06

Spain

Spanish Energy Regulator Analyses Purchases Of Electric Utilities By Construction Companies

The Spanish Energy Regulator, CNE, is currently analysing the request for authorisation by Acciona and ACS to buy over 10% of electric utilities Endesa and Iberdrola, respectively. A Royal Decree issued this year requires any firm that wants to buy over 10% of a company operating in regulated sectors to obtain first an authorisation from the CNE. In addition, ACS has asked CNE for permission to increase its voting rights in Iberdrola above 3% and to designate some members of its Board. A law issued in 2000 forbids a company from having representatives on the Board of Directors or to hold over 3% of the voting rights in two or more of the five main electric utilities, unless it receives authorisation from the CNE. ACS already owns 35% of another electric utility, Unión Fenosa, and has appointed some of its Board Directors.

El Mundo, 27/10/06; Expansión, 27/10/06; Gaceta de los Negocios, 20/10/06; El País 7/10/06

Government Modifies Decree That Regulates The Functioning Of Energy Regulator

The Spanish government has modified the decree that regulates the functioning of the Comisión Nacional de Energía (CNE), the Spanish energy regulator. The new decree increases the powers of the President, giving her management responsibilities that were previously held by the Council. A management commission, comprising the President and two Council members chosen by her, will be in charge of appointing the personnel with management responsibilities and will support the President in performing her functions. In addition, the government will be able to dismiss the Vice President of the CNE.

La Vanguardia, 26/10/06; Expansión, 26/10/06; Cinco Días, 26/10/06



E.ON Goes To Court To Block Acciona

German power company E.ON confirmed Monday that it had started court action against Acciona, a Spanish builder, with the aim of stopping it buying more shares in Spanish utility Endesa, currently the target of a takeover by E.ON.

International Herald Tribune, Frankfurter Allgemeine Zeitung, 17/10/06

Turkey

Privatisation Runs Into Problems Due To High Power Prices

The privatisation of Turkey's distribution companies could run into problems, following the recent 24% increase in wholesale electricity prices, which have increased distribution companies' costs by 15%. Difficulties may arise because of the finance ministry's reluctance to pass through cost rises to residential electricity tariffs with a general election looming in 2007.

EUR opean Daily Electricity Markets, 19/10/06

North American News

US

Alabama Sides With Utilities In Pollution Case Before US Supreme Court; Justices Resist Overturning Plant Emissions Ruling

Alabama is among 11 states that filed a brief with the court supporting the defendant, North Carolina-based Duke Energy Corp., which was sued for upgrading plants without improving emissions controls. The case is one of many court battles over the Clean Air Act's New Source Review regulations, including one involving Alabama Power Co. However, US Supreme Court justices resisted pleas from environmental groups and the federal government to overturn a federal court ruling on power-plant emissions that favoured Duke Energy Corporation, though the nine-member court was divided on how to rule.

Dow Jones & Company, Inc., 1/11/06; The Associated Press, 31/10/06,



FERC OKs Incentive Rates For New England Transmission Expansion

In a majority decision, FERC authorised a return on equity for the owners of the ISO New England transmission grid, including an incentive rate to encourage transmission expansion in the New England region. The order largely affirms the May 2005 findings of a Commission administrative law judge on the return on equity, but rejected the judge's reliance on a "but for" test for a 100 basis points transmission incentive. The Commission had already rejected this approach in July when approving its transmission pricing reform final rule. *NGI's Power Market Today*, 31/10/06

CPUC Charges Forward On Emissions Standards For Baseload Generation

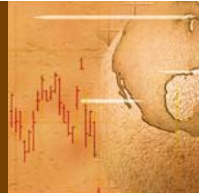
On 29 September 2006, Governor Schwarzenegger signed Senate Bill 1368, which bars any electric utility (as well as energy service providers and community choice aggregators) from investing in new baseload generation or signing a new or renewed contract for baseload generation for a term of five or more years, unless that baseload generation meets a greenhouse gas emissions performance standard. The statute defines "baseload generation" as generation from a power plant that is designed and intended to provide electricity at an annualised plant capacity factor of at least 60%. The standard, to be developed by the California Public Utilities Commission for utilities, energy service providers, and community choice aggregators, and by the California Energy Commission for local publicly-owned utilities, cannot be any higher than the greenhouse gas emissions rate from a baseload combined-cycle natural-gas-fired plant.

