

Reporting on energy regulation issues around the world

Global Energy Regulation

October 2005
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General and European Editor

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Regional Editors

Kristina Sepetys, US

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Francesco Lo Passo, Italy

European News

UK

Ofgem Accepts SP Manweb's Commitments To Improve Its Connections Services

Ofgem has accepted a series of commitments offered by SP Manweb to improve the way it provides its electricity connections service. SP Manweb was investigated by Ofgem under the UK Competition Act 1998 for providing a better service to Core, its affiliate connections business, than to other independent connections providers (ICPs). SP Manweb has committed in future to provide its connections services in a non-discriminatory fashion.

Ofgem Press Release, 27/10/05

Brown Challenged On BNFL Sale; Nuclear Sell-Off Talk Sparks Safety Fears

The board of BNFL, the state-owned operator which controls much of the UK's nuclear industry, has agreed to sell BNFL's decommissioning arm. The decision follows the sale of Westinghouse, BNFL's power plant building business. MPs have written to Chancellor of the Exchequer Gordon Brown to demand assurances that he is not using the privatisation of British Nuclear Fuels Ltd (BNFL) to plug a hole in the Treasury's finances. Meanwhile nuclear workers have voiced fears that the likely privatisation of nuclear generator British Nuclear Group (BNG) threatens safety standards at many of its facilities in the UK. Trade unions have written to trade and industry secretary Alan Johnson seeking assurances over the terms of any sale.

The Express on Sunday, 9/10/05; Utility Week, 7/10/05



Moyle Holdings Incorporated Into Northern Ireland Energy Holdings

Following a consultation that started in July this year, Ofreg has published a decision on the proposal to incorporate Moyle Holdings Limited (MHL) into Northern Ireland Energy Holdings Limited (NIEH). The incorporation would create a single holding company for Northern Ireland's energy links with Britain, following NIEH's successful acquisition of the regulated gas transmission utility, Premier Transmission Limited (PTL). Based on the responses received Ofreg concluded that the benefits of the proposal outweigh the risks and will be beneficial for energy consumers in Northern Ireland.

Ofreg Press Release, 28/9/05; Ofreg, "The Proposed Company Structure of Northern Ireland Energy Holdings Limited Outcome of the Consultation", 9/05.

Austria:

Gas Distribution Tariff Cut

The Austrian energy market regulator E-control cut the average gas distribution tariff by 10%, with effect from 1 November. This implies total savings for Austrian natural gas consumers of EUR 47 million (US\$56.26 million). Despite the reduction in gas distribution tariffs, however, customers will face an increase in their final gas prices, reflecting in part the rising cost of gas costs.

APA Economic News Service, 25/10/05

E-control Welcomes Customer Information Initiative

The Austrian Electricity Association (VEÖ) launched an initiative to enhance billing transparency. Walter Boltz, head of E-control, welcomed this as a "step in the right direction" but noted that further measures would be required to encourage sufficient competition in Austria's energy markets.

Austria Presse Agentur—OTS, 7/10/05

Belgium:

Government To Approve New Support Scheme For Offshore Wind Energy

On 6 October 2005, the Belgian energy regulator (Commission de Régulation de l'Électricité et du Gaz, CREG) made available on its web page a report on the proposed modifications to the current renewable energy regulations. The report had been submitted to the Belgian government in September 2005. The draft renewable energy regulations would increase the feed-in-tariffs received by offshore wind generators, as well as extending the current scheme from 10 to 20 years.

Platts EU Energy, 21/10/05; www.creg.be, 6/10/05



Regulator Publishes New Gas Tariffs

The Belgian energy regulator (Commission de Régulation de l'Électricité et du Gaz, CREG) has published the new natural gas full-service and access tariffs for the following distributors: GASELWEST, IDEG, IGAO, IGH, IMEWO, INTERGEM, INTERLUX, INTERMOSANE, IVEKA, IVERLEK, SEDILEC, SIBELGAS NOORD and SIMOGEL. These tariffs will be in force from 1 October 2005 until 31 December 2005.

www.creg.be, 3/10/05

Bulgaria:

CEZ's Bulgarian Units Claim Regulator Restricts Investment Plans

The Bulgarian power distribution companies owned by the Czech utility CEZ asked the Supreme Administrative Court to overturn limits on power price hikes imposed by the Bulgarian energy regulator. They claim that the restrictions are damaging their short-term investment plans. Power prices for low-voltage consumers in the corporate sector in Bulgaria rose by up to 16% from 1 October, although prices for households remained largely unchanged. The power distribution companies were seeking steeper price hikes.

SeeNews, 12/10/05

Denmark:

Commission Opens In-Depth Investigation Into Danish Energy Merger

The European Commission has opened an in-depth inquiry under the EU Merger Regulation into the proposed acquisition by DONG A/S, the Danish state-owned gas incumbent, of Elsam and Energi E2, electricity generation incumbents in Denmark, and of Københavns Energi Holding A/S and Frederiksberg Elnet A/S, Danish electricity suppliers. The Commission now has until 6 March 2006 to take a final decision.

European Commission Press Release, 10/05



European Union:

Commission Will Not Analyse The Effects Of Gas Natural's Takeover Bid On the Portuguese And Italian Markets

The European Union (EU) Commission has turned down requests from Portugal and Italy to analyse how Spanish utility Gas Natural's hostile takeover bid for Endesa will affect the Portuguese and Italian energy markets. The Portuguese and Italian competition authorities had asked the EU Commission to investigate the impact of the possible merger on their gas and electricity systems, but the Commission considered that national authorities were better placed to examine the effects of such a takeover on their national markets. This decision does not set a precedent for the decision that the EU Commission will take next month on whether the proposed takeover has a European dimension and should therefore be evaluated by the European competition authorities.

Enervia, 28/10/05

EU Signs Energy Treaty With Southern European Countries

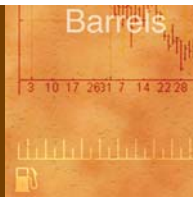
In Athens, the European Union and nine Southern European countries signed an Energy Treaty, with the aim of establishing the legal framework for the future extension of the European Internal Energy Market to the Balkan Peninsula. Significant new investments in the energy sector are expected in Southern European countries as a result of this initiative. The signing of the treaty represents the conclusion of the Athens process, which was initiated in 2002 with the aim of creating a regional electricity market in South East Europe.

European Union Press Releases, 25/10/05

EU Commission Authorises Czech Coal Aid

The European Union (EU) Commission has decided not to raise objections to the EUR 74 million (US\$ 89 million) aid that the government of the Czech Republic had proposed to grant to the country's coal industry. The EU Commission considers that the proposed aid is compatible with the internal market, since the grant aims to cover only inherited liabilities caused by the closure of certain coal mines.

European Union Press Releases, 20/10/05



France:

GDF Increases Domestic Gas Tariffs By 12%

The French government has authorised Gaz de France (GDF) to increase domestic full-service natural gas tariffs by 12% from 1 November 2005, as GDF had requested, due to the increase in oil prices. However, this increase is attenuated by the reduction in other components of the gas bill (such as connection fees), leading to an average increase in natural gas costs for households of 3.8%. The energy regulator, Commission de Régulation de l'Énergie (CRE), which supports the 12% increase in gas tariffs, believes, however, that the price reductions for other services provided by GDF are incompatible with current regulations on gas prices, as these discounts are not granted to free-market customers.

Agence France Press 31/10/05; La Presse Canadienne, 28/10/05

EDF Signs Public Service Contract

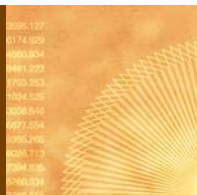
The French government and Électricité de France (EDF) have signed a new public service contract. Under this contract, EDF commits to act as supplier of last resort for electricity service, to supply low-income households, to keep uniform electricity tariffs for the whole country, and not to raise electricity tariffs above inflation rates during at least the next five years. In addition, EDF will conduct an ambitious investment plan, which will amount to EUR 40 million (US\$ 48 million) over the next five years.

Le Figaro, 25/10/05; Le Progrès, 25/10/05

Regulator Evaluates Independence Of Electricity Network Operators

The French energy regulator, Commission de Régulation de l'Énergie (CRE), ran a public consultation process in order to evaluate the independence of the electricity network operators (RTE for the transmission grid and EDF for the distribution network) and their codes of conduct. The results of the public consultation, which closed on 25 October, will form part of a report that CRE intends to publish in November 2005.

Platts EU Energy, 21/10/05



New Electricity Network Tariffs Published In The Official Journal

The French government has published the new electricity access tariffs in the Official Journal. New tariffs were proposed by the French energy regulator, Commission de Régulation de l'Énergie (CRE), in July 2005, and will be in force from January 2006 until the end of 2007. They replace network tariffs in force since November 2002. The new tariffs represent an average reduction of 8% in distribution network tariffs, while average access tariffs for electricity transmission lines do not change significantly.

CRE Communiqué de Presse, 6/10/05

Germany:

Cartel Offices Coordinate Gas Price Control

Federal and state cartel offices in Germany agreed to coordinate their efforts to control gas prices. Alois Rhiel, the Minister of Economics in the Bundesland Hesse, stated that gas suppliers throughout the country would be required to submit detailed information on their prices by 1 November of each year. This would serve as a basis for a standardised probe of their pricing practices by the cartel offices.

Frankfurter Allgemeine Zeitung, 22/10/05

Federal Court Of Justice Precedent Case On Transparency Of Grid Pricing

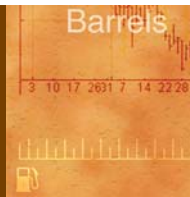
Following a complaint by Lichtblick against the MVV Energie AG, the Federal Court of Justice ("BGH") judged that an electricity company which uses the network of another company may require an open calculation of network prices. This judgment allows Lichtblick to ask for a judicial review of the adequacy of the network prices charged by MVV Energie AG. Lichtblick claims that MVV Energie AG's network prices are approximately 30% too high.

Frankfurter Allgemeine Zeitung, 19/10/05

Dispute Over Long-term Gas Contract Continues

Ulf Böge, the President of the Federal Cartel Office (FCO), expects the on-going dispute with E.ON on long-term gas contracts to be resolved only by a final judgment of the Federal Court of Justice (BGH). The cartel office had earlier rejected a "voluntary compromise" offered by E.ON. This would have allowed municipal utilities that receive the majority of their gas from E.ON to cancel up to 50% of their deliveries from next autumn.

DDP Basisdienst, 14/10/05; AFX International Focus, 13/10/05



Ireland:

Airtricity Plans Huge North Sea Wind-Farm Investment

Wind-farm development company, Airtricity, plans to invest £16 billion on a wind-farm project in the North Sea. The project would make available 10,000 MW of capacity to the UK, Germany and the Netherlands with the development of 3,000 turbines. Airtricity plans to lodge a business plan with the European Commission (EC) at the end of the year. Private financing of the project would require an underwriting agreement from the EC or the UK, German or Dutch governments.