Stoel Rives Energy Law Alert, 27/10/06

FERC Launches Investigation Of Natural Gas Service Scheduling Practices Among Nation's Power Operators And Transmission Organisations

FERC has begun an enquiry into whether independent system operators and regional transmission organisations coordinate effectively with the scheduling transaction for the purchase and transportation of natural gas. Inclement weather and other pressures can leave gas-fired must-run generators unable to obtain gas during periods when gas transportation is constrained or prices are volatile.

Foster Natural Gas Report, 27/10/06



State Regulators Orders Atmos To Reduce Natural Gas Rates

Atmos Energy Corp. has been ordered by the Tennessee Regulatory Authority (TRA) to reduce its rates by US\$6 million, after the Authority determined that Atmos rates were too high and that customers were not paying a fair price for their natural gas. The TRA said average annual savings would be about US\$20. *Associated Press Newswires, 26/10/06*

Washington State Utility Rate Increases Smaller

Washington Utilities and Transportation Commission said that natural gas costs for residential customers of Avista and Northwest Natural Gas Co will be less than originally expected because of a decrease in the price of wholesale gas. Avista revised its original request for an 8% increase to 1.4%, or about US\$1.19 a month, whilst Northwest Natural Gas reduced its original request for a 6.4% rise to one of 3%, or US\$2.29 per month for its customers. *AFX International Focus. 26/10/06*

Natural Gas Rates To Go Down After SCE&G Agreement

South Carolina Public Service Commission approved an agreement with SCE&G for a 10% reduction in the cost of gas from the peak rates paid last winter, leading to savings for the average residential customer of US\$18 per year. The PSC also allowed SCE&G to make monthly adjustments to customer rates to keep up with the cost of gas in the market. *Associated Press Newswires, 25/10/06*

National Grid Says US Regulator Clears Keyspan Acquisition

The Federal Energy Regulatory Commission has approved the purchase of KeySpan Corp. by the National Grid, creating the third-largest energy delivery company in the United States, with almost 8 million customers in New York State and New England. The acquisition must still be approved by New York and New Hampshire regulators. *Associated Press Newswires, 24/10/06*

In Bellwether Case, FERC Ups Kern River's ROE

The Federal Energy Regulatory Commission (FERC) rejected an administrative law judge's recommendation and made an order to increase Kern River Gas Transmission's allowed return on equity (ROE) from the suggested 9.34% to 11.2%. FERC revised the proxy group of companies used to determine an appropriate ROE, and concluded the median ROE should be 10.7%. But recognising that the revised group was relatively small and included companies with a relatively low proportion of pipelines as part of their overall business, FERC approved a 50-basis-point adjustment above the median to reach the 11.2%. *Gas Daily, 20/10/06*



FERC's Final Rule Expands Scope Of Blanket Certificate Eligibility Of Natural Gas-Related Projects Classed Within New Cost Caps

FERC has approved the Final Rule that will expand the scope of blanket certificate eligibility for natural gas infrastructure projects. The rule raises the cap on costs for projects that can qualify for lighter-handed blanket treatment from the current US\$8.2 million to US\$9.6 million for automatic authorisations and from US\$22.7 million to US\$27.4 million for prior-notice projects (subject to annual inflation adjustment).

Foster Natural Gas Report, 20/10/06

New Jersey Regulators Approve Conservation Rates For Two Utilities

The New Jersey Board of Public Utilities approved new rate plans proposed by South Jersey Gas and New Jersey Natural Gas, designed to help the utilities' customers lower their gas consumption and save money on their energy bills. The three-year pilot "Conservation Incentive Program" eliminates the link between utility profits and the quantity of gas it sells, enabling the distributor to focus on conservation and efficiency measures.

Gas Daily, 13/10/06

Sempra Energy Settles California lawsuit

Sempra Energy has settled a lawsuit by the California Public Utilities Commission and the state Attorney General involving curtailments of natural gas service to industrial customers in 2000-2001, which forced some power plants to switch to fuel oil. Sempra said the estimated after-tax cost of the settlement is less than US\$5 million and will not have a material effect on 2006 earnings.

Reuters News, 13/10/06

Northwestern, Babcock In South Dakota Settlement

Energy company NorthWestern Corp. and Australia-based Babcock & Brown Infrastructure Ltd. have reached a settlement with the South Dakota Public Utilities Commission over the sale of NorthWestern to Babcock & Brown. Under the terms of the agreement, the utilities commission will not oppose the sale at the federal level.

AFX International Focus, 11/10/06

PUC May Investigate Power Market Manipulation

The Texas Public Utility Commission is taking the first step toward launching an investigation into whether a company manipulated the wholesale power markets last year. The PUC recently released a report by an outside consultant showing that a company may have declined to sell available power into the market, boosting prices. The report did not name the company involved.