Independent on Sunday, 23/10/05

Italy:

AEEG Opens An Inquiry Into Gas Retailers

AEEG (the Italian regulator) has opened an inquiry into the conduct of operators selling gas to final customers in order to clarify aspects of their conduct when acquiring new customers and returning customers who previously transferred to other sellers. The investigation is intended to close by 31 July 2006.

AEEG's web site, 28/10/05

New Decree On Green Certificates

The Ministry of Productive Activities and the Ministry of Environment are jointly preparing a new decree on green certificates. The new decree is expected to rationalise regulation with respect to partial reconstruction of hydro and geothermal plants and re-powering of hydro plants. Moreover, the decree is expected to allow the allocation of green certificates for the 3 years after the current 8-year incentive period, for an amount equal to 60% of generated electricity.

Staffetta Petrolifera, 28/10/05

VPP contracts In Italy

AEEG has given Italian operators the opportunity to subscribe to Virtual Power Plant (VPP) contracts in order to enhance competition in the wholesale market and to lower energy prices. Such contracts allow the transfer of a given share of production of crucial generators (i.e. generators that are able to set the price in a market zone for many hours a year) to third parties at a price which is determined through a public tender. At the moment, such contracts are available for two market zones (Centre-South, 3,700 MW and Sicily, 150 MW).

AEEG's web site, 7/10/05



Netherlands:

DTe Demands That Energy Sector Solves Problems With Sales Practices

The Dutch Energy Regulation Service (DTe) of the Dutch competition authority called on all energy businesses to put an end to misleading and dishonest sales practices. DTe also asked consumers to report possible abuses of selling. Since last summer, the service has received an increasing number of disturbing signals from consumers about sales practices. In a letter sent to all energy business, DTe asks them to draw up in the short term a joint code of conduct. If the sector does not come up with a code of conduct by the end of this year, DTe will itself impose supplementary rules.

DTe website, 21/10/05

Northern Ireland:

Private Equity Firm Forced To Go Ahead With East Surrey Holdings Takeover

Private equity firm Terra Firma was forced by the UK Takeover Panel to proceed with its acquisition of a northern Ireland gas distribution company, East Surrey Holdings. Terra Firma had tried to pull out of the deal after the Northern Ireland regulator decided to claw back about EUR 55 million of future revenues as a result of the information about the value of the distribution assets provided via Terra Firma's offer. The Takeover Panel rejected Terra Firma's argument that a condition of its bid had not been met.

Financial Times, 17/10/05

Portugal:

The Antitrust Authority Approves EDP's Acquisition

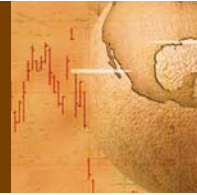
The Portuguese antitrust authority, Autoridade da Concorrência, has raised no objection to the acquisition of 46.6% of Portgás by Energias de Portugal (EDP). The acquisition amounts to EUR 85 million (US\$ 102 million). As a result of the acquisition EDP now owns a 72% stake in the gas company.

Jornal de Negócios, 27/10/05

The State To Continue Privatising The Energy Companies

The Portuguese State estimates that total privatisation revenues from the sale of its stakeholding in Portuguese companies will be around EUR 1,563 million (US\$ 1,880 million) in 2006. This amount is higher than earlier privatisation revenue estimates for 2005, expected to be around EUR 400 million (US\$ 481 million). The majority of these privatisations correspond to energy companies (EDP, Galp, REN).

Jornal de Negócios, 20/10/05, 17/10/05



ERSE Issues Its 2006 Tariffs Proposal

The Portuguese energy regulator, ERSE, has submitted its proposal for the 2006 electricity tariffs to the Tariff Council. In its report, ERSE proposes an average 5.6% tariff increase for 2006. This increase mainly affects the industrial segment, since domestic customers are protected by the current regulatory framework that limits tariff increases to the annual inflation rate. As a result, while in ERSE's proposal domestic tariffs are set to increase by 1.9% for consumers under 20 kVA, most other tariffs are set to increase by over 15%. These tariff increases are partly due to a 30% rise in fuel costs.

Jornal de Negócios, 14/10/05

Romania:

Romanian Suitors Line Up

Ten of Europe's leading utilities have expressed interest in the privatisation of a majority stake in Romania's regional power distributor Electrica Muntenia Sud. Offers are thought to have been received from E.ON, RWE, ENBW, Iberdrola, Union Fenosa, Enel, Austria's EVN, Gaz de France and AES of the US. Bidders will be offered the opportunity to buy just over 50% of the existing share capital, plus 10,301,278 newly issued shares through a simultaneous capital increase, together representing 67.5% of the increased share capital.

Platts Power in Europe; 26/09/05

Russia:

RAO UES Takes Part In CIS Energy Council Meeting In Tbilisi

Representatives of the energy systems of the Commonwealth of Independent States (CIS) gathered in Tbilisi, Georgia to discuss a draft agreement on establishing a common electricity market for the member states. Other issues covered include establishing the common principles of electricity transit through the networks of the CIS countries.

RAO UES Press Release 26/10/05

Government Approves Launch Of The Balancing Market

The new balancing market starts operations on 20 October 2005 replacing the penalty based regulatory system with the market mechanisms based on the least cost optimisation driven by the bids of market participants. From 20 January 2006 market participants will be able to conclude free bilateral trades.

Trade System Administrator Press Centre (www.np-ats.ru), 19/10/05



UES To Pledge Government To Set Tariffs In Line With Actual Inflation From 2007

According to the head of Economic Policy Department of RAO UES, the Russian energy giant is to suggest the Government raises electricity tariffs in line with actual inflation from 2007. Currently the company is struggling to raise enough cash for required investments, as the tariffs growth cap is based on the projected, lower, inflation rates.

SKRIN, 17/10/05

Government Approves RAO UES 2006 Investment Plan

The Government approved RAO UES's investment programme for 2006. Total cost of the investment programme for 2006 is 23,500 million roubles (US\$ 827 million), of which 2,700 million roubles (US\$ 95 million) will be financed from loans, the rest from RAO UES's tariffs.

RAO UES Press Release 6/10/05

Spain:

Increase In Natural Gas Full-Service Tariffs

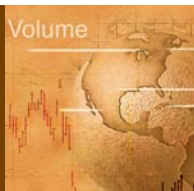
The Spanish Government has approved new tariffs for regulated natural gas consumers. These tariffs will be in force until January 2006. Average full-service tariffs will be increased by 10% on average (6% for households and 18% for industrial customers). The raise is linked to the forecast increase in fuel prices and for deficits arising in past months (of around EUR 82.7 million, US\$ 99.5 million). In Spain, natural gas tariffs are reviewed every three months in order to reflect the change in fuel prices and the euro-dollar exchange rate.

Cinco Días, 21/10/05, 10/10/05; Expansión, 14/10/05, 11/10/05

Electricity Tariffs Might Increase By More Than 3%

The Spanish government is considering the possibility of increasing electricity full-service tariffs by more than 3%, during the next years. This increase should allow for the recovery of past tariff deficits and to compensate for future increases in generation costs. The upward trend in electricity tariffs follows a nine-year period of continuous reductions, in real terms, of regulated electricity prices. If this increase is approved, the current tariff methodology will need to be amended, since it stipulates a maximum annual increase in electricity tariffs of 2% up to 2010.

El País, 20/10/05



CNE Investigates Electricity Pool Prices

CNE has referred to the Spanish competition authority a preliminary report on the electricity pool prices of January 2005. CNE may have detected possible anticompetitive behaviours by Spanish generators. The report, which has not been made public, analyses mainly offers to the market for the resolution of transmission constraints.

Cinco Días, 14/10/05

CNE Investigates Renewable Energy Sales

The Spanish Energy Regulator (Comisión Nacional de Energía, CNE) is investigating sales of Special Regime energy by Spanish utilities Cepsa and Gamesa. These two companies sell renewable energy to the Spanish electricity pool on behalf of small renewable generators. However, according to Spanish regulations, the main operators in the electricity market are not allowed to offer renewable energy to the pool if it is produced by other generators, and both Gamesa and Cepsa are partly owned by main electricity operators (Iberdrola and Unión Fenosa respectively). CNE's investigation follows a complaint by the independent electricity retailers association (Asociación de Comercializadores Independientes de Electricidad, ACIE).

Cinco Días, 13/10/05

Government Approves Gas Network Code

On 5 October the Spanish industry ministry approved the Gas Network Code. The network code establishes the rules for the operation of gas infrastructure in Spain. It is an important step in the process of liberalising the gas market, since it reduces uncertainty and increases transparency in the decisions of the gas system operator, Enagás. The Spanish government has been drafting the network code since 1998, when gas market liberalisation started.

Enervia, 11/10/05

Switzerland:

Hydropower Operators Concerned About Reservoir Levels

The Swiss Federal Hydro Agency (BWG) warned that domestic reservoir storage levels are currently only 77.6% of average. The low level reflects in part additional run-off required to compensate for an accident at the Leibstadt nuclear power plant and new methods of managing reservoir levels according to European power prices. Hydropower covers more around 57% of Swiss electricity requirements.

Platts EU Energy, 21/10/05

Turkey:

Turkey Fails To Sign SE Europe Energy Treaty

Turkey has withdrawn at the last minute from a treaty to establish a single regulatory framework for the trading of energy in southeast Europe. [See EU story above.] Trade and energy ministers representing the European Union and eight Balkan countries signed the treaty. The treaty establishes the Energy Community of Southeast Europe. Under the terms of the treaty, countries in the region agree to adopt the EU's single market regulations for the energy sector in order to create a single and stable regulatory framework for trading energy across borders.

Dow Jones International News, 25/10/05

Turkish Competition Board Approves Tupras Sale

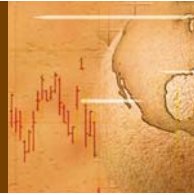
Turkey's Competition Board said on Friday it had given approval for the sale of a 51% stake in oil refiner Tupras to a consortium led by local group Koc Holding. The results of the tender must now be sent to the state's High Board of Privatisation for final approval. The Koc group has a 90% stake in the venture and Royal Dutch Shell has 10%.

Reuters News, 21/10/05

Turkey To List 17 Power Plants For Privatisation

Turkey will include 17 thermal power plants in its sell-off programme in 2006. The 17 plants slated for sale have a total capacity of 8,784 MW. Energy Minister Hilmi Guler said the privatisations are aimed at boosting domestic production and cutting costs. He added that Turkey should lower its dependence on energy imports and encourage use of local resources.