The Dallas Morning News, 5/10/06



Canada

Municipalities Will Benefit From Two-Year Transfer Tax Exemption

The Ontario government announced that publicly-owned utilities will be exempt from paying the electricity transfer tax when they sell electricity assets to other public utilities in Ontario, a move designed to encourage consolidation among municipal electrical utilities (MEU). Transfer tax, at 33 % of the value of the municipality's or MEU's interest in property transferred to any other entity, helps pay down the stranded debt from the old Ontario Hydro. The exemption from transfer tax came into force on 17 October 2006 for two years.

Canada NewsWire, 17/10/06

Mexico

CFE Starts LNG Terminal

The Federal Electricity Commission (CFE) started the first liquefied natural gas receiving plant in Latin America. The gas will come daily from Nigeria. The fuel will feed the new Altamira V plant (1000 MW).

Reforma 25/10/06

Central and South American News

Argentina

Government Ends Oil And Gas Export Tax Breaks In Tierra Del Fuego

The Argentinean government has decided to end tax breaks for companies exporting oil and natural gas from southern region of Tierra del Fuego. Furthermore, it has published a regulation that backdates to March 2002 a new tax on oil and natural gas exports.

Dow Jones International News, 20/10/06, 12/10/06

Government Will Give Loans To Avoid Power Cuts

The Argentinean government will lend US\$ 450 million to the electricity wholesale market administration company, Camessa, in order to keep tariffs stable and avoid power cuts. In addition, trust funds will get a US\$ 766 million loan to finance high transmission lines.

La Nación, 1/10/06

Bolivia

Government Signs New Contracts With Foreign Companies After Nationalisation Decree

Energy companies operating in Bolivia have signed new contracts that comply with the decree on nationalisation of the energy sector, just before the 6 months deadline expired. According to the decree, Bolivia is given the control over oil production and foreign companies act as service suppliers of State Owned Bolivian Company, YPFB. Contract details differ between companies, but they all contain investment commitments on the part of the companies. In addition, the agreements give operating companies between 18% and 50% of the value of their production.

The Globe and Mail, 30/10/06; Reuters, 29/10/06, 28/10/06, 27/10/06, 23/10/06; Dow Jones International News, 28/10/06, 23/10/06; Business News Americas, 26/10/06

Brazil

Regulator Increases Electricity Tariffs

Brazilian energy regulator, Aneel, has decided to increase electricity tariffs from 23 October. Average domestic and industrial tariffs will increase by 13% and 18%, respectively. The main cause of the increase is the rise in the so-called Conta de Consumo de Combustível, which is paid by all consumers to finance the cost of fuel used for electricity generation in North of Brazil.

O Globo, 19/10/06

Regulator Reduces Electricity Tariffs In 72 Towns In The State Of Rio Grande Do Sul

Brazil's energy regulator, Aneel, has decided to reduce electricity tariffs for 72 towns in the state of Rio Grande do Sul from 25 October. On average, domestic tariffs will decrease by 9% and industrial tariffs by 6%. The tariff reduction offsets the Recomposição Tarifária Extraordinária, the extraordinary tax created to compensate firms for losses during the period of rationing between June 2001 and February 2002.

O Estado de São Paulo, 18/10/06; Gazeta Mercantil News, 17/10/06; Reuters News, 17/10/06; Agência Jornal do Brasil, 17/10/06; Valor + News, 17/10/06; O Globo, 17/10/06

Regulator Awards Two Generation Plants In A Tender

Brazil's energy regulator, Aneel, has awarded two hydroelectric generation plants, Maná and Dardanelos, in a tender. The concessions have been won by a consortium formed by Copel and Electrosul, the latter being part of Electrobrás. The consortium offered the lowest tariffs, 113.15 Brazilian Reais per MWh (US\$ 53.09) and 112.68 Brazilian Reais per MWh (US\$ 52.87).

Gaceta Mercantil News, 10/10/06; O Globo, 10/10/06; Valor + News, 10/10/06; Business News Americas, 10/10/06



Regulator Modifies Rules For The Tender Of Transmission Lines

Brazil's energy regulator, Aneel, has modified the rules for the tender of the concession on ten transmission lines, by lowering the maximum allowed revenue for providing transmission services. The change is due to the potential reduction in the financing costs of generation projects after the new financing rules announced by the BNDES at the end of September. The tender will be held on 15 December and concessions will be awarded to the company offering the lowest tariff for the service.