Reuters News, 14/10/05



North American News

US:

TXU Gets 24% Rate Increase

The Texas Public Utility Commission has approved TXU Energy's request for a 24% increase in electricity prices. Responding to widespread concerns about the size of the increase, the PUC said that they were bound to follow the rules, which allow utilities to pass along higher fuel costs, with the PUC's approval. The PUC has to approve the "price to beat", i.e. a maximum price for incumbent providers that tracks the price of natural gas. A dozen companies offer electricity to customers in North Texas and on Friday, four charged less than the price to beat.

The Dallas Morning News, 29/10/05.

FERC Allows Lehman Bros To Sell Electricity At Market Prices

US federal energy regulators have granted a request by Lehman Brothers Commodity Services Inc., a unit of New York investment firm Lehman Brothers Holdings Inc. (LEH), to sell wholesale electricity at market-based rates instead of regulated, cost-based rates. In an order issued earlier this week, FERC found that Lehman Brothers Commodity Services passed the commission's market power tests.

Dow Jones International News, 27/10/05

Sempra On Trial For Charges Of Squeezing Gas Supplies

A class action lawsuit against Southern California Gas Co., San Diego Gas & Electric Co. and El Paso Corp opened in San Diego on 25 October. The case revolves around allegations that executives of the three companies met in September 1996 to compare to "carve up" energy markets in California and northern Mexico. Sempra Energy, the parent of SoCal Gas and SDG&E says it is discussing a possible settlement but denies wrongdoing.

Associated Press Newswires, 26/10/05



Xcel Says Its Rate Hike Will Be Slightly Less Painful

Xcel Energy has amended its filing with the Public Utilities Commission, reducing its requested price increase from the \$16 per customer (requested at the beginning of October) to an average increase of about \$11 per customer. The company said that it was able to reduce its increase because natural gas prices are dropping nationwide. Oil and natural gas prices are dropping quickly across the country as production comes back on-stream in the Gulf following the devastation of Hurricanes Katrina and Rita.

Denver Post, 25/10/05

FERC Closes Door On Two Utility Market Power Probes

The US Federal Energy Regulatory Commission has closed investigations into whether two utilities have market power. The commission said that Kansas City Power and Light Co. (belonging to Great Plains Energy) and Acadia Power Partners (a joint venture between subsidiaries of Cleco Corp. and Calpine Corp.) had eased the commission's concern that the utilities had too much market power in their regional electricity markets. The commission therefore allowed the two utilities to continue selling power at market-based rates instead of cost-based rates.

Dow Jones International News, 24/10/05

Voluntary Green Power Purchasing Up 1000 Percent In 5 Years

Renewable energy capacity in the United States supported by voluntary demand rather than regulatory requirements now tops 2200 megawatts (MW)—up from 167 MW in 2000, according to a new report from the National Renewable Energy Laboratory (NREL) of the US Department of Energy. Green power currently accounts for about 2% of America's electricity supply.

PRNewswire, 24/10/05

Compromise Sought In Power Plan

The FERC said it would provide a forum for settlement talks between opponents to the proposed locational installed capacity program (LICAP) developed by Independent System Operator New England (ISO-NE). ISO-NE and officials from around New England testified before the FERC last month, and the commission pushed LICAP implementation back from 1 January 2006, to at least October 2006.

Connecticut Post, 21/10/05



Regulators Hold Hearing On Gas Rate Proposal

South Carolina Electric and Gas has agreed to recoup its costs over a 24-month period instead of a year, reducing the increase passed on to customers, although the agreement still needs the approval of the Public Service Commission. The company would increase the portion of natural gas prices based on costs to \$1.29 per therm, up from about 90 cents per therm.

Associated Press Newswires, 20/10/05

Regulators Approve Rules To Help Residents With Heating Bills

The Michigan Public Service Commission has approved a number of rules aimed at helping people cope with higher heating bills caused primarily by disruptions to natural gas production in the Gulf of Mexico, following Hurricane Katrina. The rules will extend the due date for energy bills to be paid to 22 days and change debt repayment rules, as well as amending the rules on shutting off existing customers and taking deposits from new ones.

Associated Press Newswires, 18/10/05

New Rules For Power Plants Could Allow More Pollution

The Bush administration proposed new regulations that could allow the nation's dirtiest power plants to release more air pollutants each year—and possibly undercut lawsuits aimed at forcing companies to comply with the Clean Air Act. The proposal follows a federal court ruling in June that said power plants can increase emissions when they modernise to operate for longer hours. The EPA proposal affects the nation's 600 coal-burning power plants.

The Associated Press, 13/10/05

Adjustment Raises Typical Monthly NIPSCO Gas Bill Nearly \$13

The Indiana Utility Regulatory Commission has approved the 8% gas rate cost adjustment for Northern Indiana Public Service Co., which will add \$12.86 to a typical customer's monthly gas bill. The rise is a result of fluctuations in gas prices on the wholesale markets, following the disruption to natural gas production in the Gulf of Mexico caused by Hurricanes Katrina and Rita.