O Globo, 3/10/06; Valor+News, 2/10/06

Chile:

Regulator Increases Electricity Nodal Prices

Chilean energy regulator, INE, has decided to increase electricity nodal prices, the price paid by distributors to generators, by 11% in the central grid and by 14% in the northern grid. The increase in prices will come into effect on 1 November and will involve an increase in regulated clients' bill. The rise reflects an increase in average non-regulated contract prices since April.

Business News Americas, 16/10/06

Nicaragua:

President Signs Bill To Reform Law Of Energy Stability

Nicaragua's President has signed a bill that reforms the law on energy stability, in order to solve the energy crisis in the country (see previous GERN issues). Among other things, the reform allows the finance ministry to issue a US\$ 5 million treasury note, to give transmission company Entresa resources to purchase power in the regional market, and introduces a subsidy for customers consuming 150 MWh or less per month.

Business News Americas, 17/10/06

Peru:

Regulator Reduces Tariffs For Cut And Reconnection Of Natural Gas

The Peruvian Agency for the Supervision of Investments in Energy, OSINERG, has decided to decrease the maximum allowed tariffs for the disconnection and reconnection of domestic natural gas customers, to New Sol 21.81 (US\$ 7.10377).

El comercio, 19/10/06



Asia Pacific News

Australia

Energex Applies To Increase Capital Expenditure

Energex has applied to the Queensland Competition Authority (QCA) for additional capital expenditure (capex) following the Electricity Distribution Service Delivery (EDSD) Review. In a final determination of 2005, the QCA approved AUS\$2,700 million (US\$2,089 million) for capex while Energex applied for AUS\$3,400 million (US\$2,630 million). However, the determination provided for a pass-through of additional capex up to the applied amount. In its submission, Energex states that the “revised capex program is technically required to make substantial progress toward delivering the service obligations arising from the EDSD Review”. The estimated impact on an average household is AUS\$42 per annum (US\$32.5). A decision is expected in February 2007.

www.qca.org.au, 30/10/06

Storms In Victoria Account For Increased Power Outages

The Essential Services Commission (ESC) released a report on electricity distribution performance. Storms in February and August 2005 contributed to a 25% increase in annual off-supply time. ESC Chairperson Greg Wilson said, “If the impact of the major storms is removed, Victoria’s electricity reliability continued to improve in the past year.” Supply performance however varied across the state with that in metropolitan areas and regional centres having the highest reliability. The five distributors in Victoria are AGL, CitiPower, Powercor, SP AusNet and United Energy.

Herald Sun, 27/10/06; www.esc.vic.gov.au, 26/10/06

China

China to Encourage Smaller Players In Upstream Oil Market

China is considering opening its oil exploration market to medium and small companies under all types of ownership, according to the Deputy Director of the Oil and Gas Resources Strategic Research Centre of the Ministry of Land and Resources. The Ministry plans to develop a bidding system for exploration rights in small and mid-sized basins over the next five to 10 years. Bidding on a trial basis is expected to start in three to five years.

AFX Asia, 9/10/06



Chinese Government Plans Loosening Of Oil Price Regulation

The Chinese government is planning to loosen its control of oil prices and open the Chinese oil market around the end of the year. The standard retail oil price in China is currently set by the Government. However, the current caps on retail prices discourage petrol stations from supplying fuel when crude oil prices surge, and deter foreign oil refining companies from investing in the Chinese market.

Maeil Business Newspaper, 8/10/06

China To Pay More For Indonesian LNG

China National Offshore Oil Corporation (CNOOC) has agreed to pay between US\$5 and US\$6 per million British thermal units (MMBtu) for supplies to its Fujian LNG terminal from Indonesia's Tangguh project. China had agreed in 2002 to pay around US\$2.40/MMBtu for LNG supplies, conditional on a crude oil price ceiling of US\$25 per barrel.

The Oil Daily, 25/9/06

India

CERC Sets Electricity Distribution And Transmission Tariffs

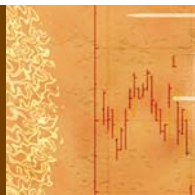
The Central Electricity Regulatory Commission (CERC) announced on 5 October 2006 the generation and transmission tariff for the Damodar Valley Corporation (DVC) for the period to 2009. The announced tariff imposes for the first time the regulatory tariff mechanism prescribed by the 2003 Electricity Act.

The Hindu, 6/10/06

Electricity Price Hike Expected

Domestic electricity customers in India are braced for a large increase in tariffs after the state regulators ruled that generators could recover rebates offered to bulk consumers. This ruling could increase power costs by between 21% and 66% as private electricity providers seek the 3.5 billion rupees (US\$76.6 million) in lost earnings incurred between 1997 and 2003 through the bulk customer rebate.

Global Insight Daily Analysis, 4/10/06



New Zealand

Vector Proposes Settlement With Commission

Electricity supplier Vector has proposed a settlement with the Commerce Commission following the regulator's intention to declare control in August. The Commissions found that Vector was overcharging many industrial and commercial customers and undercharging some residential customers, particularly in the Auckland area where residents are members of a trust that is Vector's principal shareholder. The administrative settlement differs from that offered two years earlier in that rates of return differ between commercial and residential customers, and it excuses a 2004 regulatory breach. Despite the proposal, Vector has decided not to lift its ban on new capital investment and infrastructure work, which was imposed following the intention to declare, until the settlement is finalised.

The Independent Financial Review, 25/10/06; www.comcom.govt.nz, 13/10/06

Energy Online Charged For Misleading Price Freeze

Power company Energy Online was found in breach of the Trade Practices Act and must pay fines and refund customers totalling NZ\$1 million (approx. US\$670,000). The campaign marketed to customers in Hawke's Bay and Waitemata that the 'energy portion' of their bill would not increase during the specified period. Energy Online gained almost a quarter of the Hawke's Bay market, then passed on increased distribution and overhead charges to customers in Hawke's Bay. The court found that the campaign was misleading as customers were under the impression prices would not increase at all.

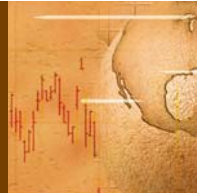
Hawke's Bay Today, 17/10/06; www.comcom.govt.nz, 16/10/06

Philippines

Regulator Moves To Prevent Excessive Power Prices

The Department of Energy and the Energy Regulatory Commission will apply measures to prevent large price increases on the wholesale electricity spot market. Energy Secretary Raphael Lotilla said the two agencies and the Philippine Electricity Market Corporation, which operates the spot market, had formed a committee to protect consumers against any significant price volatility. The market started commercial operation on 26 June this year, but saw a 250% increase in bid prices in its third month of operation, causing suspicion that some participants were colluding to manipulate prices.

Manila Standard, 9/10/06



Singapore

Singaporean Government Considers Gas Import Restrictions Favouring LNG

The Government of Singapore is to conduct gas market reforms to encourage future LNG imports, according to Lovells Lee & Lee, a legal firm involved in the process. Under the plans, Singapore would not permit new piped gas import contracts in order to encourage LNG imports, until LNG throughput reaches a minimum threshold.

International Oil Daily, 23/10/06

Thailand

All Members Of Regulatory Board Resign; New Regulatory Board Planned

All members of the Electricity Regulatory Board, appointed by the deposed Prime Minister Thaksin Shinawatra's Government, resigned en masse on 18 October 2006. Chairman Yongyuth said he had resigned because the Energy Minister wanted the board to regulate the natural-gas business as well as the electricity business. Following the resignation of all seven members of the Electricity Regulatory Board (ERB) on 18 October 2006, the Energy Ministry will appoint a temporary body to regulate both the electricity and gas businesses. Unlike the ERB, the new board has been empowered to regulate gas and electricity markets, rather than just the electricity market. The energy business law, which is expected to come into force no more than a year from now, will outline in legislature the role of the new board.

The Nation, 21/10/06, Thai News Service, 20/10/06

New Energy Minister Appointed

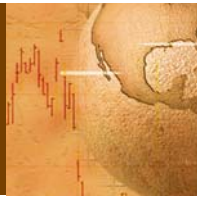
New Thai Prime Minister Surayud Chulanont named Piyavasti Amranand as energy minister in the kingdom's post-coup cabinet. Piyavasti replaces Viset Choopiban, who had served as energy minister since March 2005.

Platts Oilgram News, 10/10/06

Thai Power Bills To Fall

Thai electricity bills could fall by 0.07 Thai Baht per kWh in the period from October-January. The reduction would reflect increased electricity supply from the coal-fired BLCP Power Plant in Rayong, according to the Energy Regulatory Board. The power from BLCP could replace 2,610 million kWh of power from more costly oil generation. However, tariffs are expected to increase in February by 0.08 Thai Baht per kWh due to constraints on natural gas supplies.

Thai News Service, 5/10/06



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