Associated Press Newswires, 11/10/05



FERC Says PPL Montana Has Near-Monopoly

Federal regulators say it appears PPL Montana has “market power” in the state and could be forced to lower its wholesale power prices. The order by the FERC sets up a hearing at which PPL Montana has one last chance to prove it does not have near-monopoly power over wholesale electricity markets in central and western Montana. If PPL fails, the federal agency could revoke the company’s authority to sell electricity at deregulated, market prices in Montana, thus forcing PPL to sell at lower rates based on the cost of production.
Missoulian, 8/10/05

State OKs PGW Request For 19.4% Hike

The state Public Utility Commission has approved a 19.4% increase in the cost of gas at the request of the Philadelphia Gas Works, which cited the rising wholesale cost of natural gas. On average, typical residential customers can expect their bill to increase by \$335 a year. The state governor asked the commission to postpone the increase, as the state is working to obtain more federal support for its energy aid programs for low-income residents. The Commission vice chairman said that postponing the increase would lead to “unacceptable costs” at the next quarterly adjustment.
The Philadelphia Inquirer, 7/10/05

PG&E To Add US\$2 Fee To Natural Gas Bills / Surcharge Okd By PUC Will Hedge Against Price Spikes

The California Public Utilities Commission has agreed to Pacific Gas and Electric Co.’s request to increase the price for gas by an extra \$2. The extra money will allow PG&E to expand its hedging on natural gas purchases, in view of the volatility of the gas market since the disruption caused to the markets by Hurricanes Katrina and Rita.
The San Francisco Chronicle, 7/10/05

Competition Nonexistent In Delivering Natural Gas

A report published by the Pennsylvania Public Utility Commission has determined that there is not effective competition in the retail natural gas supply market at this time. About 2.6 million of the state’s 4.8 million households use natural gas, but only 174,000, or fewer than 7%, were served by a competitor of one of the state’s 11 former gas monopolies, according to recent figures from the state Office of Consumer Advocate.
Associated Press Newswires, 7/10/05



NRG To Acquire Texas Genco In A Deal Valued At US\$5.8 Billion

NRG Energy has announced that it will buy Texas Genco Holdings for US \$5.8 billion in cash and stock. The deal would nearly double NRG's asset base and allow it to enter the growing Texas wholesale electricity market. With Texas Genco, NRG will have capacity of about 23,290 megawatts in the United States. *The New York Times*, 3/10/05

State OK's 27.5% Rate Hike For Massachusetts Electric

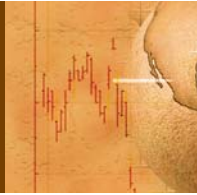
State utility regulators approved a 27.5% increase for Massachusetts Electric Co. customers starting in November. The Massachusetts Department of Telecommunications and Energy said their review showed Massachusetts Electric had procured energy supplies appropriately, at market rates. Massachusetts Electric, part of British energy conglomerate National Grid PLC, serves 1.2 million customers in 168 cities and towns. *The Boston Globe*, 1/10/05

Laclede Gas Rates To Rise

The Missouri Public Service Commission has approved a gas rate increase filed by Laclede Gas Co. The company requested the rate increase to reflect the increased costs of maintaining its distribution and storage system. The rate hike that the Missouri Public Service Commission has approved amounts to increased natural gas revenues to the utility of about US\$8.5 million rather than the approximately US\$34 million that was sought. The settlement also calls for a new US\$1 million low-income energy assistance program, amongst other programs designed to soften the blow of higher prices. *Associated Press Newswires*, 1/10/05

Missouri Regulators To Study Gas Company Prices

Missouri State regulators intend to review the steps companies have taken to mitigate the effect on customers of the high jumps in wholesale gas prices over recent months. Although companies are unlikely to be able to reduce the costs they plan to pass on to customers, it is hoped that the review could lead to a change in how the state requires companies to control fuel prices in the future. *Associated Press Newswires*, 1/10/05



CPUC Opens Proceeding To Figure Out How Much Confidentiality To Allow

The California Public Utilities Commission has kicked off a rulemaking exercise to examine which kinds of information submitted in proceedings should be kept confidential and which should be open to the public. The proceeding was ordered by SB 1488, which directed the commission to open a rulemaking to examine its practices under several sections of the Public Utilities Code and the California Public Records Act.

California Energy Markets, 27/9/05

Canada:

Ontario's Electricity Utilities Are Playing A Prominent Role In Helping To Create A 'Conservation Culture' In Ontario

The Ontario Energy Board approved over C\$160 million in local electricity distribution company (LDC) conservation and demand management programs this past spring, including a wide range of initiatives and activities, from appliance rebate programs and energy efficient lighting promotions to smart meter pilot projects. Ontario's LDCs are introducing innovative energy conservation programs in their communities, including smart meter pilot projects, designed to support the creation of a 'conservation culture' in Ontario, says the Electricity Distributors Association.

Canada NewsWire, 1/11/05

Union Gas Rejected In Its Bid For Rate Hike

Union Gas, the second largest gas company in Ontario, has had its application to increase its rates for 2006 denied by the Ontario Energy Board. Union originally to raise rates by 5.4% but later suggested an increased based on the Ontario consumer price index. However the board rejected both approaches and asked Union Gas to provide economic evidence to justify the increases.

The Toronto Star, 14/10/05

Mexico:

Cheaper Gas For Pemex

The Ministry of Energy extended the US\$8.03 per MBTU maximum gas price set in September to Pemex. This price will apply until 80% of the production in the Gulf of Mexico affected by the hurricanes is restored.

Reforma 22/10/05



US\$1,000 Million Guaranteed For Projects In Mexico

The US Export-Import Bank has approved long-term loan guarantees for U.S. companies providing equipment and services to Pemex, Mexico's state-owned oil company. The loans are for oil and natural gas exploration, development and production in Mexico, and will involve nearly 300 U.S. companies.

Houston Chronicle 3/10/05

Central and South American News

Bolivia:

Electricity Prices Can Increase By 4% From 1 November

According to the Bolivian Vice-Minister of Electricity, Alternative Energies and Telecommunications, Mr. José Ustariz, the electricity full-service tariff can increase by 4% from 1 November. The rise is due to three new transmission lines installed by the Colombian public transmission company, ISA, which will help alleviate transmission problems in the Bolivian electricity market and, in the medium term, will foster competition among generators.

Business News Americas, 12/10/05

Brazil:

13 Hydro Projects Pre-Selected For December's Electricity Auctions

The Brazilian Ministry of Mines and Energy has pre-selected 13 hydro projects for the electricity auction on 16 December. The auctions will offer building and operating concessions by means of 30-year contracts (see last GERN issue). To date, only 5 of the 13 projects, accounting for just 639MW of the 2,020MW involved, have obtained environmental licenses.

Business News Americas, 26/10/05

ANEEL Approves Full-Service Tariff Adjustments

The Brazilian electricity regulator, Agência Nacional de Energia Elétrica (ANEEL) has approved tariff adjustments for three distribution companies: Bandeirante, CPFL Piratininga and CEEE. The new tariffs will be implemented from 23 October. Bandeirante will have to reduce its tariffs by 17.43% and 12.89% for residential and high voltage clients respectively. CPFL Piratininga will have to decrease full-service tariffs for residential clients by 8.86% whilst tariffs for commercial and industrial clients could rise by up to 17.7%. CEEE's residential clients could see their tariffs rise up to 1.89%, while high voltage tariffs could increase by 13.32%.

Gazeta Mercantil, 24/10/05; Business News Americas, 21/10/05;

Gazeta Mercantil, 20/10/05



The Brazilian Government Plans To Draft A Bill To Regulate Transport And Commercialisation Of Natural Gas

The Brazilian Minister of Mines and Energy, Mr. Silas Rondeau, has announced his intention to draft a bill to regulate the transport and supply of natural gas. The bill, expected by the end of November, will end the present monopoly of Petrobras (Companhia Integrada de Petr leo) and will create a new body to supervise the allocation of surplus pipeline capacity, in order to facilitate access by private gas producers and retailers. It will also regulate access to gas processing, compression and liquefaction plants. In addition, the government has announced its intention to create a secondary market for gas.

Business News Americas, 17/10/05

Chile:

Gas Natural May Have To Acquire Endesa's Subsidiaries In Chile

The Chilean government is studying whether or not Spanish utility Gas Natural would have to acquire 100% of Endesa's subsidiaries in Chile—Energis SA (ENI) y Endesa Chile (EOC) – if its hostile takeover bid for Endesa succeeds.

Dow Jones Newswires, 24/10/05

Wholesale Electricity Prices Will Rise 4.9% In November

The Chilean government has approved an increase in the price at which generators sell electricity to distributors. The price will rise by 4.9% in the Interconnected Central System (Sistema Interconectado Central, SIC) which serves central and southern Chile (the most densely populated region in the country). The wholesale electricity price represents between 40% and 50% of the full-service electricity tariffs. Thus, regulated electricity prices in these areas will increase by 2.3% from 1 November.

Reuters-Noticias Latinoamericanas, 14/10/05

Dominican Republic:

The Dominican Senate Discusses Renewable Energy Bill

The Senate of the Dominican Republic is discussing a bill that will create incentives to develop renewable energy projects. The bill would eliminate import taxes on machinery employed in construction as well as profit taxes during the first 10 years of operation of renewable energy installations.

Business News Americas, 3/10/05



Ecuador:

Electricity Tariffs To Be Reviewed

The Ecuadorian electricity regulator, National Council of Electricity (Conelec), is reviewing electricity tariffs in Ecuador. The new tariffs, that will be valid from 1 November 2005 until 31 October 2006, have to receive approval from the President of the Republic. According to Conelec's President, the Council will take into account the economic situation of the country, which might lead to tariffs being frozen for the third year in a row. However, this would increase the current deficit of electricity distribution companies, expected to amount to US\$232 million for 2005. Hence, Conelec is considering the application of differentiated tariffs, which would depend on each household's average consumption.

El Comercio, 26/10/05, 5/10/05

Nicaragua:

Electricity Tariffs May Increase By 15%

After last September's 11.8% rise in full-service electricity tariffs, the Minister of Treasury and Public Credit of Nicaragua, Mr. Mario Arana, admitted that it may be necessary to increase the electricity tariff once again by 15% to compensate for the increase in oil prices. The tariff increase is a response to the IMF demand for a 25% rise in Nicaragua's electricity tariffs.

Agencia Mexicana de Noticias, Notimex, 23/10/05, 6/10/05;

AP Spanish Worldstream, 22/10/05

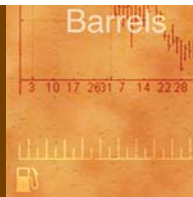
Asia Pacific News

Australia:

Distributor Unable To Provide Cost And Revenue Information To Regulator

An Administrative Appeals Tribunal has upheld United Energy's appeal against the Essential Services Commission's request for further information on costs and revenues. United argued that the request was unreasonable since the information would take more than 12,000 working days to provide.

Australian Financial Review, 29/10/05; 20/10/05



States Express Concern About Move To National Regulator

The Energy Ministers for Queensland and South Australia have expressed unease about plans to hand over regulatory powers for electricity and gas utilities to the new Australian Energy Regulator (AER), while New South Wales wants more time to review the issues. The concerns look set to dominate discussion at the November Ministerial Council on Energy meeting in Hobart, where the handover of powers is due to be finalised.

Australian Financial Review, 28/10/05; 25/10/05

ESC Scales Back Price Cuts In Final Decision

The Victorian Essential Services Commission's Final Decision on distribution network prices will result in price cuts of between 3% and 16% this year, with an average 17% reduction in real charges over the next five years. The decision represents a significant retreat from the Commission's initial proposal for immediate price cuts of between 14% and 23%.

Australian Financial Review, 20/10/05; www.esc.vic.gov.au, 19/10/05;

China:

China Issues Regulations On Radiation Safety

China will put in force a set of regulations on safety of radioactive isotopes and radiation equipment on 1 December this year, according to a decree issued recently by the State Council. According to the regulations, organisations must obtain a license before they can produce, sell, and use radioactive isotopes and radiation equipment. Among other things licences will require organisations that produce radioactive waste gas, liquid and solid to possess capabilities or feasible plans to dispose of them properly.

Industry Updates, 10/10/05

India:

Bangladesh Rations Natural Gas To Industries As Demand Exceeds Supply

Bangladesh has decided to ration natural gas to industry from this week after demand rose sharply to outstrip supply due to a recent upturn in industrial growth. The country's dozen or so gas fields are currently producing 1,515 million cubic feet per day, while demand is around 1,625 million cubic feet per day. The government proposes to rotate the closure of power and fertiliser plants, which together consume 67% of total supply.

AFX – Asia, 13/10/05



States Told To Stop Setting Up Hydrocarbon Regulatory Bodies

The Central government has told state governments that moves to set up state level regulatory authorities for the petroleum sector violate orders of the Supreme Court. The governments of Uttar Pradesh and Haryana have recently proposed setting up a regulator for the sector. In March the Supreme Court ruled that only the Centre had the authority to enact legislation relating to mineral and oil resources.

Business Line (The Hindu), 7/10/05

Indonesia:

Shell Unit To Open First Private Gas Station In Indonesia Next Month

The Indonesian unit of Royal Dutch Shell Group will become the first private oil and gas company to enter the fuel distribution business in Indonesia next month. The gas station will sell both subsidised fuel such as premium gasoline and non-subsidised high-grade fuel such as Pertamina. Shell is expected to open up to 400 gasoline stations in the country within eight years.

AFX – Asia, 14/10/05

Nepal:

Government Considering Initial Steps to Deregulate Oil Industry

The Nepalese government has proposed a number of measures that represent the first steps towards reform of the country's petroleum sector. The reforms would mean that state oil monopoly Nepal Oil Corp. would be restricted to securing and importing supplies whilst responsibility for wholesale and retail distribution would be transferred to the private sector. Private operators would be able to decide retail prices, although the government would set indicative prices at the border for bulk buyers.

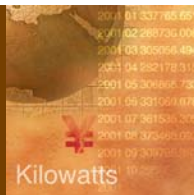
Global Insight Daily Analysis, 7/10/05

New Zealand:

Transpower Under Investigation For Breaching Thresholds

The Government-owned transmission company Transpower is under investigation by the Commerce Commission for breaching its revenue thresholds. Transpower stated in its annual report that it had collected NZ\$111 million (US\$78 million) more than permitted by the thresholds. The Commission's regime allows Transpower to increase prices at the rate of inflation less 1%. However, Transpower believes that prices need to increase by 7% to 10% more than the rate of inflation to fund large upcoming investments.

Dominion Post, 31/10/05



Philippines:

ERC To Settle Power Supply Contract; Napocor, Meralco Fail To Ink Supply Pact

The Energy Regulatory Commission will intervene in the dispute over Transition Supply Contracts (TSC) between Napocor and Meralco. The two companies have failed to agree on a TSC, which would tie Meralco to the power supply that would be produced by incoming power generators following the privatisation of Napocor. The ERC will now decide on the TSC. The Department of Energy wants to sell power plants backed with TSCs to maximise privatisation proceeds.

Manila Standard, 25/10/05; and BusinessWorld, 11/10/05

Distribution Utilities Procurement From WESM Sought

The Philippine Electricity Market Corporation, the interim market operator of the Wholesale Electricity Spot Market (WESM), has put forward proposals to require distribution utilities to source a proportion of their power supply from the WESM. Under the proposals distribution utilities with demand levels of over 100MW would have to source 10%—increasing to 20% after eight years—of their supply of electricity for retail to end-users from WESM.

Manila Bulletin, 15/10/05

Philippine Napocor's Privatisation May Face More Delay

The privatisation of Napocor, the Philippines' principal energy supplier, may be further delayed pending regulators' issuance of the maximum allowable revenue for the firm. The delay is expected to last to August 2006. Transco was spun off from Napocor to hold the energy firm's transmission assets.

Dow Jones International News, 10/10/05

Thailand:

Electricity Pricing Structure Changes Expected Monday

The National Energy Policy Committee is expected to consider a new structure for electricity tariffs to be applied from 2006 to 2008. The structure is expected to consist of base rates and fluctuating tariffs, which will be broken down into two categories: the existing FT rates and a new rate to be calculated based on the fuel price and the cost of electricity to be purchased from independent power producers.

Thai News Service, 18/10/05



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